# 2005

# THE ESTONIAN FOREIGN POLICY

## YEARBOOK

# 2005

Edited by
ANDRES KASEKAMP

# Table of Contents

# Preface

Andres Kasekamp

The year 2004 seemed like the "end of history" in Fukuyama's sense for many Estonians since the overriding goals of Estonian foreign policy - membership in NATO and the European Union - were finally achieved.

Yet, in many respects Estonia and the other Baltic states now face new and even more complicated challenges. While the situation for policymakers may have become seemingly more mundane, at the same time it is no longer as straightforward. Being within two highly complex organizations in the midst of transforming themselves, Estonians are not only expected to formulate positions on an unprecedented range of issues, but also to contribute in a meaningful fashion to EU and NATO policies and their implementation.

The authors assembled in the following pages analyse some of the key issues facing Estonia and the EU. Among these, the future of European security receives the greatest attention as a central theme of this volume.

Though Estonia is a small country with very few independent experts on foreign and security policy, I am extremely pleased that all of the articles in the 2005 Yearbook are by authors who have not published in the previous volumes of the Yearbook. As part of its mission to create an international affairs community in Estonia, the Foreign Policy Institute has sought to provide an opportunity for young researchers.

This is the third edition of the Yearbook and we can now definitely conclude that a tradition has been established. The first two were made possible by the generous support of foreign embassies in Tallinn. This volume is published entirely with domestic funding.

The Yearbook is exclusively in English because it aims to reach a wider international audience. For the Estonian public, the Institute publishes the monthly international affairs journal *Diplomaatia*. For further information about the activities of the Institute please visit the website: www.evi.ee

# Redefining Estonia's national security

Paul A. Goble

Governments have historically defined their national security and the threats to it in military terms. But as Princeton University's Richard Ulman warned in a seminal 1983 article, such an approach, however understable and defensible it may be inevitably carries with it the serious risk that these regimes will fail to note and hence respond to other equally serious but non-military threats to the independence of their countries and the well-being of their citizens.[1]

To help overcome that danger, Ulman called for a broader definition of the threats to national security – and hence of national security itself. He argued that governments and those who analyze their activities should define threats to national security as including all actions or sequences of events, no matter by whom taken that threaten within a relatively short period of time either the quality of life of the citizenry or the range of political alternatives available to the country's decision makers.

Not surprisingly, Ulman's proposed expansion of the definition of national security provoked intense debate with many officials insisting that it was so broad as to be unworkable. But over the past two decades, ever more governments and even more foreign policy analysts have adopted his perspective not only because of the impact of changes in the international system after the end of the Cold War and the collapse of the Soviet system but also because of the rise of challenges from above and below that have led to the failure of some states and the weakening of many more.

One country where the debate on the proper definition of national security and the threats to it has not yet been resolved, however, is Estonia. The reasons for that are entirely understandable: The Soviet occupation naturally lead Estonians to focus on military threats in the first instance and to seek to defend against them both by developing a national military and by joining

---

[1] Richard Ulman, "Redefining Security," *International Security*, 8.1 (Summer 1983).

the Western alliance. Moreover, the Estonian commitment to the principle of continuity of statehood meant that Estonians sometimes tended to restore the intellectual framework of policy making from an earlier time even if it was no longer valid. And finally, both the new Estonian state's lack of resources to cope with other kinds of threats even when they were identified and the insistence of many Western governments that these threats not be discussed by Estonians in isolation lest they create additional problems has only exacerbated the tendency to avoid making the transition Ulman suggested.

But now that Estonia has achieved its two most important foreign policy goals of the last decade – membership in both the European Union and NATO – there are three compelling reasons why Estonians both inside the government and out need to broaden their definition of national security and the threats to it if they hope to be able to defend and enhance their security rather than see it weakened in the future. First, as Estonians are beginning to recognize, the two organizations they joined in 2004 contribute to Estonia's national security but they do not solve all its underlying security dilemmas even in the military area. Second, Estonians now face all of the non-military threats other countries do that arise from globalization and the increasing interconnectedness of the international community. And third, Estonians face a number of specific security threats that flow from both its own internal situation and the attitudes of a newly weak Russian state that has not come to terms with its own new status.

These three issues are the subject of this essay, but before turning to them one preliminary comment is very much in order. Both what has been said above and what follows are not intended to suggest either that there is no military threat to Estonia or that Estonians should not take what measures they can singly or in concert with others to try to meet it. Rather, it is to argue that no one in Estonia should assume that military threats and military measures against them are the core of the country's national security problem and its solution and to suggest that Estonians who are concerned about their country's prosperity, independence and freedom of action must define security and threats to it more broadly if they are to pursue a successsful foreign policy.

## A contribution to security – but not a solution

For all too many Estonians, 2004 represented their very own version of the "end of history," a moment at which all their existential difficulties were left behind as they achieved two of their most important foreign policy goals – membership in the European Union and NATO – and appeared to be on

the brink of the third – the signing of a much-delayed border agreement with the Russian Federation.

But for three fundamental reasons, any Estonian who thought so was making a serious mistake. First, the two organizations his country joined are very different institutions than many imagined them to be, and these differences mean that neither separately nor together are they in a position to solve Estonia's national security problems. Second, membership in these institutions simultaneously restricts Estonia's freedom of action on many questions and provides yet another means for her geopolitical opponents to exploit against her. And third, membership in these two institutions does not relieve Estonia and Estonians of the responsibility to think and act on their own behalf, even if it may make that task both less obvious and sometimes more difficult.

After recovering their independence in 1991, Estonians committed themselves to joining the European Union and NATO so as to prevent any repetition of the past. In large measure, they had no choice but to take these steps if they hoped to return to the West and see their country prosper. But in so doing, many imagined that the institutions they would be joining were very different than the ones they actually became members of. That was more obvious in the case of NATO perhaps than with regard to the European Union: Most Estonians wanted to join the old NATO which would have put Western troops on Estonia's eastern border to defend against the possibility of Russian aggression rather than the new NATO which has a different set of priorities.

From one perspective, the EU and NATO present a set of similar challenges to Estonia. First, they both require that Estonia yield some of its sovereignty even before Estonia has fully and completely restored it following the recovery of independence. That inevitably creates tensions that within Estonia and between Estonia and her partners that make the relationship more difficult and that can be exploited by her opponents.

Second, both institutions now look to Moscow primarily as a partner rather than as an opponent. The EU, whose members are dependent on Russian energy, not surprisingly wants a cooperative relationship with the Russian authorities. And NATO whose leadership hoped for a „peace dividend" after 1991 has sought to promote close ties with Moscow. Not surprisingly, the EU has regular and intensive consultations with the Russian leadership, and NATO created a special NATO-Russia Council long before it expanded to include Estonia as a member.

That in turn has meant that both institutions increasingly look at Estonia as being a frontier region rather than Estonia's eastern edge as a clearly defined border between the two institutions and the Russian Federation. The internal differentiation of the EU with regard to Schengen rules is an obvious

case of that as are the very explicit and implicit promises NATO made to Moscow in advance of membership about what it will and won't do in the Baltic region.

The distinction between frontier and border is not trivial, even though it seldom figures in contemporary discussions of international security. Frontiers are zones in which many actors can play a role, whereas borders are by their very nature lines that divide. Because both the EU and NATO seek to avoid such lines lest they offend or even provoke the Russians, these two groupings are ineluctably creating penumbral zones around their cores, where there will be ever greater chances for misunderstanding because each of the players in them is likely to have a different understanding of just what the rules of the game are. Thus, a strategy intended to defuse tensions could end by exacerbating them and one designed to extend security could in fact reduce it, at least for those in the frontier regions.

And third, because of this new set of relationships, Moscow routinely uses its involvement with both to exert pressure on Estonia. Sometimes the Europeans and NATO give these efforts the rebuff that Estonia hopes for but not always, and consequently, Moscow is likely to continue to exploit this new channel of influence over Estonia, especially since it has lost some of its others.

But in another sense, the two institutions represent distinct challenges to Estonia's national security even as they contribute to its well-being a freedom of action in other ways. The European Union is increasingly inclined to lecture the Estonians, as the recent statements of the French president, the German chancellor, and the Finnish foreign minister suggest, on how they should behave internationally with regard to NATO, the United States, and Russia and on how they should order their domestic life, with the Finnish minister even suggesting that Estonia should radically change its economic system, the one that has brought it unprecedented growth, in order to bring the country into line with the rest of Europe.[2]

Likewise, NATO not only has insisted that Estonia participate in its new out-of-area activities such as Iraq and Afghanistan but has demanded that Estonia not get too far out of line in its statements about Russia or behave at home with regard to its ethnic minorities in ways that would make it impossible as the famous RAND corporation report pointed out for the alliance to come to Estonia's defense.[3]

Obviously, Estonia was prepared to accept the disciplines of membership in both cases, either out of a sense that it had no choice or a belief that the game

---

[2] "Baltic states must take on European Social Model, says Finnish FM," *DPA Press Agency*, 11 January 2005.

[3] Eric. V. Larson *et al*., *Assuring Access in Key Strategic Regions*, RAND Corporation Study, 2004, available on line at http://www.rand.org/pubs/monographs/2004/RAND_MG112.pdf

was worth the candle. But now that Estonia is inside, its leaders must confront a reality very different from the one they anticipated. These institutions are not the simple defenders of Estonian independence and statehood that they clearly hoped for. They are institutions which restrict Estonia in certain ways and even give her most significant geopolitical opponent new opportunities for influence. And most important of all, they do not relieve Estonia of the need both to work hard for her own defense and do what she can in the councils of these two institutions to promote and defend her interests.

The European Union's requirements for membership have helped Estonia to overcome much of the Soviet legacy and consequently the prospects for membership played a key role in change here. But the EU bureaucracies continuing intervention seems certain to generate a backlash, one that Estonian leaders will have to work hard to contain. And NATO's continuing requirement that Estonia spend two percent of her GDP on national security is not an unreasonable one, although it is difficult for a country that is facing all the challenges that Estonia does. Even though they would dispute this, most NATO planners, precisely because the alliance is still a military alliance, continue to define national security in largely military terms on this point, even though their governments do not.

Both institutions do provide Estonia with additional security – indeed, one might ask, what other groupings could? But they do not solve Estonia's security problems. And unless Estonia faces up to its own military responsibilities, unless it works actively within these alliances to defend its own interests, and unless it recognizes the broader security threats it now faces, historians of the future may conclude that in joining the EU and NATO, Estonia did indeed win the last war but not the conflicts it now finds itself in.

## Interconnectedness and its discontents

Ever more governments around the world now recognize that globalization has a downside, that the ever freer flow of goods, capital and people across national boundaries represents a threat as well as an advantage. In the last decade, these governments have focused on three of these threats in particular: the rise of international organized crime involving drugs and money laundering, the expansion of international terrorism, and the consequences political and epidemiological of the ever-increasing number of people crossing international borders either permanently or temporarily. Each of these affects Estonia, albeit in different ways than it affects other many other countries.

Estonia has been particularly hard hit by the rise in international organized crime. Its own institutions both public and private were and to a certain

extent remain weak relative to the size of the threat emanating from the Russian Federation, a failed state that is neither willing nor able to control much that goes on in its territory. It has not been able to prevent the flow of drugs now crossing Russia from Afghanistan and Central Asia from affecting its own population, leading to increases in domestic crime and the highest rate of HIV/AIDS infection in Europe. It has not been able to prevent its banks from being used for money-laundering. And it has not been able to ensure that the enormous amount of money involved has not had a corrupting impact on its political system as well.

To say this is not to say that Estonia has not had some significant successes or that in many respects it is doing far better than its neighbors. Rather it is to highlight what should be obvious: The Soviet legacy here has not completely dissipated either in terms of the values many people bring to their work or in terms of the lack of constraints people now feel after the collapse of the control mechanisms that were inplace in Soviet times. Overcoming these shortcomings will require an enormous amount of effort from all parts of society and even in the best of circumstances will require a generation or more. Indeed, as this process goes on, Estonians may be driven to recall the first corollary of Murphy's Law: It takes twice as long to correct a problem as it does to create it.

Fortunately, Estonia has not yet been the direct victim of the rise of international terrorism, but like all those who can still say that, it has suffered indirectly. On the one hand, Estonians now have to contend with intensified border controls elsewhere and demands that they impose greater controls as well – demands that often fly in the face of other demands by its partners and that make it more difficult for Estonia to get the benefits from membership in the EU and NATO. And on the other, Estonians are now forced to live with the fear of terrorism, a fear that some politicians and officials are exploiting for their own purposes. Indeed, in Estonia, the exploitation of terrorism to justify less public scrutiny into certain kinds of government activities and greater state control over others may prove to be a more direct threat than terrorism itself.

But it is the third type of non-military security threat to Estonia that is almost certainly going to have the most profound consequences here – the threat arising from the ever-freer flow of people across Estonia's borders. Like the flow of goods and capital, the flow of people brings many benefits: additional workers for a growing economy, new skills, and the money that visitors spend here. Estonians are quite properly proud that nearly a million people used the Tallinn airport in 2004 and that even more people came in via ferry or land. And they are marketing their country as an every more attractive tourist destination.

Unfortunately, visitors bring more than just their pocketbooks. They of-

ten carry diseases, and these diseases quickly spread to the domestic population, creating the potential for a demographic disaster. That risk is especially great when the visitors are from the neighboring regions of the Russian Federation, areas where the spread of HIV/AIDS, anti-biotic resistant tuberculosis, and various forms of hepatitis are so widespread that they have already driven life expectancies there down more than ten years over the last 15. But it also emanates from the rise of sex tourism from Western Europe, a disturbing trend that is likely to increase as air fares continue to fall.

The Estonian government has been unwilling or perhaps unable to commit the resources needed to combat these diseases up to now or to limit the influx of people from abroad, but its failure to do so means that these diseases will continue to spread and that the bill denominated in both krooons and national security will only increase. Projections in this area are by their very nature extremely risky things, of course, but international experience suggests that if Estonia's HIV/AIDS rate of infection continues to rise, it will certainly reach more than two percent of the country's adult population by 2010. And at that point, the government almost certainly will not be in a position to do much of anything about it.

And HIV/AIDS is perhaps not the greatest threat. Anti-biotic resistant tuberculosis may now occupy that position, even though it seldom gets much public attention. That form of TB is spreading rapidly in the Russian Federation and elsewhere in the former Soviet space. According to Murray Feshbach, the West's leading authority on health issues in Russia, the situation has reached critical mass: He says that this year, the number of Russians with anti-biotic resistant tuberculosis multiplied times the average cost of treating them would yield a total bill greater than the entire Russian state budget![4] As a result, many of them will not be treated, and the disease will spread. The same thing could happen in Estonia before the end of this decade and lead to a demographic disaster like the one that has already begun in the Russian Federation.

Indeed, so serious has that problem become that one of Russia's leading foreign policy analysts, Sergei Karaganov, told *Nezavisimaya gazeta-Dipkurier* in December 2004 that for Russians, "the worst foreign policy danger boils down to the fact that we do not channel money and effort into the modernization of human resources, into the health and education of the nation." By failing to do so, the head of Russia's Foreign Policy and Defense Council said, Russians are dooming themselves "to the status of some Latin American country at best – with colossal resources and a foul climate."

There is one good thing about these three problems: They affect a large

---

[4] For a discussion of Murray Feshbach's data on this point, see Michael Specter, "The Devastation," *The New Yorker*, November 10, 2004.

number of countries and currently are the subject of intense discussion in various international forums. That means that Estonia has a good chance to get both a sympathetic hearing and even support from foreign governments as it struggles with these plagues. Such support will not relieve the Estonians of their responsibility to do what they can on their own, but it will make it easier for Tallinn to take the necessary steps, albeit steps that are approved by the international community rather than just by Estonians or Estonia's political leadership alone.

But there is another impact of globalization that Estonia now confronts about which it is less likely to find similar understanding and support. That arises from its relatively small size. With fewer than 1.5 million people, Estonia lacks the market size to adequately support many of the institutions which tie a nation together, a problem that is compounded by the fact that its population remains linguistically divided and thus needs not one set of institutions but two. Prior to the era of globalization, small countries typically had to put up with their fate, living with fewer institutions than they might like.

Now, however, globalization means that larger countries often intervene to dominate the information space of smaller ones. That is what is happening in Estonia. On the one hand, Western and especially American movies dominate Estonian television, and translations of non-Estonian novels outnumber Estonian ones. And on the other, many of Estonia's ethnic Russians continue to rely on Russian Federation media rather than Russian-language Estonian media, a situation that sometimes has curious consequences as when ethnic Russians in Estonia assume they face the same problems as Russians in Russia but more often represents a fundamental threat to the unity of Estonia's population and political system.

Many Estonians are reluctant to deal with this problem, demanding that local Russians learn Estonian, something that ever more of them are doing. Over the long haul, that is without doubt the correct approach, but in the immediate future, it has some serious and disturbing national security consequences that Estonians may not want to be subject to. Again, dealing with this will be hard – after all, it is a structural problem – and probably especially so because the international community almost certainly will continue to push Estonians in directions many of them do not want to go.

## Threats within and without

As difficult as the threats to Estonia's national security just enumerated are, there are two additional threats that Estonia now faces that are likely to prove even more serious: the political consequences of its own demographic

problems and the threats arising from the actions of a newly weak Russia, a country whose leadership has not yet accepted its diminished standing in the world and is therefore trying to conduct what the late Paul W. Blackstock identified a generation ago as "foreign policy on the cheap" -- subversion.[5] Not only are these problems more intractable that most of the others, but in neither case is Estonia likely to find understanding in or much assistance from other countries in combatting them.

Even before 1991, most Estonians and outside analysts identified the changing ethnic composition of its population as its most serious demographic problem. Ethnic Russians moved here as the result of Soviet policies formed an increasing share of the country's population, and many Estonians felt that their presence threatened the survival of Estonians as a people. Indeed, that sense played a major role in powering the Estonian national rebirth in the 1980s and the drive to recover independence in 1991.

After Estonian recovered its independence, its government refused to grant citizenship to people who had been moved in by the Soviet government during occupation. Under international law, that was a completely defensible position. But for a variety of reasons that need not concern us here, Estonia soon came under international pressure to modify its position and to adopt special rules to grant citizenship to this group. This policy, which requires linguistic competency, is working and Estonia has already made great strides in assimilating this group whatever some ethnic activists and Moscow may say.

The problems related to what some call Estonia's Russian-speaking population are not over, but they are on the way to being resolved. And most of the international community recognizes this fact. But both out of a desire to avoid offending Moscow, which holds to a different position, and out of a lack of understanding of just what Estonians have done, many governments nonetheless are not now and in the future are not likely to be unqualified in their support of Estonia's approach. As a result, the Estonian goverment faces a continuing challenge of explaining itself to the world, a challenge that the Russian government is likely to do everything it can to make more difficult, especially in times of crisis.

But there is another demographic problem that is likely to become even more important in determining the state of Estonia's national security: the age structure of its people. At the present time, Estonia is the "oldest" population in Europe. That is, it has the greatest percentage of people living above retirement age and one of the lowest percentages of its people in school. On the one hand, that will put enormous pressures on the government to adopt policies intended to support pensioners, pressures that may make force Tallinn to shift away from the economic policies that have brought it success over the past decade. And on the other, it means that Estonia will lack the

new workers it will need to expand its economy in the future or even to staff its military and other security institutions, given that they will have to compete with other institutions for people. That will place severe constraints on what Estonia can do in a variety of areas, and these constraints will be even greater if the birth rate does not increase or if many of the diseases that strike the young disproportionately should spread.

But there is another aspect to this demographic problem that has more immediate consequences: that is the age structure of the people involved in the recovery of independence in 1991 and the age structure of the country's political leadership since that time. To a large extent, the revolution in 1991 was made by a group that combined the oldest residents of Estonia who could remember the country before 1940 and the youngest who had been least affected by the Soviet occupation. Since then, the first of these has begun to pass from the scene, while the second has either avoided politics altogether or occupied positions far earlier in their careers than would be normally the case elsewhere.

The flight from politics by many of the young "revolutionaries" in many ways is a confirmation of a revolution intended to return Estonia to the condition of a normal country where politics were not all embracing. But it meant that in many cases, Estonian politics has come to be dominated either by the middle-aged, who were the most affected by the occupation, or by the remaining young, who were elected or appointed to offices that would normally not be available to people in their age cohort. The revenge of the middle aged has not been total, but it does mean that Estonia now has a politics that in some ways is more profoundly affected by the values of the Soviet past than was the case a decade ago.

That could present serious problems in the future, although they are likely to be self-liquidating with time. But the existence of a large number of relatively young people in or with experience in very senior positions at a very young age is certain to create domestic political problems that have national security implications. On the one hand, it means that many of the young people in senior positions will remain there blocking the rise of still younger people and making it less likely that Estonia will be able to organize more normal recruiting and staffing patterns. And on the other, it may mean that some of these junior-seniors will become embittered with the kind of opportunities democratic politics offers, leaving office or seeking to transform the political system in ways that will threaten Estonia's standing in the world. These are potentially serious problems; they need to become part of the discussion in Estonia.

But there is a still more significant security threat to Estonia, one emanating from the Russian Federation, many of whose leaders have not accepted their country's much-reduced power and status in the world. Newly weak

countries seek to expand their power and promote their interests via a foreign policy on the cheap, an approach that often involves the use of covert actions of various kinds, including the subversion of the political and societal institutions of relatively weak neighbors through corruption, blackmail, or other forms of pressure. Such an approach is not only cheap but is often effective because combatting it is often very difficult: No government that has been subjected to subversion can expose without the risk of looking weak and ineffectual, something that may serve the interests of the subverting state just as much as its subversion has done.

Fortunately, Estonians are in a better position to combat any such Russian involvement here than many of their neighbors. On the one hand, Estonians have had experience with such subversion before. The Soviet government in the early 1920s worked hard to subvert the Estonian government. It was not successful in all cases, but it did succeed in penetrating the foreign ministry and making use of the Estonian diplomatic bag for many years. And it certainly had under its control many Estonian public figures at that time. And on the other, Estonians remain far more deeply suspicious of Russian activities than are many of their neighbors, a suspicion that sometimes isolates them internationally but also makes them more willing to take risks now in order to protect their freedom and freedom of action in the future.

Almost certainly, Estonia would have been better off had it been able to carry through a serious program of lustration in the early 1990s, something that Western countries worked to block. Such a program certainly would have created problems here, but the failure to carry it out has left a lingering suspicion about many of the people in public life. That is a continuing threat to the country's national security both directly in terms of what those influenced from the east may do and even more powerfully indirectly by the certainty that Moscow will exploit this situation by exposing it at a time and place of its own choosing. Indeed, one of the hardest things for Estonians and people in the West more generally to understand about Russian behaviour is that Russian security services routinely plan for their programs to fail – and plan to exploit these failures as well as their successes.

## From an heroic age to a harder one

Coping with all these non-military threats to Estonia's national security is going to be difficult. But unless they are clearly identified and unless Estonia's leaders adopt this broader definition of national security, dealing with them will be little short of impossible. The last fifteen years were Estonia's heroic age. The issues were large. The answers relatively simple and clear. And the

commitment of Estonia and Estonians to their solution generally overwhelming. Now Estonia has moved from this heroic age to a much more difficult one. The issues are less clearly defined. The answers are not so obvious and certainly not so simple. And the commitment of the Estonian government and people is less sure.

Because that is so, Estonian leaders need to take the lead in defining national security more broadly, in explaining how problems far removed from the traditional understanding of security are now at the center of it. If they do, they may succeed in mobilizing the kind of support at home and abroad that their country will need to cope with these challenges. If they do not, then Estonia, which has only the smallest margin for error, faces a very troubled future even after its very own "end of history" in 2004.

# Towards 'forceful civilian power': An analysis of the provisions of the Constitutional Treaty for Europe in the foreign policy area[1]

Aili Ribulis

## Introduction

After months of discussions in the Convention on the Future of Europe followed by the negotiations at the intergovernmental conference, the Constitutional Treaty for Europe finally got the long awaited approval by the Heads of State and Government of the EU Member States in June 2004. Despite looming problems with its ratification at referenda in several Member States, the Constitutional Treaty is perceived to mark an important step in the history of the EU. Even if not ratified by all Member States, it will provide a new constitutional basis for those having done so. Alternatively, it will remain an important source of reference for the future development of the enlarged Union addressing a number of issues that touch the very essence of the Union. Among these, its values, internal and external objectives and competences are of utmost importance. In the foreign policy area, these aspects determine to a large extent its nature as an international actor.

This article focuses on the characteristics of the EU as an international actor on the basis of the Constitutional Treaty. Through the lenses of the theoretical concepts of civilian power and military power, it analyses the stipulations of the Treaty in the foreign policy area. It aims to establish whether the

new Treaty will change the current civilian power image of the Union. The article argues that despite a number of new elements strengthening the military dimension, the Union will continue to perceive itself as a civilian power. At the same time, a more flexible stand on the use of force as a part of its foreign policy can be noted. This suggests that the EU may construct its role as a civilian power differently than before. It will remain a civilian power in terms of its "inner characteristics" but may increasingly regard military power as an instrument for reaching civilian means if necessary. Therefore, the EU is likely to develop into what may be called a *forceful civilian power*.

The first part of the article will develop a theoretical framework discussing the contemporary relevance of the civilian and military power concepts. A distinction will be made between the competing concepts of pacifist civilian power rejecting the use of force, and the alternative view of forceful civilian power permitting it under certain circumstances. Both concepts will be contrasted with the countervailing view of traditional military power, which argues for the necessity for the EU to develop a military dimension in order to conduct its foreign policy. In the second part of the article, the mentioned concepts will be applied to the Constitutional Treaty. The focus will be on the way how the Union constructs its "inner characteristics" through its declared values and objectives, and on the external action instruments at its disposal. Both aspects are important elements determining the nature of the enlarged Union as an international actor, and occupy a central place in the civilian power debate. However, institutional and procedural changes in the area of external relations fall outside the scope of this article due to their minor relevance for the civilian power discourse.

## Civilian and military power concepts revisited

Since its creation, the character and role of the EC and later the EU as an international actor have evoked many discussions in academic literature. Among these, particularly the concept of 'civilian power', initially brought up by François Duchêne in 1973[2], has remained an important point of reference. Duchêne was convinced that the European Communities should seek to become a 'civilian power' rather than a military power. By that he meant an actor being "long on economic power and short on armed forces", but also "a force for the international diffusion of civilian and democratic

---

[2] Duchêne, F. (1973), 'The European Community and the Uncertainties of Interdependence', in Kohnstamm, M. and Hager, W. (eds.), *A Nation Writ Large? Foreign-Policy Problems before the European Community*, London: Macmillan, pp. 1-21.

standards"[3]. Thus, in his vision, a civilian power acts mainly through economic means. Military means generally do not fit into the concept. However, it also has a normative goal of advancing certain ideas and norms. Regrettably, Duchêne did not indicate any relationship between the economic means and normative goals of a civilian power, probably assuming that the mentioned aspects are in general complementary and not conflicting. However, the complexities of the international environment have proved that certain tensions between them can occur. Notably, these concentrate around the question regarding the role of force within the concept. Two distinct lines in the debate on civilian power have tried to clarify this question. For our purpose, they are labelled 'pacifist civilian power' and 'forceful civilian power'.

**The pacifist civilian power discourse: still relevant?**
The traditional pacifist civilian power discourse takes the view that civilian goals are to be pursued through civilian means. It argues along the lines of Duchêne that Civilian Power Europe by definition cannot draw on military means and that the EU should continue as a civilian power in terms of both its ends and means.[4] In Duchêne's concept, the overall ends of civilian power, the "diffusion of civilian and democratic standards" are intertwined with its own "inner characteristics". Among these, he pointed out "a sense of common responsibilities, and a built-in sense of collective action, which express social values of equality, justice and tolerance"[5]. This catalogue of characteristics has been extended by academics. More recently, respect for human rights and the promotion of democratic values are considered as a key characteristic of civilian power and its principal objective.[6] Broadly speaking, the objective of civilian power is "civilianisation of the international environment" including narrower aims to guarantee the functioning of the rule of law but also to promote prosperity and legitimate governance.[7]

Despite the importance of the mentioned ends, civilian power has mostly been defined in terms of its means. A common definition presents it as an actor having influence in the international system "by using mainly economic,

---

[3] Duchêne 1973: 20.

[4] Smith, K. E. (2000), 'The End of Civilian Power EU: A Welcome Demise or Cause for Concern?', *International Spectator*, vol. 23, no. 2, pp. 11-28, p. 16; Zielonka, J. (2002), *Explaining Euro-Paralysis. Why Europe is Unable to Act in International Politics*, Houndsmills: Macmillan, p. 10.

[5] Duchêne 1973: 20.

[6] Maull, H. W. (1990), 'Germany and Japan: The New Civilian Powers', *Foreign Affairs*, vol. 69, no. 5, pp. 92-3; Stavridis, S. (2001b), 'Why the "Militarizing" of the European Union strengthens the concept of a "Civilian Power Europe"', *EUI Working Papers*, RSC No. 2001/17, Florence: European University Institute, p. 16; Tewes, H. (2002), *Germany, Civilian Power and the New Europe. Enlarging NATO and the European Union*, Houndsmills: Palgrave, p. 12.

[7] Tewes 2002: 11.

financial and political means"[8] as opposed to military means. However, it is not always clear how the limits of civilian instruments vis-à-vis military instruments should be defined. Economic instruments such as trade, cooperation and association agreements and foreign aid, and political instruments such as diplomatic recognition and political support are traditionally seen as civilian instruments.[9] Questions might nevertheless arise for example regarding the nature of a number of measures of crisis management, such as disarmament operations, demobilisation or peace-keeping. Thus in certain cases, the dividing line between military and civilian means might well depend on the situation or one's perceptions.

Interestingly, the pacifist civilian power discourse is not seen as having become obsolete against the background of internal developments of the EU and international events during the past decade. On the contrary, the first failures of the CFSP in solving conflicts have served as arguments in favour of this approach. They are seen as a warning against the further development of military capabilities of the Union. Also the external environment with its "spectacular growth of interdependence" as observed by Duchene three decades ago[10] is increasingly relevant today, leading to a growing relative importance of economic vis-à-vis military instruments. In addition, the perceived relative decline of questions of 'high politics' is likely to widen the applicability of economic and financial instruments.[11]

Another argument that has recently emerged in support of the pacifist civilian power approach is the emergence of a comprehensive concept of security.[12] This is based on an increasing understanding that threats arise from a variety of sources including ethnic disputes and human rights violations, as well as economic, political and social instability.[13] In this context, as compared to other actors, a civilian power may offer a comparative advantage in its long-term efforts to change the international environment. It might contribute to preventing potential crises, thus lowering their political, financial, moral and human cost.[14] As a result, it can be argued that the civilian instruments of the EU might contribute at least as much to long-term security as those of military powers.

Indeed, compared to other actors in the international system, the Union

---

[8] Stavridis 2001b: 3.

[9] Smith, K. E. (2002), 'The Instruments of European Union Foreign Policy', in Zielonka, J. (ed.), *Paradoxes of European Foreign Policy*, The Hague: Kluwer Law International, p. 69.

[10] Duchêne 1973: 3.

[11] Whitman, R. G. (1998), *From Civilian Power to Superpower? The International Identity of the European Union*, Houndmills: Palgrave, p. 109.

[12] Whitman 1998: 234; Smith 2000: 21.

[13] Jopp, M. (1994), The Strategic Implications of European Integration, *Adelphi Paper* no. 290, London: Brassey's, quoted in Smith 2000: 21.

[14] Hill, C., 'EPC's Performance in Crisis', in Rummel, R. (ed.), *Toward Political Union*, quoted in Smith 2002: 79.

has an exceptionally wide and unique set of civilian instruments at its disposal, including a vast number of trade agreements, political dialogue around the world and extensive development cooperation. Even if the success of these instruments is occasionally questioned, their increased use as foreign policy tools suggests that they possess certain effectiveness.[15] On this basis, the advocates of pacifist civilian power argue that the economic part of the Union's external policy "works", in contrast to the CFSP, which "does not work". Therefore, the lesson to be learnt would be that the EU should continue to do what it does well. It should focus on civilian aspects of international relations and give up its ambitions to become a military power.[16]

Arguments for a Civilian Power Europe include the absence of consensus for decision-making in foreign policy, the lack of political willingness and capacity to use military capabilities, as well as doubts regarding the legitimacy and effectiveness of military force.[17] Recent developments and discussions around the Iraq crisis, which sharply divided the Member States and evoked questions of legitimacy, illustrate a number of these arguments. They also demonstrate the extent to which an EU operational military capacity seems to remain illusionary.

The developing military capabilities of the EU are sharply underplayed in this discourse. Even if it is acknowledged that military power might remain important for securing peace in some cases, the EU is not seen as an appropriate organization for that.[18] The further development of the CFSP and especially a common defence policy is considered to be an "expensive, divisive, and basically futile exercise for the Union"[19].

### Forceful civilian power: an increasingly relevant alternative?
The competing 'forceful civilian power' discourse borrows from the normative component of Duchêne's definition, which presents civilian power as a "force" for the international diffusion of civilian standards.[20] The word *power* itself is interpreted as an indication that civilian power "is not pacifist" and military power is integral to the concept.[21] The adjective 'civilian' may stress the importance of norms and values as the key component of the concept.[22]

---

[15] Smith 2002: 69.

[16] Treacher, A. (2004), 'From Civilian Power to Military Actor: The EU's Resistable Transformation', *European Foreign Affairs Review*, 9, p. 57.

[17] Smith 2000: 20, 23.

[18] Smith 2000: 20.

[19] Zielonka 2002: 228.

[20] Duchêne 1973: 20.

[21] Stavridis, S. (2001a), '"Militarising" the EU: the Concept of Civilian Power Europe Revisited', *International Spectator*, vol. 36, no. 4; Maull 2000; Tewes 2002.

[22] Tewes, H. (2001), 'How civilian? How much power? Germany and the Eastern enlargement of NATO', in Harnisch, S. and Maull, H. W. (eds.), *Germany as a Civilian Power? The foreign policy of the Berlin Republic*, Manchester: Manchester University Press, p. 22.

This implies that the development of military means by the EU does not constitute an end to the concept of a Civilian Power Europe. On the contrary, military means are seen as reinforcing civilian power if used for civilian goals. [23] Precisely thanks to acquiring of military capabilities, the Union might be able to act as a "real civilian power", an active player understood as a 'force' for the promotion of democratic principles in the world as envisaged by Duchêne. It is argued that possession of military means by a civilian power gives it a theoretical possibility to use them. It provides an important instrument for influencing international relations increasing the credibility and the overall effectiveness of the non-military means.[24] Especially for the resolution of short-term crises, peaceful behaviour and the use of economic instruments might not be effective tools. However, by intervening militarily or only threatening to do so, the EU might in some cases be able to resolve crises or even prevent some conflicts from emerging.[25]

Military means are not seen as an alternative for civilian instruments. The main emphasis and preference remains clearly on the latter while coercion through military means can be accepted only exceptionally.[26] This implies that important parts of the logic of the pacifist civilian power discourse apply also here. Civilian, notably economic instruments are the general 'weapon' of a forceful civilian power in order to shape international relations and to contribute to security in the long term. Also in case of conflicts, economic means are seen as the first imperative step of a civilian power towards finding solutions. Military means could only be used once all suitable civilian measures have been considered, implemented and proven to be unsuccessful.[27] In addition, force should be used in as limited way as possible to provide no more than a minimum of deterrence with sufficient defence capability.[28] Military means are thus not seen as part of the identity of an actor but just means to achieve civilian goals.

In contrast to the pacifist civilian power discourse, the forceful civilian power concept lends a more important role to the ends of foreign policy as compared to the means for achieving them.[29] In fact, the use of military means is given a subordinated role vis-à-vis the normative objectives of civilian power. Among these, the promotion of "civilian and democratic standards", including the key objectives of promoting democracy, human rights and the

---

[23] Stavridis 2001a: 46.

[24] Stavridis 2001b: 18.

[25] Smith 2000: 19.

[26] Tewes 2002: 20.

[27] Stavridis 2001a: 50.

[28] Ehrhart, H. (2002), 'What Model for CFSP?', *Chaillot Papers* no. 55, Paris: Institute for Security Studies, p. 19.

[29] Stavridis 2001a: 46.

rule of law, are of central importance. This implies that a serious violation of these principles could be seen as a sufficient reason to intervene with military means. This corresponds with the overall growing importance of the normative and legal dimensions in contemporary international relations. Notably the concept of human rights has gained significance during the last decades.[30] For a Civilian Power Europe, this implies that the international community may increasingly expect a strengthening of its normative dimension but also its more consistent enforcement in its international actions.

It should be noted that since the 1990s, the dominant EU rhetoric increasingly assumes that the EU should be able to draw on military means and use these as part of a full range of other, mostly civilian instruments in relation to international crises.[31] This development is illustrated by the establishment of institutional structures for military matters, the creation of a rapid reaction force and the launch of civilian crisis management operations in Bosnia and in Macedonia. However, until very recently, the EU discourse in general abstained from establishing clear principles for the use of these means. One might say that it underplayed the importance of the normative dimension despite the fact that since the establishment of the CFSP, its objectives have included safeguarding of common values, developing and consolidating democracy and the respect for human rights.[32]

**The EU as an emerging military power?**
The countervailing military power discourse has heavily criticised the civilian power concept. It has labelled its contradictory linkage of the adjective 'civilian' to the noun 'power' "a contradiction in terms"[33] . In this interpretation, the emphasis is on 'power' in the sense of military power along the realist paradigm of international relations theory. The adjective 'civilian' is seen as rather superfluous.

The military power approach argues that without a proper defence dimension, Europe fails to become a real actor in international affairs as it lacks the means to project its power.[34] It sees military capabilities as one of the main indicators of an international actor, and their absence as a major deficiency. Correspondingly, despite its enormous global economic power, the Union cannot be seen as a real actor in foreign politics as long as it does not have military instruments. Therefore, the development of military capabilities is

---

[30] Ehrhart 2002: 23.

[31] Larsen, H. (2002), 'The EU: A Global Military Actor?', *Cooperation and Conflict*, vol. 37, no. 3, p. 290.

[32] Art. 11 Treaty on European Union, henceforth TEU.

[33] Bull, H. (1982), 'Civilian Power Europe: A Contradiction in Terms?', *Journal of Common Market Studies*, vol. 21, no. 1.

[34] *Ibid*., p. 151.

perceived as a necessary and in principle unavoidable development for the EU in the long term.[35] Ultimately, an exclusive foreign policy of the Union instead of the foreign policies of the Member States would have to emerge together with the creation of a European army. The emergence of military capabilities is seen as part of the wider development of the Union towards a full-fledged actor, and thus as part of the EU's identity.[36] Despite problems and setbacks, the Union is seen as gradually moving in this direction.

During the 1980s, Hedley Bull offered the most forceful criticism of the civilian power postulate along these lines.[37] In sharp contrast to Duchêne, Bull called for a European strategic policy with nuclear and conventional dimensions, implying a strong de facto militarization of the EC. He criticised the very concept of civilian power as faulty because of weak premises based on economist thinking and the mistaken interpretation of the international environment. He pointed out the primary importance of the Nation-State as the main source of power, and stressed that civilian power is conditional on the behaviour of militarily strong States.[38] Bull saw a 'concert of nation states' with perceived common interests in the form of a Western European military alliance as the overall direction in which the EC should develop. Such an organisation would have an important role in creating a distinct identity based on the idea of European unity.[39]

The advocates of the military power approach argue that the creation of a military dimension of the Union would lead to an increase of its influence and credibility based on the ability to use force. It would strengthen the Union's position in "an uncivil world"[40]. Notably, the military capabilities of the Union would give it a much stronger voice in cases of conflict resolution. Therefore, the failures of the Union to effectively contribute to conflict resolution in Kosovo, the Middle East and in Afghanistan during the last decade are seen as failures of civilian power demonstrating the need for an effective military dimension of the EU.[41]

However, also the military power concept has a number of important limitations. It neglects the significance of economic factors, notably the growing complexity and interdependence of the global economy.[42] The fact remains

---

[35] Rummel, R., (2002b), 'Die ESVP als Instrument autonomen Handelns der EU', in Reiter, E., Rummel, R.-, Schmidt, P., *Europas ferne Streitmacht. Chancen and Schwierigkeiten der Europäischen Union beim Aufbau der ESVP*, Bielefeld: Verlag E.S. Mittler & Sohn, p. 167.

[36] Treacher 2004: 65.

[37] Bull 1982: 150.

[38] *Ibid.*

[39] *Ibid.*

[40] Smith 2000: 18.

[41] Treacher 2004: 50, 59.

[42] Whitman 1998: 6, 8.

that most foreign policy does not concern the use of force and non-military means continue to be highly relevant in inter-state relations. Furthermore, the military power approach neglects the importance of the long-term structural contribution of civilian power to provide security. It also underplays the EU's strong economic and institutional influence in the international system.[43] Irrespective of military capabilities, the Union is and will remain an important international actor. Therefore, it can certainly be concluded that the civilian power approach in and of itself is "not without power"[44].

## Analysis of the constitutional treaty

Not surprisingly, the abovementioned theoretical concepts lead to different sets of expectations regarding the Constitutional Treaty. The pacifist civilian power approach would expect the civilian power dimension to prevail both in the ends and means of the Union. This would be reflected in the declared values and objectives of the Union as well as its foreign policy instruments such as trade and development cooperation. The new provisions entailing military power elements would be of theoretical importance as an EU foreign policy would be unlikely to emerge. On the other hand, the forceful civilian power discourse would emphasise the crucial importance of the normative dimension as a guiding framework for external action. It would also acknowledge the necessity of military abilities for achieving civilian goals. Improved military means would support the development from a Civilian Power Europe "by default" to one "by design"[45]. Finally, the military power discourse would perceive the Constitutional Treaty as an important step in the gradual development of the EU towards a full-fledged international actor. It would suggest that the new elements of the CFSP and even more so the CSDP are steps in the direction of the gradual militarization of the EU. As such they would already be part of the international identity of the Union.

### Strengthened civilian values and objectives
The EU's projection of its own values, norms and objectives constitutes the essence of its "inner characteristics" in Duchêne's sense. They form the normative dimension of the Union, conceptualising its identity vis-à-vis its own citizens and the outside world.[46] At least theoretically, the declared values

---

[43] Hill 1990: 43-44.
[44] Smith 2000: 14.
[45] Stavridis 2001a: 50.
[46] Cremona, M. (2003), 'The Draft Constitutional Treaty: External Relations and External Action', *Common Market Law Review* 40, p. 1348; Manners 2002: 241.

and objectives guide the actions of the Union and give a signal to the outside world regarding its norms of behaviour. The declared values, norms and principles form the basis for the EU's 'normative power' providing a certain source of the Union's external influence.[47] In the Constitutional Treaty, the normative dimension is reflected in the Preamble, Article 2 on the Union's values, Article 3 on its objectives, and Article III-292 setting out principles and objectives for external action.[48]

The Preamble of the Constitution provides an overall normative framework for all actions of the Union. Its very first paragraph refers to the values of the Union, thus emphasising their crucial importance. It appears that the declared universal values of the Union to a large extent borrow from the central characteristics of the civilian power concept. The preamble lists the universal values of rights of the individual, freedom, democracy, equality and the rule of law as key values of the Union.[49] Developed on the basis of Europe's cultural, religious and humanistic heritage, these values constitute the very core of the Union. The reference to history implicitly indicates that the EU sees itself as a civilian power 'by conviction' rather than 'by default'. The mentioned values are presented as a basis for progress and prosperity, proven by the success of the Union itself. The Preamble gives a central place to the concept of "*the rights of each individual*"[50], stressed in the "forceful civilian power" model. Furthermore, the civilian goal to "*strive for peace, justice and solidarity throughout the world*"[51] is mentioned to emphasise the broad international mission of the Union. Thus the Union is constructed as a player with an active role in the world.

Another article of general application and a crucial element in the normative dimension is Article 2 on the Union's values. It reiterates and expands the values mentioned in the Preamble and gives legal force to them. It has in principle taken over the current Article 6 of the TEU, stating that the Union is based on the declared values of "*[…] human dignity, freedom, democracy, equality, the rule of law and respect for human rights.*" However, this list is now extended adding that these "*are common to the Member States in a society of pluralism, tolerance, justice, solidarity and non-discrimination*"[52].

---

[47] Manners, I. (2002), 'Normative Power Europe: A Contradiction in Terms?', *Journal of Common Market Studies*, vol. 40, no. 2, p. 239.

[48] The numbering of the articles of the Constitutional Treaty in the present text follows the consolidated version of the Treaty of 6 August 2004, agreed by the Conference of the Representatives of the Governments of the Member States (CIG 87/04). It differs considerably from the earlier published versions of the draft.

[49] Preamble of the Constitutional Treaty, henceforth 'Preamble'.

[50] *Ibid.*

[51] *Ibid.*

[52] Art. I-2.

Similarly as in the Preamble, these normative cornerstones are presented as "inner characteristics" of the Union, having inspired its creation and development and applied also to its enlargement.[53] The declared values of the EU place the values of democracy and the notion of individual rights to a central place thus confirming the central characteristics of a civilian power as its key norms.

The declared ends or objectives constitute another important element of the normative dimension of the Union and therefore deserve close attention. It appears that the Constitutional Treaty has introduced a number of significant changes in this regard. Notably, one of the main achievements of the Constitutional Treaty is its integration of all external activities of the Union into one coherent legal framework.[54] For the first time, a set of overall objectives guiding all areas of external action has been introduced. It will replace the previous different objectives for separate policy areas such as development cooperation and the CFSP. This implies a considerable widening of objectives for individual external policy areas to include considerations relevant to other policy areas. At least theoretically, the designers of the common commercial policy will henceforth have to take into account security considerations, while the current rather limited objectives of the CFSP[55] will be broadened by a lengthy list of economic and social objectives. This can be seen as a response of the Union to the complexity of international economic and security matters along the lines of the pacifist civilian power approach. Apart from the widening of the objectives, also separate policy areas should now be designed to make their contribution to the overall goals of the Union. These aspects make an attentive reading of the external action objectives even more necessary.

In this context, both the general objectives of the Union[56] and the specific objectives for external action[57] are relevant. The importance of values appears already in the Union's overall aim, which is to "promote peace, its values and the well-being of its peoples"[58]. This is complemented by a lengthy list of internal economic and social objectives. However, values are even more important for the external objectives of the Union. In fact, its foreign policy objectives are constructed on the basis of its values and interests to the point where the promotion of the "inner characteristics" of the Union would

---

[53] Art. III-292.

[54] Cremona 2003: 1348.

[55] According to Art. 11 TEU, these are safeguarding of common values and interests, strengthening of security of the Union, preserving peace, promoting of international cooperation and developing and consolidating of democracy and rule of law and respect for human rights.

[56] Art. I-3.

[57] Art. III-292.

[58] Art. I-3.

seem to be the overall objective of its foreign policy. The advancement of its own values and principles, such as the consolidation and support of democracy, the rule of law, human rights and international law, occupies the central place among the objectives of the Union's external policy.[59]

The specific objectives for its external relations include a lengthy catalogue of mainly civilian objectives. Apart from promoting the Union's values, its objectives cover broad areas such as security, economic and social development and environmental policy.[60] They further include preserving peace, conflict prevention and strengthening international security[61], which might perhaps be interpreted as military power elements. The powerful economic and financial influence of the Union is reflected by several objectives such as the integration of the world economy, trade and aid, sustainable development, and the development of developing countries. Another civilian power element appears in the reference to multilateralism and respect for the international legal system. Overall, the lengthy and comprehensive list of external objectives of the Union reflects overwhelmingly civilian aspirations and its eagerness to improve the international system through its civilian influence.

Importantly, the external objective of the Union is not only to uphold its values but also to promote them internationally. This means that the Union aims to 'export' its values into the international system by using its foreign policy tools. The Constitutional Treaty declares that the Union seeks to develop relations and partnerships with countries, which share its principles.[62] Thus the Union reserves the right to deny relations and partnerships to actors who do not share them. This warning is made concrete in a separate section on restrictive measures to interrupt partially or completely economic and financial relations with third countries.[63] By establishing the principle of political conditionality as part of its constitutional norms, the Union signals more strongly that cooperation partners are expected to respect the normative set of rules of the Union. This indicates an attempt of the Union to become a more 'active' civilian power and use its economic power more effectively for enhancing its normative influence. It thus seems that the Union will aim at using more 'sticks' next to 'carrots' for promoting its values and achieving its objectives. The overall economic necessity of the 'uncivil-

---

[59] Art. III-292.

[60] *"In its relations with the wider world, the Union shall uphold and promote its values and interests. It shall contribute to peace, security, the sustainable development of the Earth, solidarity and mutual respect among peoples, free and fair trade, eradication of poverty and protection of human rights and in particular children's rights, as well as to strict observance and development of international law, including respect for the principles of the United Nations Charter"*. Art. I-3(4).

[61] Art. III-292.

[62] Art. III-292 (1).

[63] Art. III-322.

ian world' to develop relations with the Union suggests to provide a realistic chance for the Union to advance its principles in the international system.

In a similar way as the declared values of the Union, the objectives of the external actions of the Union reflect the core elements of civilian power. By contrast, the reference to military power is at best vague. This implies that in terms of its declared values and objectives, the Union continues to construct its identity as a civilian power. No strengthening of the military power elements can be noticed. On the contrary, the fact that a strong normative civilian power dimension now frames all aspects of external policy including CFSP and CSDP and that new civilian objectives and principles have been added suggests a significant strengthening of the concept of Civilian Power Europe. At the same time, the Constitutional Treaty constructs Civilian Power Europe as an active player in the sense of Duchêne, not only safeguarding its values but also promoting them. It thus places the Union within the forceful civilian power discourse.

However, apart from the general statement that the Union's objectives "*shall be pursued by appropriate means*"[64], the Constitutional Treaty fails to provide any narrower indication of the means for achieving its objectives. Similarly, the relative weight of the respective policy areas is not indicated apart from the statement that CSDP is a part of CFSP.[65] Therefore, in order to find out what kind of civilian power the Union will be and what means it envisages to deploy for achieving its objectives, a detailed analysis of the policy instruments of External Action is necessary. This leads us back to the descriptive part of Duchêne's definition with a focus on the "length of economic power and armed forces"[66].

**Developing military power through CFSP and CSDP?**
The CFSP and CSDP chapters are obviously the main 'suspects' to look for a possible militarization of the Union. Indeed, several new and rather detailed provisions particularly in the CSDP chapter indicate a certain movement in this direction. By contrast, the prevailing rationale of the CFSP remains foremost civilian given the broad declared objectives for external action and the absence of narrower defined goals, tasks and means in the Constitutional Treaty. Apart from institutional issues, only minor changes of substance have occurred as compared to the post-Nice legal basis. This might indicate a certain lack of long-term perspective for the CFSP or possibly an attempt to make the text acceptable to all by keeping it "suitably ambiguous"[67].

---

[64] Art. I-3 (5).
[65] Art. I- 41(1).
[66] Duchêne 1973: 20.
[67] Treacher 2004: 54.

A number of changes in the CFSP and CSDP areas are worth mentioning here. First, the integration of both areas under the umbrella of "Union External Action" means that these policy areas are no longer seen as 'special', isolated in a separate pillar. Instead, they are presented alongside the common commercial policy and development policy as 'normal' areas of external relations. Although the continued application of specific provisions for the CFSP and CSDP[68] indicates that the differentiated character of these areas will be preserved for the time being, both policies now appear more rooted in the overall external action. Another important change for external action derives from the fact that the Union will acquire legal personality, as opposed to the current situation where the European Communities have legal capacity but the EU does not. This is important particularly for the CFSP and the CSDP as the Union will be able to conclude more comprehensive international agreements comprising aspects of these policies. It thus constitutes another small move towards making the EU a full-fledged international actor along the military power discourse.

Furthermore, the emergence of the CSDP as a separate policy albeit within the CFSP[69] reflects the relative increase of its importance as such. In view of the close link between constitutionalisation and the "inner characteristics" of the EU as an international actor, this is a remarkable development. Some observers consider the inclusion of the defence section as "extremely important", signalling at least theoretical autonomy of the Union as a political actor in the international system.[70] However interpreted, the fact that a separate section on CSDP exists in the Constitutional Treaty indicates an intention of the Union to define a common policy in this area at least in the long term. It creates a broad legal framework for the future "into which the Union can grow"[71]. The Constitutional Treaty explicitly states that the CFSP "*shall include the progressive framing of a common Union defence policy. This will lead to a common defence, when the European Council, acting unanimously, so decides.*"[72] The eventual goal of "common defence" has become much more concrete through the replacement of the word 'might' in the current wording of the Treaty[73] by 'will'. Moreover, the word 'when' suggests a realistic development which is foreseen rather than a theoretical possibility of establishing a common defence. Even though the last part of the sentence relativises the statement, it undoubtedly indicates strong ambi-

---

[68] Art. I-40 and I-41 respectively.

[69] Art. I-41 and Art. III-309-312.

[70] Fernandez Sola, N. and Stavridis, S. (2004), Is a Constitutional framework really needed for the development of a European Security and Defence Policy?, http://www.fornet.info/documents/WorkingPaper4FernandezStavridis_workingpaper.pdf, p. 13.

[71] Norman 2004: 379.

[72] Art. I-41(2).

[73] Art. 17 TEU.

tions of the EU in the area of defence. In fact, the legal way for establishing a common defence has already been paved at the constitutional level.

However, the Union does not foresee the creation of its own armed forces in the foreseeable future. The Constitutional Treaty envisages the performance of the tasks of CSDP by using civilian and military capabilities of the Member States.[74] It does not even mention a possible distant goal of creating a unified European army. Apparently, the Union does not strive towards becoming a full-fledged actor at least at this stage. Nevertheless, it aims to move ahead also in this respect providing a possibility to establish multinational forces under the CSDP for those Member States which wish to do so.[75] In principle, this establishes a legal possibility to develop a basis from which a European army could be developed in the future. Interpreted this way, it marks another significant step in the gradual development of the Union towards military power.

However, the Constitutional Treaty leaves open a number of basic questions on the very nature of the CFSP and CSDP, such as what kind of security and defence the EU aims to provide. The broad objectives of external action suggest that the Union pursues a comprehensive concept of security with defence included as one of its aspects. Similarly to the current Treaty base, the CFSP shall cover "*all areas of foreign policy and all questions relating to the Union's security*"[76]. However, the statement that the basis of the CFSP is mutual political solidarity and questions of 'general interest'[77] provides in fact a possibility of non-action on grounds of their perceived absence. Apart from these broad indications, the Constitutional Treaty leaves the identification of the strategic objectives and interests of the CFSP in the hands of the European Council.[78]

It is remarkable that for the first time, military means are presented together with civilian means as part of the tools of the Union's foreign policy under the CSDP chapter.[79] So far, the Treaties have avoided a direct reference to military means despite the ongoing "de facto militarization of the Union"[80]. The Constitutional Treaty for the first time pronounces their existence as tools of foreign policy. However, it remains at best vague regarding the principles on their use. It does not define what civilian and military means are. Apart from mentioning civilian ahead of military assets throughout the text, no indication on the hierarchy between them is given. The ab-

---

[74] Art. I-41(3).

[75] Art. I-41 (3).

[76] Art. I-16.

[77] Art. I-40(1).

[78] Art. I-40(2).

[79] Art. I-41.

[80] Stavridis 2001a: 46.

sence of even general principles governing the hierarchy of means indicates that apparently the Union is not willing or able to take a clear stance on these important questions.

The Constitutional Treaty creates a new obligation for the Member States "*to undertake progressively to improve their military capabilities*"[81]. However, this does apparently not concern the improvement of civilian capabilities including those for civilian crisis management. This might imply that the classical non-military means of the EU are in general seen as sufficiently well developed, and that the EU aims to catch up with its poor military capabilities. Alternatively, it might mean that despite its civilian objectives, the Union aims to prepare the ground for being able to fulfil its future military aspirations. Interpreted this way, it can be seen as a hidden move in the direction of gradually becoming a military power.

The declared tasks of the CSDP indicate that the Union aims to 'get more serious' in this area. For the first time, the Constitutional Treaty permits missions outside the Union to preserve peace, prevent conflicts and strengthen international security in accordance with the principles of the UN Charter[82], thus in principle assuming a global reach of the CDSP. Other tasks of the CSDP, presented in an "expanded version of the Petersberg tasks"[83], list disarmament operations, military advice and assistance, support in combating terrorism and post-conflict stabilisation next to the existing tasks of humanitarian and rescue operations, peacekeeping, crisis management and peace-making.[84] At first glance, the language used seems to suggest that these are military tasks by their nature. However, such a conclusion might be premature as many of them lie on the border between military and civilian instruments and are therefore difficult to classify. It appears, however, that the fight against international terrorism apparently belongs neither to the objectives of external action nor to the specific tasks of the CSDP. Despite the broad set of instruments at the disposal of the Union, which would seem to be particularly well placed to combat this threat in the long term, terrorism is set as a secondary task of the Union at best.[85] It is mentioned in relation to other tasks of the CSDP "*which may contribute to the fight against terrorism*"[86]. A somewhat stronger reference to terrorism appears in the solidarity clause under which all Member States accept an obligation to assist each other in case of natural or man-made disasters or terrorist attacks

---

[81] Art. I-41(3).

[82] Art. I-41(1).

[83] Norman 2004: 238.

[84] Art. III-309.

[85] This has changed considerably in the European Security Strategy, where the new risks include international terrorism, weapons of mass destruction and state failure (European Council 2003).

[86] Art. III-309.

by giving both civilian and military assistance.[87] It appears from the text that the Union is concerned with preventing terrorist attacks and committed to mobilise all its resources to prevent them.[88]

Finally, the Constitutional Treaty offers several innovative solutions to increase flexibility and operational capability within the CSDP. This development may mark a new era for the external actions of the EU. It creates realistic opportunities for those Member States willing to intervene by military force to do so if necessary. This means that the EU might gain the long-awaited ability to use its military capabilities next to its civilian instruments increasing the efficiency of the latter. The practical importance of such clauses might gain importance, particularly in view of the Union's future enlargements.

Among them, a possibility will be created to delegate the implementation of a task of the CSDP to a group of Member States within the Union framework "to protect the Union's values and serve its interests"[89]. This implies that the Member States which are willing and have the necessary military capabilities will implement the CSDP on the ground. If realised, this means that the EU would indeed seem to be able to overcome its internal divisions and use military capabilities for conflict resolution at practical level. Furthermore, 'permanent structured cooperation' provides a possibility for Member States to move ahead in improving military capabilities in a wide range of areas of cooperation such as investment in defence equipment, improving the availability and interoperability of defence forces etc.[90] This means that the 'length of the armed forces' of the participating Member States will be prolonged due to improved capabilities and their possible interventions could be more effective. Finally, a provision for mutual defence guarantees between the Member States is provided, following the example of Article 5 of the Brussels Treaty on WEU[91]. It provides for a general obligation for all Member States to provide assistance by all means, civilian and military, if a Member State has fallen victim to armed aggression in its territory.[92] This is undoubtedly one of the strongest elements of military power in the Constitutional Treaty.

**Strengthened civilian instruments of trade and development cooperation**
The chapters on the classical civilian instruments of trade and development cooperation do not introduce many 'visible' changes as compared to the current Treaty base. Some new provisions of the Constitutional Treaty

---

[87] Art. I-43.

[88] *Ibid*.

[89] Art. I-41(5) and Art. III-310.

[90] Art. I-41(6) and Art. III-310.

[91] Art. I-41(7).

[92] *Ibid*.

nevertheless deserve attention. The most significant change occurs as a result of integrating the Common Commercial Policy (CCP) and development cooperation into the overall framework of principles and objectives of the Union's external action.[93] This leads to a considerable widening of the existing economic objectives of the CCP[94] and development cooperation[95]. Moreover, the strong normative dimension of the objectives of the Union's external action will specifically apply also to these policy areas. This implies that the objective of advancing the principles and values of the Union, such as democracy, respect for human rights and the rule of law, but also the promotion of good governance[96], will become specific objectives of both policies. The declared promotion of these principles as part of the Union's relations with developing countries implies that the Union aims to export its values to the outside world more actively than before. It will seek to use its economic power to enhance its normative international influence through the extended inclusion of certain norms and principles into its economic relations, which it connects with progress and prosperity.

Trade and development cooperation are the areas of external action where the international influence of the Union is probably most significant at the practical level. In both areas, this influence is based on the overwhelming economic strength of the Union, and on the weakness of the outside world and its aid and trade dependence. This enables the Union to take a more active stance and use these policies to promote its values and norms more efficiently. Another tool for this purpose is provided by the codification of political conditionality at the Treaty level, which is particularly relevant for both areas.

Further, both policy areas have been expanded to some extent. The scope of the CCP has been widened to include the currently mixed competence areas of services, commercial aspects of intellectual property and foreign investment.[97] The inclusion of these aspects of trade among the exclusive competences of the Union will widen the scope of its civilian instruments. Moreover, a separate article on humanitarian aid has been included in the

---

[93] Art. III-315(1) and III-316(1) respectively.

[94] According to Art. 131 TEC, the objectives of the Common Commercial Policy are trade liberalisation, harmonious development of world trade, the progressive abolition of restrictions on international trade and lowering of customs and other barriers. These objectives are now repeated in Art III-314 of the draft Constitution.

[95] According to Art. 177 TEC, currently the objectives of development cooperation are sustainable economic and social development of developing countries, their integration into the world economy, and the campaign against poverty, while mentioning that the Community's development policy shall contribute to general objectives of consolidation of democracy and the rule of law as well as respect of human rights.

[96] Art. III-292.

[97] Art. III-315.

Constitutional Treaty for the first time[98], thus indicating that this policy area is part of the Union's "inner characteristics". Humanitarian aid is designed to operate within the overall principles and objectives of external action in order to provide "ad hoc assistance, relief and protection for people in third countries and victims of natural and man-made disasters"[99]. However, it shall be given according to the principles of international law, particularly impartiality and non-discrimination. Thus the Union indicates its willingness to make an exception to its normative dimension in this respect.[100]

For the first time, poverty reduction and long-term poverty eradication are declared as a specific objective of the Union's development policy.[101] This highly ambitious goal is another element constructing the Union as a classical civilian power with a sense of global responsibility and solidarity while it also reflects a certain idealism. At the same time, tension might emerge between the declared normative objectives of external action and the objective of 'poverty reduction' as the ultimate goal of development cooperation when a developing country fails to respect the former. Also in this case, the Constitutional Treaty leaves the hierarchy of norms open, giving the main role in such situations to the future Minister of Foreign Affairs.

Overall, the wider and more integrated objectives and strengthened normative dimension of trade and development policies prove the continued or even increasing relevance of civilian instruments for the Union. For the first time, the powerful trade and development cooperation instruments are designed as an element of the global strategy of the Union vis-à-vis the outside world. As such, they are expected to reinforce the civilian influence of the Union on the world stage.

## Conclusion

The analysis of the Constitutional Treaty confirmed that the Union aims to continue as a civilian power. Notably in terms of its "inner characteristics" as demonstrated by the declared values, principles and objectives of the Union in general and its external action in particular, the Union's civilian power image is reiterated and strengthened. This is notably the result of the introduction of a uniform set of principles and objectives for all aspects of its external action, together with a reinforced normative dimension. Although defence

---

[98] Art. III-321.
[99] Art. III-321.
[100] Cremona 2003: 1364.
[101] Art. III-316.

has been included among the constitutional norms for the first time, the normative dimension of the Union does not include elements of military power. Consequently, defence cannot be seen as a part of the "inner characteristics" of the Union.

However, at the same time, the stipulations on military capabilities under the CSDP have also been considerably strengthened in the Constitutional Treaty. For the first time, military means are presented as an integral part of the Union's set of instruments of conflict resolution and crisis management. Furthermore, new mechanisms for cooperation in the defence area are aimed to enhance its capability to act in practice. Nevertheless, military instruments do not enjoy a pivotal role. They are framed by the broad civilian objectives and presented rather as practical instruments to contribute to more effective conflict resolution than a tool to achieve the militarization of the Union. Therefore, the strengthening of military capabilities can be seen as a tool to improve the achievement of civilian goals rather than as a means of asserting Union identity as such.

A change can be noted from the Union's image of a pacifist civilian power to a more active one along the lines of the 'forceful civilian power' discourse. Thus, the EU aims at being able to draw on military means for safeguarding and, importantly, also promoting "civilian and democratic standards" and to use these as part of a full range of other, primarily civilian instruments. This means that in the future, the EU would have a legal possibility or even an obligation to intervene in international crises to protect civilian values such as human rights. The strengthened normative framework of the Constitutional Treaty would lead to increased expectations from the EU to assume more responsibility on the world stage, and it would mean a loss of credibility if the EU failed to do so. The strengthened normative dimension might also generate more internal pressure on hesitant Member States to act in defence of civilian objectives. Ultimately, the final decision on a possible intervention would naturally remain in the hands of politicians who would translate the new constitutional principles into real external action of the Union. However, the Constitutional Treaty appears indeed to provide a legal framework for a more active international role of the Union.

From the point of view of the civilian and military power debate, the main shortcoming of the Constitutional Treaty appeared to be the lack of even general principles regarding the hierarchy of means for international actions of the Union. However, the balance of the external instruments of the Union remains overwhelmingly civilian and a strong normative civilian framework guides its activities. This suggests that its international role should be placed within the 'forceful civilian power' discourse.

Finally, Estonia is likely to benefit from the strengthened civilian power image of the enlarged Union. Having only recently been accepted as a mem-

ber of the Union, it can be proud of the strengthened values of the club. On the basis of the Union's declared values and norms, it can request more coherent implementation of the conditionality principle in the EU's relations with its relatively unstable eastern neighbours. In this context, Estonia can hope that the reiterated attempts of the Union to export its values to the outside world will increase stability outside the borders of the Union. The gradual development of military capabilities of the Union within its strong normative framework would seem acceptable for Estonia. As seen from its behaviour in the recent Iraq crisis, Estonia in fact acted as a forceful civilian power itself. It will take more time and effort for the EU to do so as a whole, but the Constitutional Treaty provides certain steps in this direction.

# European security policy: From conceptual discussions to the challenges of implementation[1]

Rein Tammsaar

The purpose of this article is to study the changes that have occurred, during the last two years, in the security policy of the European Union, as it relates, primarily, to terrorism. Considering the vast changes in the political, economic, and military spheres, that have accompanied the antiterrorist activities of the past few years, it seems necessary to place this topic in a wider global context.

In the first part of the article, I touch on the phenomena referred to as key threats in the European Security Strategy (ESS). In the second part, I focus on the wider global reach of the European security policy. Additionally, I look at some potential future developments. These could make it possible to not only neutralise some of the main security threats facing the EU, but to also make a step towards a model of global governance that would enhance the addressing of old phenomena, which are currently referred to as new threats. The general aim of the EU is not only to address these threats and, when necessary, to achieve the maximum in eliminating their consequences, but to develop an effective early warning and conflict prevention mechanism.

## The meaning of security and the EU's demand for a greater role in international security policy

The September 11th terrorist attacks on the United States fundamentally changed the definition of security threats and how they are assessed. As a result, it has been concluded in many parts of the world, including Europe, that, once again, intense preparations had been made for "the previous war".

---

[1] The views expressed in the article are purely those of the author and do not necessarily reflect the views of the Council of the European Union.

Both in the United States and Europe a new conception developed, that by now dominates the thinking in this realm. According to this approach, security threats (sometimes called asymmetric[2]), that could considerably and negatively influence the security environment, do not, in the short and medium term, emanate only from other states (as had been the case since the Peace of Westphalia), and that warfare is no longer the classic confrontation described by Sun Tzu [3] and Von Clausewitz[4].

The art of war has changed due to modern means of warfare that partly make it possible to avoid sending troops to a foreign territory. And the aims of wars have also changed. The aim of a war is no longer, so much, the destruction of an enemy and the conquest of a country, but rather, the protection of self-interests (the self-defence clause of Article 51 of the United Nations Statute and other legal instruments being used sometimes as fig leaves). This is accompanied by other aims, not as easily achieved through military means, such as state and nation building, intervention in humanitarian crisis situations or for their prevention, classic peacekeeping as well as more general crises regulation, etc. Furthermore, at times, the potential enemy is not identifiable as a structure acting on a specific territory. In this context, also the definition of a superpower has changed – the fact that a country dominates the international relations system does not necessarily guarantee it control over what is happening in the system.[5]

The general domination of the international relations system by the United States is characterised by three factors. First, the military and economic impact of the United States is not greater than all the corresponding indicators of the other centres of power taken together. Second, the continued unilateral use of power by the United States could or has partly already lead to joint opposition by the other centres of power. In this case, further leadership by the United States will become practically impossible, with the act of domination itself as well as the forming of even short-term coalitions becoming ever more difficult.

---

[2] Terrorism is often seen as a component of a so-called asymmetrical war, or the two terms are even equated. For the purpose of the present article, it might be more important, that the re-evaluation of security threats in the world was accompanied by a greater importance given to the concept of asymmetrical war that humankind has waged for thousands of years. Due to a scientific revolution, this warfare has developed from a means of opposition by a "weaker side" into the destructive element of an attack strategy. See also: Stephen Blanc, *Rethinking Asymmetric Threats*, Strategic Studies Institute, U.S. Army War College, 2003.

[3] S.B. Griffith, *The Art of War*, Oxford University Press, 1971.

[4] Karl Von Clausewitz, *On War*, Penguin Books, 1982.

[5] This can be seen as in accordance with the neo-realist paradigm of international relations theory that acknowledges considerable changes in the definition of power due to globalisation and new threats. For the role of technology's impact upon the balance of power, see Robert Jervis, "International Primacy: Is the Game Worth the Candle?" *International Security*, vol. 17, no. 4 (Spring 1993); Joseph Nye, "The Information Revolution and American Soft Power", *Asia-Pacific Review*, vol. 9, no. 1 (May 2002).

In parallel with the breakdown of the balance of the Cold War era and, according to some, also with the end of the Westphalian system as such[6], Europe entered the world arena as an independent actor. In comparison with the emergence of the United States as a global power after World War II, Europe has not implemented its thinking in the security policy field, nor reacted to corresponding developments, as quickly or as dynamically. However, since the founding of the Coal and Steel Community, the European Community has been gradually transforming itself from an economic actor into a union that is becoming ever more powerful in the field of foreign and security policy. Europe was able to broaden its scope and see that the development and maintenance of economic success was increasingly linked to security that guarantees the stability and sustainability essential for truly successful and peaceful development.[7] On the other hand, security-diminishing events were escalating in Europe itself – security threats *exported* to Europe originating not only from the EU's neighbouring countries but also from other regions of the world. The result is, that these threats, which, in a globalizing world, "cross" borders with relative ease, are exercising their influence in today's Europe.

Further developments, that can be considered to have culminated in the Kosovo events of 1996–1999, demonstrated convincingly the strong need for the European military capabilities, and the limitations of European ability to independently cope with security threats even on its own continent. This can be considered as a breaking point in the history of the European Union, since it was then that several EU countries realized the need to consolidate the

---

[6] Henry Kissinger, "Preemption and the End of Westphalia", *New Perspectives Quarterly*, vol. 19, 2002.

[7] In 1992, the pillar structure was conceived in the course of negotiations, which culminated in the signing of the Maastricht Treaty. There had been a drive to increase the Community's powers in the areas of foreign policy, security and defence policy from one side; asylum and immigration policy, as well as cooperation in the criminal investigation and judicial spheres from another. However, some Member States opposed the addition of these powers to the Community's responsibilities. They found that these particular matters were too closely connected to national sovereignty for them to be dealt with on a community basis, and could be better handled intergovernmentally. As a result, these matters were not included in the European Community "package", but were "tacked on externally" to the European Community in the form of two additional pillars. The Common Foreign and Security Policy (CFSP – often called the Second Pillar), dealt with foreign policy as well as security and defence issues, having as its foundation the concept of European Political Cooperation (EPC). Justice and Home Affairs (JHA – often referred to as the Third Pillar) dealt with the remaining issues. The Amsterdam Treaty (1997) established the office of High Representative for EU Foreign Policy who, together with the Presidents of the Council and the European Commission, would introduce EU foreign policy to the rest of the world. Although the Amsterdam Treaty did not directly provide for common defence, it did increase the EU's responsibilities for peacekeeping and humanitarian work, particularly by forging closer links with the Western European Union (WEU).

Common Foreign and Security Policy (CFSP)[8], and for the actual implementation of the European Security and Defence Policy (ESDP)[9]. The latter has by now been equipped with a concrete development platform and specific deadlines.[10] Within the framework of Headline Goal 2010, signed in Brussels in May 2004, in addition to general military capabilities, the development of EU civilian capabilities[11] has also been elaborated and given deadlines.

But only in the first years of the new century, has the EU, in its official rhetoric, begun to repeatedly interpret its own essence and actions, and to define itself as a union with a global reach.[12] The development of the EU 15

---

[8] In a speech held in 2001, Chris Patten gave an accurate description of the weakness of the CFSP and the reasons for it when analyzing the Kosovo events: "...The reason is not far to seek. The European Union is not a full-blooded Federation. The separate nations are central to its construction, and must remain so. As I have said in another context, the 'ever closer union of the peoples of Europe' must not come to mean the 'ever dwindling nations', for it is the alchemy between the supranational and the international that gives the EU its depth and richness... But the hybrid nature of our construction has been a ball and chain around the Foreign and Security Policy. Because foreign policy goes to the heart of what it means to be a nation. If the separate members of the Union are to retain their national identities, as they can and must, they will inevitably be reluctant to relinquish control of their foreign policies. They are, after all, competitors in the world as well as partners..." IEA, Dublin, Brian Lenihan Memorial Lecture, 7 March 2001.

[9] After the failure of the ratification of the European Defence Community and of its feeble successor the WEU, the ESDP was initiated on the basis of the provisions of the Treaty of Amsterdam (1997), which stipulated the progressive framing of a common security and defence policy that could deal with the so-called St. Petersburg tasks: humanitarian and rescue missions, peacekeeping, the implementation of combat forces in crisis management, including peacemaking.

[10] The ESDP Presidency Report, prepared with the view to formulating Council Conclusions, finalized by December 2004, mentions the following operations either conducted or be being conducted by the EU: the EU Military Operation in Bosnia and Herzegovina (ALTHEA); the EU Police Mission to Bosnia and Herzegovina (EUPM); the EU Police Mission to the former Yugoslav Republic of Macedonia (EUPOL PROXIMA); the Rule of Law Mission, in the context of the ESDP, to Georgia (EUJUST THEMIS); as well as the Police Mission to the Democratic Republic of Congo (EUPOL KINSHASA) and the Exploratory Mission to Iraq, which are scheduled for 2005. The latter is being prepared by the EU fact-finding mission (October 2004). Part 2 of the same report, Development of European Military Capabilities, deals with the formation schedule and make-up of 13 battle groups to be created within the framework of the Rapid Reaction Force, as well as the European Capability Action Plan, the European Defence Agency, etc.

[11] Chapter IV of the ESDP Presidency Report, Development of European Civilian Capabilities, stresses the intention of already achieving their full operability by 2008. But it should also be mentioned, that the creation of a European Gendarmerie (military units with police functions) has, so far, not emerged as a priority. The creation of the Human Security Response Force (HSRF) has not materialised either. See, for example: European Security Doctrine for Europe, 16.09.2004, http://ue.eu.int/uedocs/cms_data/docs/pressdata/solana/040915CapBar.pdf.

[12] The realist school of international relations generally finds, that if the balance of power has shifted, as was the case at the end of the Cold War, then superpowers with global ambitions will try to occupy the void either alone, or by establishing a new system founded on a balance of power with multiple poles where EU could be viewed as one of the poles.

has been more balanced than could have been expected. Furthermore, the driving force behind its global ambitions was not necessarily its opposition to the United States. The reasons for this were and are rather somewhere else: the decreasing population of the EU, economic stagnation, the powerful emergence of the Pacific region, the withdrawal of United States troops from Europe, the globalization of security threats, etc. At the same time, dedication to international law; numerous economic, development, and aid programmes; as well as other well balanced activities in the international arena have enabled the EU to enjoy growing authority and support in the world.

It, therefore, seems logical, that the understanding among the EU Member States and their citizens of the role of the EU in global politics has shifted towards a realisation that in the 21st century the EU needs to be a global player. Therefore, the EU has to accept global challenges, and develop independent capabilities to deal with them. The EU's global ambitions, and its commitment to improve the commonweal of EU citizens, have resulted in the European Security Strategy (ESS) that was approved in December 2003. It is not reasonable to view the ESS separately from the waves of enlargement, from the CFSP's more general context, and from the development of the EU Constitutional Treaty. The ESS, when specifying the security threats facing the EU, deals with their neutralisation, while paying attention to external factors, or, in other words, to the international system and the EU's future in it as well. The commitment to enlargement and the implementation of the Constitutional Treaty provisions, creating of the European External Action Service, with the objective of strengthening the security-political reach of the EU, and of consolidating the organisation internally, are securing the EU's future position as a global player.

## The European Security Strategy and European Threat Assessment

The ESS can be regarded, first and foremost, as an attempt to set out the EU's global ambitions, and it can be assumed, that the message of the document is primarily directed at the outside world. It is significant, that in the document there is a reference to and an indirect assessment of the position of hegemony held by the United States. While recognising that the United States is the world's single military superpower, it is stated that, "no single country is able to tackle today's complex problems on its own". Nevertheless, the ESS could be regarded as a security-political alternative, rather than an outright attempt to challenge the United States' position. Thus, the ESS is, instead, a call for cooperation on the basis of well-defined rules – international law and the Statute of the United Nations.

On the other hand, the ESS is also meant for internal use. In addition to listing the possible principles upon which the further development of the international system could be based, the ESS presents a consensual wording (probably for the very first time in the EU's history) of the EU's security-political trends, as well as a list of threats facing Europe. In this sense, *European Security Strategy – A Secure Europe in a Better World* can be considered to be a founding document of the EU. It consolidates CFSP developments and envisages future scenarios, giving Member States the opportunity to decide when and how generally described aims could be reached. From the point of view of the EU's security policy, it is of the utmost importance to study the security threats, as defined in the Strategy, facing Europe as a whole, as well as to analyse what has been said and what efforts have been made in this field. This, in turn, would help to analyse the EU's respective acitivities and future perspectives, while also observing certain security aspects that should be dealt with separately.

The European Security Strategy, the adoption of which, despite fierce criticism[13], can be called an important step in the further development of a truly joint CFSP and vital ESDP, was adopted by the Heads of State and Government at the European Council on 12 December 2003. The ESS stresses, that "large scale aggression against any Member State is now improbable". It goes on to warn that "instead, Europe faces new threats which are more diverse, less visible and less predictable"[14], naming five of them as key threats: terrorism, proliferation of weapons of mass destruction (WMD), regional conflicts, state failure, and organised crime. The underlying premise is that security is a precondition for development, and that the neutralisation of security threats should be started outside one's own territory. It has partly been realised, that in a today's world, the securing of borders, as a separate measure, does not offer a solution in terms of protection against globalising security threats.

All the threats listed are of a global nature, although their reach can be regional, and they are closely connected with one another. Unlike the United States, the EU, through its ESS, has included regional conflicts and organised crime in the list of global threats. Without trying to underestimate the devastating impact of organised crime on both individual countries and the international system as a whole, as well as being aware of the increasing cooperation between the representatives of criminal networks and members of terrorist organisations[15], this topic will not be dealt with here due to the

---

[13] See, for example Borut Grgic, "European Security: A strategy with no muscle", *International Herald Tribune*, 13 December 2003.

[14] *A Secure Europe in a Better World, European Security Strategy*, European Union Institute for Security Studies, December 2003.

[15] The example of Columbia would be appropriate here, where the interests of the revolutionary movements (for example ELN – National Liberation Army or AUC – United Self-Defence Forces), using terrorist measures, and those of drug cartels, often coincide in their antigovernment activities.

limited volume of the article. The proliferation of WMD and chemical, biological, nuclear, and radiological (CBNR) materials could be viewed in the context of a general threat of terrorism, as is done with increasing consistency in the threat assessments put together by various international institutions, organisations, and governments.

When speaking about the changing security threats facing the EU and the world in general, certain problems regarding definitions cannot be overlooked. This particularly concerns the definition of terrorism, in relation to which, it can be mentioned, that the prospects for the signing the UN Comprehensive Counter-Terrorism Convention (that could clear up the legal aspects of this issue) are still rather bleak. Consequently, but also depending on their threat assessment and the spread of terrorist networks, various states have adopted differing measures in their fight against terrorism. For example, the majority of EU Member States consider a terrorist attack to be a criminal act that leads to criminal proceedings, and which is dealt with, first and foremost, by the police, but also by other government agencies responsible for internal security. Nevertheless, even within the EU there are different nuances in the legal field and for example the United Kingdom is somewhat of an exception, since it plans to introduce more strict measures that deal with terrorism. This implies certain exceptions to customary law enforcement proceedings etc. In many other countries of the world, terrorism is seen as an anti-governmental armed struggle, or a military activity, that calls for military measures to be taken, and that therefore falls under the authority of the military, as well as special intelligence and security services.

Despite these differences, various countries, and the EU as a whole, has adopted common definitions that make it possible, despite the weakness or inadequacy of international norms, to fight against new threats in a more efficient manner. When describing current attitudes in the EU, that have been strongly influenced by the Madrid terrorist attacks (11 March 2004), and the plans of various terrorist organisations, which have been exposed by the police and associated security services, to carry out terrorist attacks in European cities, it could be stated, that in the EU the threat of mega terrorism is regarded as being more probable now than it was in 2002-2003[16]. Under these circumstances, a complex approach to the various interconnected threats listed in the ESS is more than relevant, as it enables the implementation of more comprehensive neutralisation of the mentioned threats and efficient conflict prevention.

I will now touch upon the main threats defined in the ESS, and analyze the activities of the EU for neutralising them in a global context.

---

[16] The European Council adopted the EU Strategy Against proliferation of Weapons of Mass Destruction on 13 December 2003, http://ue.eu.int/uedocs/cmsUpload/st15708.en03.pdf.

## Terrorism, immigration, and European integration

The scope of interests of the various terrorist groups can stretch from local and regional levels to the global realm. Both extreme ends of the terrorist spectrum are represented in Europe. Although traditional extreme left and right terrorist organisations (or domestic European terrorism represented by the IRA, ETA, Brigada Rosa, Red Army Faction, etc.) are not yet a thing of the past, both their impact and adherents have been marginalised. It should be admitted, however, that several fragmented extreme right-wing groups have been steadily gathering inspiration from processes, described below, occurring in the heart of Europe. Therefore, their activities, prospects, and political support must not be underestimated.

The specific nature of international terrorist groups lies in the global unity of their interests and the scope of their activities: anti-Western activities to diminish Western influences, and the promotion of their own interests so as to increase their power and sphere of influence. These groups, starting with Al Qaeda, have, in order to achieve their aims, merged their political interests and extreme religious views (e.g., *Jihad* against *kafirs*, etc.), which is sometimes labelled the fascist ideology of the 21st century[17]. And sometimes, this blend of extreme views blurs the understanding of the essence of these symbiotic phenomena. This combination enables the successful manipulation of the feelings and convictions of deeply religious people, so as to achieve objectives in the name of which a widely destructive campaign has been launched. This destructive, and partly even self-destructive, violence seems irrational, when viewed through the logic inherent to the United States or the EU. Activities that do not value the life of the person carrying out the act, as well as the lives of compatriots or co-believers, but rather, values the sacrifice of life in the name of goals deemed right, cannot be justified with the traditional interpretations of any classical religion. It, thus, seems unreasonable to refer to any kind of purely religious terrorism.

Both national or regional terrorist networks and international terrorist organisations are still using two main *modus operandi*: traditional regional or local alternative diplomacy with hostages and demands, as was the case during the Beslan crisis in Russia or in Iraq; as well as extensive action directed against symbolic or military targets, or against the civilian population. The latter culminated in the September 11th events in New York, but also in Casablanca, Madrid[18], Istanbul, or in any other large-scale terrorist attacks

---

[17] See, for example, Daniel Pipes, "Distinguishing between Islam and Islamism", Center for Strategic and International Studies, 30 June 1998.

[18] The planning of terrorist attacks in Madrid began years before Spain decided to send its troops to Iraq, or before anyone even knew that there would be a war in Iraq. Thus, initially, it had nothing to do with whether Spanish troops were, or were not, in Iraq.

directed against the West or its local supporters. In the context of the latter activity, a change of strategy can be observed – namely, focusing on destroying and terrifying the persons, organisations, and institutional networks cooperating with the West. This is considerably easier, cheaper, and, due to the media's great interest, almost as efficient as carrying out large-scale operations[19].

It must be recognised, that the United States' "war on terror" has created some additional inspiration for the terrorist groups that previously operated separately, to consolidate, after having been attracted by the activities of Al Qaeda and Bin Laden. Al Qaeda itself has turned into a kind of cult movement or ideology whose followers can be found all over Europe and the rest of the world, but which does not have a clear structure, hierarchy, or even organisational elements. As a result of this, and because there is no state that any longer poses a direct threat to Europe, activities directed against a classical military invasion have lost their meaning today. From the point of view of a terrorist threat, however, Europe is both a target, and one of the terrorists' main bases – several terrorist attacks have been initiated in Europe from amongst the circles of mainly second and third generation immigrants who exercise religious extremism. These people usually have not integrated into the local communities in which they live, but rather, form groupings in many European cities. They are closed to the values and laws of their countries of residence, but are receptive to the concepts of religious violence.[20] Various religious individuals[21] and movements preaching religious hatred and segregation, as well as violent measures, have clearly taken advantage of the tolerant, liberal attitude of the authorities[22] in their host countries within the EU. At the same time, we are dealing with phenomena that have put the democratic system and form of governance fully to the test. This, in turn, has forced politicians, analysts, and think tanks to concentrate upon questions such as freedom versus security, or in other words, whether adherence to democratic principles is compatible with the implementation of effective counter-terrorism measures and, first and foremost, upon an analysis of the preventive nature of the Global War on Terror (GWOT).

During the last 3-4 years, the EU states' comprehension of the capability

---

[19] For example, on the Arabian Peninsula, most of the actions (after the spectacular attempts of May and November 2003) carried out with an economy of means and targets are linked with individual targets who are supported by local pro-Western regimes, and are concentrated mainly upon sensitive sectors such as the oil industry, the military, and the security and intelligence services.

[20] See also Walter Laqueur, "The Terrorism to Come", *Policy Review*, no. 126.

[21] For example, in Germany, the term *Hassprediger* has been coined to describe such religious persons.

[22] Mulla Krekar, Oussama Kassir, and Abdelkader Bouziane are examples of individuals who lived and worked, over a long period of time, respectively in Norway, Sweden, and France.

of democratic society to fight terrorism has been not challenged. This is certified by the fact that, so far, terrorists have not been able to destroy a single democratic state, or its democratic form of governance. It should, however, be kept in mind, that terrorism, as a tactic and a method, is constantly developing, which implies a wide-scale exploitation of the scientific and technological achievements of the developed world. The principal danger emanating from terrorism could be embedded in the fact that it undermines the age-old foundation of democracy as well as its founding principles. The so-called GWOT is partially clandestine, which gives greater power to the executive, security and intelligence services, and the military. Since September 11th, the liberal democratic world has, in a way, undermined its own foundations, basic values, and founding principles when fighting terrorism under the "whatever the cost" slogan. The separation of powers and the strengthening of democratic institutions will make it possible to ease this dangerous situation. "Today even small groups matter a great deal precisely because of their enormous potential destructive power." [23] As a matter of fact, it is impossible to imagine how democracy, as a functioning system, will be ultimately affected by a large-scale CBNR terrorist attack. On the other hand, even terror that just induces fright, panic, anger, and protest will have a devastating effect not only upon the security of states, but also upon people's ideas of what the state protecting them from such terror should be like, and what measures the state should take in order to guarantee its citizens a safe present and future.

Until now, when analysing the EU's general security agenda, much attention has been focused upon the countries surrounding the EU and the problematic regions of the world. Also, technical assistance and political support has been given to countries riddled with problems with which the host country alone cannot cope. At the same time, there are shortcomings in the EU's own development: the joint action to solve internal security problems is not progressing as smoothly as it should (for instance, the exchange of intelligence- related information between Member States is fragmentary and insufficient), the inter-pillar coordination is still flawed, and the level of bureaucracy still very high. In some areas of activity, numerous documents have been adopted at the EU level, but they have still not been implemented. The situation is similar regarding the ratification and implementation of the UN 12 counter-terrorism conventions in EU Member States.

Efficient and constructive self-criticism, at this point, would pave the way for reforms and changes necessary for the EU to be more capable and convincing. Thus, the EU could be a more efficient example, for this part of the world, of the positive results of peaceful coexistence and cooperation. In other words, in order to be an inspiring example for others, one has to be

---

[23] Laqueur, "The Terrorism to Come".

able to deal with one's own problems first. The EU's unachieved intention to speak with one voice, the under-funded CFSP, and the endless discussions concerning the EU's Constitutional Treaty ratification perspectives still reflect the conflicting aspirations of the Member States (particularly the interests of the bigger, and the fears of the smaller) to remain powerful national entities even in a unified Europe on the one hand, and to direct Europe towards closer integration on the other.[24] While the EU has been successful in negotiating with third countries to include counter-terrorism and non-proliferation clauses in bilateral agreements, has given extensive aid to the security agencies of many countries to improve their capabilities and improve their efficiency; the EU's own endeavours to internally fight against growing radicalisation and terrorism have remained only partially successful. Quite a significant number of the decisions that have been made regarding these activities exist only on paper in the shape of various action plans and strategies, the implementation of which is expected to take place in the future.[25]

The growth of extremist views in EU countries can be explained by the intensification of the EU's foreign policy, uncontrolled immigration from outside the EU, and the unsatisfactory level of the integration of the newcomers into the local communities. The formation of parallel societies or ghettos by numerous immigrants results in the disregard for local values or alienation from them. This has slowed down or even stopped the transformation of a multiethnic Europe into a multicultural one. Unfortunately, Europe has been unable to absorb all the newcomers who have immigrated legally in the past 40 years, let alone the countless illegal immigrants.

By the year 2050, the number of the immigrants could even outgrow the number of native Europeans. So, what do developments like this mean? According to some scenarios, a strongly religious majority that shares a common worldview could eventually dominate Europe. This majority would want to live in a society that follows the customs, traditions, and life style that conform to the norms of its religion. Such a desire is fully understandable, but it should be kept in mind, that, for example, various schools of Islam have rivalled one another for centuries. This has, at times, resulted in domination by the more radical philosophy. Furthermore, the impact of radical Islam has grown noticeably since the Iranian Revolution and the Soviet Union's Afghanistan fiasco. Even in the foreseeable future, it is simply not possible to follow the rules of Sharia in a contemporary post-modern state. But the growing demand for the implementation of these rules would be a source of unforeseen tensions in traditional Western societies, despite the

---

[24] A most devastating example is the lack of a common EU position regarding EU representation in the UN Security Council.

[25] This is an opinion that even the EU Counter-Terrorism Co-ordinator Mr De Vries has also expressed various times.

fact, that most states in the EU have by now become multiethnic societies. At the same time, in most EU member states, immigrants have integrated only partially. Several tens of thousands have not been able to integrate at all, and live in poverty. This means, that they are forced to abandon local values, and turn to alternative ways of acquiring wealth, or find solace in religion. In many cases, the alternative referred to above is found in organised crime, including the smuggling of goods, the smuggling of people and arms, drug trafficking, and affiliation with terrorist activities.

In these countries, attempts to construct a model of integration based on a common language, ethnicity, or culture have failed, at least partially. Only after several jarring incidents, has public debate in EU Member States started to deal with the negative aspects of immigration, the failure to integrate immigrants, and the popularity of extremist religious ideologies that are alien to European values and call for violence.[26] In the EU as a whole, not enough public attention has ever been paid to these crucial issues. On the contrary, the EU had, for decades, pretended that the problem did not exist, and has thus directly contributed to the potential conflicts in its own backyard. The recent events in the Netherlands, following the murder of Theo Van Gogh, have illustrated the fragile balance existing between immigrants and the so-called natives, as well as the ineffectiveness of the government's attempts to foster integration. Similar problems are starting to influence public opinion in many other EU Member States. Therefore, it is of the utmost importance for Europe, which is struggling with modern demographic trends and is trying to control migration, to efficiently integrate newcomers and to strive towards the development of multiethnic communities.

Ageing Europe is in need of a younger labour force. However, the influx of labour, and demographic trends, alter the social structure. The newcomers who are deprived of the benefits of a consumer society, and are susceptible to extremist views, turn radical, which, in turn, creates social tensions. This is a closed circle that EU Member States need to break as soon as possible. The solution can turn out to be extremely painful, but in the long run, the development of a holistic solution and comprehensive strategy cannot be postponed. Making the link between the fight against terrorism and the demographic and social trends in Europe, as well as the issues relating to migration and integration, seems to be essential. At the same time, it is necessary to intensify cross-cultural dialogue between the EU and third states. Unfortunately none of the EU security policy related relevant documents deals with the issue in such a holistic manner.

---

[26] See also Immanuel Wallerstein, "Ottomani pärijad Euroopasse?" [Ottoman's heirs to Europe?], *Eesti Päevaleht*, 15 July 2004.

## Failed and failing states as an emerging and complex security threat

As was the case with the general definition of terrorism, it is complicated to define failed or failing states.[27] In addition to the fact that a solid and universal definition does not exist, not even a noteworthy informal approach to the essence of the problem has been developed, let alone legally binding norms. Nevertheless, one can come across occasional attempts to define the term "failed states". Thus, for example, "adverse regime change" has been defined by the State Failure Task Force as "Major, abrupt shifts in patterns of governance, including state collapse, periods of severe elite or regime instability, and shifts away from democracy toward authoritarian rule."[28] In the same study, failure was operationalised as one of four kinds of internal political crises: revolutionary war, ethnic war, "adverse" regime change, and genocide. To which one could add, that the pandemic of HIV/AIDS now also contributes to the collapse of societies.

At the international level, the problems related to terrorism and failing states are extremely complicated due to the psychological images connected with these issues, their negative connotations, and the fact that they are emotionally laden. Hence, the process of defining these issues legally has strong political, and sometimes even psychological, dimensions. If the ongoing discussion on the use of force in international relations (particularly the concept of humanitarian intervention[29] and the preventive use of force within the framework of Article 51) is also taken into consideration, then the process of defining security threats in these fields becomes extremely complicated, let alone joint action for neutralising them[30].

---

[27] It should be stated that the cliché "failed state" is even politically incorrect and extremely subjective. Different states interpret it to mean different stages of a long-term process: a state with weak institutions (weak state); an unstable state with great foreign dependence; a state that does not control parts of its territory or borders; a state where the political power belongs to various institutions and actors, some of whom might be corrupt, criminals, extremists or other non-state actors, etc.

[28] Jack A. Goldstone, et al., *State Failure Task Force Report: Phase III Findings.* McLean, VA: Science Applications International Corporation (SAIC), 30 September 2004.

[29] See also a report prepared at Canada's initiative: The Responseability to Protect, Report of the International Commission on the Intervention and State Sovereignity, December 2001, http://www.dfait-maeci.gc.ca/iciss-ciise/report2-en.asp.

[30] One possibility to define security threats, including, in relation to failing states and terrorism, was presented by Robert Cooper. According to him, the EU, the United States, and the rest of the world, as well as weak or failing, mainly developing, states should be viewed in a coordinated system: premodern, modern, and post-modern world. The threats relating to terrorism and failing states are of a pre-modern nature and, therefore, modern and post-modern societies could use pre-modern world measures (such as military intervention), or so-called new imperialism when dealing with these issues. For the entire discussion see Robert Cooper, "The Post-Modern State", Foreign Policy Centre, 2004, http://fpc.org.uk/articles/169.

After the end of the Cold War, the issues related to weak developing states attracted a great deal of attention. The subject of so called weak or failing states became even more relevant in the post-September 11 era. There are various reasons why this occurred. For the period 1955 to 1998, the already mentioned State Failure Task Force identified 136 cases of state-failure in various countries like Afghanistan, Somalia, Bosnia, Liberia, Democratic Republic of Congo (Zaire), etc. In 1955, less than six percent of countries were in failure. In the early 1990s, the figure had risen to almost 30 percent, falling to about 20 percent in 1998. The consequences of failed and inadequate governance are not limited to the societies directly involved. Poorly governed societies can generate conflicts that spill across international borders. Trans-national criminal and terrorist networks can operate in territories that are not controlled by an internationally recognised government. Humanitarian disasters not only prick the conscience of political leaders in advanced democratic societies, but also leave them without adequate political choices. Challenges related to creating better governance also arise in situations where foreign powers have invaded and occupied a state, either to limit domestic strife or to eliminate security threats. The availability of weapons of mass destruction and the presence of trans-national terrorism has created a historically unprecedented situation: states with very limited material capability can threaten the security of much more powerful states, even global peace and security. These states or polities can be conquered and occupied with relative ease, leaving the occupying power with the more challenging task of establishing an acceptable domestic governing structure. Afghanistan and Iraq are the obvious cases in point. There have been numerous academic studies by various research centres and think tanks, which analyse the process of weakening of state power but unfortunately provide little or no policy recommendations.[31]

The failed states problem has also been approached by organisational theories, in which the functioning of a state and its successful operation is compared with an organisation. Francis Fukuyama recommends that more attention should be paid to the states' room for manoeuvre and the actions of states, and that a distinction should be made between the two.[32] According to him, the motto of the 21st century is, again, a strong state that has no alternative but to be a central actor in international relations. Nevertheless, such statements seem essentially flawed when considering the fact, that non-state actors are a reality, and that sometimes, their power of influence and the means at their disposal are greater than the power of states. Therefore,

---

[31] See, for example: Gladstone et al., *State Failure Task Force Report*; Cooper, "The Post-Modern State".

[32] Francis Fukuyama, *State-Building: Governance and World Order in the 21st Century*, Ithaca, NY: Cornell University Press, 2004.

it would make sense to interlink, at least partially, the failing state discussion and the issues related to non-state actors. A short-term solution for the reduction of the power of non-state actors is the use of military power. But this is only a half solution, since it is not possible to restore and reconstruct failed states, where non-state actors have partially filled the vacuum of power, when using military means. Thus, if external actors intervene militarily, either because of security threats or a breakdown of internal order, they cannot ignore the question of how new domestic authority structures will be constituted.

Military power, in this case, cannot be used only for the classical aim of warfare - the conquest of an enemy - but it should serve the purposes of somewhat wider mechanisms of crisis regulation. At the same time, it is paramount to make the link between the use of appropriate military power and the civilian component, as well as issues relating to police, intelligence, justice, and other affairs. It has been possible to observe the preparatory work for the more active implementation of this approach within the framework of the EU during the last two-three years. This has brought about not only a change in the way these issues are seen but also a number of institutional reforms. As a single result of this, the following principle applies in the EU today: early warning about, and prevention of, these kinds of state failing developments. And assessment of the crisis, for the sake of regional and global security, never starts too early. Secondly, before military intervention, all possible plans for establishing law and order, stability, and development relating to the post-war or post-military mission situation should be in place.

It is evident, that the ESDP has been planned and elaborated by keeping in mind the need for strong civilian capabilities in the future, including peace-keeping and state-building. Such thorough preparation naturally requires a great deal of interagency cooperation and efforts. At times, this has slowed down certain processes, and has called for some criticism (for example, in the case of the Darfur crisis) but it should be kept in mind, that the intention behind this effort is to not repeat the mistakes made by the United States in Afghanistan and Iraq. Keeping in mind all of the above, it is obvious that there is a need for a comprehensive strategy to deal with the problem of state-failure. The EU has already taken serious steps to achieve this essential goal, which makes it possible to predict the further consolidation of these efforts in the course of the upcoming EU presidencies.

## Addressing the challenge of regional conflicts

Despite the fact that the number of outright military conflicts between states has decreased in the last decade, the number and probability of internal conflicts and cross-border crises has increased. Many of these conflicts are of a long duration and, in addition to destabilising the local situation, have a considerable impact on the regional, and thereby, on the global security environment. In addition to direct security threats - terrorist attacks, state failure, or the proliferation of WMDs, international organised crime, - the main indirect threat is posed by dragging or frozen conflicts, which have already devastated the lives of tens of millions. These conflicts, triggered by the whims of individuals, can, in the long run, have an impact on the entire global security environment. In the era of globalisation and scientific revolution, even the furthest of threats and conflicts will eventually have an impact on Europe. Therefore, Europe cannot avoid contributing to solving them - European security environment is largely dependent upon developments outside Europe: in it's neighbourhood and other key regions.

On the other hand, regional security and global governance are closely interconnected, which enables Europe to contribute to regional security not only through bilateral relations with third countries, but also through contributing to a more efficient global governance, both by strengthening regional organisations and the UN, and by intensifying it's cooperation with them.

Following the end of the Cold War, a new outbreak of regionalism has brought alongside as alternatives to defence alliances, various regional mechanisms of collective security. This has also contributed to the intensification of the work of the UN mechanisms of cooperation. That can be seen as a two-way process, as the UN also envisages an important role for regional security systems in guaranteeing international peace, stability, and security.

The regional security network currently established, consisting of various regional organisations and institutions with different functions and priorities, is a fragmented structure with partially overlapping memberships, and a variety of priorities and mandates. A global mechanism that would guarantee a more efficient functioning of the network remains to be constructed. If the aim is to make global governance more efficient, then, along with the UN and its Security Council, one of the main founding blocs of global governance, regional cooperation and regional mechanisms of collective security, has to be made more efficient.

For putting forward a new vision of collective security, one that addresses all of the major threats to international peace and security felt around the world[33] the Secretary-General of the UN has convened a High Level

---

[33] Transmittal letter dated 1 December 2004 from the Chair of the High-Level Panel on Threats, Challenges and Change addressed to the Secretary-General. http://www.un.org/secureworld/report.pdf.

Panel[34]. The panel is meant to give its assessment of future global threats and to find solutions for easing them, including through more varied and stronger regional mechanisms of cooperation[35]. To date, also a variety of other documents have presented possibilities for improving regional cooperation and implementing institutional reform. In the context of this article, attention is drawn to the United Nations University Comparative Regional Integration Studies discussion paper (September 2004) Regional Security and Global Governance.[36] A slightly different and wider perspective is given by the concept of rule-based international order, which is contained in the ESS. This concept is built up around effective multilateralism, on the basis of which, various EU institutions, in cooperation with Member States, are presently functioning. A UN University paper focuses on the institutional reform of the UN and its agencies, introducing the concept of "security regions", which divides the world into nine parts that would be represented in the UN by a "regional agency" corresponding to each "security region"[37]. It seems highly unlikely that the consensus necessary for achieving such a vertical hierarchy, horizontal cooperation, and integration could be arrived at easily, considering the current unipolarity of the world. The EU is trying to find answers to questions such as with whom, how, and on which issues to cooperate, in order to promote a general rule-based order and the functioning of the international system. In other words, the question is, how to convince international actors to adopt the multilateral approach, how to be more effective, and how to increase the efficiency of international actors, including regional organisations and institutions, in the international system. The objective is to be able to respond to the ever-growing security threats in the world and in the immediate neighbourhood of the EU.

Both the UN and the EU focus, rather, on how regional organisations would be able to cooperate better, how to make them simultaneously flexible and less chaotic, as well as stronger and more capable, but not on how to improve integration processes within them. Both organisations regard the strengthening of regional cooperation as a way of contributing to the multilateral approach to international relations. However, it is currently hard to

---

[34] UN Press Release SG/A 857; http://www.un.org/News/Press/docs/2003/sga857.doc.htm.

[35] This article was written before the HLP report had been made fully available. Nevertheless, some preliminary references to the report appear in it.

[36] I found it appropriate to refer, in this article, to the UN discussion paper for three significant reasons: EU-UN cooperation has been notably accelerated during the last years, the report deals with a relevant future arrangement of the international system (including, in the long-term perspective, institutional changes in the UN SC), and because of the difficulties that the EU and the HLP has addressing the outstanding issue of UN SC reform.

[37] The idea itself is not that original. See, for example, Charles Kupchan, *The End of the American Era: US Foreign Policy and the Geopolitics of the XXI Century*, New York, 2003.

predict what kind of impact the structural reform would have on regional security, since so far, regionalisation has taken place chaotically, if not to see regularity in the maze of economic, security policy, socio-cultural, historical, and geographical developments. Nevertheless, the improvement of the efficiency of regional cooperation, together with the institutional reform being implemented simultaneously, will certainly be a possible development trend in this field. This should incorporate the reform of the UN Security Council, which is a precondition for the UN as a whole, to become effective. Considering the long-term nature of such a process, the EU has naturally contributed to the work of the High Level Panel. At he same time, the EU has been active in the context of short and medium-term issues. The EU has so far acted on the principle that because of the emerging threats, as much as possible should already be done today, using the existing structures and cooperation mechanisms. Thus, at least on a conceptual level, cooperation between the EU and the African Union (AU) on the Darfur crisis could be given as a good example.[38] In this context, the AU, as the local regional organisation, has been given the leading role, although the EU's know-how and military capabilities are at the disposal of the AU. At the same time, the entire process has been approved and coordinated by the UN.

Isolationism has never been an effective security solution for any international actor. Thus, there is no other option for the EU but to try to change the world for the better. Support should be given to the promotion and development of rule-based order. As a way of achieving this, a multilateral approach must be adopted for the improved functioning of the international system. The final objective is to increase the stability of the whole world with a structure of effectively functioning rules that promotes democracy, justice and transparency. At the same time, it should be kept in mind that the universality of rules is a basic principle, and if rules are broken, they must be restored, even, as a last resort, with the use of force. In this world, where the EU is one of the many players, this is not an easy task. How to convince the superpower, regional powers, and non-state actors that it is more beneficial to act according to universally accepted rules, rather than to unilaterally act on short-term interests? This question is answered by the existence and further development of the examples of successful cooperation. States as the main actors of the international system as well as the classical notion of the balance of power will be continuously present. But if common rules are followed, one can arrive at a more stable and predictable international system.

---

[38] This does not prevent the world community from continuously referring to the events in Darfur as genocide, and from insisting upon the use of intervention.

## Conclusion

The EU has, by now, reached the borderline of being a global player, while actually crossing that border in many areas. The role of a global leader presumes the ability to cooperate, to influence, and to intervene when needed. But it also demands more capability, more commitment, a global vision, and global responsibility. Until now, the lacks of capabilities, the unwillingness and inability to assume global responsibility have been the main obstacles to the emergence of the EU as a global player. But things are changing: the EU has started to develop its capabilities, and has re-evaluated its responsibilities as a global player. The EU is starting to set as a precondition for carrying out key international operations with the United States the requirement that the mission should be jointly defined.

At the same time, the EU's general multilateral approach to international relations is being actively developed. Contributing to the consolidation of the rule-based world order by applying the effective multilateralism would make the international system more stable and predictable. It would help to enhance international security by addressing appropriately and in close cooperation with other partners global threats, including the proliferation of WMDs and global terrorism. This would enable the EU to contribute to the development of a more secure Europe, and consequently, to the creation of a better world.

The new security environment strongly affects the way states, and especially small states, should act to preserve their sovereignty and enhance security. Growing need to constantly and actively assess the new security environment, the nation's international standing and vital interests could be also observed. For Estonia, membership in both the EU and NATO has helped to partially get rid of historical fears, but obviously the geopolitical changes do not bring about geographical changes. And this is something that has to be taken into consideration even in the future. But for the moment Estonia should formulate new goals and visions for itself, as well as to intensify work not only within the EU and NATO, but also in other international organisations, particularly the UN, while simultaneously focusing on bilateral relations with states of crucial importance.

The gap between the successful rhetoric formulated in the last decade, and the security reality of today's world, needs to be filled. Therefore we should better define and more actively and strongly promote our vital interests. To this aim, it is crucial to formulate and implement foreign, defence, security, economic, social and other relevant policies in harmony with each other. The formulation of the abovementioned policies would be adequate only when based on a comprehensive strategic analysis of the whole international system. In order to implement relevant policies aimed at enhancing national interests, sufficient capabilities and funding are essential.

# Estonia and the European Security and Defence Policy: A realist view[1]

Erik Männik

> *'Events, dear boy, events!'*
>> Harold Macmillan (on being asked what worried
>> him most about being Prime Minister)

## Introduction

Indeed, events have the habit to derail, disrupt and undermine most thoroughly crafted policies, strategies and political processes. Since 11 September 2001 the most powerful state on the planet – the US – sees itself as being engaged in waging the global war against terrorism, and, according to Clausewitz, war is in essence violence taken to the extreme[2]. Hence, there is a constantly growing potential for uncontrolled and unforeseen developments.

For the Republic of Estonia, 2004 has been a very significant year. In April Estonia became a full member of NATO and in May a full member of the EU. Memberships of these organisations have been Estonia's most important policy goals since regaining of independence, and their achievement seemed initially almost like a miniature 'end of history'. However, this end did not materialise, as Estonia's entrance to the EU and NATO took place at the time of War on Terror and the deep splits in both organisations. Therefore, Estonia faces presently a complicated foreign policy environment

[2] C. von Clausewitz, *On War*, London: Cox & Wyman, 1968, pp. 104-105.

where decision-makers have to weigh available options carefully in order to provide for security of Estonia. Such a context makes the European Security and Defence Policy (ESDP) and Estonia's approach to it important objects of analysis. The aim of this paper is to discuss implications of the ESDP for Estonia's security from strategic and realist perspectives.

The paper begins with the discussion of the development of the ESDP and its background. The internal discourses, motives and views of the lead nations of the ESDP development are reviewed and connected to alliance theory that is used as heuristics in this study. The following sections cover factors influencing global security and focusing particularly on their impact on the situation in Africa (as proposed area of engagement of the ESDP). The last two parts of the study discuss the role of Russia in Estonia's security calculus and the general security policy options for Estonia in light of presented considerations.

## Current status of the ESDP

By December 2004 the development of the ESDP has reached the stage where the initial operational experience has been gained and respective corrections introduced to the overall development plans.

The EU began its operations on 1 January 2003 with the European Union Police Mission in Bosnia and Herzegovina involving some 500 police officers from more than 30 countries. It was followed by military operations 'Concordia' in the former Yugoslav Republic of Macedonia involving some 400 military personnel, and 'Artemis' in the Democratic Republic of Congo involving 1,400 military personnel. At the end of 2003 the European Union Police Mission in the Former Yugoslav Republic of Macedonia was launched. In June 2004 the first Rule of Law mission – EUJUST THEMIS – began in Georgia.[3] By December 2004 the European Union was preparing for its largest military operation so far – operation 'Althea' to replace NATO forces in Bosnia and Herzegovina and involving some 7,000 military personnel under the command of a British officer.

In December 2003 the EU adopted the European Security Strategy. For the first time the EU was able to come up with a document that summed up the basic security concerns of the Union, and the principles for and ways of addressing them.

---

[3] Website of Secretary-General of the Council of the EU, High Representative for the Common Foreign and Security Policy, http://ue.eu.int/cms3_applications/applications/solana/index.asp?lang=EN&cmsid=246 (accessed on 6 November 2004)

Simultaneously, with the development of the European Security Strategy, France and the UK started to develop the concept of 1,500 men-strong battle groups modelled on the French-led operation 'Artemis' in the Democratic Republic of Congo. The battle groups are to provide a firmer military basis for implementation of the security strategy – they are expected to secure the area of deployment for 30-120 days before the arrival of larger forces. The battle group concept relies on the standard NATO doctrine stating that a battle group is the smallest self-sufficient military-operational formation that can be deployed and sustained in a theatre of operations.[4] In June 2004 the battle group concept became reflected in the new Headline Goal 2010 approved by the European Council. The battle groups are to have a very high readiness – the EU must be able to make a decision on launching the operation within five days of the approval of Crisis Management Concept by the Council and the operation on the ground is expected to start no later than 10 days after the decision to launch an operation is taken. The battle groups are in essence combined arms battalion-sized force packages including combat support and combat service support, and supported by relevant air and naval capabilities. All envisioned battle groups must be completed by 2007 and they can be used in peacekeeping operations taking place up to 6,000 kilometres away. The keywords in their development are interoperability, deployability and sustainability. However, despite the high readiness requirements for battle groups their development will still proceed 'in full respect with the voluntary nature of the process'.[5] In order to efficiently improve the Union's military capabilities, the Council established the European Defence Agency in July 2004 and from 2005 onward it is planned to launch an evaluation process in order to scrutinise, evaluate and assess member states' capability commitments.

In the parallel development, the EU has continued working on its civilian crisis management capabilities. They include four priority areas: police, rule of law, civil protection and civilian administration. By 2004 the work progressed to the stage where the European Council adopted the Action Plan for Civilian Aspects of ESDP, initiated the development of European Gendarmerie Force[6] and in November 2004 the Civilian Capabilities Conference was held.

Thus, after gaining the initial operational experience the European Union is moving more coherently towards achieving numerically much smaller force goals with much higher readiness, deployability and sustainability require-

---

[4] G. Quille, "'Battle Groups' to Strengthen EU military crisis management?", *European Security Review*, no. 22 (2003).

[5] European Council, "Headline Goal 2010", (2004): 6

[6] *ISN Security Watch*, 17 September 2004, "EU Creates European Gendarmerie Force".

ments that are more adequate in the new security environment (as contrasted to one at the time of adoption of the Helsinki Headline Goal). The modest overall manpower of the battle groups (16,500 men)[7] reflects the growing realism in European military thinking and is in correspondence with the fact that since the end of the Cold War European states have done little to enhance their expeditionary military capabilities. Deployment of even 10% of the two million men and women in European armies to a modern military operation even inside Europe is currently totally beyond the existing capacity.[8]

## The development of ESDP and the framework of analysis

The latest developments in the field of the ESDP described in the previous section are actually quite paradoxical. Menon notes that whereas the build-up to the Iraq war/operation 'Enduring Freedom' resulted in dramatic split among European states in 2003, the ESDP actually managed to become operational in the very same year.[9] In order to understand the essence of the ESDP better and to set up the analysis framework for this study, one must take closer look at the development of the ESDP. In doing so, the attention must be focused first of all on the two (militarily most capable) champions of the ESDP – France and the United Kingdom. Clearly, other countries, Scandinavian countries in particular, have also had a significant impact on the evolution of the ESDP, but the main driving force has originated from the two large European powers.

   The St. Malo declaration of the UK and France played a key role in initiating the practical development of the ESDP in 1998. At that time the development of the European defence capabilities was perceived as being in the interests of the US as well as European states. Howorth argues, however, that the St Malo declaration was a result of the temporary overlapping of two very different political agendas and not the materialisation of the common strategic vision of signatories. The UK saw the ESDP as a NATO project involving European instruments, whereas France saw it as a European project taking advantage of NATO capabilities.[10] Both countries' commitment to the ESDP project was motivated by the bitter lessons of Kosovo campaign and

---

[7] *EUobserver*, 19 November 2004, "EU to Push Ahead with Military 'Battle Groups'"; *EUobserver*, 22 November 2004, "EU Defence Ministers Finalise 'Battle Groups'".

[8] M. Clarke & P. Cornish, "The European Defence Project and the Prague Summit", *International Affairs*, vol. 78, no. 4 (2002): 778.

[9] A. Menon, "The Revival of ESDP", *International Affairs*, vol. 80, no. 4 (2004): 640.

[10] J. Howorth, "France, Britain and the Euro-Atlantic Crisis", *Survival*, vol. 45, no. 4 (2003-04): 174-175.

their desire for the EU to be able to manage the next European crisis even if the US is not involved.

Mawdsley takes a step further in looking at the origin of the ESDP by comparing the political discourses on European security cooperation in France and the UK.[11] The first French discourse treats Europe as an instrument of France and follows the Gaullist tradition. It acknowledges that France lacks the instruments to be a Great Power in international politics and must therefore cooperate with other EU states. National sovereignty must not be curbed in cooperation, France has a moral obligation to be active at the world stage and the French Revolution gives France a special right to speak for Europe and to launch initiatives in a Europe's name. This discourse can be seen behind the French activism in launching the operation 'Artemis'. The second discourse in France sees Europe as the extension of France. It believes that European integration will culminate in a state possessing characteristics of France. This concept permits the transfer of the concept of security from the French state to Europe, but a Europe, which has internalised French republican values and the need to actively represent and defend them globally. Europe must become militarily strong because French defence is tied to Europe. This approach has rendered support to the practical British approach to developing European capabilities. Both French discourses consider autonomy important, whether for France acting in a European cooperative network or Europe based on French values and traditions.

British discourses can be divided into straightforward Atlanticist and more Euro-centric lines of argument. The Atlanticist discourse guided British behaviour in the Iraq conflict. This discourse considers maintaining British international influence an imperative, and sees achieving it through depending on the US and promoting the 'special relationship' expressed in intelligence and nuclear matters. This discourse sees the US and UK having more common values than the Britain and the rest of Europe. The second British discourse puts more emphasis on Europe by stating that a militarily strong Europe is necessary for keeping the US interest in Europe and keeping NATO alive. This belief contains strong internationalist and interventionist element. Hence, the ESDP must provide the framework for Europe to intervene where the US is reluctant to do so. Both British discourses share the belief that Britain should maintain as much international influence as possible.

The differences in the French and British visions with regard to maintaining their autonomy and influence became very clear in the build-up to the Iraq war. In balancing military force and international law, the UK supported the former and France the latter.

---

[11] J. Mawdsley, "The Arming of the European Union: Explaining the Armaments Dimension of European Security and Defence Policy", *Perspectives*, no. 22 (2004): 9-10.

The French views on the US and the UK policies on Iraq were expressed by Chirac on 8 September 2002. The French President considered war to be an unacceptable policy instrument other than as a last resort, while not ruling out military action. He did not regard pre-emptive strikes as a normal way of conducting international relations[12]. Yet only three days later, on 11 September 2002, France published its 2003-2008 Military Programme Law that stated:[13]

> Outside our borders, within the framework of prevention and projection-action, we must be able to identify and prevent threats as soon as possible. Within this framework, possible pre-emptive action is not out of question, where an explicit and confirmed threat has been recognised.

In addition to accepting pre-emptive military action as a legitimate tool in providing for national security, France might also be seriously considering the development of a new type of small nuclear weapons to tackle pre-emptively threats involving weapons of mass destruction.[14] Interestingly, the development of similar weapons has been also discussed in the US (outside of the US Nuclear Posture Review)[15]. Thus France finally also learned the lessons from the Gulf War, Kosovo and Afghanistan: influence comes not through political discourse, but through military capacity.[16]

The information presented in this section shows that both leading countries of the ESDP development (or vice versa, countries without whose participation the efficient ESDP is inconceivable) are in their security policies driven by the considerations aimed at maximising their power and influence. Hence, their approach to the ESDP does not differ that much from the Keohane's notion that great powers use alliances to foster their control over a contiguous or militarily strategic region.[17] In the case of the ESDP, both France and the UK try to exert their influence over its development so as to bring Europe's military resources behind their respective policy goals and strategic views.

This analogy renders the ESDP open for analysis exploiting some alliance theory elements as heuristics in understanding better Estonia's policy options. In particular, I am going to use Snyder's work on the alliance security dilemma. It is a very important aspect of alliance politics. In short, it consists

---

[12] Howorth, *op. cit.*, pp. 183-184.

[13] "Military Programme Law 2003-2008" as quoted in R. Kempin & J. Mawdsley, "France's 'Silent Revolution' on Missile Defence", to be published on website of the Hessische Stiftung Friedens- und Konfliktforschung, http://www.hsfk.de

[14] *EUobserver*, 28 October 2003, "A New Nuclear Doctrine for France?"

[15] D. S. Yost, "The US Nuclear Posture Review and the NATO Allies", *International Affairs*, vol.80, no. 4, (2004): 717-718.

[16] Howorth, *op. cit.*, p. 181

[17] R. O. Keohane, "The Big Influence of Small Allies", *Foreign Policy*, no. 2 (1971): 180.

of alliance member's fear of abandonment that is complemented/balanced with its fear of entrapment, that is, fear of being dragged through alliance commitment into war over interests that are not shared between allies.[18] The alliance dilemma is most serious when the allies are threatened by different opponents or when the allies confront the same enemy in different conflicts.[19] The intensity of the alliance security dilemma is determined by the factors that determine allies' bargaining power: interests, commitment and dependence. Alliance bargaining could take place in three different major areas: diplomacy, military preparedness of allies (alliance) and action (joint strategy to be followed in the case of war).

Adjusting these theoretical concepts to Estonia and the ESDP, the study investigates how participation in the ESDP relates to evolving security environment and Estonia's security concerns. The alliance security dilemma (abandonment-entrapment) transforms in the case of Estonia and the ESDP into a question – to what extent the focus of the ESDP corresponds to Estonia's security interests (in terms of tackling 'right' threats and doing it efficiently), and how does participation in the ESDP influence Estonia's bargaining power in the EU? In particular, being a member of NATO, can Estonia do without the ESDP like Denmark?

The following sections introduce the analysis by looking at the openly expressed security concerns of the EU, the intentions of France and the UK with regard to the ESDP, and the evolving long-term security environment.

## EU security concerns and the focus of ESDP

The EU security concerns are outlined in the European Security Strategy, which states that the threat of a large-scale aggression is improbable against any EU member state. Instead, Europe faces primarily terrorism, proliferation of weapons of mass destruction, regional conflicts, failing states and organised crime as dominant threats. Of these, the most frightening is considered terrorism involving the use of weapons of mass destruction. The strategy acknowledges that the global security environment is in a very serious state – almost half of world population lives on less than two Euros a day, there is emerging competition for resources, and a secure access to energy sources needs to be ensured.[20]

---

[18] G. H. Snyder, "Security Dilemma in Alliance Politics", *World Politics*, vol. 36, no. 4 (1984): 466; G. H. Snyder, *Alliance Politics*, London: Cornell University Press, 1997, pp. 180-181.

[19] *Ibid*., 1997, pp. 186-187.

[20] European Council, "A Secure Europe in a Better World: European Security Strategy", 2003, pp. 2-5.

In order to deal with these threats, the EU intends to apply a wide range of instruments (political, economic, judicial, military), and uphold and develop international law. At the international level a multilateral approach is considered most effective in dealing with perceived threats. The EU considers it necessary to apply a multifaceted approach to dealing with the security threats and act preventively.[21] The EU's area of engagement covers primarily its periphery – the Balkans, the Mediterranean region, Southern Caucasus, and the Middle East. In sum, the EU Security Strategy has been viewed as '…a broad document that highlights European strengths and values', agrees with the US security concerns, but falls short of endorsing the US methods of tackling threats.[22]

As was stated before, France and the UK have adopted a much more radical approach in the field of military security in sharp contrast to the EU's commonly agreed position. Both leading ESDP nations consider pre-emptive military action as a valid and legitimate security instrument. In military terms the difference between pre-emption and prevention is, according to Yost, considerable. Pre-emptive attack consists of prompt action on the basis of evidence that an enemy is about to strike. Preventive war involves military operations undertaken to avert a plausible but hypothetical future risk.[23]

Taking into account that military instruments have only a secondary or tertiary role in the overall EU security 'toolbox', and that waging a preventive war is therefore out of question, the difference between the British and French security approaches and that of the EU in general is stark. Similarly, France and the UK have their own views on the geographical area of engagement of the ESDP. At the Franco-British Summit in November 2003 where France and the UK came forward with the proposal to create the battle groups, they adopted the declaration 'Strengthening European Cooperation in Security and Defence' that reiterates their commitment to promoting peace and security in Africa made at St Malo, welcomes the success of operation 'Artemis', and recalls the Franco-British proposal to EU members for the Union to examine how it can contribute to conflict prevention and peacekeeping in Africa through the EU autonomous operations.[24] In the separate declaration – 'Franco-British Cooperation in Africa' – France and the UK affirmed once more their readiness to support further EU peace support operations in Africa.[25] Prioritisation

---

[21] *Ibid.*, p. 7.

[22] J. Mawdsley & G. Quille, "The EU Security Strategy: A New Framework for ESDP and Equipping the EU Rapid Reaction Force", joint ISIS-BICC Report, December 2003, p. 13.

[23] D. S. Yost, "Debating Security Strategies", *NATO Review*, Winter 2003, http://www.nato.int/docu/review/2003/issue4/english/art4_pr.html (accessed on 10 October 2004).

[24] "Strengthening European Cooperation in Security and Defence", Declaration, Franco-British Summit, London, 24 November 2003.

[25] "Franco-British Cooperation in Africa", Declaration, Franco-British Summit, London, 24 November 2003.

of Africa as a security concern for the ESDP is also reflected in the British commitment to the creation of the battle group to be used in Africa. The UK asked also France, Poland and Germany to contribute to the battle group that should be able to control conflicts long enough for the African Union troops to intervene.[26]

Thus it is apparent that whereas the common EU position is fairly broad and tries to find an application for the traditional EU security tools in the modern security environment, the ESDP is strongly pushed by its lead nations in the direction of crisis management in Africa.

## ESDP and the evolving security environment

In order to develop an idea about the kind of security environment the ESDP will have to operate in medium- and long-term and what role the ESDP ought to play in Estonia's security calculus, some sort of strategic forecast is needed. Forecasting is certainly the most ungrateful of all analytical activities because of the considerable likelihood of making mistakes and therefore, instead of composing the whole picture, I will attempt to answer a simpler question – is the scale of crises (especially in Africa) going to increase or decrease in the coming decade? What will be their potential scale and implications for Estonia? To do that, I will examine the general data on some major variables influencing security environment (climate change, consumption of Earth's resources and spreading of HIV/AIDS), look at the sources of conflict in Africa, and the general trends in international conflict.

The discussion on climate change (warming) has become very intensive in 2004. There seems to be little doubt left that the climate is really undergoing a change. The question is rather about the speed of change, the effects of the change and the possibilities to manage them.

The US Department of Defense study leaked in February 2004 predicts an extremely grim future. By 2020 rising sea levels will cover several major European cities, and famine and mega-droughts will spread. This will lead to widespread rioting across the world and even unleash a nuclear conflict.[27] The World Wildlife Foundation makes a different forecast – by 2050 the Earth's resources will be used up to the extent that it will be impossible to sustain life on the planet. According to these calculations in 1999 there were 1.9 hectares of productive land and sea per person on this planet, whereas the average consumption of resources equalled that from 2.3 hectares. That is

---

[26] *EUobserver*, 8 October 2004, "UK to Create Africa Battle Group".

[27] *The Observer*, 22 February 2004, "Now the Pentagon Tells Bush: Climate Change Will Destroy US".

20% above Earth basic biological capacity. By 2050 the rate of resource consumption will rise to 4 hectares per person, which equals one whole planet Earth (with the projected population being 9 billion).[28] Looking from a different angle, one inhabitant of North America already consumes resources from 4.7 hectares of land and if living standards everywhere were raised to the American living standards it would require resources of three such planets as Earth.[29] One more moderate forecast states that the global warming threatens to reverse human progress and make international targets on halving world poverty by 2015 unattainable.[30] The study of the US National Intelligence Council on global developments paints a picture of gradually warming climate, significant degradation of arable land and depleted natural resources by 2015. This will take place despite the introduction of the new technologies and growing environmental awareness. Developed countries will manage these problems much better than developing countries.[31] The main international treaty dealing with global warming, the Kyoto Protocol on Climate Change obliges industrialised countries to cut emissions of greenhouse gases by an average 5.2% from 1990 level by 2012. The decisive ratification necessary for the Protocol to come into force came from the Russian Federation in 2004, but it still looks that the desire of developed countries to maintain economic competitiveness – the very foundation of a liberal market economy – will hamper reducing the emissions of the greenhouse gases for a considerable time.[32]

Another major variable shaping security environment is HIV/AIDS. Its security implications and effects are only gradually becoming apparent despite the fact that the illness has been around for 30 years and studied intensively for 25 years.[33] In 2002 there were 33 million adults and children infected with HIV/AIDS in sub-Saharan Africa and some 600,000 in North Africa and in the Middle East. HIV/AIDS prevalence rates in excess of 30% of adult population (i.e. among the age group from 15-49) were registered in Botswana, Swaziland, Zimbabwe, and Lesotho.[34] According to US analysts the 10% prevalence rate is considered already sufficient for disrupting extended family structure. The existing forecasts suggest that by 2010 Nigeria and Ethiopia will have prevalence rates of 18-26% and 19-27% respectively.

---

[28] *The Observer*, 7 July 2002, "Earth 'Will Expire by 2050'"; *Guardian*, 17 July 2002, "Last Gasp"

[29] *Guardian*, 11 September 2004, "No City Limits".

[30] *Guardian*, 20 October 2004, "Climate Change 'To Reverse Human Progress'".

[31] National Intelligence Council, "Global Trends 2015: A Dialogue About the Future with Non-Governmental Experts", 2000, http://www.cia.gov/nic/NIC_globaltrend2015.html#link13e (accessed on 22 October 2004).

[32] *Guardian*, 28 October 2004, "Kyoto Sacrificed to Competitiveness".

[33] G. Prins, "AIDS and Global Security", *International Affairs*, vol. 80, no. 5 (2004): 932.

[34] S. Elbe, "Strategic Implications of HIV/AIDS", *Adelphi Paper*, No.357, (2003): 15-16.

Both countries are crucial to regional stability because of their size and influence. Nigeria's population is approaching 140 million people and Ethiopia's population 70 million people. In fact, Nigeria is likely to be at the centre of the new wave of HIV/AIDS in Africa.[35]

In addition to disrupting social fabric, HIV/AIDS has several other ramifications. It puts severe burden on national budgets, AIDS orphans are withdrawn from an education system that in turn exacerbates the general undermining of civil society. In short, HIV/AIDS contributes to all three basic aspects of state collapse: (1) transformation and/or destruction of the economy accompanied by rising crime; (2) dissolution of political institutions at local and national level: and (3) damage to the social institutions, such as family, the education system and health care.[36]

HIV/AIDS has potentially (the full depth of its influence is not clear yet) also a very serious effect on the crisis management efforts in Africa and elsewhere. It starts from the fact that in some African militaries the HIV/AIDS prevalence rate is as high as 40-60% (including the Democratic Republic of Congo were the EU operation 'Artemis' took place) affecting the combat capability of these forces.[37] Prins suggests an ominous link between the HIV/AIDS, the military and the state apparatus. The lack of democratic traditions makes the military coup in sub-Saharan Africa a frequently used way for seizing power. This way, it increases the possibility of bringing to power individuals well aware of being condemned to an early death.[38] The behaviour of such an elite may be highly unpredictable. The political elite of the country may also be inclined to create political disorder in their own country to distract the attention from the devastation created by HIV/AIDS.[39] During the peacekeeping operations the number HIV/AIDS of infections can increase in the area of operations because of the presence of peacekeepers (and sex workers) who act as vectors of the disease. An example of this is the deployment of Zambian, Kenyan and Nigerian peacekeepers (that is personnel from countries with high prevalence rates) to Sierra Leone in 1997. Similar effects related to deployments of the UN peacekeepers have been observed in Cambodia and East Timor where the HIV/AIDS prevalence rates among the population increased dramatically during the operations. In return, peacekeepers (including those from Europe and North America) deployed to the countries having high HIV/AIDS prevalence rates have also been infected.[40]

This brings us to the last aspect of the developing security environment:

---

[35] Prins, *op. cit.*, pp. 947, 949-951.

[36] Elbe, *op. cit.*, p. 46.

[37] *Ibid.*, p. 29.

[38] Prins, *op. cit.*, p. 944.

[39] Elbe, *op. cit.*, p. 52.

[40] *Ibid.*, pp. 40-41.

conflicts. The new Finnish Defence White Paper points out that of the 57 conflicts fought in the world during the last 10 years, only three have been interstate conflicts and the rest intrastate conflicts.[41] Since the beginning of War on Terror a long arc of conflict has spread from Afghanistan through the Middle East to North and sub-Saharan Africa. Africa still belongs to the regions with a very high number of conflicts.[42] The total number of the UN peacekeepers in sub-Saharan Africa was 31,500 by the end of November 2003. In line with the general trend, only one of the major conflicts fought in Africa during the last decade has been an interstate conflict (war between Ethiopia and Eritrea). The causes of conflicts in Africa include the effects of the heritage of colonialism (borders not corresponding to the location of ethnic populations, poor infrastructure, lack of skills to run the state), politicisation of ethnicity and proliferation of various armed militias, questionable legitimacy of many regimes, economic decline, growing poverty and conflict over the rights to control mineral resources.[43] It does not mean that the African states are not making efforts to tackle crises on their continent. Such efforts are made in several frameworks. They include the African Union and the work done under its Peace and Security Council, the Economic Community of West African States (ECOWAS) and its armed Monitoring Group (ECOMOG), and the Southern African Development Community and its Organ on Politics, Defence and Security Cooperation. Of these, the ECOWAS has been more active in diplomatic and military terms and has put up more sizeable peace missions than any other regional organisation in Africa. ECOMOG has been active in Sierra Leone (1997), in Guinea-Bissau (1998-1999), in Ivory Coast (2002), and in Liberia (2003). The main obstacles to the development of regional crisis management capabilities have been deep-rooted rivalry and suspicion between African states (their ruling elites), and shortage of funds.[44]

These variables – climate change and resource consumption, HIV/AIDS and conflicts – are brought together in the National Security Council's assessment of the likely developments in Africa. It sees Africa as being increasingly marginalized on the international arena by 2015. Most African states will miss out on economic growth, only a few countries will do better and a 'handful' of countries will hardly have any relevance at all to the lives of their citizens. Unless a major medical breakthrough is achieved, AIDS and other diseases will decimate the continent's economically productive population. Even the likely achievement of the 25% share of the world's oil markets

---

[41] "Finnish Security and Defence Policy 2004", Government Report, 2004, p. 23.

[42] Prins, *op. cit.*, p. 943.

[43] F. Faria, "Crisis Management in Sub-Saharan Africa: The Role of the European Union", *Occasional Paper*, no. 51 (2004): 9-11.

[44] *Ibid.*, pp. 13-19.

by the West African states is not seen as fostering their economic growth, but rather promoting corruption and poor governance. Interestingly, the study suggests that the special relationships between the large European powers and their African colonies will fade away by 2015. Filling the void will be various non-state actors including the radical fundamentalist movements such as Islamic groups.[45]

Clearly, the synergy between the variables outlined here – climate change combined with effects of AIDS and the high number of conflicts (including activities related to War on Terror) may suggest much more apocalyptic scenarios in the future. Whereas their materialisation is not certain, there seems to be little doubt about the general worsening of the security situation during the coming decade. It is bound to have a serious effect on overall European security.

Hence, there is a considerable challenge to the EU and the ESDP. At the global level the problem is characterised by the question – what can the billion inhabitants of the developed world do to alleviate the grievances, poverty and suffering of the five billion people living in the developing world? In these terms, the EU constitutes almost a half of the developed world. The EU is the largest provider of development aid in the world – in 2001 the Union provided 55% of total world aid and more than 40% of it went to Africa.[46] However, the official figures indicate that at the same time the developing world paid Western countries nine times more in debt repayments than it received in aid.[47] Such a balance makes it only too clear that there is no quick or even medium-term solution to the problems of the developing world and illustrates the problems associated with making a serious and truly lasting impact in the field of reducing poverty and suffering.

As was shown before, the EU Security Strategy postulates a multifaceted approach aiming at dealing with various problems and tackling them at several levels. With regard to the security environment described above and particularly that in Africa, the EU's strategic approach means a long-term engagement if it is to achieve its fundamental objective – stable and secure environment around the EU territory. The risks associated with 'losing' Africa are too high. This statement is valid both in terms of spread of instability to the EU as well as losing access to so desperately needed mineral resources (secure access of the EU to these resources might be of special interest to Estonia – see below). However, the sheer scale of potential problems (what

---

[45] National Intelligence Council, "Global Trends 2015: A Dialogue About the Future with Non-Governmental Experts", 2000, http://www.cia.gov/nic/NIC_globaltrend2015.html#link13e (accessed on 22 October 2004).

[46] Faria, *op. cit.*, p. 33.

[47] S. Hobden & R. W. Jones, "Marxist Theories of International Relations" in J. Baylis & S. Smith (eds.), *The Globalization of World Politics*, Oxford: Oxford University Press, 2001, p. 202.

would it take to keep countries with the sizes of Nigeria or Ethiopia from collapsing/stable?) really dwarfs the current evolving ESDP rapid reaction capability, especially considering how extensive efforts of NATO, EU and other international organisations were and still are needed to stabilise Balkans.

## The Russian factor

The Russian Federation has been one of the main drivers of Estonia's security policy since regaining of independence. In order to evaluate the relationship of the ESDP and Estonia, one must inevitably look at the policies of Russia. Put more directly: how can the Russian Federation influence Estonia's security now, after Estonia has become a member of NATO and the EU? My intention is not to dwell on evaluating motives, intentions and capabilities of the Russian Federation, but rather to review general information illustrating the possible role for the Russian Federation in shaping Estonia's approach to the ESDP.

To begin with, Estonia's historical experience strongly predisposes to treating all Russian activities in the security field with great caution. This is not to mention the continuous Russian opposition to NATO enlargement, related powerful rhetoric, and still unsettled border issue. Now that Estonia is part of NATO, the military security issue seems to be removed from the agenda. But is it so? Lejins provides a very realist reflection of the bargaining between the Great Powers in the United Nations Security Council that preceded the Iraq war. He sees Russia's alliance with France and Germany as a return of the classical *realpolitik* that has historically been aimed at the small and medium-sized states in the vicinity of Russia. In addition, several Russian strategic studies institutes have been examining scenarios of a split EU and rump NATO.[48] Maintaining the unity of NATO, that is preventing the political split between the US and its three European allies – Germany, Belgium and the Netherlands – turned out to be a key task in providing for Baltic security in the war game scenario explored by the RAND Corporation. Interestingly, the most dangerous assets the Russian Federation possessed in that hypothetical scenario were those of information warfare and psychological operations. They enabled crafting and implementing the political strategy aimed at achieving such a split.[49]

Lynch paints a more moderate picture of Russian policies. He notes that Russia has been able to take advantage of the rift that occurred between the

[48] A. Lejins, in "European views" in G. Lindstrom & G. Schmitt (eds.), "One Year on: Lessons from Iraq", *Chaillot Paper* No. 68 (2004): 91-92.
[49] E. V. Larson, D. Eaton, P. Elrick, T. W. Karasik, R. Klein, S. Lingel, B. Nichiporuk, R. Uy, R. Zavadil, *Assuring Access in Key Strategic Regions: Toward a Long-Term Strategy*, Santa Monica: RAND Corporation, 2004, p. 75.

US and Europe in terms of interests, ambitions and policies. Russia has not chosen one part of the Euro-Atlantic community over another (something it does not seem to desire), but it has been able to play off the internal differences to its advantage. Whereas Moscow has placed itself closer to the US in the War on Terror, it has maintained a considerable element of ambiguity in its strategies. In general, Russian policies seem to be aimed at aligning Russia with the most powerful group of states in the world, but not becoming a member of the Euro-Atlantic community (nor that of the EU).[50]

Relations between the EU and Russia are characterised by a serious strategic disconnect. Whereas the EU in its Common Strategy on Russia outlines a dual-track ('democratic' and 'strategic') development of partnership with Russia, Russia in its Medium-Term Strategy for the Development of Relations between the Russian Federation and the EU (2000-2010) aims only at ensuring its national interests and does not mention any values at all.[51]

Such a difference in approaches raises a question about the extent of mutual leverage. In terms of mineral resources (especially oil and natural gas) Russia provided in 1999 21% of oil (i.e. 16% of consumption) and 41% of gas (19% of consumption) for the EU. In 1999 53% of Russian oil and 63% of Russia's natural gas were exported to European markets. By 2030 the EU energy imports are expected to increase from 50% to 70%.[52] Valašek sees such a trend as a sign of growing Russian leverage over the European NATO members and the EU countries.[53] In turn, Russia's extensive oil and gas exports to European markets can be viewed as increasing Russia's dependence on the EU. However, considering that the primary destinations of Russia's oil export are Germany, Spain, Italy, France and the UK, Valašek's warning seems to gain some support in the context of the current split in the EU and Russia's growing political skills in dealing with varying national agendas of the large European powers.[54] Whereas Russia is not likely to resort to using negative sanctions, it could offer some positive incentives to selected partners, in order to win political support of large European powers. In addition, Russia seeks to expand its oil and natural gas exports by constructing pipelines to Asia. Such a development will decrease the relative importance of the EU in Russia's oil and gas exports.

---

[50] D. Lynch, "Russia Faces Europe", *Chaillot Paper* No. 60 (2003): 13-14.

[51] *Ibid*., pp. 57-58.

[52] *Ibid.*, p. 63.

[53] T. Valašek, "The Meaning of Enlargement", *NATO Review*, Summer (2004), http://www.nato.int/docu/review/2004/issue2/english/art4_pr.html (accessed 17 August 2004).

[54] K. Liuhto, "Shipments of Russian Oil Via the Baltic Sea: A Source of Integration or Disintegration in Europe?", *Electronic Publications of Pan-European Institute*, Turku School of Economics and Business Administration, no. 2 (2003): 14, http://www.tukkk.fi/pei/verkkojulkaisut/Liuhto_Oil_Shipments.pdf (accessed on 30 November 2004).

Simultaneously, while constantly referring to democratic values and judging Russia for its conduct in Chechnya, the EU has had so far only a limited leverage over Moscow. Jack supports the view that the Russian Federation has become quite skilful in taking advantage of incoherence, varying political agendas of the EU Presidencies, and the lack of continuity in the EU policies. He extends this view to Russia's approach to the large European powers – France, Italy, Germany and the UK.[55] This development – Russia's growing efficiency in international politics – may require special attention because it has been a historical (and very much realist) trait of Russian foreign policies to 'never sacrifice their instant gains for future objectives'[56].

On the backdrop of these developments, the Russian approach to the ESDP has been characterised by four main aspects: (1) Russia perceives the ESDP as a new project, the outcome of which is not clear at all; (2) Russia needs to get involved in the ESDP because of the overall power of the EU, in order to ensure that it is not threatening Russian interests and to secure maximum influence over its activities; (3) Russia sees potential financial gains in cooperation aimed at eliminating the EU's existing military deficiencies; and (4) the ESDP can be seen as a means to balance NATO's dominant role in European security and to strengthen the position of Russia and the EU in the world. Whereas Russia was very enthusiastic with regard to cooperation with the EU in the ESDP framework after NATO's 1999 Kosovo campaign, the events of 11 September 2001 where perceived in Russia as rendering the capabilities developed under the 1999 Helsinki Headline Goal inadequate for managing 21st century security threats. ESDP's importance in the eyes of the Russian administration decreased even more as a consequence of the efforts to re-vitalise NATO made in Prague in November 2002. Lynch points out that in Russian political and strategic thinking there is still a strong undercurrent continuing the traditional Soviet approach aimed at driving a wedge between Western Europe and the United States.[57] Such thinking is not dominant any more, but its mere existence makes the ESDP more significant for Estonia.

All in all, the international weight of the Russian Federation in the present security environment of power politics seems to have grown. Russia has useful strategic assets (e.g. position, importance in the War on Terror, mineral resources) to increase its bargaining power and extract concessions from partners. The new strategic environment and the continuing split between the European states and in the Euro-Atlantic community clearly enhance Russia's position. This development is a cause for a serious unease in light of continuing political pressure of Russia on Estonia, Latvia and Lithuania.[58]

[55] A. Jack, *Inside Putin's Russia*, London: Granta Books, 2004, pp. 278-285.

[56] J. Paasikivi quoted *ibid.*, p. 282.

[57] Lynch, *op. cit.*, pp. 73-76, 13.

[58] *Eesti Päevaleht,* 5 October 2004, "Paul Goble: Vene surve Eestile Brüsseli kaudu".

## Policy implications for Estonia

Previous sections suggest a dual nature of Estonia's security environment and concerns. I use the word 'suggest' in order to avoid promoting the forecasts of future developments to the rank of given facts (although it is quite difficult to find nowadays security analyses predicting an improvement of the global situation in the medium- and long-term). The analyses referred to here propose degradation of the global security environment with the outcomes ranging from the nuclear conflict to increased unrest and shortages in the next 10-40 years. In the near future, the ongoing War on Terror, a return to power politics and the growing strategic importance of Russia in this process are of direct concern to Estonia. Estonia's security concerns can be categorised using time and geography as criteria. The long-term threats are likely to have a most devastating impact initially on the developing world (and then also on the developed world), whereas the short-term problems arise from the geographical proximity of Estonia. The ESDP (as it is developed now) is from Estonia's perspective aimed at tackling the long-term threats regardless of the power maximising interests of the ESDP lead nations.

Hence, Estonia's security environment can be described as a dilemma: focusing on the short-term/imminent concerns and neglecting the long-term problems might render short-term security gains useless because of the global devastation caused by the changing climate or through the crossbreeding of terrorism originating from the developing world and weapons of mass destruction. On the other hand, focusing excessively on the long-term concerns entails the risk of Estonia becoming marginalized and subjected to increasing pressure in the international arena. The dilemma becomes much more serious when one recalls that the RAND war game on Baltic security suggested how dangerous political developments and information warfare could be to Baltic security in the present political situation. The application of information warfare and psychological operations against a small state with the aim of achieving its political isolation/abandonment by third (distant) countries requires a countering of these efforts. A small state has to deal with these hostile propaganda campaigns and political actions, whereas the volatile international political environment, where there is very high potential for unexpected developments and crises, makes it difficult for a small state to be heard and gather required international support. The situation is complicated even more by the weight Russia has as an ally of the great powers in the War on Terror.

The other aspect of the security dilemma – where members of an alliance face different enemies (resulting in abandonment) or face the same enemy in different conflicts – could also be applied to a certain extent to Estonia's security situation. The lead nations of the ESDP – France and the UK do not

see Russia as a direct security concern the same way Estonia does. Clearly, if Russia starts to interfere with their interests in the EU or their interests expressed by the EU, the situation will change, but such a change will take its time and it may be a bit too long for a small state like Estonia.

Additional conditions constraining Estonia's policy choices include Estonia's limited resources and Estonia's reliance on international organisations in providing for its security. Estonia cannot afford a full opt-out of the military side of the ESDP to concentrate all its resources on strengthening, for example, its short-term military security. Even in the case of Denmark, it has been estimated that such an opt-out is likely to decrease Danish influence in the UN and NATO if the peace operations these organisations currently focus on were performed by the EU in the future. Similarly, staying out of one policy area in the EU removes Denmark from the 'core nations' and does not permit using linkages across issue-areas in the bargaining process.[59] Were Estonia to opt-out of the ESDP, its influence in the EU would decrease in addition to losing an instrument for tackling the long-term threats. Estonia's actual resource constraints/smallness has gradually become apparent in its defence development. The development plan of the Estonian Defence Forces (EDF) until 2010 foresees achieving by 2008 the ability to deploy 250 men to long-term peace operations (1.6% of the fully mobilised EDF).[60] Such a deployment could be meaningful only in some framework of common/collective efforts and thus the basis of Estonia's international influence lies firmly in participating in collective action.

To sum up, what kind of policy recommendations can be formulated on the basis of considerations presented in this study? The first and the most general suggestion is to develop Estonia's military and crisis management capabilities as quickly as possible. The quotation of Harold Macmillan resonates strongly with the modern security environment that has considerable (and constantly growing) potential for all sorts of crises and emergencies (and thereby for undermining of all sorts of long-term policies). A realist view on Estonia's security strongly supports Estonia's current 'NATO first' policies as NATO has been the most effective crisis management instrument in Europe so far as well as because of the deterrence extended to Estonia by NATO membership. In order to reduce the risk of abandonment by large European states because of the different security concerns and tackle negative political campaigns more efficiently, Estonia can opt for tighter integration

---

[59] H. Larsen, "Denmark and the EU's Defence Dimension: Opt-out Across the Board?" in N. Graeger, H. Larsen, and H. Ojanen (eds.), *The ESDP and the Nordic Countries: Four Variations on a Theme*, Programme on the Northern Dimension of the CFSP, no. 16, (2002): 136.
[60] Eesti Vabariigi Kaitseministeerium, "Kaitsejõudude struktuur ja arenguplaan kuni aastani 2010", Tallinn (2004): 5-6.

with the countries in the Baltic region belonging to the EU and NATO. Such integration ought to be facilitated by the common interest in maintaining peace and stability in the region.

However, the ESDP (while not dealing with the root causes of climate change nor tackling HIV/AIDS) is from the very same realist perspective an important security instrument in dealing with the long-term threats. Estonia's physical ability to do something about the crises with an unprecedented magnitude (potentially involving 70-140 million people nations) is extremely limited. The participation in collective (either military or civilian) efforts renders Estonia more bargaining power and influence inside the EU.

Estonia's credibility gained through taking part in collective action can provide a chance to voice concerns or proposals about dealing with the root causes of the global problems. In doing so yet another dilemma may come to play – between Estonia's interests and those of the great powers. Estonia as a small state simply cannot afford, for example, the pursuit of radical 'green' foreign policies as its biggest ally and most important partner in providing military security – the US – has views on dealing with climate change that differ from these of the majority of the world's greenhouse gas producers. However, this analysis indicates that unless something is done, the long-term security concerns can in next 10-40 years become the problems of today and then it may be simply too late to do anything about them.

Estonia's then Foreign Minister Ilves expressed already in June 2000 the opinion that the EU accession process extended the scope and range of Estonia's foreign policy as the EU had almost global interests not least due to the historical background of some of its members (UK, France). The EU policies provided Estonia with a valuable lead in formulation of Estonia's policies toward distant regions (Asia and Africa) to whose problems Estonia as a small state could otherwise not give sufficient attention due to its limited resources.[61]

In 2004 one can do little but fully agree with that statement. Developing an insight into the areas with which the ESDP concerns itself provides a very serious food for thought and shows how fundamentally indivisible international security is becoming.

---

[61] T. H. Ilves, "Main Guidelines of Estonia's Foreign Policy", Address by Minister of Foreign Affairs, on behalf of the Government of Estonia to the *Riigikogu*, 8 June 2000.

# EU enlargement and the Baltic region: A greater security community?

Ole Kværnø and Marie Rasmussen

The debate about and the eventual decision to include the three Baltic states into the EU was viewed politically from many quarters primarily as an issue of security. The enlargement to include the Eastern European countries and former republics of the Soviet Union was seen to be the only viable political European development from a security perspective as it would fill a potential security vacuum with the security community of the EU. Now that this enlargement is a reality, it is appropriate to revisit the argument to examine what has actually changed in terms of security.

This article explores the Baltic states[1] freshly obtained EU membership from a regional security complex perspective. It sets out to answer the question of which regional security complex the Baltic states can be said to belong to. Are the Baltic states now part of a greater EU-European Security community and perhaps of a Baltic regional security sub-complex? Or is the security perception of the Baltic states still linked with Russia to such a degree that their security can not reasonably be understood separately? This article will argue that the latter is the case, and that the Baltic states therefore can not yet be seen as totally integrated into a European regional security community. Whereas enlargement in other parts of Europe has arguably manifested itself immediately as a widening of the security community, the Baltic region still needs to see security perceptions separated from the security of Russia.

To answer these questions Buzan and Wæver's security complex theory will first be roughly outlined and a security community characterised as a specific type of regional security complex. Secondly, the Danish incentives for promoting EU membership for the Baltic states will be analysed in this

---

[1] When speaking of "the Baltic states" the article, in spite of all the obvious differences between Estonia, Latvia and Lithuania, does not distinguish between the individual states, but maintains "Baltic states" as the unit of analysis.

security community context. Afterwards the relations between the Baltic states and Russia will be included in the analysis. The aim of the article is to discuss where to position the Baltic states in a regional security complex context since they have attained membership. It does therefore not pretend to analyze the entire spectre of security dynamics that take place around the Baltic states.

## Regional security complex

This article analyzes the EU enlargement to include the Baltic states from the understanding of a regional security complex used by Buzan and Wæver in their book *Regions and Powers* (Barry Buzan and Ole Wæver 2003). A regional security complex is defined as:

> A set of units whose major processes of securitisation, desecuritisation, or both are so interlinked that their security problems cannot reasonably be analysed or resolved apart from one and another. (Buzan and Wæver 2003: 44).

And:

> by durable, (but not permanent), patterns of amity and enmity taking the form of sub global, geographical coherent patterns of security interdependence. (Buzan and Wæver 2003:45).

It should be underlined that regional security complex theory is not a theory of regionalisation as such. The regional security complexes should in stead be understood as a tool constructed for the analysis of security, and structured by the patterns of securitisation and desecuritisation. In principle one could draw a line for each security interaction between relevant actors. When the density of security interaction is greater inside a region than outside it, a regional security complex is formed and is mutually exclusive of other complexes (an actor can not be part of more than one regional security complex). Following Buzan and Wæver security interaction is at the centre of the analysis, but security is understood in a broader sense than in the traditional military way. Security is to be understood broadly in terms of different sectors (economic, political, societal, environmental and military), but narrowly in the sense that something has to be existentially threatened to be a security issue (De Wilde 1998; Buzan and Wæver 2003).

Securitisation is the process whereby something is established as a security issue. An item is discursively constructed as an essential threat to a given

referent object and this is intersubjectively accepted by a political community, thereby enabling a call for urgent and exceptional measures to deal with this threat (Buzan and Wæver 2003). Desecuritisation is the opposite process whereby something discursively is downgraded to no longer representing a threat. From these processes of securitisations, patterns of amity and enmity shape the character of a security complex thus creating an amity-enmity continuum of different types of security complexes ranging from conflict formation over security regime to security community. What makes this theory interesting when analysing the consequences of Baltic EU membership is that the definition of EU-Europe is not determined by the discourse used by relevant political actors, but rather by the security interaction that actually takes place.

## Security communities

A security community can consequently be seen as a specific type of regional security complex.

Karl Deutsch, who is credited for the term security community, defined this as an environment where actors "settle their differences short of war". Inspired to a certain degree by Deutsch, Buzan and Wæver characterises a security community as a pattern of security interdependence where the units do not conceive of, expect or prepare for the use of force in their political relations with each other (Buzan and Wæver 2003: 56-58, 491). A security community can be further defined, if the Adler and Barnett understanding of the concept is included (Adler and Barnett 1998).[2] Adler and Barnett categorise pluralistic security communities according to their depth of mutual trust, the degree of institutionalisation and depending on whether they interact in formal anarchy or are in a process of transforming this anarchy. Furthermore, community is defined by three characteristics: 1) members have shared identities, values and meaning; 2) those in a community have many-sided and direct relations; and 3) communities exhibit some kind of long term interest or even altruism (Adler and Barnett 1998: 30-31).[3]

---

[2] Adler and Barnett define security community as "a transnational region comprised of sovereign states whose people maintain dependable expectations of peaceful change" (Adler and Barnett 1998: 30).

[3] It should be noted that there are some differences in respectively the Adler/Barnett and the Buzan/Wæver approach to regional security analysis. Buzan and Wæver put more weight on territoriality, and do not see the regions as normatively desirable, but as tools for analyzing security dynamics. Adler/Barnett appear to see security communities as desirable outcomes and are in certain ways more inspired by the Deutschian vision. See also Buzan and Wæver 2003, pp. 77-82 for the position in relation to other literature.

When considering the notion of security community the difference between the theoretical meaning of the concept and the active promotion of a security community should be emphasised. Theoretically security communities relate to a specific type of regional security complex based on the patterns of identified security dynamics, and not on where actors might claim or wish to belong. Political attempts to create an enlarged security community or the discursive proclamation of such are interesting for an analysis of security dynamics, but not in themselves for defining a security community. When looking at the political process of creating a security community, it should be remembered that one is only analysing specific security dynamics, not the definite composition of a security complex.

## The intentional creation of a security community

In relation to the EU enlargement factual attempts to create a security community are however also important for understanding European security dynamics. Two different ways can be identified for a security community to be actively developed: a bottom-up and a top-down approach (Mouritzen 2001). The bottom-up mechanism for a security community is to create sympathies and transnational transactions and ties throughout a period of time and on a decentralised level, thus making it impossible for top national leaders to wage war against each other. This is what arguably happened between the Nordic countries. The top-down approach begins with common institutions and visions from above, and peace and common identity will be a sort of trickle-down effect for the public. This model is recognisable in the building of the EC/EU. Old western EU-Europe can certainly be seen as a regional security complex and more precisely as a top-down created and eventually well integrated regional security community. This should not be a controversial statement.

From a Danish perspective the process of integrating the security of Baltic states with the security of Europe could be seen as starting with cooperation and economic development in the Baltic region. However the interaction across the Baltic Sea cannot be characterised as a regional security complex in the theoretical framework used in this article. The security dynamics related to the rest of the EU-countries are too many and strong for an independent security complex to shape the Baltic region. As a regional security complex the Baltic region has been politically outweighed by a larger EU framework and security interaction. The Baltic region as a security sub-complex is also questionable. Even though the interaction to a certain degree is formalized in the Council of Baltic Sea States, it is characterised more by random bilateral

and not necessarily security related interaction, than by a pattern of security interaction "so interlinked that their security problems cannot reasonably be analysed or resolved apart from one and another" (Buzan and Wæver 2003: 44). This is even more so since Russia can be argued to be situated in a CIS, post-Soviet security complex of its own (Buzan and Wæver 2003).

When trying to position the Baltic states in a security context, the recently attained EU membership and the question whether this has made the Baltic states an integral part of EU-European security complex, therefore seem to be more relevant subjects of analysis. Russia nevertheless still remains a security actor too important in relation to the security of the Baltic states to be excluded from the analysis.

## The securitisations of the enlargement…

The project of EU enlargement can in many ways be described as an attempt to create a wider and more inclusive security community using a top-down approach. From a Danish perspective, the enlargement of the EU has been a high political priority, especially with regard to the Baltic states. Indeed, exactly this was pursued in a liberal peace and security vision discourse, an understanding where peace and stability could be promoted by increased political and economic interdependence.

The legitimacy of the enlargement in a security context is founded both on attempts to securitize and desecuritize. Two main securitisations can be identified. First of all, the securitisation of Europe's history filled with violent and destructive interstate conflict. This securitisation is built around the fear of Europe's future becoming like Europe's past (Buzan and Wæver 2003: 353). The processes of interstate integration in Europe have been understood as a successful remedy for the risk of war, and the exact ground on which a security community with shared norms, identity and common long term overall goals has been based. Further integration eastward has therefore been seen as a necessary measure against the threat of Europe's past returning in the future. Thereby integration is discursively linked to the security of Europe.

This linking of European integration and security continues in the second, but nevertheless related, securitisation. This is the securitisation of sub-regional instability as a threat to Europe in general and to the individual states in particular. This argument is certainly related to the painful learning by experience in the Balkans during the 1990's. Again enlargement of the EU was coined as an important preventive measure. Through the EU focus on welfare and prosperity the aim is to make old problems of ethnic and

linguistic minorities as well as disputes over state borders disappear and thus avoid potential instability and serious conflict evolving. In this regard Denmark sought to contribute to the evolution of a common European security in which national boundaries were less important than shared interests and ability to cooperate (Elgaard Brett 2002: 15).

The argument is based on the assumption that integration into an already existing security community where a high level of institutionalisation and mutual trust already exist must be perceived to be the easiest way to achieve the general ambition of regional security integration.

But since the EU-Europe security community is (following the above definition of a security community) based on common liberal democratic identities and values, potential member states would have to conform to these norms. In practice this meant that to profit from the security benefits of EU membership, broadly understood as economic, political, societal as well as military, the aspiring states should pursue democratic political reforms and economic growth within a market economy. Thus the promise of European membership and integration played a significant role in shaping and changing the identities of potential memberships and assuring that development stayed on a Western course.

## … and an attempt to desecuritize

These two securitisations related to the enlargement were followed by an attempt to desecuritize the former division between East and West. This is especially true with regard to Baltic states EU-membership that brought Russia into the picture. This attempt to desecuritize can be illustrated by the Danish emphasis on the EU enlargement not being just about abolishing former borders and creating new ones further to the East. On the contrary, making EU enlargement include the Baltic states was seen as a way to create a bridge to further cooperation with Russia, pulling Russia towards the West and ensuring a more western political development course, thereby avoiding new dividing lines between the East and West.

The title of Elgaard Brett's report for the Danish Institute of International Affairs - *No new dividing line* (Elgaard Brett: 2002) - seemed almost a mantra for the vision of the integration process. The enlargement was therefore discursively established as a benefit for both the EU and Russia, leading to a potential closer relationship between the two, with the Baltic states serving as a link for this cooperation – as the stepping stone between the two actors and perhaps between two complexes. In this way, EU enlargement to former Soviet and still somewhat disputed territory and involvement in what Russia

claimed to legitimately comprise their near abroad (Clemens 2001: 182ff) was linked with liberal development and possible prosperity between neighbours. Instead of leading a confrontational policy to attempt to deter the potential Russia "threat", the aim has been to bind Russia through different commitments, so that the Russia-EU (including the Baltic states) relationship is socialized to mutual trust and non-violent solutions of disputes (Mouritzen 2001: 9). Following this neatly constructed logic, EU development should not be seen as a destabilizing factor to EU-Russia relations, which would serve to desecuritize both the relations to Russia and the enlargement as a threat.

Summing up, the enlargement of the EU from a Danish perspective can certainly be seen as an effort to create a greater EU-European security community by integrating the Baltic states in formal regional, institutionalized patterns of cooperation, and to normalize relations with Russia.

However, membership of regional organisations like the EU does not automatically qualify an actor as part of a specific regional security complex. What matters, are the actual security dynamics that take place. Therefore the interesting question to answer is where the Baltic States can be positioned after they have attained EU-membership. The question is whether the project of a larger security community has succeeded, and the Baltic states therefore should be seen as part of the EU-European security complex (placed in the amity end of the amity-enmity continuum with characteristics of a security community mentioned above). This question can be answered by looking at the general patterns of securitisation and desecuritisation for the Baltic states.

The Baltic states have experienced a combination of political reform and national revival. This relates to a double process of both returning to Europe and returning to themselves. Even though these processes can principally work together, a potential conflict might exist between the two. Being part of the EU implies integration and openness, which can be securitized as a threat to re-established independent national identity. The Baltic states initially securitised Russia as a threat, believing this to be a catalyst for EU and NATO membership. However, in continuation of the above argument of the EU attempt to desecuritize relations to Russia, they realised that this could actually be counterproductive for attaining EU membership, which lead to a much less articulated securitisation of Russia (Buzan and Wæver 2003: 366, 415). With this process the Baltic states certainly took a big step towards the EU security community.

## The Baltic states after the enlargement

However, the policies of the Baltic states, most notably of Estonia and Latvia, towards Russia seem to have somewhat changed after the EU-membership has been attained. Instead of continuing to normalize relations with Russia, a more confrontational policy line can arguably be identified. It seems as if they are returning, if not to old enmity identity perceptions, then at least to a somewhat antagonistic relationship. The EU membership, as well as the NATO membership, is apparently understood as a political base and a security assurance on which the Baltic states have increased their relative bargaining power vis-à-vis Russia. This is particularly true for Estonia and Latvia,[4] but can be argued to be an underlying trend of Lithuanian policy as well. The irony of the argument is that the more confrontational political stance is fuelled and mirrored by Russian President Vladimir Putin's still more confrontational rhetoric in his political stance towards the Baltic states and their membership of NATO in particular.[5] This is a separate analysis, however, and shall not be pursued further in this article.

Denmark considered Baltic EU enlargement as a way of building a bridge to Russia and to secure peace and prosperity, an intention following traditional liberal IR thought of interdependence and cooperation (unintentionally corresponding with less altruistic and more selfish interest, of course). However, the Baltic states seem to follow a different and more power-oriented logic and have in reality used the enlargement to profile themselves in relation to Russia. They might thereby be consolidating the EU-Russia borderlines in a sharper way than wished for. Instead of creating bridges as intended, the Baltic policy towards Russia could lead to an even more distinct sense of inclusion and exclusion from the EU-Europe club. This policy course tendency was not expected in the Danish liberal vision of EU Eastern enlargement and is contrary to the EU attempt to desecuritize the enlargement as a threat to Russia (and to EU-Russia relations) mentioned above and the increased cooperation pursued by the EU.

---

[4] E.g. Latvia's dismissal of an agreement on Russian air communication to Kaliningrad, the Latvian President's explicit warning over the summer of 2004 to Russia not to interfere in the internal affairs of Latvia on the minority issue, the new Latvian government's ambition to cleanse the armed forces of Russian heritage, the clashes over the summer 2004 between Russia and Estonia on the human rights situation in Estonia, the heated debates over rehabilitation of Estonian, Latvian and Lithuanian units on the German side in WWII, the bilateral clash over Lithuanian visa regimes for Russian transit, Lithuania's reluctance to extend the military transit agreement with Russia, and the emotionally-charged debate over the participation of the Baltic presidents at the 60th anniversary of the end of WWII in Moscow.

[5] E.g. Russia's initial refusal to automatically extend the Russia-EU Partnership and Co-operation Agreement, Russia's criticism of Estonia and Latvia within the OSCE, CPA and NRC.

What does this tell us about where to position the Baltic states after they have attained full-blown EU membership? Through the 1990's the Baltic states have without doubt moved gradually away from a Russian-centred security complex as the overall structure for their security dynamics and in the direction of the EU-European complex. They have furthermore been capable of managing both the process of returning institutionally to Europe and the process of rebuilding their own nationhood successfully. Nevertheless, and independent of an arguably more confrontational line in their policies, the main security concern for the Baltic states still remains Russia. Even though they are politically, socially and economically moving towards the EU-Europe security complex, they are still to a significant degree securitizing Russia (Buzan and Wæver 2003: 430-431). Therefore the Baltic states are not completely decoupled from Russia in a security context and thus not entirely integrated in the EU security community. The more confrontational political discourse of the Baltic states towards Russia is a result of a deeper integration into the Western organisations, the EU and NATO and this discourse can not be seen as a shared EU stand. Even though the Baltic states are in many ways distancing themselves from Russia, they are not succeeding completely in security terms.

By way of conclusion, this argument finds that even though the enlargement of the EU and the membership of the Baltic states can be seen to a large extent as a successful political project, and one that from a personal normative perspective is certainly desirable, the Baltic states are still in-between security complexes, not fully belonging to either of the two, but with a European identity perception that does not match their patterns of securitisation towards Russia. This might seem ironic: as the Baltic attempts to become an integral part of a larger European security community are succeeding, they are themselves creating barriers to complete integration into the community. Consequently, the Baltic states are at the same time integrating further into the European Union and securitizing Russia as a threat; and thus remain in an integrated negative security relation with Russia.

This suggests that it takes time to change one's security identity. What remains to be seen is when the Baltic states will realize that their Russia policy is making their security identity conflict with the EU-European security identity. If this security identity is changed nothing could stand in the way of the Baltic states being fully part of the EU-European security community. What needs to be done is quite simply for the Baltic states to desecuritize Baltic-Russian relations, which is to a large extent possible independent of Russia's stance towards the Baltic states.

## References

Adler, Emanuel and Barnett, Michael (ed.) (1998): *Security communities*, Cambridge University Press, Cambridge.

Buzan, Barry and Wæver, Ole (2003): *Regions and Powers - The Structure of International Relations*, Cambridge University Press, Cambridge.

Buzan, Barry, Wæver, Ole and Wilde, Jaap De (1998): *Security - A New Framework for Analysis,* Lynne Rienner Publishers, Boulder.

Clemens Jr., Walter C. (2001): *The Baltic Transformed - Complexity Theory and European Security*, Rowman & Littlefield Publishers, Lanham.

Elgaard Brett, Julian (2002): *No New Dividing Lines - Danish Defence Support for the Baltic States*, Danish Institute of International Affairs, Copenhagen.

Mouritzen, Hans (2001): "Sikkerhedsfælleskaberne i Norden og EU: Kan de eksporteres over Østersøen?" In *Fokus* Nr. 1, 2001, Danish Institute of International Affairs, Copenhagen.

# Estonian-Russian relations in the context of the international system[1]

Vahur Made

## 1. Introduction

In comparison to the beginning and middle of the 1990s, a calmer period in Estonia-Russia relations commenced in 1997 after Estonia received the EU accession invitation. After Vladimir Putin became President in 2000, Russia discontinued its overt resistance to the imminent NATO membership of the Baltic states. Optimistic international observers might have felt that after the Baltic states formally joined NATO (29 March 2004), and the European Union (1 May 2004), Baltic-Russian relations would, almost automatically, normalize. Hostile rhetoric and cooperation limitations would disappear.

Sadly, tensions in relations between the two countries have remained, even after Estonia became a member of the EU and NATO. After NATO enlargement, Russian air force planes violated Estonian air space on more than one occasion. In addition, Russia has expressed dissatisfaction with NATO air forces being stationed in Lithuania. Russian Minister of Defence Sergei Ivanov has announced on several occasions that NATO fighters patrolling of Estonia's, Latvia's and Lithuania's air space was not consistent with the logic of 'the war on terror', and was directed against Russia, thus increasing the tension in Russia-NATO relations (*Postimees* 2004a, 2004b, 2004c.).

Prior to EU enlargement, Russia brought up the issue of the Russian ethnic minority in Estonia and Latvia, and connected this issue with the extension of the EU-Russian Partnership and Cooperation Agreement to the new member states of the European Union. Nevertheless, the protocol, allowing application

---

[1] This study was commissioned by the Foreign Affairs Committee of the Estonian Parliament in August 2004. Its empirical cut-off date is October 1, 2004.

of the PCA to the new member states, was signed in April 2004 and ratified by the Duma in October. With the signing of the PCA enlargement protocol, Russian double custom tariffs on Estonian goods have been abolished. However, Russia replaced the so-called double custom tariffs system with non-tariff market restrictions, such as various technical and quality requirements for food products imported into Russia from the EU internal market. Russia does not make a secret of the wish to continue differentiating between "old" and "new" member states of the EU and NATO. Moscow has also expressed a desire to use EU and NATO institutions to exert political influence in Estonia and Latvia.

Thus, if Estonian-Russian relations have not improved after the "double enlargement", what are the future prospects for these relations? To answer this question, the study will first of all analyse Russia's position in contemporary international relations. The placement of Russian foreign policy along the unipolarity/multipolarity axis will be discussed. Russian policy in international organisations (particularly the UN) will be compared with the development of relations between Russia and USA (including Russia's participation in the war on terror). The other main focus of the study is the development of relations between Russia and the European Union. Will Europe have two power centres – Brussels and Moscow? What kind of political relations will these two centres have, and what will the consequences be for Estonia? Thirdly, the study analyses Estonian's Russia policy in the current situation, with Estonia being a member of the EU and NATO. What changes will it bring in the shaping of Estonia's Russia policy? What can be accomplished to stop or diminish possible negative developments, and to speed up or strengthen the positive ones?

## 2. The foreign policy of Putin's Russia

### 2.1 Unipolarity and multipolarity in Russia's foreign policy

Since the end of the Cold War and collapse of the Soviet Union Russia has been in search of its foreign political identity. Historically formed traditional perceptions of Russia's foreign political role and Russia's position in relation to other countries, as well as the post Cold War crisis and reactions of the superpowers, the US in particular, towards Russia's actions in the crisis, have played a role in creating Russia's new identity. The Cold War period, when bipolar world order dominated (seemingly) in the international relations, was an exceptional time for Russia. Never before or since has Russia played so great a role in world politics. Never before has Russia been one of the two power centres of global politics. Furthermore, Russia represented communist ideology, the supposed alternative to Western liberal democracy. The end of

the Cold War, followed by the dissolution of the USSR's system of alliances, and the subsequent collapse of the Soviet Union, forced Russia to question and reevaluate it's geopolitical position.

Russia remains the country with the largest territory in the world, a permanent member of the UN Security Council, and owner of an enormous nuclear arsenal (ca. 40-50% of the world's nuclear weapons). Therefore, two status symbols of the Cold War – the system of alliances and alternative ideology have ceased to exist or have lost their value. Three major status symbols remain and have provided the foundation for creating Russia's new foreign political identity. Moreover, it was hoped that, based on the remaining ones, it might be possible, at least to some extent, to restore the lost status symbols. The theory of an unipolar world order, which became prevalent in international relations analyses after the end of the Cold War, was therefore unacceptable to Russia. From Moscow's perspective, the standpoint according to which the USA has won the Cold War politically, militarily, ideologically, morally and economically, was simply not true. Keeping in mind that Russia still possessed power-political status symbols, Moscow could not agree with the claim that the US was the only superpower, which could dominate on a global scale, and that all the other great powers were just "junior partners" of the US, who could dominate only in areas that were of no interest to the USA. Thus, multipolarity theory provided Russia with an alternative to Cold War bipolarity. The idea of having several power centres in the world (not two as during Cold War, and not one as supporters of unipolarity claimed) was most acceptable to Russia. According to the multipolarity idea, Russia was one of the leading "poles", equal in all aspects to the USA, European Union, China and Japan. Multipolarity was prestigious, whereas unipolarity was humiliating.

Adoption of the concept of multipolarity as the basis of Russian foreign policy was not a new phenomena. It reflected nostalgia for the "European concert" system, which existed during the period from 1814 to 1914 (from the Congress of Vienna to World War One). In Russian historical memory, this period was the golden age for Russia. This was the time when Russia undeniably played a very important role in the European politics (at that time when the policy of Europe was the policy of the world), Russia was respected and its views received serious consideration. According to the view of that time, the stability of Europe was based upon the balance of powers, and it was recognized that gaining and maintaining the balance of powers in Europe was impossible without Russia. The idea of multipolarity (known as Primakov's doctrine) thus develops further the idea of the European concert. Russia continues to guarantee a balance of powers, however, not only on the European scale today, but also in global international relations. Just as the European concert consisted of several large states, the multipolar world

order also consists of several superpowers. Neither USA nor any other state is any better or more important than Russia.

Multipolarity offers a lot to Russia emotionally, but in practice does not solve the dilemma of Russian foreign policy. This becomes apparent as we take a closer look at the achievements /failures, of Russian foreign policy, based, since the end of the Cold War, on multipolar ideology (see Trenin 2001). Multipolarity seems to be confirmed by the fact that Russia has managed to avoid isolation from significant Western political and economic institutions. Russia has gained a seat at the Council of Europe; there are special agreements with the European Union and NATO; in 2006, G-8 will become a permanent form of cooperation, instead of G-7. Membership in WTO and even closer ties with NATO and the European Union depend more on Russia's willingness than the goodwill of Western states. Thus, Russia has managed to present international institutions through multipolarity ideology as its status symbols (special status given to Russia, involvement in organisations which had been previously "closed" to Russia, etc.). At the same time there are concrete examples, which confirm that multipolarity in its classical sense does not work in today's international relations. First and foremost, Russia had to comprehend that formal membership in one or the other important international institution did not automatically guarantee control over a particular institution, or global political decisions made by it. The UN is a prime example. Russia is a permanent member of the UN Security Council, and yet unable to stop the US and other Western states from interfering in regional conflicts in a manner, which according to Russia, does not correspond to her interests (Bosnia 1994-1995, Kosovo 1999, Iraq 2003). Moreover, the USA has begun to act in regional conflicts either totally without UN approval, or requesting UN approval after initiating some unilateral action.

The second major criticism of foreign policy based on multipolarity is the gradual distancing of the former republics of the Soviet Union from the sphere of Russian influence, and shifting into the US and /or the EU sphere of influence. The US military presence in Georgia and Central Asia is a clear sign of this shift, and the US and European competition for control of the Caspian Sea oil fields, is another example. The EU Neighbourhood Policy confirms that the enlarged EU does not intend to play the role of a passive observer in Ukraine, Belarus, Moldova or states of the South Caucasus, but intends to continually increase its influence in these states. The EU Neighbourhood Policy poses a challenge to Russia and is competing with Moscow for the sphere of influence in a region where Russia has traditionally dominated. Thus, so-called "pragmatic" or "Western-minded" Russian politicians, President Vladimir Putin often counted among them, had to admit that Russia just lacked resources (political, economic and human resources) to implement multipolar ideology, at least in its classical global form.

Since Putin became president in 2000, there has been increasing opinion of Russia making a significant shift towards the West (Wilhelmson 2004). It is important within the context of this study to ask about the form in which this turn is expressed and whether this means the demise of multipolar ideology in Russian foreign policy? Putin's western-oriented rhetoric after his coming to power varied considerably from the multipolarity of Primakov's doctrine, which dominated in the last years of leadership of the President Boris Jeltsin (see Kononenko 2003). In 1999 Russian-US/Western Europe relations were at their low ebb, due to the crisis in Kosovo and NATO bombing attacks on Yugoslavia. 2000. The situation changed drastically in the end of 2000. By October 2001 Russia agreed to the second wave of the NATO eastern enlargement, including accession of the Baltic states to NATO. Terrorist attacks in New York and Washington on 11 September 2001 were received in Moscow with declarations highly supportive of the US (Utkin 2002: 482-523). Russia opened countries of Central Asia to US military bases, making it possible for the Americans to attack the Taliban regime in Afghanistan (and ending the threat of Russian military-political presence in Central Asia). Moscow joined the US in the declared anti-terrorism war, seeing this as a good opportunity to get international support regarding the war in Chechnya (see Malashenko/Trenin 2002). For the first time Russian foreign policy began to show signs of approving the unipolar world order.

War in Iraq, which started in March 2003, brought Russia-US relations to a low again for some time (Russia stood fast by its position that a UN Security Council resolution was needed to start the war against Iraq; Russian-German-French cooperation was as an alternative to the coalition war in Iraq). However, relations were improved very soon, in fall 2003 and during the spring 2004. A significant sign was Russia agreeing with the USA in the UN Security Council, which adopted in May 2004 resolution 1546, giving authority over to the Iraq interim government and at the same time legitimised the presence of the USA, Great Britain and other "anti-terrorism" coalition troops on the territory of Iraq. At the same time Putin took Russia's claims to the debt owed by Iraq and oil concessions belonging to the Russian companies off the agenda.

A new step in developing Russia-US relations was taken in September 2004 after the bloody hostage crisis in Beslan, Northern Ossetia. US President George W. Bush declared that in the war against terrorism the US "stands side-by-side" with Russia. When Russian Defence Minister Sergei Ivanov, and later President Putin, announced after the crisis that Russia might take the war on terror outside Russian borders, the US did not protest.

Thus, it may be argued that Russian foreign policy has indeed changed during Putin's presidency. Stressing of the former classical multipolar world outlook has been abandoned (Primakov's doctrine) and unipolarity has its

place in Moscow. It seems that Moscow is consenting to the US unipolar position at the global level and is moving in the direction to of agreeing with the US in reforming the role of the UN in the international relations. Moscow's former position, that interfering with regional conflicts had to be sanctioned by the UN, is slowly and gradually changing, and is being replaced with a vision more acceptable to Washington, according to which it is acceptable that the decision of military intervention by US (or Russia) is approved by the UN *post factum*.

Good relations, even allied relations, with the USA are a new and much promising project for Putin. Using the situation where the US position in Iraq and Afghanistan is becoming more complicated and the number of casualties on the US side is constantly increasing, Putin is trying to establish a new tradition of Russia-US relations. Outwardly recognising the leading position of the US, Putin wants to obtain status for Russia as a great power participating in the war on terror. Russia does not necessarily intend to participate in the US led coalitions, but will fight her own "war on terror". Hiski Haukkala of the Finnish Institute of International Affairs noted that after the Beslan hostage crisis, Russia's claim that "Chechens are terrorists" was becoming accepted in the "lobbies" of the world, primarily by the USA. It is becoming increasingly difficult for the EU to demand from Moscow democratic political solutions, consistent with human rights, in Chechnya. The world does not speak with Chechens any longer, but with Putin about the Chechens (Haukkala 2004). The next foreign political goal for Putin is to legitimize Russia's military intervention outside its borders, so it would become as accepted as US military activities in other countries.

Allies have to have mutual interests, and the alliance of the US and Europe has weakened in recent years, with some diverging policies. The Bush administration is particularly disappointed in the "old" Europe, especially France, Germany and Spain. The "new Europe" is extremely weak in military power and too far geographically from regions important to the US (Ulrich 2004). For the US, this increases the value of Russia, as a potential ally Russia is a country with nuclear weapons, and, in regards to conventional weapons and human resources is far above any new NATO member state of East and Central Europe. In addition, Russia offers US access to Central Asia. Maria Lipman of the Carnegie Centre in Moscow, finds that US support of Russia is not limited to the George W. Bush administration. Should John Kerry, the candidate of the Democratic Party, have won the presidency, instead of Bush, USA-Russia policy would not have changed significantly. (Lipman 2004a, 2004b).

Although he has accepted the unipolar approach in the case of the US, Putin has begun renewing Primakov's doctrine and is testing a new foreign policy approach, which could be called "selective multipolarity". The idea of

multipolarity has not vanished from Russian foreign policy. The emotional gravitational force still exists, and, given the opportunity, Russia would revert back to multipolarity. First and foremost, Russia bases its relations with the EU on multipolar ideology, because it is convinced that no commonly defined hegemony has been formed in European politics. The USA is not sure whether it desires to play the leading role in Europe, the EU is not sure whether it is able to establish itself as political leader in addition to being the economic leader in Europe. Russia is therefore confident that the insecurity of the western countries can be used to its advantage, in fortifying its positions in Europe.

From Estonia's perspective a rather complicated international situation is emerging. It is difficult to predict the extent, and possible outcomes, of Russian-USA anti-terrorism collaboration. Have two opponents of the Cold War found a *common* enemy (if the enemy is identifiable at all in the present war on terror) or will they realise after some time that they are fighting different wars, with different enemies, in order to achieve different goals? Future developments will indicate whether forming allied relations are similar to the ones during WWII. Will Russia and US be bound together by more than just the supposedly common enemy? Russia's continuing policy of selective multipolarity, which co-exists with a policy of unipolarity vis-à-vis the US, does not permit to forecast quick positive solutions to the problems in Baltic-Russian relations.

## 2.2 Challenges of Russian foreign policy

How can we summarize the basic principles which guide Vladimir Putin in implementing Russian foreign policy, including in relations with Estonia and other Baltic states?

1.    Putin understands that the time of classical multipolarity in Russian foreign policy is finished. Emphasizing multipolarity everywhere and in everything brings along foreign policy setbacks. Regional conflicts after the Cold War, especially in the territory of the former Yugoslavia and Iraq, have proved that Russia risks losing its foreign political prestige if it supports multipolarity positions unequivocally, in opposition to the US.

2.    Russia recognises the USA as the unipolar leader. Putin comprehends that Russia lacks resources to compete with the US at the global level. Putin also perceives that the USA is no longer the most dangerous competitor to Russia in the world politics. Pressure from Islam, as well as China's increasing power are far more significant threats. Putin realises that Russia may, can and must have ally relations with the US even if a certain part of Russian politicians and armed forces leadership does not approve of it.

3.    The current Russia-USA allied relationship is similar to the USSR-USA alliance during World War Two. International terrorism has apparently

been defined as the common enemy. In combating this unclear enemy, the opposing rhetoric of the two superpowers has mellowed. Both parties are ready to take steps, which, in view of the earlier background of competition and confrontation seem like great compromises, extensive cooperation, and unprecedented closeness.

At the same time there is nothing more behind "new" Russia-USA relations than the common desire to legalise military interventions in Iraq and Chechnya. Therefore, the emerging alliance is neither lasting nor long-term, and existing differences will surface sooner or later. The essential issue for Estonia is what will be the practical form of Russia's desire to fight terrorists outside its borders? Will it, in addition to the silence of the international criticism on the issue of Chechnya, bring along an agreement between the USA and Russia to divide spheres of influence (states, where the US combats terrorists and states where Russia combats terrorists)? Russia would like to bring to an end the USA "infiltration" into the former republics of the USSR. Thus, occurrences in South Caucasus, especially in Georgia, are a litmus test to the future development of the Russia-USA relations. Russia's readiness or refusal to send troops to supplement US-led coalition in Iraq and Afghanistan will indicate how far Moscow is ready to go in developing alliance relations with the USA.

4.    Although Putin has given up or about to give up classical multipolarity in relations with the US, he sees multipolarity as the best mechanism for developing Russia-EU relations. Putin is trying to convince his fellow countrymen that Russia should have closer economic and technical cooperation with the EU. At the same time Putin has an opportunity, stemming from multipolar ideology, to develop political and security-related cooperation with EU by stating that in guaranteeing Europe's security and making political decisions regarding Europe, Russia's role is equal to that of the EU. Presenting Russia as a separate "pole" in European politics gives Putin a chance to request special relations between Russia and EU, including common decision-making mechanism in the framework of CFSP and ESDP.

## 3. Russia-EU relations

### 3.1 Special relations, system or special system?

Russia-EU relations, in which Russia is guided by the multipolar ideology, have been characterised by the conflict since 1990s, which springs from different understanding of the format and nature of mutual cooperation. Russia's position is that its size and its role in European politics, particularly the military aspect, is sufficient reason for gaining special relations with the EU.

This viewpoint, which has been strongly rooted in Russian foreign policy, emphasizes that Russia would appear weak to other superpowers if it agreed to international cooperation on general terms. The fact that exceptions are applicable to Russia, including various possibilities of special treatment, is normal, not accidental, for Moscow, and is not to be considered a privilege. Thus, persons involved in Russian foreign policy often consider it humiliating for Russia and its superpower position when Russia is required to apply for membership in some international organisation according to regular rules and procedures (e.g. WTO negotiations in progress). And at the same time inviting Russia to be a member of the international organisation and giving it special status (e.g. USSR/Russia membership in the UN, OSCE, G-8, etc.) is deemed appropriate to Russia's role of a superpower in world politics.

From the middle of the 1990s, when Russia and the EU began to take their relations to a definite level of agreement, Moscow has proceeded from the understanding that those agreements[2] represented special relations which the EU bestowed upon Russia. This was seen in Russia as privileged treatment, given by the EU to Russia, because Russia was a "special" neighbour to the EU and was a separately standing power centre in European politics (Baranovsky 1997, 2002; Mouritzen 1998, Knudsen 1999). The EU has a completely different approach to cooperation with Russia. Cooperation agreements with Russia are not treated in Brussels as agreements which establish special relations between the EU and Russia. It is the EU position that these agreements do not put Russia in a privileged position in comparison with other EU agreement partners. The EU cooperation with Russia is based on an intention to influence and change Russian society, to make it more democratic, prosperous and open. This last aspiration in particular has led to a strong negative reaction in Russia. EU aspirations towards democracy are perceived in Moscow as an attempt of the great powers belonging to the EU, especially Germany, to establish their political influence in Russia and interfere in Russian internal politics. (Haukkala 2000, Haukkala 2001, Haukkala/Medvedev 2001, Moshes 2003).

Putin regards the EU as the leading economic power of Europe. At the same time it would be an exaggeration to claim that Russia-EU relations are moving in a direction of a systematic model. Firstly, the EU is not yet clear on what would be a systematic model in relations with Russia and other so-called New Neighbours. That also pertains to the issue of whether Russia will be offered a special system of some sort or will the EU offer all its neighbours a standard system-based form of cooperation. Secondly, there is as yet

---

[2] The trade and cooperation agreement between the USSR and the European Communities was valid from 1990 to 1999. Currently EU-Russia Partnership and Cooperation Agreement, 1997-2007 exists; see http://europa.eu.int/comm/external_relations/ceeca/pca/pca_russia.pdf

no consensus among the Russian political elite about the form that coopera-
tion with the EU should take.

### 3.2 Russia-EU political relations

Observing EU-Russia political relations we get a picture drastically different
from that of economic and technical cooperation. Political cooperation with
the EU is currently the area, in which Russia has the greatest opportunities
to develop and expand relations. Russia most certainly bases its political rela-
tions with the EU on multipolarity and there is no doubt that multipolarity is
the only acceptable approach for President Putin. Why?

Russia is still in the process of understanding the political essence of the
EU. Being bound by the realist approach to international relations, according
to which relations are fostered only between the states, Russia is looking for
the answer to the question of the extent to which the EU can be regarded as
a state formation, with which state relations could be cultivated.

The EU does not offer Russia much help in answering this question.
Debates about the EU moving in the direction of a federation, or remaining
mostly an union of states focused primarily on economic cooperation, are
still in progress and there is no evidence that they are beginning to reach
a generally accepted result. The enlargement of the EU, with new member
states joining the EU in May 2004, and others about to join in the near
future, tends to weaken the cohesiveness of the EU, and suggests that a ten-
dency emphasising independence of states ("Europe of Nations") will prevail
and an Europe acting as a single state will not be established. EU member
states' cooperation in the areas of security and defence has developed rapidly
in the last decades, especially after 1999; however, compared to the classi-
cal norms of foreign relations between the countries, it is still very much at
the embryonic level. EU member states have very different historical experi-
ences in communicating with Russia. Russia's immediate neighbours are only
Finland, the Baltic states and Poland. Thus, it is not surprising that there is a
wide range of views among the EU members about EU-Russia relations. This
has resulted in considerable complications in the development and imple-
mentation of the EU common policy towards Russia.

The ambiguity of the EU on the political landscape creates three op-
portunities for Russia. Firstly, Russia has an opportunity to present itself as
a power centre in Europe, alternative to the EU, as one of the two "poles"
of Europe. The EU in fact supports this approach. The European Commis-
sion as well as EU member states oppose the idea that Russia may join the
EU in the near or medium -term future. Secondly, many EU states, first and
foremost Germany, France, Great Britain, Italy and Scandinavian countries
support the idea that Russia should not be isolated from European affairs,
because there must be cooperation with Russia in the framework of global

politics.[3] Secondly, having in essence the recognition of the EU to its "pole" status in European politics and, taking advantage of the relative weakness of European cooperation, particularly the mutual competition among the member states, Russia has the opportunity to influence the post-enlargement processes in the European Union. First and foremost Russia is trying to achieve recognition of the leading EU countries, especially the major powers, of Russia's specific problems, including issues with the Baltic states. Thus, Russia gets the opportunity to ignore the unity of the EU and to develop bilateral relations with various EU member states. By maintaining friendly relations with the major EU member states, Russia assumes that Brussels is not likely to interfere in a situation when problems occur with the smaller member states, including Estonia. Thirdly, Russia is left with the theoretical opportunity to apply for active participation in CFSP and ESDP. Current developments in the security-related transatlantic cooperation between the EU and the USA will, at some stage, confront the issue of defining Russia's role in security-related cooperation. It is possible that CFSP/ESDP will turn out to be the best institutional means to avoid Russia's abstention from the security policy decision-making process (see Trenin 2000, Bengtsson 2004).

## 4. Estonian-Russian relations after EU and NATO enlargement

### 4.1 Challenges faced by Estonia

In developing its relations with Russia, Estonia will have to consider that the current international situation after the double enlargement has not stabilised, but that a new process of change has been initiated. This offers significant opportunities for Estonia: if it is able to participate in, and influence, this process of change, it is likely that the evolving relations between EU, NATO and Russia will also be consistent with Estonia's interests. At the same time there is a danger that Estonia will not be a sufficiently active participant

---

[3] EU-Russia relations are significantly influenced by oil supplied by Russia to the countries of Western Europe, particularly Germany and France. It is important for Western Europe to have stability in Russia and guaranteed constant oil supply. Western Europe has the Cold War experience that successful oil business can take place even with undemocratic and authoritarian Russia. However, the states of Western Europe observe with increasing concern that Russia led by Putin is becoming more authoritarian. It is in the interest of the EU to gain access to the oil deposits in the region of Caspian Sea independently of Russia, which in its turn means closer and far-reaching cooperation with Turkey and states of the South Caucasus. However, as long as there is no alternative to Russia to supply oil, the EU is not ready to go beyond criticizing rhetoric about the latest undemocratic developments in Russia. Since profits gained from supplying oil are of vital importance to Russia as well, it is not possible for Moscow to worsen relations with Brussels. Thus, EU-Russia "oil balance" guarantees continuation of processes social-economic and political integration even if Russia' s internal development should go further in the authoritarian direction.

in this process of change. In that case Estonia may become marginalized within the EU and continue its bilateral conflict with Russia.[4]

Future ways and forms of communication with Russia have to be considered within the context of Estonia's EU membership. Political as well as non-political relations will have to take into account the reality of Estonia belonging to the EU; that the EU is a system, and that Estonian-Russian relations operate within this system. Russia is currently actively testing EU and NATO post-enlargement behaviour, and the Baltic states are the region where Russia can best probe the reactions of both enlarged institutions. After the double enlargement Russia would like to test and see whether the major member states of the EU and NATO are ready to step out against Russia in defending the Baltic states, or are prepared to consider these states as problematic peripheral minor states, not worth jeopardising the "big picture" (cooperation with Russia). The framework of Baltic-Russian relation is thus being set in place for the next decades.

### 4.2 Trends in Estonian policy towards Russia
In the current situation Estonia could take the following steps:

– Estonia should give up bilateral high politics relations with Russia. In terms of Estonian statehood the essential communication with Russia should take place through the EU, and the rules for Russian-Estonian relations will be set through mediation of the EU institutions and based on EU policies. Russia has to understand that bilateral relations with the Baltic states have been replaced by EU-Russia relations, which in their turn are supported by the EU Common Foreign and Security Policy (CFSP) and European Security and Defence Policy (ESDP). To implement these changes, Estonia should make a drastic turn in its European policy and begin to support federalist tendencies in the development of the EU instead of stressing the principles of sovereignty ("Europe of Nations"). Estonia has to make a serious contribution to the development of the CFSP/ESDP decision-making mechanisms and make these spheres a top priority in its European policy. A stronger

---

[4] This study does not examine in detail the essence and development of the Russia-Baltic conflict. Russia's positions towards the Baltic states are thoroughly described in writings by Konstantin Voronov and Dmitri Trenin. (Trenin 1997, Voronov 2002). Voronov points out the main issues, which present a problem for Russia in the Baltic states, starting from status of Russian minorities to the western-oriented politics of the Baltic states. At the same time, Voronov brings out the position of Russia that Lithuania should be treated more favourably than Estonia and Latvia. Trenin expresses the liberal foreign political trend that Russia in relations with the Baltic states should turn from confrontation to cooperation and look for increasing cooperation links with the whole Baltic sea region. Detailed overviews of the Russia's positions in connection with the Baltic states joining NATO are provided in the articles of Mark Kramer and Konstantin Khudoley/Dmitri Lanko (Kramer 2003, Khudoley/Lanko 2004).

CFSP/ESDP will have well defined policies, and more effective means for reaching decisions and resolving conflicts thus making it easier for Estonia to avoid situations where in case of conflict with Russia Estonia will not find sufficient support among its EU partners.

– Estonia should put Estonian-Russian and Baltic-Russian bilateral problems very actively and strongly on the agenda of the European Union institutions. The condition of democracy in Russia, massive and systematic human rights violations in Chechnya, the situation of the Finno-Ugric peoples in Russia, Russian oil shipments in the Gulf of Finland, pollution caused by the new Russian oil terminals erected in St. Petersburg and Leningrad Oblast, the obsolete nuclear power station in Sosnovi Bori, etc. are the kind of problems which Estonia can constantly bring to EU's attention. Solutions to these problems may only be found through EU-Russia relations.

– The Estonian political elite should make it very clear what they want to achieve by stating that Russia was responsible for the USSR's Baltic policy. What should follow after Russia acknowledges occupation of the Baltic states by the USSR? Exodus of the Estonian Russians to Russia? Unrealistic. Return of Petserimaa and the trans-Narva territory to Estonia? Unrealistic. Russia paying compensation to Estonia? Unrealistic again. However, apology on Russia's part would, at least theoretically, be realistic. And even in this case bilateral solutions should be avoided. Using the EU institutions and connecting Russia-Baltic bilateral problems with the general recent historical context of Europe, makes it more likely that a compromise solution will be reached, one that satisfies both, the Baltic states and Russia. An example of a compromise solution could be a declaration of the European Parliament, which condemns Sovietization of Eastern Europe and occupation of the Baltic states by the USSR, prevents transferral of guilt into the present and calls upon the European countries, which are not EU members, including Russia, to become signatories to this declaration.

– Estonia should actively introduce its recent history to the countries of the EU. This is the only way to reduce the spread of false accusations in Europe criticizing the status of the Russian minority in Estonia and trumpeting Estonian collaboration with the Nazis.[5] The government of Estonia should

---

[5] It would be essential for Estonia, particularly regarding the issue of status of the Russian-speaking population to introduce to the EU member states the progress in the area of integration in Estonia; to refer to the studies, which indicate that tensions between ethnic groups in Estonia have gradually diminished during the years of independence, and that the integration process would be speeded up if Russia did not use national minorities issue in the interests of its foreign policy in order to put pressure upon Estonia (see e.g. Simonsen 2001, Aalto 2003).

finance publishing works introducing the recent history of Estonia by leading publishers in Europe. It is essential at this point to get historians of Estonia and other European states, including Russia, involved in an effort to place Estonian history in the general context of modern European history.

– Estonia should offer initiatives to the EU regarding cooperation with Russia, including in the framework of the Northern Dimension and New Neighbours Initiative.[6] The EU Neighbourhood Policy as well as the Northern Dimension provide already existing frameworks. The worst case would be for Estonia to remain one of the few countries of the EU, which do not take an interest in cooperation with Russia and offer no initiatives. Opportunities arise from the Northern Dimension as well as Neighbourhood Policy programmes. Estonia should present cooperation programmes in the framework of both initiatives. The Northern Dimension offers opportunity for Estonian initiatives directed towards Russia to be taken to the EU level. Estonia should find finances to implement Estonian initiatives in Russia under the auspices of the European Union. In addition to that, use of Estonian experts should be preferred in cooperation with Finland and Sweden in the framework of various initiatives of the Northern Dimension.

## 5. Conclusions

Estonia's accession to the EU and NATO did not resolve the problems in Estonian-Russian relations. Moreover, neither alliance relations with the USA nor cooperation with the EU states offers a positive and stable perspective in developing relations with Russia. The USA and Russia are intensifying their alliance relations in their anti-terrorism fight. Proceeding from history and strategic interests, including economic interests, the countries of the EU have very different relations with Russia. Therefore, Estonia cannot exclude the possibility of Russia putting pressure upon Estonia through NATO and EU

---

[6] The Northern Dimension is still in essence the Finnish policy towards Russia, which is conducted under the auspices of the European Union. Finland shows interest first and foremost towards Petersburg and northwest Russia. Sweden has developed projects pertaining to Kaliningrad Oblast within the framework of Northern Dimension. Since the Northern Dimension is financed primarily from the budgets of Finland and Sweden, it is unlikely that this initiative will disappear once the Neighbourhood Policy is in operation (see Haukkala 2002, Haukkala/Moshes 2004). Thus, Estonia faces working out two action plans. A Russia-oriented action plan, which would be carried out under the Northern Dimension initiative and an action plan, directed towards "small" new neighbours (Ukraine, Moldova, South Caucasus states) within the framework of the New Neighbours initiative.

member states and institutions rather successfully in order to achieve certain goals. Based on the above conclusions, this study recommends to Estonian foreign policy-makers the following:

1. Estonia should abandon its negative attitude towards CFSP and ESDP[7] and not view them as a competition to NATO. Naturally, Estonia could remain passive in the development of CFSP and ESDP (and by doing so also in the EU common policy towards Russia) and be a state, which only criticizes shortcomings in this political sphere. What are the alternatives? How is Estonia planning to avoid situations, where EU states join Russia in its criticism against Estonia, thus helping to push Estonia out to the margins in the EU context? Therefore, this study also supports the positions expressed in the study by Estonian Foreign Policy Institute analysing Estonia's attitude towards ESDP (Kasekamp, Riim and Veebel 2003): in CFSP and ESDP Estonia should support by all means the development of the EU common defence capability.

2. Estonia should use to the fullest all EU programmes directed towards Russia and propose initiatives within their framework. Estonia should financially support local scientific institutions and NGOs in cooperating with Russian partner institutions under the auspices of the EU.

It would be a grave mistake to become passive and hope that the EU and NATO will somehow automatically solve Estonia's problems with Russia. As a result, it is possible that new traditions, negative for Estonia will form in relations between the EU, NATO and Russia.

---

[7] "The cooperation, which exists within the framework of the EU CFSP and ESDP, and its further development, must take place in a manner that does not entail the duplicating of defence cooperation taking place within the NATO framework, and that supports transatlantic cooperation". National Security Concept of the Republic of Estonia 2004, http://www.vm.ee/est/kat_51/4544.html#2

## References

*Aalto 2003* = Pami Aalto. 'Revisiting the Security/Identity Puzzle in Russo-Estonian Relations'. Journal of Peace Research. Vol. 40. No. 5. 2003.

*Baranovsky 1997* = Vladimir Baranovsky (ed.). 'Russia and Europe: the Emerging Security Agenda'. SIPRI, 1997.

*Baranovsky 2002* = Vladimir Baranovsky. 'Russia's Attitudes towards the EU: Foreign and Security Policy Aspects'. FIIA Northern Dimension Project, 15, 2002.

*Bengtsson 2004* = Rikard Bengtsson. 'The EU as a Security Policy Actor: Russian and US Perceptions'. SIIA Report, 36, 2004.

*Haukkala 2000* = Hiski Haukkala. 'The Making of European Union's Common Strategy on Russia'. FIIA Working Papers 28, 2000.

*Haukkala 2001* = Hiski Haukkala. 'Two Reluctant Regionalizers? The European Union and Russia in Europe's North'. FIIA Working Papers 32, 2001.

*Haukkala 2002* = Hiski Haukkala. 'Kohti ulottuvuuksien unionia: Itälaajentumisen vaikutukset Pohjoiselle ulottuvuudelle'. UPI Raportti 2, 2002.

*Haukkala 2004* = Hiski Haukkala. 'Putinille sopii terrorismin kansainvälistäminen'. Helsingin Sanomat, 03.09.2004.

*Haukkala/Medvedev 2001* = Hiski Haukkala & Sergei Medvedev. 'The EU Common Strategy on Russia: Learning the Grammar of the CFSP'. FIIA Northern Dimension Project, 11, 2001.

*Haukkala/Moshes 2004* = Hiski Haukkala & Arkady Moshes. 'Beyond "Big Bang": The Challenges of the EU's Neighborhood Policy in the East'. FIIA Report 9, 2004.

*Kasekamp/Riim/Veebel 2003* = Andres Kasekamp, Toomas Riim & Viljar Veebel. 'Eesti koht ja valikud Euroopa Ühises Julgeoleku- ja Kaitsepoliitikas'. Uurimistöö. Eesti Välispoliitika Instituut, 2003.

*Khudoley/Lanko* = Konstantin Khudoley & Dmitri Lanko. 'Russia, NATO Enlargement and the Baltic States'. Baltic Defence Review. No. 11. Vol. 1/2004.

*Kononenko 2003* = Vadim Kononenko. 'From Yugoslavia to Iraq: Russia's Foreign Policy and the Effects of Multipolarity' FIIA Working Papers 42, 2003.

*Knudsen 1999* = Olav Knudsen (ed.). 'Stability and Security in the Baltic Sea Region'. Frank Cass. London, 1999.

*Kramer 2003* = Mark Kramer. 'NATO, Baltic states and Russia: a Framework for Sustainable Enlargement'. International Affairs. Vol. 78. No. 4. 2003.

*Lipman 2004a* = Мария Липман. 'Джорджу Бушу нужна поддержка Владимира Путина'. ИА МиК, 17.05.2004.

*Lipman 2004b* = Мария Липман. 'Я переживаю за тебя'. Ведомости, 30.06.2004.

*Malašenko/Trenin 2002* = Алексей Малашенко. Дмитрий Тренин. 'Время Юга. Россия в Чечне, Чечня в России'. Московский Центр Карнеги, 2002.

*Moshes 2003* = Arkady Moshes (ed.). 'Rethinking the Respective Strategies of Russia and the European Union'. FIIA-Carnegie Moscow Center, 2003.

*Mouritzen 1998* = Hans Mouritzen (ed.). 'Bordering Russia: Theory and Prospects for Europe's Baltic Rim'. Ashgate. Brookfield, 1998.

*Postimees 2004a* = 'Venemaa ähvardab NATO-t tuumaprogrammiga'. Postimees, 25.03.2004.

*Postimees 2004b* = 'Ivanov: Moskva peab Eestit ja Lätit ohuallikaks'. Postimees, 14.07.2004.

*Postimees 2004c* = 'Ivanov: Balti riikide liitumine ei tõstnud NATO julgeolekut'. Postimees, 16.08.2004.

*Simonsen 2001* = Sven Gunnar Simonsen. 'Compatriot Games: Explaining the 'Diaspora Linkage' in Russia's Military Withdrawal from the Baltic States'. Europe-Asia Studies Vol. 53. No. 5. 2001.

*Trenin 1997* = Дмитрий Тренин. 'Балтийский шанс: страны Балтии в складывающейся Большой Европе'. Московский Центр Карнеги. 1997.

Trenin 2000 = Дмитрий Тренин. 'Россия и основные институты безопасности в Европе: вступая в XXI век'. Московский Центр Карнеги, 2000.

*Trenin 2001* = Дмитрий Тренин. 'Конец Евразии: Россия на границе между геополитикой и глобализацией'. Московский Центр Карнеги. 2001.

*Trenin 2003* = Дмитрий Тренин. 'Российско-американские отношения: два года спустя после 11 сентября'. Московский Центр Карнеги. Брифинги, Том 5, Выпуск 8. 2003.

*Ulrich 2004* = Marybeth P. Ulrich. 'Achieving Military Capabilities in the 'New NATO': Assessing Central Europe's New Allies'. Paper presented at the Fifth International CISS Conference. Salzburg, July 6-8, 2004 (unpublished)

*Utkin 2002* = Анатолий Уткин. 'Вызов запада, ответ России'. Москва, 2002.

*Voronov 2002* = Константин Воронов. 'Балтийская политика России: поиск стратегий'. Внешняя политика и безопасность современной России. Том III. Москва, 2002.

*Wilhelmson 2004* = Julie Wilhelmson (ed.). 'Putin's Russia - Strategic Westernization?' NUPI Report, 2004.

# Sovereignty in the European Union: Case studies relating to Estonia[1]

Erkki Bahovski

## 1. Introduction

This article deals with the issue of national sovereignty in the European Union. My aim is to show how the issue of sovereignty is used by the EU states to mask their national interests. There is a myth that there is fair division of power between the Union and its member states. But I argue in this paper, that their relationship is constantly changing.

In the first section some theoretical background is discussed concerning the issue of sovereignty in the European Union. I will give a brief overview on the latest developments in the Union as well as the general perception of the sovereignty in the recent years. This will be followed by two case studies. The case studies will be put into an economic context, since the European Union primarily concentrates on economic issues. However, because economic matters are not discussed in detail, the perception of sovereignty depends on many other issues such as historical experience and national self-esteem.

The countries included in the case studies are Estonia, Russia and Sweden. Each of these countries has a different relationship with the European Union – Sweden joined the EU in 1995, Estonia is a very new EU member and Russia will most likely never join the EU. The leitmotif here is Estonia, i.e. how Estonia relates to the other countries observed. The issue of taxation in the European Union is observed in the first case study. It is based on the debate between Estonia and Sweden. I show how both countries perceive sovereignty differently, notwithstanding the fact they both belong to the EU. The complicated relationship

between Estonia and Russia in the framework of the EU is under observation in the second case study. It concerns only one issue, the Partnership and Cooperation Agreement (PCA) between the EU and Russia, and how Estonia relates to this. My argument here is that Estonia has not been very keen on keeping her national sovereignty when it has come to the EU's trade policy with Russia. Moreover, the argument over the PCA was not caused by economic reasons.

The key variable here is national sovereignty, i.e. how it is perceived in the respective states, but the main emphasis is on Estonia. In addition, it is tempting to use the states and the EU as the only actors in the international arena. However, the states alone cannot be the actors, since their behaviour depends on public opinion. General conclusions are drawn in the final section. The case studies show how complicated the relationship is between sovereignty and national interests and how differently these issues can be perceived by some of EU – and perhaps also non-EU states.

## 2. Sovereignty in the European Union

### 2.1. The European Union

On 1 May 2004 ten new countries joined the European Union (EU) marking the biggest enlargement in the history of the European bloc. It is clear that the current enlargement would not have taken place without the end of the Cold War and the collapse of Soviet bloc in 1989. Since eight out of ten new member states belonged to the Soviet bloc, their perception of sovereignty might considerably differ from that of the Western European EU members. Coincidently, with the end of the Cold War and the enlargement process the EU itself was going through very deep and rapid change. The Single European Act in 1986, which created the Single Market, and the Maastricht Treaty in 1993, which marked the political dimension of the EU were both benchmarks in the history of the EU. "Architecturally, the combination of a confederal institutional arrangement and a "federal" legal arrangement seemed for a time to mark Europe's *Sonderweg* – its special way and identity."[2]

Nonetheless, the initial success of the EU has had also some unexpected consequences. Until the Maastricht Treaty the European Community[3] was concerned with the economic activity between member states. Since the

---

[2] J.H.H. Weiler, "Federalism without Constitutionalism: Europe's Sonderweg" in Kalypso Nicolaidis and Robert Howse, eds., *The Federal Vision: Legitimacy and Levels of Governance in the United States and the European Union.* New York: Oxford University Press, 2001, p. 58.

[3] In the article the term "European Union" appears in chronological order: the European Economic Community (EEC) from 1957 to 1967, the European Community (EC) from 1967 to 1993, and the European Union (EU) from 1993 till the present.

Maastricht Treaty, however, the fundamental doubts about the path of the European integration have come to light. Up to this point the EU had been dealing with issues which had "relatively little cost" to national sovereignty.[4] The unexpected results of the Danish EU referendum in 1992 and that of Ireland nine years later are only some examples of public uneasiness with developments within the EU. But it would be wrong to state that the European politicians did not sense the need for change. The Amsterdam Treaty (1997) and the Nice Treaty (2000)[5] tried to pave the way for the enlargement to have more of an institutional approach. In fact, both treaties were filled with technical details, and there was little room for generalisations. However, the EU needed something else and the growing realization that the enlargement process was "irreversible"[6] opened the way for the debate over the future of the European Union. It is important to add here that the need for the debate was realized not only by the politicians, but by some scholars as well.[7]

The start of the debate over the future of the Europe has usually been attributed to the German foreign minister Joschka Fischer. In his speech at the Humboldt University in Berlin on 12 May 2000 he envisaged the future of the European Union calling for a "gravity center" inside the European Union.[8] This idea of "core Europe" has been a controversial issue ever since Fischer raised it. The debate over the future of the European Union took a more official form in the EU's Laeken Summit in December 2001 when the Summit adopted the Laeken Declaration[9]. Calling for the creation of a Convention of Europe. The Convention of Europe was to draft the Constitutional Treaty for the European Union. Thereafter, the Constitutional Treaty was to be approved by member states. After long debates and failures the Constitutional Treaty[10] was approved by member states in Brussels Summit on 17-18 June 2004. It remains to be seen whether the EU has taken a qualitative step forward, and whether the Constitutional Treaty is the expected goal of European integration, but some disturbing elements may cast a shadow over euro-optimism, and thus have some implications for the notion of national sovereignty.

---

[4] Andrew Moravcsik, "Europe's Integration at Century's End" in *Centralization or Fragmentation? Europe Facing the Challenges of Deepening, Diversity, and Democracy*. New York, 2001, pp. 3-4.

[5] Both treaties are available at the website of the European Union (www.europa.eu.int).

[6] The word "irreversible" can be found from many final conclusions of the recent EU summits. See the EU's website (www.europa.eu.int).

[7] See for example Larry Siedentop, *Democracy in Europe*, London, 2000. Siedentop argues that such a debate can establish the goals of the European integration: "Only by means of such a debate can the peoples of Europe once again become involved in their own fate," (p. 1).

[8] Joschka Fischer, "Vom Staatenverbund zur Föderation - Gedanken über die Finalität der europäischen Integration." Available at the website of the German Ministry of Foreign Affairs (www.auswaertiges-amt.de).

[9] The Laeken Declaration can be found at the EU's webiste (www.europa.eu.int).

[10] The Constitutional Treaty can be reached through the Irish EU Presidency website (www.eu2004.ie).

Firstly, the Treaty must be ratified by 25 national parliaments. In some cases that means also holding a national referendum. Thus the general perception of national sovereignty would be more important than ever, since the Treaty goes far beyond the existing European treaties. That, of course, would have the impact on the behaviour of the EU states, which always try to pursue their national interests. Secondly, the long time proponent of "core Europe", Joschka Fischer, has backed away from that idea. Speaking in March 2004 to *Berliner Zeitung*, he gave an assurance that Germany and France would not go ahead if disagreement over the Constitutional Treaty continued.[11] For now, the disagreement has been solved and looking back, it can be assumed that Fischer was using conciliatory tactics in order to secure a positive outcome for the Treaty. Nevertheless, it can also be stated that Fischer was afraid of the growing pressure from the European public who were worried about the possible loss of sovereignty. Fischer's remarks were later corroborated by the German president Horst Köhler who backed off from the idea of core Europe while visiting Estonia. In addition, Köhler denied the possibility of having a referendum on the Constitutional Treaty in Germany due to the German Constitution, but said that "there is a discussion in Germany now on peoples' bigger participation in legislative process".[12]

That assumption about public opinion creates a very serious question: to what extent can European policy be pursued without consulting the public? In another words, the question of democratic legitimacy comes in. If one compares the foundation of the EEC in 1957 by six countries to the accession of ten states in 2004, striking differences can be found. In 1957 no referendum was held on the EEC in the founding countries, whereas in 2003 Cyprus was the sole accession state not to have a referendum on EU membership.

Thus there has been a lack of democracy in the history of the European Union. The decisions taken by the EU are based on the national parliaments, not on the European Parliament. The heart of the problem here is the lack of a European public space, "let alone a European *demos*".[13] This statement was clearly demonstrated by some developments in 2003-2004. Although throughout the last year a lot of European politicians were engaged in drafting the Constitutional Treaty, no interest in the debate over the future of

---

[11] Honor Mahony, "Fischer backs away from core Europe idea", *EUobserver*, 1 March 2004 (available at www.euobserver.com).

[12] Erkki Bahovski, "Saksamaa president pooldab tuumikuta Euroopa Liitu" [The German President Supports the EU without core], *Postimees*, 24 November 2004.

[13] Jan Zielonka, "Challenges of EU Enlargement", *Journal of Democracy*, vol. 15, no. 1 (January 2004): 33.

Europe was shown for example in Estonia.[14] In addition, the extremely low turnout of the European elections in Eastern Europe in June 2004 could be interpreted as a clear sign of public distrust toward European institutions.[15]

Those problems may pose a serious question mark for their politicians in respective EU countries in promoting the Constitutional Treaty either to their national parliaments or to the public. As mentioned before, the perception of national sovereignty may play a crucial role here. However, national politicians and hence the EU states can be tempted to use the public indifference toward European questions as a pretext to pursue their national agendas and thus strengthen the notion of national sovereignty. The apathy of the Eastern European public can also be explained in terms of accession negotiations. From 1998 to 2002 the accession states negotiated with the EU about their terms of entry. The EU states were not willing to grant equal terms for the newcomers especially regarding agriculture and the free movement of people.[16]

Three considerations can be raised here. Firstly, the possible perception in the new countries of being second-class citizens in the EU may have some impact on their willingness to contribute to the future of Europe. The newcomers have not had very much interest in high political debate. They have wanted the restrictions to be removed. Secondly, it would be rather naïve to think that the negotiating process did not leave any mark on the old member states. The restrictions on the newcomers showed clearly that there could be different interpretations of the acquis communautaire. A lot of restrictions were influenced by the domestic politics.[17] Thirdly, the hard process of the accession negotiations will have certainly left some effect on the newcomers' understanding of the European Union. The negotiations concentrated on the fulfillment of the acquis communautaire, thus the newcomers may have felt that anything left outside of the acquis was not really their concern. Moreo-

---

[14] There were some attempts by the Estonian press to keep the debate alive, but in vain. Instead, the Estonian public reacted more strongly to the news of possible rise of the prices after the accession, buying large amounts of petrol, sugar and salt. Now the Estonian government faces a possible fine from the European Commission for having too much sugar in the storehouses.

[15] For instance in Slovakia only one fifth of voters - 20 percent - voted, followed closely by Poland, with a turnout of 20.7 percent.

[16] The new member states will be granted only 25 % of EU subsidies of the level of the old EU states with a gradual rise to 2013 when the subsidies are supposed to reach the level of the old member states. Except Malta and Cyprus, new member states have a transition period in terms of free movement of persons *vis-à-vis* old member states.

[17] For instance, in Finland there was quite an intensive debate how long the transition period for the free movement of persons should be. The Finnish government insisted the period should be two years long and then revised, whereas the Finnish Central Trade Union (SAK) insisted the period to be five years long. Finally the two years period was agreed. Now Finland has hinted that the two year transition period may be lifted earlier.

ver, the detailed process of closing negotiating chapters and the constant monitoring by the European Commission could have left the impression to the newcomers that the European Union is consumed with the technicalities, and there is little any room for manoeuvre.

The picture becomes even more complicated when the subsidiarity principle is mentioned. In theory the subsidiarity principle should outline the competencies between Brussels, the member states, and the regions. However, it has been shown this cannot always be true. It has been said that the difficult process of amending EU treaties prevents the creation of a detailed catalogue of competencies and "a strict delineation of competencies is not feasible insofar as the EU has adopted a vertical separation of functions (administrative federalism), rather than a vertical separation of competencies".[18] Thus the way for different interpretations of subsidiarity is opened. For instance, subsidiarity has been differently understood by the European Christian Democrats, the German regions and the British Conservatives. The Christian Democrats used it to justify the widening of EC competencies (1970s) or to defend the autonomy of member states (1990s). The German regions saw subsidiarity as a protective guarantee, seeking to prevent the European Union from encroaching on regional responsibilities. Finally, the British Conservatives welcomed subsidiarity as a mechanism for protecting national interests.[19]

The real question here is whether the same doubts can be raised in terms of sovereignty. In principle, the possible answer to the question about what is sovereignty should also explain how the EU functions. Or, given the agreement on the Constitutional Treaty, how it is going to function in the foreseeable future. Some scholars have tried to answer to this question by distinguishing the different types of governance in the European Union. Liesbet Hooghe and Gary Marks argue that there were two visions of governance. According to Hooghe and Marks the intellectual home base for Type I governance was federalism, which was concerned with power sharing among a limited number of governments operating at just a few levels: "The main thrust of federalism in the context of the national state is the relationship between central government and a tier of non-overlapping sub-national governments." Type II embodies the system "in which the number of jurisdictions is vast, rather than limited; in which jurisdictions are not aligned on just a few levels, but operate at diverse territorial scales; in which jurisdictions are functionally specific rather than multi-task; and where jurisdictions

---

[18] Wilfried Swenden, "Is the European Union in Need of a Competence Catalogue? Insights from Comparative Federalism", *Journal of Common Market Studies*, vol. 42, no. 2 (2004): 372-4.

[19] K. van Kersbergen and Verbeek, "The Politics of Subsidiarity in the European Union", *Journal of Common Market Studies*, vol. 32, no. 2 (1994): 215-236.

are intended to be flexible rather than fixed."[20] It seems that Type II could be applied more to the problem related to the notion of sovereignty in the European Union. As we shall see in the following case studies sovereignty and statehood as institutional facts are based on intersubjective understandings, rather than as existing independently as "brute facts".[21]

It should also be asked whether the freshly agreed Constitutional Treaty represents the "intersubjective understanding" of sovereignty in the European Union or not? Does the acquis communautaire embody such an understanding? Or is sovereignty under constant interpretation in the European Union and the European treaties have actually quite irrelevant significance? In order to answer those questions not only the development of the EU should be observed, but also the term "sovereignty" itself.

## 2.2. The Concept of Sovereignty

The concept of sovereignty is connected to the birth of modern nation-state. The system of nation-states began to develop after the Treaty of Westphalia in 1648, which ended the Thirty Years War. The principle *Cuius regio, eius religio* meant above all a monopoly of power by the highest authority in a given territory, and hence the introduction of the principle of non-intervention. However, it would be extremely naïve to think that the development of modern nation-state took place automatically, or even worse – that the sovereignty itself has remained unchanged since 1648.

The essence of the nation-state did not depend only on the political will of the rulers, but also the material possibilities for the control of large regions of territory. Thus the political space was decisively reorganized in the generation after 1850 or 1860. "National territories were seen as spatial domains that could be mastered physically by the railroad and transportation. Governance became more centralized and less confederal."[22] Approximately 100 years later the nation-states went through another abrupt change when people and their rulers lost the reassurance of a territorial space.[23] This development can be explained in terms of globalization. With the flow of capital, people and commodities, globalization has put huge pressure on the nation-state. Now the question is how the spaces and authority could be

---

[20] Liesbet Hooghe and Gary Marks, "Types of Multi-Level Governance", *European Integration Online Papers 5* (11), available at http://eiop.or.at/eiop/texte/2001-011.htm.

[21] Tanja E. Aalberts, "The Future of Sovereignty in Multilevel Governance Europe – A Constructivist Reading", *Journal of Common Market Studies*, vol. 42, no. 1 (2004): 26.

[22] Charles S. Maier, "Does Europe Need a Frontier? From Territorial to Redistributive Community" in Jan Zielonka, ed., *Europe Unbound. Enlarging and Reshaping the Boundaries of the European Union*, London and New York, 2002, pp. 21-27.

[23] *Ibid.*, p. 29

shared.[24] The same question may haunt also the European Union where the member states have to cope with economic challenges both inside and outside of its structure.

The post-Cold War era has come out of its initial optimistic phase. The Kosovo intervention in 1999 may have meant a fundamental shift in terms of non-intervention. The Kosovo campaign was caused by a humanitarian disaster, but 9/11 made things worse. Since 9/11 the global war on terrorism puts the principle of non-intervention completely in doubt, and hence the whole concept of Westphalian sovereignty may be in jeopardy. The US national security strategy adopted in September 2002 foresaw the notorious principle of pre-emption. According to this document: "Legal scholars and international jurists often conditioned the legitimacy of pre-emption on the existence of an imminent threat—most often a visible mobilization of armies, navies, and air forces preparing to attack. We must adapt the concept of imminent threat to the capabilities and objectives of today's adversaries. Rogue states and terrorists do not seek to attack us using conventional means."[25]

This kind of statement has meant a lot of new challenges for the European Union as well. Notwithstanding the deteriorating relationship between the USA and Europe, the EU states have needed to confront terrorism especially after the Madrid bombings in March 2004, and hence intelligence sharing and cross-border police cooperation have become more important. All this has a certain impact on the perception of sovereignty in the EU member states. It remains to be seen how far they will be willing to share their intelligence data with each other.

Consequently, many scholars have tried to define sovereignty taking into account the changed context. Still, the confusion remains, and not all scholars wish to completely abandon the old concept of sovereignty.[26] Although the task of redefining sovereignty has mostly been left to scholars of international law, the whole issue should also be considered from the viewpoint of international relations. Stephen D. Krasner shows that the term "sovereignty" has been used in different ways. He talks about international legal sovereignty, Westphalian sovereignty, domestic sovereignty, and inter-

---

[24] See for instance, Alan Hudson, "Beyond the Borders: Globalisation, Sovereignty, and Extra-territoriality". *Geopolitics*, vol. 3, no. 1 (1998): 89-105.

[25] *The National Security Strategy of the United States of America* (available at http://www.whitehouse.gov/nsc/nss.html).

[26] See for instance, John H. Jackson, "Sovereignty-Modern: A New Approach to an Outdated Concept", *American Journal of International Law*, October 2003, pp. 782-802. Jackson argues that the new vision of sovereignty is not yet well defined, "but it can be called "sovereignty-modern", which is more an analytic and dynamic process of disaggregation and redefenition than a "frozen-in-time" concept or technique".

dependence sovereignty.[27] For Krasner "organised hypocrisy is the normal state of affairs".[28] According to him, the various terms of "sovereignty" are related to each other and thus international legal sovereignty is the necessary condition for rulers to voluntarily compromise aspects of their Westphalian sovereignty. "Nowhere is this more apparent than in the European Union".[29] None the less, the question remains here how "organised" is "hypocrisy" in the European Union, or how far has European integration developed?

Although the bulk of scholars have supported the idea of "pooled sovereignty" in the European Union, and stressed the supranational character of the Union, some dissenting voices have been heard as well. For instance, Alan Milward has argued that the usual assumption has been that the European Union is an antithesis to the nation-state. He said: "after 1945 the European nation-state rescued itself from collapse, created a new political consensus as the basis of its legitimacy, and through changes in its response to its citizens which meant a sweeping expansion of its functions and ambitions reasserted itself as the fundamental unit of political organization. The EC only evolved as an aspect of that national reassertion and without it the reassertion might well have proved impossible".[30]

However, Milward's analysis relied on the Western European experience. As mentioned above the new EU states may have their own understandings about the European Union and sovereignty. In addition, they brought with them their own historical experiences, which differ greatly from that of Western European one. Notwithstanding the debate over the future of Europe and the new Constitutional Treaty a lot of arguments have occurred about why the European Union would not develop into a kind of "superstate" (recall Fischer's retreat from the idea of core Europe).

Andrew Moravcik has provided some arguments why the European Union would not be a very strong federalist state. Moravcik has pointed out that the EU lacks a coherent policy on social welfare; military, defence and policing (although there has been some attempts of cooperation toward that direction) as well as significant education and cultural policy. Most importantly, according to him, "the EU budgetary policy is subject to unanimity and thus remains tightly controlled domestically by finance ministers, foreign ministers, and heads of state and government". Moreover, tax policy has remained in the hands of member states. This notion has given Moravcik the reason to say that: "the EU may expand geographically, reform institutionally, and deepen

---

[27] Stephen D. Krasner, *Sovereignty: Organized Hypocrisy,* Princeton, New Jersey: Princeton University Press, 1999, p. 1.

[28] *Ibid.*, p. 9.

[29] *Ibid.*, p. 19.

[30] Alan S. Milward, *The European Rescue of the Nation-State*, London and New York, 2000, pp. 2-3.

substantively, but all this will take place largely within existing contours of European institutions".[31] The latest outcome of the Constitutional Treaty, which maintained the veto right on national taxation as well as on many other policies, demonstrated clearly that Moravcik could have been right. Thus the old scheme "intergovernmentalism *versus* supranationalism" could be simply outdated and the European studies should move beyond that.[32] The question is where, and what would be the proper framework for the further analysis?

Neo-realist theory supported the notion of anarchy between the nation-states. There was no central authority, which would impose some order on the nation-states, and each of them has acted by their rational choice. According to this school, states behave like human beings, and so-called Hobbes's dilemma means that people expect the worst from each other and sovereign statehood has significantly modified the Hobbesian notion of anarchy.[33] Nevertheless, as Alexander Wendt has argued, "anarchy is what states make of it".[34] Krasner provides four types of what he calls "examples of organised hypocrisy". He distinguishes between conventions, contracts, coercion, and imposition: "The Westphalian model has been violated through all four of these modalities: rulers have issued invitations that compromise their autonomy by joining conventions or signing contracts, and they have intervened in the internal affairs of other states through coercion and imposition."[35] As mentioned above, according to Krasner the organised hypocrisy worked best in the European Union. Hence the four types may help to explain the interaction between the EU states.

But it could be too premature to exclude the European Union from the analytical framework and turn back to the classical scheme of nation-states. Thus the inter-state relations inside and outside of the European Union, and their relations with the centre, i.e. Brussels have formed rather huge "cobweb", not a "billiard-ball" structure: "The daily life of international politics is an ongoing process of states taking identities in relation to others. These identities may be hard to change, but they are not carved in stone".[36] The relative freedom of EU states and some states outside the Union (like Nor-

---

[31] Andrew Moravcik, "Federalism in the European Union: Rhetoric and Reality" in Kalypso Nicolaidis and Robert Howse, eds., *The Federal Vision. Legitimacy and Levels of Governance in the United States and the European Union*. New York: Oxford University Press, 2001, pp. 163-8.

[32] Robert Howse and Kalypso Nicolaidis, "The Federal Vision, Levels of Governance, and Legitimacy" in Nicolaidis and Howse, eds., *The Federal Vision*, p. 10.

[33] Robert O. Keohane, *Power and Governance in a Partially Globalized World*, Routledge: London and New York, 2002, pp. 64-65.

[34] Alexander Wendt, *Social Theory of International Politics*, Cambridge: Cambridge University Press, 1999, p. 6.

[35] Krasner, *op. cit.*, p. 26.

[36] Wendt, *op. cit.*, p. 21.

way) to take identities towards the others could be still determined by the circumstance what Karl W. Deutsch has called the "security community".[37]

The foundation of the Coal and Steel Community, and later the EEC, was based on the idea of avoiding war between France and Germany. Two previous wars had devastated Europe and robbed the European powers of their status as global players. Thus the EEC and NATO became the structures under which the member states could solve their disagreements still not being involved in direct warfare, which was a characteristic of international relations before the Second World War. The total destructiveness of war "leads to the widespread realization that physical defense is impossible for the small states alone and may be impossible for even the larger states." "This realization may take such a difference in popular feeling about national sovereignty that it would affect political behavior seriously and constitute a distinct "way of life"…"[38]

However, the Constitutional Treaty and the acquis communautaire does not necessarily represent the avoidance of war, and hence various interpretations of national sovereignty prevail, although some scholars have recommended that a sort of "*acquis communautaire*" was needed in order to develop a general theory of international law, and thus create a clearer definition of sovereignty.[39] As we shall see, the behavior of the member states in the EU sometimes violated the acquis – thus the very existence of agreed laws in the international arena has not guaranteed that these laws would be applied to all the respective states in the same way.

Consequently, it would be wrong to replace the nation-state as the primary instrument of domestic and global governance. The nation-state has been developed by other actors like the private and third sector, which definitely have their own say in the European affairs.[40] In the foreseeable future the nation-states in the European Union and outside of it shall continue to pursue their national interests by using the notion of national sovereignty. Nevertheless, their interests are changeable[41] and so the whole concept of national sovereignty in the European Union is fluid.

---

[37] See Karl W. Deutsch *et al.*, *Political Community and the North Atlantic Area. International Organization in the Light of Historical Experience*, Princeton, New Jersey: Princeton University Press, 1968.

[38] *Ibid.*, p. 135.

[39] Jackson, p. 801.

[40] Keohane, *Power and Governance*, p. 202.

[41] *Ibid.*, p. 128.

### 3. Taxation: Estonia versus Sweden

Neither the *acquis communautaire* nor the new Constitutional Treaty has a decisive impact on tax policy in the member states, yet a debate on taxation has broken out between Sweden and Estonia. Both countries see the issue of taxation differently, which has also an impact on their perception of national sovereignty.

#### 2.1. Sweden

The Swedish Prime Minister, Göran Persson, attacked countries with low taxes in Berlin on 30 March 2004. "If they [the new member states] believe that we will tax heavily in Sweden, Finland and Denmark and send the money to Eastern Europe, where the upper-class does not pay taxes, this is not sustainable," he was quoted as saying. Before the Berlin visit Persson had already given an interview to the Finnish Swedish-language newspaper *Hufvudstadsbladet* claiming that Poland and Estonia were possible examples of such countries.[42]

Persson's remarks caused a political storm not only abroad, but also in the domestic arena. The representative of the Conservative opposition, Gunnar Hökmark, questioned whether Persson was arguing in favour of a common European tax regime.[43] Hökmark's doubts were apparently not very far from the truth, and expressed the constant fear about the future of the Swedish welfare state. However, it would be a mistake to say that Persson himself would have heralded the abandonment of the sovereign welfare state and supported common taxation in the European Union.

After the EU Nice Summit in 2000 Persson, as the incoming Prime Minister of the EU Presidency, delivered a speech in which he outlined the priorities for the Swedish presidency. He said Sweden would concentrate on three "Es": enlargement, full employment, and the environment. But he also mentioned the need to have a better co-ordination on taxation. "…progress made so far in preventing unfair competition for example in taxation of capital shows that if the political will is there it is possible to achieve coordination without encroaching on the national right of taxation".[44] One can draw the conclusion that once EU enlargement was off the agenda, Sweden has paid more attention to other issues. Taxation seems to be one of these issues.

On 14 April 2004 Persson delivered a speech to a group of European political

---

[42] Lisbeth Kirk, "Swedish PM Attacks Tax Policies in New EU Member States", 1 April 2004, *EUobserver* (www.euobserver.com).

[43] *Ibid.*

[44] Speech by the Swedish Prime Minister, Göran Persson, about the Nice Summit and the Program of the Swedish Presidency in Stockholm, 14 December 2000, *Internationale Politik,* 1/2001 (available at www.dgap.org/english/tip/tip0101/persson141200.html).

scientists. Although the issue of taxation was not a big part of his speech, Persson mentioned the need for better social policy at the European level. "The three Nordic countries, Finland, Sweden, Denmark, are all producing better economic results, higher economic growth and are still maintaining a generous welfare-model with very high taxes compared to the rest of Europe."[45] Sweden's worries about taxation and the welfare state were linked to both its historical roots and EU policies. Both were related to each other which made them complex.

The Swedish welfare model may be traced to the recessionary 1930s when the Social Democrats, the Agrarians in the electoral channel, and the main economic interest groups in the corporate channel reached a complimentary agreements between each other.[46] Thus Sweden was able to maintain its democratic system during the period when the whole idea of democracy was strongly challenged by Nazi-Germany and the Soviet Union. Swedish neutrality was linked to welfare and *vice versa*. However, in the 1980s the pre-conditions of welfare policies under national auspices had changed dramatically, and with the introduction of the Single Market Sweden was realizing the room for manoeuvre of the nation-state was decreasing. When Austria applied for the membership of the EU in July 1989, the Swedish government realized that Sweden could become isolated.[47] In addition, it appeared in the 1990s that it might prove difficult again to strike a balance between the public and private sectors.[48] In 1995, Sweden together with Finland and Austria joined the European Union. Sweden was no longer isolated but the problem of the welfare state remained. Sweden looked for a reasonable balance between the nation-state and the European level.

Sweden has attempted to introduce the European model of social policy while simultaneously trying to keep her traditional welfare state intact. Firstly, the EU has constructed many legal constraints, which have diminished the capacity of national governments to influence growth and employment in their respective countries. "The only national options which remain freely available under European law are supply-side strategies involving lower tax burdens, further deregulation and flexibilization of conditions, increasing wage differentiation and welfare cutbacks to reduce reservation wages".[49]

---

[45] Speech by Göran Persson in Uppsala 14 April 2004 (available at the website of the Swedish government, www.sweden.gov.se).

[46] David Arter, *Scandinavian Politics Today*, Manchester and New York: Manchester University Press, 1999, p. 193.

[47] Bo Stråth, "The Swedish Demarcation from Europe" in Mikael af Malmborg and Bo Stråth, eds., *The Meaning of Europe: Variety and Contention within and among Nations*, Oxford and New York: Oxford University Press, 2002, pp. 140-4.

[48] Arter, *op. cit.*, p. 194.

[49] Fritz W. Scharpf, "The European Social Model: Coping with the Challenges of Diversity", *Journal of Common Market Studies*, vol. 4, no. 4, (2002): 648-9.

Now the question is whether the Swedes are ready to give up their welfare state and introduce lower taxes. It seems that they are not ready for this. In 1992 they initially preferred increased taxation to welfare cuts.[50] Hence it became understandable to promote tax increases in other countries which have threatened the Swedish welfare state. In that regard the then Swedish minister of policy coordination Pär Nuder has also mentioned the EU's general interests by saying that the low taxes would harm the EU's interests in the long term. "I think the countries which consider themselves more competitive due to low taxes have chosen wrong path," he stated. "In the long term the competition capacity is about the labour's education and the country's infrastructure, these are more fundamental things".[51]

Secondly, in order to find common European solutions on social policy, the Union has opted for a new governing mode, the open method of coordination (OMC). The OMC has been very controversial – the policy choices remain at the national level; national policy choices are defined as matters of common concern, but there are no formal sanctions against member states whose performance does not match agreed standards.[52] Different interpretations of national sovereignty remain and thus Persson's remarks on the need to raise taxes in Estonia and Poland and to introduce a common European social policy can be better understood.

Moreover, as mentioned before, Sweden has found some powerful allies in the EU on the issue of taxation. The German Chancellor, Gerhard Schröder, has criticized low taxation in the new member states too. As he told *Focus* magazine, "In the central and eastern European countries there is a certain expectation from enlargement - we have low tax rates and wages, but infrastructure projects which we cannot finance ourselves will be funded by the EU. That is not the way to go forward. We need a sensible balance".[53] But what is the "sensible balance"? The new EU members have wanted to catch up with the West and have been convinced that low taxes are key to their economic growth. Between 1998 and 2003, for example, average GDP growth in Estonia, Hungary, Latvia, Lithuania, and Slovakia was, 4.69%, 4.04%, 5.87 %, 5.27% and 3.23% per year respectively. The German economy, on the other hand, grew at an average rate of 1.25% during the same period.[54] And it has to be said that Germany herself was forced to cut taxes. It is still questionable whether Sweden and Germany were fighting for the same reasons by denouncing lower taxes in the new EU countries.

[50] Arter, *op. cit.,* p. 349.
[51] Erkki Bahovski, "Pär Nuder: madalad maksud pole eelis" [Pär Nuder: Low Taxes Are Not an Advantage], *Postimees*, 25 September 2004.
[52] Scharpf, *op. cit.,* p. 652.
[53] Marian L. Tupy, "Lower Taxes, Bitte", *The Wall Street Journal,* 7 May 2004.
[54] *Ibid.*

Sweden seemed to be more worried about the possible erosion of her welfare state, whereas Schröder has expressed his concern over "unfair competition" hinting that Eastern Europeans could not count on the continued financial generosity of Germany.[55]

### 3.2. Estonia

Estonia is considered to be one of the most liberal economies among the new EU member states. The flat personal income tax in Estonia is 26% and there is zero tax on reinvested corporate earnings.[56] Estonia could be satisfied with the outcome of the Constitutional Treaty which left the right of veto on taxation to the member states.[57] In this regard Estonia differs greatly from the Swedish welfare state. After independence was restored in 1991 there was simply no time to introduce a strong welfare state, and the main emphasis was on the creation of a market economy. So far, the Estonian welfare model bears no resemblance to any of its EU counterparts, and it is not party to the Scandinavian view where social protection is seen as a civil right. Moreover, economic and political criteria were emphasized more strongly in the accession process than social ones.[58]

Before the Second World War Estonia shared a similar standard of living to Finland. The Soviet occupation, in the view of the majority of Estonians, is considered the reason why Estonia has since lagged behind Finland, hence the desire to catch up to the West as fast as possible. This desire was apparent back in 1997 when Estonia was among the first six applicant states to be invited to the accession negotiations with the EU (at this time neither Latvia nor Lithuania were invited).

However, it would be a mistake to state that the notion of sovereignty did not play a role here. On 14 September 2003 the referendum on the EU membership was held in Estonia.[59] Although Estonian citizens endorsed EU membership, the possible loss of national sovereignty played an important

---

[55] Carl Mortishead, "Schröder Rails at New Low-Tax Kids on the Block", *The Times*, 6 May 2004.

[56] See the website of the Estonian government (www.riik.ee/valitsus). The Coalition Treaty foresees the reduction of personal income tax to 20% by 2006, which even more stresses the right of national government to decide on taxation, and thus ignores the attempts to move toward tax harmonization in the EU.

[57] See the White Paper of the Estonian government on the Constitutional Treaty (available at http://web-static.vm.ee/static/failid/364/valge_raamat.doc).

[58] Lauri Leppik, "Social Protection and EU Enlargement. The Case of Estonia" in Vello Pettai and Jan Zielonka, eds., *The Road to the European Union. Volume 2. Estonia, Latvia and Lithuania*, Manchester and New York: Manchester University Press, 2003, pp. 143-4.

[59] It has to be mentioned that exactly on the same day as the Estonian referendum the Swedes held a referendum on the euro where the Swedes rejected membership in the eurozone.

role in pre-referendum campaign. Unlike many other accession countries, in Estonia the referendum question was about an amendment to the Constitution as well as the question of EU membership. The Estonian eurosceptics cited the constitutional clause that stated that the independence and sovereignty of the Estonian state was timeless and inalienable.[60] In 1997 a high-level expert committee convened by the Ministry of Justice concluded that the Constitution did not allow EU membership because accession would violate the principle of inalienable independence and sovereignty. That constitutional principle would have to be changed before Estonia could accede to the EU.[61]

Even after the amendment of the Constitution, the Estonian Chancellor of Justice succeeded in adding the so-called protective clause to the Constitution. This clause has made it clear that if the supranational character of the EU became inconsistent with the Accession Treaty or if the competence of the EU institutions was interpreted too loosely, Estonia should ignore the EU law and follow the "basic principles of the Estonian Constitution".[62] Nevertheless, the Estonian government and elite gave assurances during the referendum campaign that EU membership strengthened Estonia's independence as it enhanced the country's security.[63] Thus the notion of sovereignty was brought up during the campaign, but taxation was hardly mentioned.

Before Persson made his remarks in the spring of 2004, the Estonian government found some powerful allies in the EU and made it clear that taxation should be left to national governments. On 3 November 2003, Estonian Prime Minister Juhan Parts and British Prime Minister Tony Blair published a joint article in *Financial Times* and the Estonian daily *Postimees*. They promoted the right of national governments to decide upon taxation: "harmonization in the taxation and social sphere won't help to solve Europe's current problems. At the time when we should make the European economy more flexible, the harmonization of tax and social systems would be a step in the wrong direction – it would lessen healthy competition in the whole of Europe, it would lessen employment and it would drown out economic growth".[64]

After the article some foreign policymakers in Estonia began to speak of

---

[60] This notion of sovereignty was mentioned in paragraph 1 in the Estonian Constitution. During the referendum campaign Estonian eurosceptics wore T-shirts with sign of § 1. See their website http://www.free-europe.info.

[61] Merje Kuus, "Sovereignty for Security? The Discourse of Sovereignty in Estonia", *Political Geography*, vol. 21, no. 3 (March 2002): 393-414.

[62] See the website of the Estonian Chancellor of Justice (www.oiguskantsler.ee). When I interviewed the Chancellor last year he did not evaluate what the "basic principles of the Constitution" would be.

[63] Kuus, *op. cit*.

[64] Juhan Parts and Tony Blair, "Laienev Euroopa vajab konkurentsi" [Enlarging Europe Needs Competition], *Financial Times*, *Postimees*, 3 November 2003. (Available at the website of the Estonian Prime Minister, www.peaminister.ee.

the "Britainisation" of Estonia's European policy. However, Estonian Prime Minister Juhan Parts has been accused of not pursuing a very consistent European policy. While in Germany in December 2003, the German news-papers claimed Parts spoke in favour of stronger European integration, and indicated that "everything is negotiable".[65] Parts repeated his willingness to compromise before the last EU Summit in Brussels in June 2004 indicating, however, that relinquishing the national veto right on corporate tax would the "red line" for Estonia.[66]

On 28 May 2004, one of the leading EU specialists in Estonia, Ivar Raig, published an article in *Sirp* which stressed the need to keep the national veto on taxation and arguing that the liberal tax policy helps to maintain Estonia's identity in the EU.[67] What made this article remarkable was the fact that before the EU referendum Raig and the Estonian government had been on opposite sides of the issue of EU membership. Raig was considered to be one of the leading eurosceptics in Estonia, but on the issue of taxation his views were similar to those of the government. Later some entrepreneurs – both Estonian and foreign ones – have stated that in fact low taxes, i.e. nil tax on reinvested corporate earnings does not play the most crucial role in doing business in Estonia. Instead, some other factors like education, labour laws, etc. might prove to be more important.[68]

The European Commission also has some coherent views on taxation. Budget Commissioner Michaele Schreyer was quoted on 27 May 2004 as saying that the tax advantages in the new EU states were not being financed with funds provided by the European Union.[69] In addition, Frits Bolkenstein, the Commissioner for Internal Market, Taxation and Customs Union, pub-lished an article in the Financial Times on 14 June 2004 in which he argued for free competition in the EU, and criticized Germany, France and others' attempts to establish a minimum company tax in the EU. "But why stop at company tax rates? Why not require our neighbours to respect our minimum wages if we really wish to handicap them?" he asked sarcastically.[70]

However, the European Commission has proposed to set a uniform tax

---

[65] Ahto Lobjakas, "Estonia Adrift: Caught in the Crosswinds of the EU's Constitutional Debate" in Andres Kasekamp, ed., *The Estonian Foreign Policy Yearbook 2004*, Tallinn: The Estonian Foreign Policy Institute, 2004, pp. 92-3.

[66] Külli Riin Tigasson, "Juhan Parts: Eesti kompromissideks valmis" [Juhan Parts: Estonia Ready for Compromises], *Eesti Päevaleht*, 16 June 2004.

[67] Ivar Raig, "Maksupoliitika kujundab Eesti näo Euroopas" [Tax Policy Forms Estonia's Face in Europe], *Sirp*, 28 May 2004.

[68] Erkki Bahovski, "Estonia's Liberal Tax Code Doesn't Decide Everything", *Life in Estonia*, Winter 2004/05.

[69] *AFP*, "Eastern Europe is Not Offering Tax Breaks with the EU Money: Budget Commissioner", 27 May 2004.

[70] Frits Bolkenstein, "Let the Market Choose Europe's Champions", *Financial Times*, 14 June 2004.

base for the 25 EU member states after 2008. Estonian minister of finance Taavi Veskimägi has stated that Estonia must be ready for such challenges: "Our goal is to have worked out by autumn a new taxation strategy to offer the business community in Estonia solutions that are still attractive after the end of 2008."[71] Still, one should ask where the notion of sovereignty has been left here. It is clear that economic considerations (attractiveness, better business environment, etc.) play a vital role here and sovereignty as the core idea of the nation-state has been put aside. In the next section we shall see how the notion of sovereignty as such would be diminished for the security considerations. In addition, the year 2005 witnessed the fulfilment of the election promise by the ruling coalition – reducing the personal income tax from 26 % to 24 %. If one assumed that taxes would be approved by Brussels the big question arises: what importance would domestic politics and election campaigns have in the future? Therefore it is understandable why the government wishes to keep the right of decision on taxes.

## 4. Trade Policy: Estonia, Russia and the EU

The complex issue of trade policy involving Estonia, Russia and the EU shows Estonia's varying attitudes toward sovereignty. Unlike in the previous section Estonia was not very keen on maintaining her national decision-making rights on trade policy. But Russian involvement gave the whole issue quite unexpected colour.

### 4.1. General Background

Relations between the EU and Russia have been based on the Partnership and Cooperation Agreement (PCA), which came into force in December 1997. In terms of trade policy it granted most-favoured-nation treatment, the elimination of quantitative restrictions; legislative harmonization; and provision on the establishment and operation of companies, services, current payments and the movement of capital, competition and intellectual property.[72] The PCA was extended to new EU members on 27 April 2004 and also a joint statement on EU-Russian relations was approved.

However, the PCA extension did not proceed smoothly. On 19 January 2004, Russian Deputy Foreign Minister Vladimir Tshizhov presented the

---

[71] Taavi Veskimägi, "Eesti ja Euroopa edukaks" [To Make Estonia and Europe Succesful], *Postimees*, 28 July 2004.

[72] See the relations between the EU and Russia as well as the Partnership and Cooperation Treaty at the website of the European Union (www.europa.eu.int).

Irish EU Presidency with a list of 14 points, which Russia considered to be a precondition for the extension of the PCA to the new members. In addition to the trade demands, Russia gave the Irish a 3-page memorandum in which she wanted Brussels to put pressure on Estonia and Latvia in order to relax alleged restrictions on the ethnic minorities in these countries.[73] In February Tshizhov repeated Russia's demands in Tallinn by stating that the alleged violation of human rights in Estonia continued to concern Russia.[74]

It must not be forgotten that the relations between Russia and Estonia also have an economic dimension. In 1995, Russia denied Estonia the status of most-favoured-nation on the basis of the alleged violation of human rights, and Estonian producers were not able to sell their products on the Russian market. This situation forced many Estonian farmers to focus on Western markets and so Estonia was not hit hard by the Russian financial crisis in 1998. However, many individual entrepreneurs adjacent to Russia were cut off from their traditional markets and had to struggle for living. Ironically, the majority of these entrepreneurs were from the Russian minority in Estonia and hence Russia's attempts to improve the situation for their compatriots across the border had the opposite effect.

The extension of the PCA would have abolished Russian tariffs since Estonia's border would have become the EU external border and thus the whole EU trade policy would have gone into effect. Brussels held the view that the PCA should have been extended automatically to the new members. In this regard Estonia got support from the European Commission, which also tied the PCA to the issues of the Kyoto protocol and Russia's entry into the WTO.[75]

Finally, the PCA was extended to new members and hence the Russian tariffs were abolished. Nevertheless, Russia succeeded in including to the mention of human rights in the joint statement. "Further, the EU and the Russian Federation welcome EU membership as a firm guarantee for the protection of human rights and the protection of persons belonging to minorities. Both sides underline their commitment to the protection of human rights and the protection of persons belonging to minorities."[76] The issue of national minorities may still be open, although the Russian Duma has approved the extension of the PCA. But the Duma made a statement in Octo-

---

[73] Erkki Bahovski and Toomas Sildam, "Moskva pressib Brüsselilt Baltimaade arvelt lisaboonuseid" [Moscow Extorts Additional Bonuses from Brussels at the Expense of the Baltic States], *Postimees*, 31 January 2004.

[74] Toomas Sildam, "Asevälisminister Tšižov avas Vene kaardid" [The Deputy Foreign Minister Tshizhov Opened Russian Cards], *Postimees*, 26 February 2004.

[75] *AFP*, "Tough Bargaining on WTO Membership at Upcoming EU-Russia Summit", 20 May 2004.

[76] Joint Statement on EU Enlargement and EU-Russia Relations, 27 April 2004 (available at http://europa.eu.int/comm/external_relations/russia/russia_docs/js_elarg_270404.htm).

ber by saying that the situation of national minorities in Estonia and Latvia continuous to worry Russia.[77]

### 4.2. Estonia's Response

The EU trade policy has meant the Single Market has been an inseparable part of the acquis communautaire. Sovereignty then should have a very clear meaning, but one can still observe different perceptions of sovereignty in Estonia. As shown above, Estonia has a liberal economy and has been reluctant to raise taxes. Since independence in 1991 Estonia abolished all tariffs. The last, non-significant, tariffs were gone by 1997.[78] Estonia's accession to the European Union meant above all the introduction of tariffs and a more protectionist trade policy due to the requirements of the Single Market. In addition, Estonia had to renounce Free Trade Agreements with Latvia, Lithuania, and Ukraine. Logically, Estonia should have pursued basically the same course as it did on taxation, but the issue of protectionism hardly came up in the pre-accession debate in Estonia. Nor was it raised during the accession negotiations. The former Prime Minister Mart Laar was quoted as saying: "Liberalise, then negotiate; but don't negotiate and then liberalise".[79] Estonia did neither.

Still, it would be unfair to say that there have been no attempts to introduce tariffs in Estonia. In 1997, a proposal to impose agricultural tariffs against the EU was only narrowly defeated in the government. In 2000, an opposition party Rahvaliit (People's Union) lobbied for agricultural protection.[80] But these attempts were not very systematically pursued and in general the liberal economy was never seriously challenged in Estonia. The abolition of Russian tariffs outweighed the introduction of EU tariffs. It was considered in Estonia that Estonia alone could not solve the problems with Russia. However, the PCA extension to new members, especially the EU-Russia joint statement, caused a political storm in Estonia. But this did not happen for economic reasons.

Although Estonia and Latvia were not separately mentioned in the statement, the reference to the human rights, which came as the result of Russian pressure, brought many painful memories to the surface. The Estonian government was accused of selling out its national interests to Brussels. One Estonian politician went as far as to compare the joint statement with Nazi-Soviet pact in 1939, which sealed Estonia's loss of independence.[81] The former Estonian Ambassador to Rus-

---

[77] Erkki Bahovski, "Riigiduuma ratifitseeris partnerlusleppe ELiga" [State Duma Ratified the Partnership Treaty with the EU], *Postimees*, 23 October 2004.

[78] Magnus Feldmann and Razeen Sally, "From the Soviet Union to the European Union: Estonian Trade Policy, 1991-2000", *The World Economy*, January 2002, p. 84.

[79] *Ibid.*, p. 90.

[80] *Ibid.*, 92-102.

[81] Toomas Sildam, "ELi-Vene suhted tõid Eestisse poliitilisse tormi" [EU-Russian Relations Caused a Political Storm in Estonia], *Postimees*, 24 April 2004.

sia, Mart Helme, called for the accession celebrations on 1 May to be boycotted since "one wishes to implement the destruction of the nation-state with the hands of the EU by Russia's dictate".[82] The President of the European Commission Romano Prodi was forced to give assurances that Brussels would protect Estonia's interests.[83] But, as mentioned before, no voice was heard in relation to protectionist measures. Only after the political storm had calmed down, the former Foreign Minister, Toomas Hendrik Ilves, published an article in Postimees taking up the issue of the EU trade policy.[84]

The notion of sovereignty can take very illogical forms. During the campaign for the European Parliament, Rahvaliit, now in the coalition, took up the issue of sovereignty by stating the need to protect Estonia's national currency.[85] At the same time, however, rural-based Rahvaliit failed to consider the inconsistency of its position. If Estonia's sovereign powers had been asserted, then the tariffs with Russia would not have been abolished. Only the delegation of national interests to the supranational level was able to see them scrapped.

Thus the relations between Estonia, Russia and the EU took various forms. On one hand, Estonia was eager to give up her national sovereignty on trade policy in order to get rid of Russian tariffs. On the other hand, Russia's insistence on including the issue of human rights in the EU-Russian joint statement reminded Estonians of the Soviet occupation and hence the memory of the pre-war nation-state. Since the whole economic approach in Estonia was a part of her nation building[86], economic criteria could not solely be applied here.

That the whole issue of Russian relations is very sensitive is amply demonstrated by the fact how the public has reacted to Moscow's invitation to the Estonian president to visit Russia on May 9th, the 60th anniversary of the end of what Russia calls the Great Patriotic War. Some voices have suggested that the Estonian president should not go to Moscow and he has postponed announcing his decision until March 2005.

---

[82] *Postimees Online*, "Mart Helme kutsub üles liitumispidustusi boikoteerima" [Mart Helme Calls Upon to Boycott the Accession Celebrations], 28 April 2004.

[83] Toivo Tänavsuu, "Romano Prodi: Euroopa Liit ei kauple Venemaaga Eesti seljataga" [Romano Prodi: The European Union does not trade with Russia behind Estonia's Back], *Eesti Päevaleht*, 11 May 2004.

[84] Toomas Hendrik Ilves, "Kas ELi väliskaubanduspoliitika on protektsionistlik?" [Is the EU Foreign Trade Policy Protectionist?], *Postimees*, 2 June 2004.

[85] See the website of *Rahvaliit* (www.erl.ee).

[86] Feldmann and Sally, *op. cit*., p. 88.

## 5. Conclusions

The two case studies presented above can be summarized in the following matrix.

| Country | Cause for Sovereignty | Cause for Non-Sovereignty | Relation to the EU |
|---------|----------------------|---------------------------|--------------------|
| **Estonia** | Liberal economy, Russian threat | Russian tariffs, Single Market | EU member |
| **Sweden** | Welfare state | Globalisation, competition with the new EU member states | EU member |

Of course, one can always state that any kind of matrix or table brings with it a danger of oversimplification. However, for the sake of clarity it could be possible to use it as a framework for analysis.

Firstly, the table shows that not all the debates inside of the European Union have taken place between Brussels and the respective member states. The ongoing debate on tax policy between Estonia and Sweden has had more bilateral than "Brussels *versus* national government" characteristics. In the same way, the Russian question in Estonia was perceived rather bilaterally due to historical experience and hence the reluctance to let Brussels pursue its own Russian policy becomes understandable. At the same time, the wish to access the Single Market has outweighed the bilateral tariffs with Russia. In sum, it may not be sufficient to analyse the EU on the basis of different levels of competencies. These competencies are not absolute and depend on different interpretations. The nation-states have continued to pursue their interests vis-à-vis other states notwithstanding the existence of the *acquis communautaire* or the subsidiarity principle.

Secondly, according to the table, the ongoing debates inside and outside of the European Union were influenced by the different identities of the respective member states. While one state, Sweden, for the sake of her welfare system made a proposal for some of the new EU states to raise their taxes, another state, Estonia, is determined to keep her low taxes to continue economic growth. Both of them are keen to maintain their national sovereignty.

Still, it cannot be concluded that Estonia in general wishes to fight for her liberal economic system. When a third party, Russia, was involved, the whole picture became more complicated and the entire mechanism, which worked well in the triangle of 'Estonia, Sweden, the Commission' would not work in the triangle of 'Estonia, Russia, the Commission'. To gain access to the Single

Market and the abolition of Russian tariffs Estonia was ready to abandon her economic liberty. It should be mentioned that Estonia's liberal approach to her economy and her major foreign policy goal to join the EU were somewhat contradictory. One cannot pursue a completely liberal economy while being a part of the EU's customs union. However, if Russia for whatever reason had not have been involved in the debate, Estonia would certainly have been more reluctant to surrender her economic sovereignty to Brussels.

Sweden wished to preserve her welfare state. However, the growth of globalisation and the Single Market has forced the Swedish government to give up national sovereignty and join the EU. But this happened for the sake of the welfare state and any perceived danger to this finds a strong echo in Swedish politics. Thus the perception of national sovereignty in terms of taxation is being nullified as far as Estonia is concerned due to Estonia's low taxes. It remains to be seen how far the European integration will develop and whether it will mean tax harmonization.

In the current situation this cannot happen but changing circumstances like the possible involvement of Russia for instance may make Estonia less reluctant to raise her taxes. Hence the whole perception of national sovereignty in Estonia may be undergoing constant change. Although it is generally assumed that the European Union has meant a pooled sovereignty and the competences between the member states and the European institutions have been clearly fixed, reality within the Union demonstrates something else.

Firstly, member states may use sovereignty as a tool to protect their national interests, which may not always be caused by rational economic choices, but also by historical experiences *vis-à-vis* other states or by public opinion inside the respective states. Secondly, the debate between Estonia and Sweden showed that the issue of sovereignty might arise not only in dealings with Brussels, but also on a bilateral basis. Thus bilateral relations in the EU will continue to play a important part in the foreseeable future.

The matrix presented above may serve as a general framework for the further analysis on relationship between the EU and member states. It is also possible to include some non-EU countries (like Norway) in the matrix and observe how the non-EU country relates to the notion of sovereignty. In that regard the whole issue of the Ukrainian 'Orange Revolution' would be worth observing using the matrix.

National sovereignty cannot be perceived only by the fixed competences between Brussels and the nation-states, but other variables must be taken into account as well. Sovereignty is thus under constant change as are the variables which have prevalent influence upon it.

# Interaction of inter-parliamentary with inter-governmental bodies: The example of the Baltic Sea Region

Christiane Kasack

## 1. Introduction

This study analyzes the relationship between the inter-governmental and inter-parliamentary bodies in the Baltic Sea Region. From the multitude of Baltic Sea regional organizations, two are singled out: the Council of the Baltic Sea States (CBSS), which embraces all regional, multilateral inter-governmental activities, and the Baltic Sea Parliamentary Conference (BSPC), which unites parliamentarians from the Baltic Sea Region once a year. With the CBSS, this study looks at the main actor in the region and analyzes its relationship with its parliamentary counterpart. Since the BSPC strives to become the parliamentary dimension of the CBSS, the interaction of the BSPC and the CBSS provides an interesting object of study for the analysis of the interaction of inter-parliamentary and inter-governmental bodies. The BSPC might thus gain more influence on Baltic Sea politics in the future than it has now, making it necessary to have the analytical instruments to examine the way this impact is exerted.

There has so far been no literature on this subject: literature on political Baltic Sea Region cooperation has neither studied the BSPC in any detail nor the relationship between it and the CBSS. Neither Hubel/Gänzle (2002) nor Stålvant (1999) mentions the relations between the CBSS and the BSPC in their contributions on the CBSS. Starosciak only mentions the fact that the BSPC enjoys the status of special participant with the CBSS (1999: 4). This article aims to give basic information about the BSPC and its relations with the CBSS and analyzes them in a heuristic way: it generates hypotheses for

further research in the field of the interaction between inter-governmental and inter-parliamentary bodies.

The article starts out by describing the current structures, i.e. the working methods of the two bodies and their interactions, analysing these structures and indicating where a fruitful relationship has not yet been reached and what is hindering it. Then the study takes a broader look at regional cooperation, putting Baltic Sea Region cooperation into perspective. Analysing the arrangements found in other Northern regions (Nordic, West Nordic, Baltic, Arctic, and Barents Euro-Arctic) the study derives two models of cooperation: the Nordic and the Arctic models. The characteristics of the Baltic Sea Region resemble more those found in the Arctic Region. This is reflected in the parliamentary cooperation structures and in the BSPC's interaction with the CBSS. The CBSS itself, however, comes closer to the Nordic Model. Based on analysis of the features of the Northern regions that might affect their institutional design, the article generates hypotheses as to what factors might affect cooperation structures. The concluding section provides a perspective on possible future improvements of the interaction between parliamentary and governmental cooperation bodies in the Baltic Sea Region. The study is thus also of value to the actors themselves as it shows them where difficulties in their interaction patterns lie and how they could improve the relationship.

The study is based not only on the study of documents of the relevant institutions, but especially on interviews with seven persons affiliated to the BSPC or the CBSS (interviewed in February 2004). These qualitative interviews yielded insights into the working methods of the BSPC and into the interaction of the BSPC and the CBSS.[1]

## 2. Parliamentary and governmental cooperation in the Baltic Sea Region

### 2.1. The Baltic Sea Parliamentary Conference[2]

The first BSPC was held in 1991. Since then, a conference has been organized every year (with one exception in 1993). Since 1994, each conference has lasted two days. The conferences unite parliamentarians not only from

---

[1] I would like to thank the CBSS Secretariat for enabling me to conduct this study during my internship with the Secretariat. Steffen Kraft, Detlef Jahn, Kati Kuitto and Alan Renwick have read earlier drafts of this article and provided valuable comments, which I would like to thank them for. I extend my thanks to all interview partners. When referring to statements of interview partners, I use anonymous forms: IP1 stands for the first interview partner and so forth.

[2] The BSPC has not yet been studied in any detail. The literature contains only short references to it. Basic information on it is available from its website: http://www.bspc.net.

the Baltic Sea Region's national parliaments, but also from parliaments located above or below the national level, i.e. multinational parliaments (e.g. the Nordic Council, the Baltic Assembly, and the European Parliament) and sub-state entities' parliaments (the parliaments of some German *Länder*, of the Nordic autonomous areas, and of some Russian regions). This unusual composition is valued highly by the BSPC's participants (cf. Arens 2000: 5). All member parliaments can offer to host the conference, which means that its venue changes annually. The BSPC has developed over the course of its existence: in the first years, it was not even certain if it was to become a regular institution and how it would be organized. The second conference in 1992 adopted a mandate regulating future conferences.[3] At the conference in Mariehamn in 1999 the parliamentarians adopted the organization's current name and Rules of Procedure for the Conference and the Standing Committee.[4]

The parliaments are represented by delegations, whose size is stipulated in an annex to the BSPC's rules of procedure. Most delegations are listed with four to five representatives, only the small parliaments of the Åland Islands, the Faeroe Islands, and Greenland are listed with two to three representatives. However, actual delegations vary considerably in size, from being non-existent to a high of thirty-one Mecklenburg-Vorpommern parliamentarians at the 2001 Greifswald meeting. According to IP3, the delegation of the hosting parliament is often allowed extra participants. The Nordic Council, the Baltic Assembly, and the Council of Europe are regularly present at the BSPC: the Nordic Council and the Baltic Assembly have attended all conferences, the Council of Europe all but two. The other multinational participants rarely attend: the European Parliament (half of the conferences) and the Parliamentary Assembly of the Organization for Security and Cooperation in Europe (only once). Almost all of the national parliaments send a delegation every year, with the exception of Russia (no delegations in 1996 and 1998) and especially Iceland (no delegations in 1995, 1996, 2002, and 2003). Also Greenland and the Faeroe Islands attended the first conferences only, which might have geographical reasons. German *Länder* have very good attendance rates (about five representatives per parliament each year), whereas Russian regional parliaments have not participated in many conferences (ranging from two conferences to two-thirds of the conferences).

Decisions at the annual conference are taken by consensus, which means

---

[3] For a good overview over the developments in the first ten years, consult the booklet by the Baltic Sea Parliamentary Conference: *10 years of work*.

[4] The Rules of Procedure can be found at: http://www.norden.org/bspcnet/media/Dokument/revised_rules.pdf (consulted in July 2004).

that the difference in size of the delegations does not matter very much. The differences might nevertheless affect debates and thus the decisions taken. Conferences may focus on a specific topic, e.g. the information society (2003) or civil society (2001). Conferences pass resolutions that address recommendations to international or supranational organizations, to national governments and parliaments as well as to regional organizations. Quite many recommendations are addressed to several actors at once. In 2003, the parliaments addressed thirteen recommendations to "the CBSS and their governments", while eleven recommendations addressed "the CBSS and their governments as well as [...] HELCOM." According to Heinz-Werner Arens, a long-time BSPC participant, the BSPC's function is not to execute policies, but to initiate and legitimize them (2000: 9).

Since the Conference meets only once a year, while the implementation of the recommendations and proposals of the conference needs follow-up and the coming conference needs to be prepared, the BSPC has a Standing Committee. Its seven or eight members are appointed at a ratio that strives to represent the different sub-regions of the Baltic Sea Region: one member of the Baltic Assembly represents the Baltic states and two of the Nordic Council represent the Nordic states, whereas Germany (one), Russia (two, i.e. one from the Duma and one from the Council of the Federation), and Poland (one) have their own representatives. The potential eighth member of the Standing Committee comes from the Parliament that is hosting the next conference, if it is not yet represented in the Standing Committee. The Standing Committee may institute Working Groups that may, for example, help prepare the subject part of the Conference or draft the resolution (IP1). The Standing Committee does not, however, make frequent use of this possibility (IP3). The only Working Group mentioned in the interviews was a Maritime Safety Committee (IP3). The BSPC does not have a secretariat of its own. Instead, secretarial functions are provided by the member parliaments' administrations and by the secretariat of the Nordic Council. The same person has done this work for eight years and thus ensures continuity. She says that she spends about a third of her working time on BSPC issues, preparing meetings and gathering information on CBSS and government actions (IP3). The BSPC enjoys the status of a special participant with the CBSS and is an observer to the Helsinki Commission. The CBSS is an observer to the BSPC. When comparing the list of observers with the lists of attendants at the conferences, however, one gets the impression that this status is granted to most invited guests.

## 2.2 The Council of the Baltic Sea States[5]

The CBSS was established by the foreign ministers of the Baltic Sea Region countries in 1992 on a German-Danish initiative. It is not based on a formal treaty but on the so-called Copenhagen Declaration. Today, it has twelve members (listed in Table 2). It serves as a regional forum for inter-governmental cooperation in virtually every policy field (except military defence).[6] Foreign ministers or their representatives have met annually to provide overall political guidance, but meetings of other ministers have been held in many policy areas on an irregular basis. Since 1996, bi-annual meetings of the CBSS Member States' heads of government have taken place. In 2003, it was decided to alternate the meeting of foreign ministers with these Baltic Sea States Summits. Chairmanship in the CBSS rotates annually between the member states.

The Committee of Senior Officials (CSO) consists of high-ranking officials from the member states' foreign ministries who monitor and coordinate the CBSS's everyday work, as it is manifested in the many bodies working under the CBSS. Stålvant stresses the importance of the CSO: "It appears that this is the central locus in the overall operation of the CBSS" (1999: 61). The CSO meets at least eight times a year. A permanent secretariat situated in Stockholm was established in 1998, and now consists of eight persons. Three units providing services to specific cooperation bodies are placed in the same location, with a total of five more staff.

The CBSS grants the status of "observer" to states with an interest in Baltic Sea Region cooperation and the status of "special participant" to institutions active in the Baltic Sea Region. There are currently seven observers[7] and six special participants, among them the BSPC.[8] Their rights are formulated in the "Principles and Guidelines for Third Party Participation" from February 1999 and in a CSO decision from 2002.[9] According to the first document (section III.1), "the status of special participant may be granted upon request to third parties which intend to participate in specified CBSS activities and projects.

---

[5] The CBSS website is accessible at http://www.cbss.st. For more information on the contents of the CBSS work, see Starosciak (1999), Stålvant (1999), Woyke (1995), and Hubel/Gänzle (2002). Hubel/Gänzle (2002) focus on the CBSS' role in the context of EU enlargement, whereas Stålvant (1999) reflects more on security issues.

[6] The Kolding Summit in 2000 decided that the CBSS encompasses all regional inter-governmental, multilateral cooperation among CBSS states.

[7] France, Italy, Netherlands, Slovakia, Ukraine, United Kingdom, United States of America.

[8] Besides the BSPC, the Baltic Sea Seven Islands Cooperation Network, the Baltic Sea Sub-Regional Conference, the Conference of Peripheral Maritime Regions – Baltic Sea Commission, the Organization for Economic Cooperation and Development, and the Union of the Baltic Cities are special participants.

[9] The Guidelines can be downloaded from http://www.cbss.st/documents/cbsspresidencies/7lithuanian/dbaFile512.html (consulted in July 2004). The decision can be read at http://www.cbss.st/documents/cbsspresidencies/10russian/11cbssministerialsession/dbaFile2959.html (consulted in July 2004).

The status is granted for the duration of the activity or project." In practice, however, it does not seem to be linked to specific activities or projects. Special participants may be invited to Council meetings at which they are granted the status of observers, while observers "should be invited to each Council meeting unless otherwise decided" (section III.2). Both observers and special participants have the right to speak, but not to participate in decision-making at the meetings they have been invited to. The CSO decision from March 2002 grants contact persons from the observers and special participants the right to receive draft agendas and summarized minutes of the CSO and working group meetings. Moreover, the chairmen of the respective groups may decide to invite observers or special participants to their meetings.

### 2.3. Interaction of the CBSS and the BSPC: a parliamentary dimension for the CBSS?

Several interview partners were generally happy with the current interaction between the CBSS and the BSPC (IP1, IP3, IP5). However, aspects that could need improvement were also mentioned (IP2, IP5, IP7). The BSPC has repeatedly expressed its wish to be more involved with the CBSS – for example, to "evolve towards a permanent parliamentary assembly supporting the actions undertaken by the CBSS with democratic procedures." (Baltic Sea Parliamentary Conference: *10 years of work:* 12). The 2003 resolution calls upon the Standing Committee "to strengthen the Baltic Sea Parliamentary Conference as the Parliamentary dimension of CBSS." That wish has been repeated in 2004. The BSPC Standing Committee is thus currently discussing how such a parliamentary dimension could be developed and what consequences it would have for the BSPC's own structures.

Three forms of interaction can be distinguished: exchange of information, joint meetings, and common action. At the moment there are some structured ways of interaction, but the flow of information could be smoother and one institution's actions could have a stronger impact on the other's actions.

*a. Exchange of information*

Although the 2002 CSO decision granted not only observers but also Special Participants the right to receive CSO or working group draft agendas or summarized minutes, the BSPC has not received them (IP3). This is because it was understood that these documents would be sent upon request (IP3, IP4). The CSO meeting of December 2003 decided to send draft agendas automatically to observers (but not to Special Participants). In the other direction, the CBSS does not receive draft agendas or minutes from the BSPC side on a regular basis. However, the conduction of the present study raised awareness of this problem among the actors. A more regular exchange of agendas and minutes seems to be planned for the future. Several interviewees

were content with the exchange of information about ongoing action and coordination efforts (IP1, IP3). This concerns mostly informing the BSPC on CBSS action, since the BSPC does not conduct many projects.

One important task of the BSPC Standing Committee is to follow up on the resolution adopted by each annual conference. The CBSS is not obliged to implement it, but is regularly called to action in the resolutions. Up to now, the Standing Committee has taken a "wait and see" approach on this issue: the resolution is sent to the CBSS and the Committee then hopes for a reaction (IP3) and might ask about implementation intentions at the few joint meetings (IP1). The CSO only takes note of the resolution and does not discuss it in detail (IP5). Nevertheless, interviewees on the BSPC side believed that the resolutions have effects.

Contacts at the secretariat level are rather frequent. Phone contacts take place on a weekly basis, and e-mails are exchanged several times a week (IP2, IP3). For both sides, the BSPC is only one aspect of their job description, and not the one consuming the most time: when other tasks demand much attention, BSPC work is often dropped. Secretariat officials on both sides are also in touch with some of the Standing Committee/CSO members on the other side.

*b. Joint meetings*

Because of their status as observer/special participant, the two institutions are entitled to attend certain of each other's meetings. The CBSS has always attended the BSPC annual conference. Members of the secretariat, the Council chairman (i.e. the foreign minister of the chair country), the CSO chairman and the commissioner have represented the CBSS (in changing compositions). The BSPC chairman has often addressed the ministerial sessions of the CBSS. After a meeting in the mid-90s, the BSPC was invited to a CSO meeting for the second time in December 1999 and then again in September 2000 (IP4).

Over the last five years, several decisions have been taken by the CBSS to work towards better cooperation with special participants (and observers). The Bergen ministerial meeting in 2000 asked the CSO "to continue and further develop the close contacts and exchange of information between the CBSS and the observer states and the special participants" (Annex 6).[10] The Hamburg ministerial session (June 2001) agreed that "a close co-ordination with regional organizations at the parliamentary and sub-state level should be promoted" (Annex 4). In order to achieve this aim, it adopted the following guideline: "Annual meetings of the presidencies of CBSS […] and BSPC will be held with the aim to improve the flow of information and promote the establishment of co-ordinated work plans for the year" (Annex 4, point 1).[11]

---

[10] The Bergen Communiqué is available from http://www.cbss.st/documents/cbsspresidencies/8norwegian/ministerialsession/ (consulted in July 2004).

[11] The Hamburg Communiqué is available from http://www.cbss.st/documents/cbsspresidencies/9german/communiqu/ (consulted in July 2004).

This resulted in "coordination meetings" of the CSO with the six special participants and further seven strategic partners in the context of the annual Baltic Sea States Sub-regional Conference (in Riga 2001 and in Lillehammer 2002) and in the context of the biannual Union of the Baltic Cities general conference (in Klaipeda 2003). Opinions regarding the success of these meetings diverge. Some interviewees from both institutions believed that the meetings are "good" and "useful" (IP1, IP3, IP4). Some decisions have been taken at these meetings, e.g. regarding the EU's second Northern Dimension Action Plan or the setting up of a joint Baltic Sea internet portal. Two interview partners criticized the meetings for involving too many organizations which present themselves anew each year (IP3, IP5).

Contact with the CBSS has also sporadically occurred at Standing Committee meetings. In November 2003, the Standing Committee had a meeting in Brussels to explore EU-Baltic Sea Region relations; the Director of the permanent CBSS secretariat and the CSO chairman attended this meeting as well (IP1, IP7). In February 2004, a Standing Committee meeting was held in Tallinn and attended by the chair foreign minister of the CBSS. The invitation of the chair foreign minister is to become an annual institution (information from IP1 and IP3 in April 2004).

It could thus be summarized that there are four occasions a year when CBSS and BSPC representatives meet on a regular basis: the BSPC annual conference, the CBSS ministerial meeting, the coordination meeting, and the Standing Committee meeting attended by the CBSS chairman. At these occasions, statements of purpose of action are delivered, activities are presented and on a modest scale, common action is planned. There are also a number of *ad hoc* contacts, mainly between secretariats and chairmen.

*c. Common action*

The field of common action is still rather underdeveloped. As mentioned above, the Baltic Sea Region internet portal has been planned together and was launched in April 2004 (http://www.balticsea.net). Also, input to the second Northern Dimension Action Plan by the special participants has been channelled through the CBSS (which has also co-operated with the Arctic Council, the Barents Euro-Arctic Council, and the Nordic Council of Ministers on this). In 2003/04, the BSPC's 2002/03 chairwoman Outi Ojala conducted a study on legislation affecting non-governmental organizations in Baltic Sea Region states. This was planned together with the CBSS secretariat, and her advisor worked from the CBSS secretariat's premises, using its facilities. Also, the BSPC can publish articles in the CBSS newsletter BALTINFO.

## 3. Models for the interaction of inter-governmental and inter-parliamentary bodies

The following section compares the cooperation structures in the Baltic Sea Region with the arrangements found in other Northern regions: the Arctic, Barents Euro-Arctic, Baltic, Nordic, and West Nordic Regions. There are close similarities between the arrangements of the Arctic and Barents Euro-Arctic Regions on the one hand, contrasting with those of the Baltic, Nordic, and West Nordic Regions on the other hand. This study summarizes them in heuristic models: the "Arctic Model" and the "Nordic Model". The models have been developed by the author based on the evidence of similarities between the respective regional arrangements.

When comparing the Baltic Sea Region to these models, it becomes evident that the Baltic Sea Region has well-structured inter-governmental cooperation (as in the Nordic Model), but less integrated inter-parliamentary cooperation and less developed relationships between the two levels (as in the Arctic Model). While in the Baltic Sea Region there are organizations at the inter-governmental, the inter-parliamentary and the inter-sub-state entities levels, this is not the case in any of the other regions. Which organizations exist in the different regions as well as what they are called can be seen from Table 1. Which state is a member of which institution is shown in Table 2. Memberships overlap.

**Table 1. Cooperation bodies according to different regions and levels**

| | Baltic Sea Region | Nordic Region | Baltic Region | West Nordic Region | Arctic Region | Barents Euro-Arctic Region |
|---|---|---|---|---|---|---|
| Inter-governmental co-operation | Council of the Baltic Sea States (CBSS) | Nordic Council of Ministers (NCM) | Baltic Council of Ministers (BCM) | - | Arctic Council (AC) | Barents-Euro Arctic Council (BEAC) |
| Inter-Parliamentary co-operation | Baltic Sea Parliamentary Conference (BSPC) | Nordic Council (NC) | Baltic Assembly (BA) | West Nordic Council (WNC) | Conference of Parliamentarians in the Arctic Region (CPAR) | - |
| Inter-Sub-State entities co-operation | Baltic Sea States Sub-regional Co-operation (BSSSC) | - | - | - | - | Barents Euro-Arctic Regional Council (BEARC) |

**Table 2. Membership of the compared institutions**

| | CBSS | BSPC | BSSSC | NCM | NC | BCM | BA | WNC | AC | CPAR | BEAC | BEARC |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| USA | O | - | - | - | - | - | - | - | M | M | O | - |
| Canada | - | - | - | - | - | - | - | - | M | M | O | - |
| EU | M | M | - | - | - | - | - | - | - | M | M | - |
| Denmark | M | M | M | M | M | - | - | - | M | M | M | - |
| Greenland | (M) | M | - | M | M | - | - | M | (M) | (M) | (M) | - |
| Faeroe Isl. | (M) | M | - | M | M | - | - | M | (M) | (M) | (M) | - |
| Iceland | M | M | - | M | M | - | - | M | M | M | M | - |
| Norway | M | M | M | M | M | - | - | - | M | M | M | M |
| Sweden | M | M | M | M | M | - | - | - | M | M | M | M |
| Finland | M | M | M | M | M | - | - | - | M | M | M | M |
| Russia | M | M | M | - | - | - | - | - | M | M | M | M |
| Estonia | M | M | M | - | - | M | M | - | - | - | - | - |
| Latvia | M | M | M | - | - | M | M | - | - | - | - | - |
| Lithuania | M | M | M | - | - | M | M | - | - | - | - | - |
| Poland | M | M | M | - | - | - | - | - | - | - | O | - |
| Germany | M | M | M | - | - | - | - | - | - | - | O | - |
| | | | | | | | | | | | | |
| France | O | - | - | - | - | - | - | - | - | - | O | - |
| Italy | O | (O) | - | - | - | - | - | - | - | - | O | - |
| UK | O | - | - | - | - | - | - | - | - | - | O | - |
| Netherlands | O | - | - | - | - | - | - | - | - | - | O | - |
| Slovakia | O | - | - | - | - | - | - | - | - | - | - | - |
| Ukraine | O | (O) | - | - | - | - | - | - | - | - | - | - |
| Japan | - | - | - | - | - | - | - | - | - | - | O | - |

O = observer

M = member

- = neither observer nor member

(O) = observer through membership in another organisation

(M) = member through being part of Denmark

grey-shaded: CBSS/BSPC members as of September 2004

### 3.1. The inter-governmental level

Apart from the West Nordic Region, all regions have a body for inter-governmental cooperation. When comparing these councils, it becomes obvious that two models can be quite clearly distinguished. The Nordic Model (Nordic and Baltic Regions) provides for closer cooperation than the Arctic Model (Arctic and Barents Euro-Arctic Regions), which allows for looser and more flexible cooperation.

The Nordic Council of Ministers and the Baltic Council of Ministers represent the Nordic Model. Due to the close cooperation between the two regions the similarities do not come as a surprise. This is a model for close cooperation within a region, but there is not much involvement of outside parties. Chairmanship rotates annually; Council meetings take place at least twice a year, uniting not only foreign ministers, but also the ministers responsible for a concrete field in which co-operative action is to be taken. A CSO supports the work of the Council and assures continuous work by meeting more than four times a year. The cooperation work is supported by a large permanent secretariat in the case of the Nordic Council of Ministers, whereas the secretariat of the Baltic Council of Ministers moves with the presidency and consists of only one person. Membership is limited strictly to states geographically located in the region; thus, the EU is not a member. Observer status for states that are not geographically located in the region but display an interest in the regional cooperation does not exist.

The Arctic Model, by contrast, provides a much looser forum for cooperation. Chairmanship rotates only every two years and Council meetings are less frequent than in the Nordic Model: the Barents Euro-Arctic Council meets once a year, the Arctic Council only every two years. These ministerial meetings are only for foreign ministers. The CSOs of the two bodies also meet less often than their counterparts in the Nordic Model: the CSO of the Arctic Council meets twice a year, that of the Barents Euro-Arctic Council four times a year. In the Arctic Model, secretariat functions are performed by the chair country, i.e. there is no permanent secretariat and staff is limited. This model is open for cooperation with other actors than only states geographically located in the region. The EU is a member of the Barents Euro-Arctic Council (represented by the European Commission) and both institutions open themselves up for observers.

### 3.2. The inter-parliamentary level

Inter-parliamentary cooperation is a frequent phenomenon in northern cooperation: only in the Barents Euro-Arctic Region is permanent parliamentary cooperation still in an embryonic stage. The modes of cooperation between parliaments can also be grouped into a Nordic Model and an Arctic

Model. As with inter-governmental cooperation, the Nordic Model of inter-parliamentary cooperation is one of close integration. It can also be termed the "Parliamentary Assembly Model". The closer integration already becomes evident when looking at chairmanship rotation: chairmanship rotates annually, following a pre-set order (i.e. a scheme has been set up determining which state will hold chairmanship during which year). The annual plenary meetings last three days. Decisions can be taken by simple majority. This means that the consensus requirement often found in international relations does not apply. The parliamentary assemblies are organized in many ways like a real parliament: members are elected (by national parliaments) for a legislative term (that of their national parliament), they organize themselves in committees and work together in party groups. Committees meet between the plenary sessions and ensure continuity and well-prepared decisions. Regarding the involvement of "geographical outsiders", the same holds true on the inter-parliamentary level as for inter-governmental cooperation: Nordic Model parliamentary assemblies do not have formal contacts with outsiders (such as membership or observer status). The only exception is that the inter-governmental institutions – the Baltic Council of Ministers and the Nordic Council of Ministers – enjoy observer status with, respectively, the Baltic Assembly and the Nordic Council. However, sub-state entities (autonomous territories) are represented in the Nordic and West-Nordic Council. Secretariats are permanent and staffed rather well (more than three persons).

Inter-parliamentary cooperation in the Arctic Region is a less integrated affair. While the Conferences of Parliamentarians in the Arctic Region have become a tradition, cooperation in the Barents Region is still lacking clear structures. A first conference was organized by the Nordic Council in April 1999.[12] The conference has been succeeded by three seminars for young parliamentarians from the Barents Region. A second conference will take place in 2005. The Conference of Parliamentarians in the Arctic Region is thus here taken to represent the Arctic Model. This model can also be termed the "Conference Model". Chairmanship changes only every two years, chair countries are chosen on an *ad hoc* basis. Plenary meetings take place only every two years, but last three days as well. The Conference is much less organized like a national parliament than Nordic Model assemblies are: members are chosen on an *ad hoc* basis, there are neither committees nor party groups. As we have seen for inter-governmental cooperation, the Arctic Model is more open to observers and supra-national institution membership: the Conference of Parliamentarians in the Arctic Region has members from the European Parliament as well and accepts observers. Sub-state entities are

---

[12] Information on this conference can be obtained from: http://www.norden.org/alta/ (consulted in July 2004).

not involved. A sign of looser integration, there is no permanent secretariat and those taking over secretariat functions are very few. Due to its relative newness, Barents-Euro Arctic Cooperation has not been analyzed here, but it is, of course, an even looser cooperation than that of the Conference of Parliamentarians in the Arctic Region.

### 3.3. Interaction of the two levels

Regarding the interaction of the two models, the Nordic Model is again one of closer integration with many formalized contacts between the two levels. Joint meetings of the inter-parliamentary and inter-governmental bodies are held. The inter-governmental body reports to the inter-parliamentary body and has to answer questions put by the inter-parliamentary body. Chairmanships are synchronized; either by having the same state preside over both bodies during the same year (Baltic Region), or by having a state take over chairmanship in the parliamentary assembly the year after it held the chairmanship of the inter-governmental institution (Nordic Region). In the Nordic Region, even the secretariats are co-located.

In the Arctic Model, there are no joint meetings, but since parliamentarians are observers to the Arctic Council, some sort of exchange takes place. There are no obligations for the Arctic Council to report to or answer questions by the Conference of Parliamentarians in the Arctic Region. Chairmanships are not synchronized and the secretariats are not co-located.

### 4. The Baltic Sea Region in comparison

The CBSS has similarities with both models. As in the Nordic Model, chairmanship rotates annually, ministerial meetings include ministers with different portfolios, the CSO meets more than four times a year, and a permanent secretariat with more than three staff members provides technical assistance. However, certain features are more in line with the Arctic Model: like the Barents Euro-Arctic Council, the CBSS meets only once a year at the ministerial level, includes observers, and has the European Commission as a member. The features turning the Nordic Model of inter-governmental cooperation into one fit for strong cooperation also apply to the CBSS, while it shares with the Arctic Model mainly the openness to those not located geographically in the region.

The BSPC is more similar to the Arctic/Conference Model than to the Nordic/Parliamentary Assembly Model, but also has important distinct features. Chairmanship rotates annually as in the Nordic Model, but, as in the

Arctic Model, there is no pre-set order. While annual meetings of all other inter-parliamentary assemblies compared last three days, those of the BSPC last only two days, because this has proven to be sufficient and because it would be difficult for some delegations to pay for a longer stay (IP3). As in the Arctic Model, decisions are made by consensus and there are no committees or party groups, observer status is granted, and the European Parliament is a member. As in the Nordic and the West Nordic Councils, sub-state entities are involved. More like the Arctic Model, the BSPC does not have a strong secretariat: while it has the advantage of not moving with each presidency, it consists of only one person and is provided by a different institution, the Nordic Council. Coming to the particularities of the BSPC, it is worth mentioning that it includes also other supranational actors besides the EU. Only four parliaments elect permanent delegations to the BSPC (Finland, Mecklenburg-Vorpommern, Poland and the Russian State Duma), all other parliaments send members on an *ad hoc* basis. All interviewees were aware of the fact that the BSPC does not have a very formalized, integrated structure.

When looking at the Baltic Sea Region, interaction is almost completely organized in line with the Arctic Model. One difference is that the status of parliamentarians with the CBSS is called "special participant" instead of observer and that the CBSS is also an observer to the parliamentary cooperation. The inter-governmental body does not report to the inter-parliamentary body on implementation of its resolutions, but only talks about its own programme without reference to the resolutions. The CBSS is not obliged to answer written questions from the BSPC and there is no synchronization of chairmanships or co-location of secretariats.

To sum up, the inter-governmental level of Baltic Sea Region cooperation is mainly organized according to the Nordic Model, though there are some differences, especially regarding EU involvement, granting observer status and less frequent ministerial meetings. The inter-parliamentary level, however, is mainly organized in line with the Arctic Model, which means that there is a less integrated structure. This has effects on the interaction between the two levels: it is by and large structured according to the Arctic Model, meaning that there is not much of a structure in place at all. The only real structure in place are the mutual observer/special participant status and the coordination meetings.

**Table 3. Significant features of the compared regions.**

| | Baltic Sea region | Nordic Model | | | Arctic Model | |
| --- | --- | --- | --- | --- | --- | --- |
| | | Nordic region | Baltic region | West Nordic region | Arctic region | Barents region |
| Number of member countries | 11 (+EU) | 5 | 3 | 3 | <u>8</u> | 6 (+ EU) |
| EU involvement | yes | no | no | no | no | <u>yes</u> |
| USA involvement | observer | no | no | no | member | <u>observer</u> |
| Russian involvement | member | no | no | no | <u>member</u> | <u>member</u> |
| Unites former East & West | yes | no | no | no | <u>yes</u> | <u>yes</u> |
| All member states are located fully in the relevant area | no | yes | yes | yes | <u>no</u> | <u>no</u> |
| The same states are members of the different institutions in one region | almost | yes | yes | -- | <u>almost</u> | no, only half |
| Number of BSR similarities | -- | 0 | 0 | 0 | 5 | 5 |

Note: similarity with the BSR underlined

The question arises whether the Baltic Sea Region is actually rather "nordic" or "arctic" according to the more general features of the region itself. Table 3 includes hypotheses trying to answer this question. The first point of comparison is the number of member countries of an institution. The underlying assumption is that the more members there are, the more difficult it becomes to achieve consensus and thus to integrate the region. Both Arctic Model regions have more member states than the Nordic Model regions, but the Baltic Sea Region involves the greatest number of states.

The second point of comparison refers to the members themselves, paying attention to EU, US-American and Russian involvement. The USA and Russia are big and powerful states, with an impact on surrounding states. Their interests will thus have to be accommodated and can be assumed to distort the balance of power within an organization. Having either one of them aboard thus carries the potential of slowing integration down – unless

they make integration their own goal and pursue it in a way that is supported by the other states. As for the EU, similar twofold implications of membership apply: it can be seen as a big and powerful actor, which could obstruct integration by absorbing all actors into EU action or it could foster integration through a regionalization approach.

When pointing to the importance of Baltic Sea Region cooperation, it is often mentioned that it unites states belonging to the former Western bloc with those from the former Eastern bloc (cf. Henningsen 2002: 18). This is also the case in the Arctic and the Barents-Euro Arctic Regions. This fact is assumed to still be of importance fifteen years after the Cold War ended. The development of trust among the members is valued as a goal in itself by the actors and consumes much energy.[13]

What might further affect cooperation patterns is whether all member states are fully located in the relevant area, i.e. whether all of their territory can be identified with the region concerned. In the case of the Baltic Sea Region, this is not the fact. For Germany, Russia and Poland, only parts of their territory neighbour the Baltic Sea, Norway and Iceland are not located in the area at all but are tied to it by historical links, whereas the Baltic states can be fully identified with the region. Location in the region is assumed to have an effect on the importance the parties involved attach to the cooperation. Full location of all member states in the region concerned is assumed to have a positive impact on integration. Most regions have cooperation bodies at different levels: the governmental, the parliamentary and the sub-state regions level. The last hypothesis holds that when members of all bodies in a region are the same, this has positive influences on the cooperation as it is easier for the bodies to interact in a fruitful way.

If one takes these features into consideration, the Baltic Sea Region shares many similarities with the Arctic Region and the Barents Region, which might make it likely to adopt the Arctic Model. This is reflected in the conference character of the BSPC and the Arctic Model interaction style between the two bodies. However, inter-governmental cooperation has advanced further and is more integrated than in the Arctic Model, sharing many similarities with the Nordic Model. Further research needs to be done to show whether the factors chosen to describe the regions actually have a causal connection with the choice of cooperation structures. The similarities and differences found suggest that this might be the case.

---

[13] This might at a first glance seem to be correlated with the time dimension: as a result of the Cold War, the cooperation bodies integrating East and West are all younger than fifteen years, whereas Nordic cooperation is much older. However, the *only one former bloc* vs. *both blocs* distinction does not fully coincide with the distinction between the Nordic and the Arctic Model, as Baltic cooperation and West Nordic cooperation are also much younger. This contradicts the hypothesis that structures providing for close integration need much time to develop.

## 5. Conclusion

This study is the first to analyze the organization of the BSPC. It gives a description of both the BSPC's and the CBSS's structures and of the interaction between these two regional bodies. Structures and ways of interaction are analyzed by comparing them to other cases of regional cooperation in the North. To facilitate this comparison the study has posited the existence of two different models for cooperation: the Nordic Model and the Arctic Model. While the Nordic Model stands for a well-structured cooperation form, the Arctic Model provides comparatively loose fora for coordination. Baltic Sea Region cooperation is more in line with the Arctic Model, although CBSS structures conform to the Nordic rather than to the Arctic Model. The models could be applied to other regions to see if general types of interaction patterns between inter-governmental and inter-parliamentary bodies can be established. Such research could profit from the hypotheses brought forward in section four of this article concerning regional features that might have a causal relationship with the two models.

The study has shown where the interaction of the BSPC and the CBSS could be improved. The flow of information should be strengthened and joint meetings should be used more efficiently. For the BSPC to have a greater impact, it should formulate its recommendations more precisely and address them more accurately. Moreover, its resolutions need a more proactive follow-up. However, the relationship could be more significant if the BSPC developed from a conference of interested parliamentarians to a true regional parliamentary assembly, whether directly linked to the CBSS or as an independent Baltic Sea Parliament. This means that the BSPC could use the Nordic Model as a reference. The Nordic Council has proven to have had a definite impact on the assimilation of legislation in Nordic countries (Johansson 1997: 305) – modelling cooperation on the Nordic Model might thus increase the BSPC's impact as well. The model is already present for many actors, since they are members of Nordic Model assemblies. A first step towards formalization of the BSPC would be to have elected national delegations to the BSPC for the duration of the legislative periods, as usual in Nordic Model parliamentary assemblies. The main advantage of such delegations is seen to be that they provide continuity and "more profound expertise" (IP7). A resolution from delegated parliamentarians might be taken more seriously by the CBSS, while the current BSPC tends to be seen as "one interest group" among others (IP4). Having BSPC member parliamentarians would make it possible to have committees working year round. A strengthened BSPC might also need a real secretariat. The 2002/03 BSPC chairwoman Outi Ojala called in her speech to the 2003 conference for an enlarged mandate of the Standing Committee (Baltic Sea Parliamentary Conference

2003: 23). While the Standing Committee currently has only two duties (to follow up the resolutions and to organize the next conference), it should also be able to react to developments in fields not directly mentioned in the resolutions. If the BSPC were to change into a parliamentary assembly of the CBSS, this could affect the composition of the BSPC Standing Committee (IP1, IP3). As the CBSS includes only the national level, while the BSPC includes also the sub-national and supra-national levels, representation might have to change. Delegates to the Standing Committee would then possibly have to come from each CBSS member state. This could entail problems for the inclusion of sub-national parliaments.

The present study has mainly described the BSPC's work and compared its structures to those of other inter-parliamentary bodies. It suggests that future work should analyze the functions the BSPC fulfils for the political process, the potentials that lie in its future development, and the effects it has on national legislative processes. When answering these questions, it should prove useful to keep the comparative perspective employed here.

# References

Arens, Heinz-Werner. "Der Beitrag der Parlamente zur Ostseezusammenarbeit: Rückschau und Ausblick." *10 Jahre Ostseekooperation – 5 Jahre SCHIFF.* Kiel: SCHIFF-Texte Nr. 61, 2000: 4-10.

Baltic Sea Parliamentary Conference. *10 years of work.* Online posting. Consulted in July 2004. <http://www.bspc.net>

---. The 12th Baltic Sea Parliamentary Conference, Oulu September 8-9, 2003. The Baltic Sea Region – An Area of Knowledge. Ed. by Leena-Kaarina Williams, 2003.

Henningsen, Bernd. "Zur Politischen und kulturellen Bedeutung der Ostseeregion." In *Politische Systeme und Beziehungen im Ostseeraum.* Ed. by Detlef Jahn and Nikolaus Werz. München: Olzog, 2002: 18-30.

Hubel, Helmut and Gänzle, Stefan. "Der Ostseerat: Neue Funktionen subregionaler Zusammenarbeit im Kontext der EU-Osterweiterung." *Aus Politik und Zeitgeschichte* B 19-20/2002: 3-11.

Johansson, Karl Magnus. "Regionale Kooperation und informelle Integration." In *Nationales Interesse und integrative Politik in transnationalen parlamentarischen Versammlungen.* Ed. by Ernst Kuper and Uwe Jun. Opladen: Leske und Budrich, 1997. Pp. 265-314.

Starosciak, Jacek. *The Council of the Baltic Sea States (CBSS): Its Mandate and Working Procedures and its Significance for the Baltic Sea Region.* Kiel: SCHIFF-Texte, 1999.

Stålvant, Carl-Einar. "The Council of the Baltic Sea States." In *Subregional Cooperation in the New Europe. Building Security, Prosperity and Solidarity from the Barents to the Black Sea.* Ed. by Andrew Cottey. Basingstoke: Macmillan, 1999. Pp. 46-68.

Woyke, Wichard. "Ostseerat (Council of Baltic Sea States)." *Handwörterbuch Internationale Organisationen.* Ed. by Uwe Andersen and Wichard Woyke. 2nd ed. Opladen: Leske + Budrich, 1995. Pp. 381-385.

# International competitiveness and the role of government in the globalised world economy

Heli Tiirmaa-Klaar

In 2004 Estonia achieved its long-term objectives of winning a seat in two of the most powerful international organizations, EU and NATO. After a decade of painful reforms and hard work Estonia and the other new EU and NATO members find themselves in a situation where on the one hand they are full members of the club, but on the other still have to work hard to catch up. In terms of living standards, level of income, and economic productivity Estonia's indicators all fall far behind the EU average. This economic clash appears to be less of a problem in NATO, which concerns itself mostly with a country's defence system. Defence is a relatively small fraction of the public sector and is being developed according to NATO standards.

Experts claim that in the long run the economic gains of all the countries in the EU from enlargement will be enormous, with both old and new members eventually greatly benefiting from European integration.[1] At the same time, huge socio-economic differences between member states have provoked many observers to state that the European Union is evolving into a "two-tier" organization, with an advanced core and a backward periphery.[2]

The new EU members face great challenges in overcoming the current socio-economic disparity within the Union. There are no blueprints for the future course of action for the governments of the new member states.[3] It is up to them whether they are capable of building up internationally competitive economies or whether they will remain an exotic periphery, which will continue to earn a great proportion of its income from second-rate industries and a low wage service sector. All new EU members face the puzzle of how

---

[1] Moravcsik and Vachudova, 2003.

[2] See, for example, Holmes, 2003, Grzymała-Busse and Innes, 2003.

[3] However, there are general recommendations by the European Commission, and some funding available within Structural Funds to support business development in EU new member states.

to raise living standards, to improve productivity, and to move from a factor-based to a knowledge-based economy. So does Estonia. The present government's coalition agreement states that Estonia aims to improve the competitiveness of its economy and that the government is developing a strategy for implementing the knowledge based economic model.[4]

At the same time, some dynamics in the Estonian economy raise concerns. These include a low level of productivity, a lack of innovation in the economy and heavy private sector borrowing, which results in a persisting current account deficit.[5] Furthermore, the expected growth of GDP *per capita*, which took place in Ireland and Spain for instance, has failed to materialize in Estonia and in the other new EU member states[6]. In fact, the new EU member states face a serious challenge in finding a niche for themselves in the global markets, since they lack significant competitive advantages. They cannot compete with developing countries where the worlds' manufacturing has moved due to low labour costs, nor are they able to reap the benefits of globalisation that the rich countries enjoy with their innovation-based economies.[7] These factors call for serious strategic thinking in transition economies on how to guarantee sustainable economic growth. As experience from other emerging markets demonstrates, timely government intervention with efficient economic policies is crucial. However, in a globalised world economy even highly developed industrial countries meet difficulties in pursuing their economic objectives. Thus it will be even harder today for the Central and East European countries to implement policies that would help to construct internationally competitive national economies than it would have been one or two decades ago. As economic globalisation has left little choice in government economic strategies, the solution would be to apply market-friendly policies that will help to improve the competitiveness of companies and to support innovation.

A central theoretical claim of this article holds that although globalisation has sharply limited the economic policy autonomy of states, government has gained greater importance as it has to respond to the processes of the rapidly developing international marketplace. Nations, if they are interested in maximising the living standards of their citizens and in ensuring economic growth, have to act wisely in using the policy mechanisms that respond to the developments in the global economy. This requires visionary and effective action by government. If it fails to live up to this challenge, it leaves its nation's economic prospects to be determined by market forces alone, which

---

[4] "The Coalition Agreement", Government of Estonia.

[5] "The Republic of Estonia: Selected Issues," *IMF Country Report*, pp. 3-4; "Eesti konkurent-sivõime".

[6] Lerein and Rawdanowicz, 2004.

[7] Garrett, 2004.

will result in the neglect of many significant aspects of the country's long-term economic development.

The article will offer a theoretical explanation on how the role of government in pursuing economic goals has changed during the last decades. Based on different approaches within international political economy, the first part of the article will analyse how nations' policy-making autonomy has become limited as a result of economic globalisation. States worldwide have been adapting to the changing international economic environment and have learned to choose policy options, which have been determined by market forces. Most significantly, the ability of nations for using macro-economic measures only has been limited, and an increasing share of other policy mechanisms, more characteristic to the micro-economic level, are applied. As a consequence, this has resulted in the rise of the competition state, a state that uses mechanisms within market structures to improve its economic prospects. The second part of the article will review different practices governments have found useful in improving the economic competitiveness of their countries in a framework of limited policy options.

## The changing role of the nation state in the global economy

There are many approaches for explaining economic globalisation, which has affected political, social and economic developments all over the world. From the viewpoint of international political economy globalisation means foremost the changing architecture of the international system. Different political, economic, and social developments have been altering the nation state, which has been the central actor of the international system that emerged after the Treaty of Westphalia. With the traditional state-centric international system changing into a system of state, non-state, transnational, regional, and global actors, globalisation puts into question the nation state's ability to maintain its role as the only unit for democratic and constitutional accountability.[8] In economic relations the effects of globalisation are most visible. The profound changes in the world economy associated with economic integration and the rise in significance of transnational economic structures have considerably increased the influence of global markets on nation states.

At the heart of the economic globalisation debate lies the thesis that globalisation has affected a state's ability to pursue autonomous economic policies.[9] Traditionally, state intervention in the economy assumed that the state should organize economic activities on its territory in a socially and

[8] Cerny, 1995.
[9] Stopford, *et.al.*, 1991, Strange, 1991.

politically acceptable way. During Keynesian welfare capitalism the state was able to regulate, redistribute, and control economic activities on its soil and to own certain strategic industries. The growing economic openness and the third industrial revolution, more specifically the internationalisation of production, the advance in technologies and the growth of global financial markets have limited the autonomous policy making capacity of the state. It is increasingly impossible for nation states to supervise internationalised and fragmented economic activities, which are intertwined on global, regional and local levels.

The prevalence of transnational economic structures has changed the economic policies of states in three major aspects. First, a shift has occurred from macro-economic to micro-economic intervention, which is reflected in the reconceptualisation of industrial policies. Second, governments are not concerned anymore with the maintenance of strategic industries and the sustenance of the overall strength of a national economy, but instead try to respond flexibly to competitive conditions in a range of diversified and rapidly evolving international markets. Third, states have moved away from the general provision of welfare in society to the promotion of enterprise, innovation, and profitability in both private and public spheres. [10]

### Internationalisation of production

The most important development during the third industrial revolution that has given rise to the transnational enterprise is the shift towards flexible production, which allows companies to achieve their economic goals with greater efficiency and in less time. Companies that were once based in one nation have developed into transnational corporations (TNC), gigantic and highly specialized borderless business conglomerates, or into industrial alliances. Production cycles have been drastically shortened through subcontracting and the use of flexible non-hierarchical management systems and technologically advanced equipment. Production is carried out with no geographical limits as companies spread their activities according to a cost-benefit analysis for the manufacture of specific components. The standard production pattern in manufacturing leaves the labour-intensive part to low-wage countries, while the higher up and better paid jobs that require special skills are often placed in developed countries where the corporations have their home bases. In advanced industrialized countries increasing competition between transnational corporations, the flows of outward and inward direct investment and companies' increased intra-firm trade and investments, as well as cross-

---

[10] Cerny, 1990.

border alliances and global restructuring, have diffused both the ownership and boundaries of these firms. [11]

TNCs have numerous advantages over smaller national or regional scale companies. Over the years they have developed a huge competitive edge in technologies, communications, accumulated managerial know-how and product improvement, which is supported with high level R&D activities. With the most competitive products that are continuously updated into even more sophisticated and qualitative items, corporations enjoy access to enormous market shares. Furthermore, important accelerators of the TNCs product improvement appear to be sophisticated and demanding consumers. The corporations, by adjusting to the demands of consumption preferences, target a number of segmented and diverse market niches in industrial countries. They also apply marketing styles that have become extremely professional, which makes it difficult for small-scale national enterprises with their limited resources and know-how to compete.

Governments that wish to enhance the economic competitiveness of their industries try to attract foreign direct investment (FDI) to acquire the newest technologies, an improvement in management styles and in the skills of labour, which would in turn contribute to growth in a country's productivity and in improved living standards. In return, governments are expected to offer economic openness, macroeconomic stability, reasonable taxation, transparent public institutions, a minimum of bureaucratic constraints and other supportive policies for the foreign companies.

The TNCs are looking for countries that are politically and economically stable and predictable and that ensure the services needed for a good business environment. An important macro-economic factor in guaranteeing a stable economic climate is a country's fixed exchange rate policy. Economic integration makes a fixed exchange rate policy desirable, because it strengthens the markets' confidence in national economic decisions, helps to protect the country from the unforeseeable effects of capital mobility and increases its macro-economic predictability. In a world of capital mobility, fixed exchange rates exclude monetary policy autonomy. While this might be good for several reasons, like preventing manipulation with monetary policy for political reasons, it might also have negative implications: "Without the ability to use monetary policy to counter localized economic shocks, countries may suffer unnecessary welfare losses in output or employment."[12]

The second determinant in corporate strategies relates to government spending and taxation policies. Governments with large spending patterns and high taxes are not favourite locales for corporations, which are trying to

---

[11] Dunning and Narula, 1998: 377-382.
[12] Bernhard and Leblang, 1999: 71.

optimise their cost-benefit ratios. [13] However, with too little public spending a government's ability to keep up basic public services at an adequate level becomes limited. For the healthy business climate it is not desirable if governments cut spending for public goods to a minimum. On the contrary, a growing number of business researchers and economists today find that the business environment and collective goods provided by a government are increasingly important for corporate strategies on outward foreign investments.[14] While the organization of production is fragmented and globalised, value-added production has been concentrating in a few industrialized business locations, which are regarded as important accelerators of the companies' competitiveness. The fact is that most competitive industries in the world tend to be situated in locations where the companies find not only a favourable business environment in terms of taxation, but also efficient public services, a highly skilled workforce, networks of supporting industries, state-of-art research institutions and good infrastructure. When moving to knowledge and information intensive production companies look for a home base that will offer the best of the above-mentioned conditions.[15]

The bulk of FDI is directly associated with economic growth and deserves special attention in fast developing transition economies, such as the Central and Eastern European countries.[16] Transition economies usually have no resources to finance productivity growth through innovation, and they therefore tend to apply technology transfer policies, including the attraction of foreign capital, which help to develop a knowledge based economy. Technology transfers through the subsidiaries of TNCs and through subcontracting or business alliances are believed to greatly accelerate this process. Despite the benefits transnational businesses bring some concerns remain that governments should keep in mind. For example, the powerful internalised markets of foreign firms can distort the development of similar markets in host countries, technology transferred may not be absorbed and used efficiently, and the affiliates of TNCs can raise the costs of local innovative activity.[17]

While offering the best possible business environment with accommodating policies, good infrastructure and a competent workforce, governments have also started to use a number of additional mechanisms to create a supporting network for local and national companies. For example, in order to attract foreign capital, countries launch information campaigns, coordinate business exchanges, and facilitate contacts between industry leaders. In the quest for competitiveness it is extremely important for local

---

[13] Garrett, 1998: 799.

[14] *Ibid.*, p. 801.

[15] Porter, 1998: 155-158.

[16] Strange, 1991: 246-250.

[17] Lall, 1991: 251-254.

companies to successfully bargain with transnational business. Here, states can provide information and training to the managers of local enterprises who will have to negotiate with foreign firms over new capital, technology, or market access.

In theoretical terms the market forces determine a government's policies because it is in its interest to bring wealth generating businesses onto its territory. The states that try to complement the market forces when it comes to promoting and assisting their national smaller and local companies apply policies that are characterized as taking activities out of the marketplace.[18] With a limited ability to guide trade and investment policies at the macro-economic level, governments increasingly use the mechanisms available to them at the micro-economic level.

### International financial markets

The other major change in the global economy is associated with its blood vessels, the fast growing international financial markets. Following the breakdown of the Bretton Woods system of fixed exchange rates, the resulting floating exchange rate system has given a green light to currency trading, thus creating the immaterial, invisible, or virtual money. This dematerialised money, an outcome of currency fluctuations, has no link to real economic activities, but its one-day volume exceeds the total yearly value of world trade and investments.[19]

Global financial markets are a powerful force in the world economy. They decide the fate of countries and of their citizens and yet there are no effective international mechanisms to regulate these markets or at least to cushion the shocks to weaker economies that result from currency speculations or capital flight.

Financial globalisation is continuously advancing through the rapid development of communications technology, which permits the creation of ever more segmented and elaborate financial instruments. The financial services industry is developing rapidly and has a significant effect on other economic sectors. Furthermore, financial markets wield much greater power than production, trade, investments, consumption, or any other economic activity.[20] This extremely volatile money is looking for the most profitable place to land and has no commitment to any sector in the "real" economy. Needless to say, it is impossible to predict the conduct of financial markets on the basis of economic rationality. At the same time, even rumours can easily panic

---

[18] Strange, 1991: 246-250.
[19] Drucker, 1997.
[20] Haass and Litan, 1998.

financial markets, not to mention serious security risks such as terrorist at-
tacks.

The dominant role of the international financial markets also affects
the policy-making of states by limiting their monetary and fiscal policy au-
tonomy. Financial market logic, like that of the TNCs, prefers countries with
stable macro-economic policies, which are often achieved by fixing exchange
rates. This applies especially to weak small economies, emerging markets and
transition economies. By fixing exchange rates governments believe that they
can alleviate the negative effects of capital mobility, such as capital flight.
However, in countries with a fixed exchange rate system, capital mobility in
turn sets strict limits on monetary policy. [21] As monetary policy is driven by
the need to stabilize exchange rates, this imposes governmental austerity at
the macro-economic level. By relinquishing control over exchange rates as a
means of economic adjustment governments have to absorb greater costs as
compared to countries with floating exchange rate systems.

In fiscal policy governments are expected to keep budgets balanced or to
run a very small public sector deficit. Increasing the public sector deficit will
result in higher interest rates or in the eventual withdrawal of creditors.[22]
With this restriction on fiscal policy states have little macro-economic lee-
way, i.e. there is only a slim budget left over for public expenditures to keep
social safety nets and public services running smoothly.

World leaders have long been concerned about how to curb the asymmet-
ric power of international financial markets. States are ill prepared for the
worst scenarios like the emerging markets' financial crisis in the middle of
the nineteen-nineties that started in 1994 in Latin America, and continued in
1997 in East Asia and in 1998 in Russia. The crisis resulted in countries like
South Korea, once the strongest among the Asian Tigers, being particularly
hard hit. Its currency fell through the floor within the space of a few weeks
as a result of continuous speculative attacks. Due to financial liberalisation
freely moving capital flows can be redirected rapidly following the first
signs of perceived financial instability, thus leaving the countries affected in
a miserable situation. That was exactly what happened in East Asia. Partly
of course the governments themselves were to blame because of a lack of
proper financial supervision and regulation.[23] But the other, and more seri-
ous source of the Asian financial crisis was the high level of instability in
the global financial system that had nothing to do with Asia, but everything
to do with financial markets that are too easily destabilized. The crisis had
strong "…elements of self-fulfilling crises, in which capital withdrawals by

---

[21] Mundell, 1968: 250-262.
[22] Garrett, 1998: 804.
[23] Eichengreen, 2002.

creditors cascade into a financial panic and result in an unnecessarily deep contraction."[24]

Global financial governance is one of the key issues in international political economy. The lack of efficient coordination between countries and a weak institutional framework make it difficult to address the damaging influence of short-term capital movements.[25] There are no easy solutions either. At one extreme, governments cannot establish total control over capital movements; at the other, they cannot allow for state authority to be eroded completely.

There are some proposals with different strategies for better financial governance. The first, most extreme, recommendation foresees charging a fee for short-term financial movements. It is called the Tobin tax, named after the author of the idea, a prominent academic at Yale University. The thought of the Tobin tax horrifies policy-makers and brokers, but its essence is not as extreme as may initially appear. It would penalize short-term round trips of capital movements, while offering incentives for long-term capital investments.[26] Development economists who recommend for developing countries and transition economies a partial quantitative limitation, or taxation, of short-term capital movements, with support to long-term capital flows, especially foreign direct investment, express a similar idea.[27] The third proposal is to adopt the second-best available option and "to retain the formality of monetary sovereignty" by using the mechanisms "*within* the power structure of the market, not in opposition to it".[28] An example of counterbalancing the currency fluctuations and financial distortions would be a move towards monetary alliances, or currency unions, which is not politically trouble-free but possible, as the successful example of the European Union has proven.[29] The monetary union, as a response to the integration of financial markets, lessens financial volatility, and at the same time increases "macroeconomic flexibility through a mitigation of the current account constraint."[30]

---

[24] Sachs and Radelet, 1998: 2.
[25] Hoffmann, 1998: 104.
[26] Haq, *et al.* 1996: xi.
[27] Sachs and Radelet, 1998: 41.
[28] Cohen, 1998: 151-152.
[29] *Ibid.*, ch. 4.
[30] Jones, 2003: 197.

### Economic openness and public goods

The third and most visible effect of economic globalisation is associated with the demise of welfare capitalism and the changing nature of the provision of public goods. Trade liberalization was a cornerstone of economic development after the Second World War, but liberalization went hand in hand with domestic compensation policies. During the Bretton Woods era, with its fixed exchange rate system and capital controls, demand management and government spending on welfare, governments were able to compensate for the negative effects of increasing trade liberalization. The domestic compensation schemes of the European welfare states, which used relatively high and progressive taxation systems, provided a vast range of free social services and insurances against unemployment. The statistical evidence from the OECD countries shows that the more open economies actually have bigger government sectors. In developed economies the external risks of openness were thus balanced with increased government consumption.[31]

As a result of economic globalisation states are today confronted with austerity requirements established by the market forces, which often results in compromise on the social demands of society. With social safety nets becoming looser even in the European welfare states that can still afford social redistribution mechanisms, the middle and low-income countries have limited capacities to protect their citizens from the effects of market imperfection. On the global scale, redistribution schemes are curtailed, and a solution is found in the greater flexibility of labour markets. In the neoliberal countries workers have to accept longer hours for roughly constant wages, and to pay for the social services themselves. In European social market economies, income levels and employment perspectives are not that instable, but high unemployment rates and a lack of new jobs pose a formidable economic challenge.[32] As for the rest of the world, it has very little choice under the conditions of fiscal severity but to adopt the neoliberal model where finding and keeping a job is much more important than social benefits or long vacations.

In addition to the difficulties in maintaining, or creating, a redistribution system in society, globalisation has also modified states' ability to provide regulative public goods. As a consequence of the developments discussed above, it is not only the state that controls, regulates or promotes fragmented economic activities, but also various non-state actors have entered the arena as providers of public goods. For example, the protection of environmental standards by companies is not promoted by governments alone, but also by transnational NGOs and indeed by some investment banks, when environmental issues are

---

[31] Rodrik, 1996.
[32] Ruggie, 2003.

included in those banks' codes of ethics on loan issuance. Trade disputes and the protection of intellectual property rights are regulated by the World Trade Organization. In the area of financial regulation nations apply strict rules for and supervise financial institutions, but offshore financial centres and tax havens obstruct the states' ability to fully carry out their regulatory functions. The privatisation of energy, telecommunications and transport sectors, which are not regarded as strategic industries anymore in the information age, as well as the move towards the privatisation of health care and social services seems to leave the nation state with few significant functions.[33] However, there is a limit on how far the state can go in privatising public services. It is still up to the nation states to guarantee the quality of public goods and an acceptable social environment, which includes infrastructure, the educational system and functioning public institutions and social services.

In conclusion, as a result of economic globalisation states have reduced their macro-economic intervention to a minimum. Instead, they apply mechanisms and policies with an aim to complement the market forces. The nation states, in order to keep up with fierce global competition, have started to find new ways to attract wealth, capital and the newest technologies to help their companies fight for market shares, and to provide good public services. In so doing, states have to act like any other market players. This phenomenon, called the marketisation of the state, or the emergence of the competition state, demands actually a stronger and more capable state.[34]

## The response of governments

Globalisation does not mean that states are likely to disappear or that the role of government decreases in the era of the globalised economy. On the contrary, if economic decisions were left to market forces alone, the likely result would be some kind of economic crisis, or stagnation. So far "…the markets have not demonstrated that they are sufficiently sophisticated and function sufficiently smoothly to discriminate between good and bad policy objectives."[35] With increasing economic openness and with the pressures of international production and financial globalisation, it is very hard to overestimate the central role of the state in providing a buffer between the clashing interests of its citizens' welfare and the effects of the global economy.

If governments cannot react to the fast changing international economic

---

[33] Cerny, 1995.
[34] Stopford, *et al.*, 1991: 19-22; Cerny, 1995.
[35] Ruggie, 1997: 6.

environment, they lose out. After the first painful experiences, they must learn to navigate in the dangerous waters of the globalised economy. This does not apply to developing countries and transition economies alone, but to every open economy in the world.[36] The difficult part under the new rules of the global economy is to know when government should intervene. The best alternative for governments here would be to see what policies have worked and what have failed worldwide. For example, following the emerging markets' financial crisis, the state's active supervisory and regulative function over the financial institutions deserves great attention. And with regard to trade and investment policies the state is more important than ever for creating a good business environment, for educating its people and for keeping the infrastructure and social services in good shape.

It is still the primary responsibility of government to take the necessary measures to ensure economic growth and the well being of its citizens. After a period of blind faith in market forces, which existed in the industrialized countries in the 1980s and –90s and still lingers in some transition countries, the state has been re-invented all over the world as a crucial actor for facilitating business development and for moving towards an innovation based economy.

### What determines the economic success of nations?
Before launching a strategy, strategic planners set the goal of the mission. Thus before applying economic polices one should ask what their objectives are or how a successful economy is defined. A nation's economic success could be defined on many levels with hundreds of terms. Tacitly, almost everybody would agree that the greatest accomplishment of a national economy is its ability to create the conditions for increasing general welfare and living standards. The newest indicator for many policy-makers and economists in evaluating the success of a national economy has become economic competitiveness. But even the competition guru Michael Porter admits that "… for all the discussion, debate and writing on the topic, there is still no persuasive theory to explain national competitiveness."[37]

Researchers who focus on industrial competitiveness suggest that the most significant determinants of national economic success are productivity and innovation.[38] Productivity, meaning the efficiency of a nation's labour and capital, creates the basis for economic growth, the rise in national living standards and incomes. A high level of innovation in the economy leads

---

[36] For example, the Swedish krona was attacked by continuous speculations following the capital account liberalization, resulting eventually in currency devaluation. Sweden, unlike the developing countries, had well working financial institutions at that time.

[37] Porter, 1998: 158.

[38] *Ibid.*, p. 160.

to international competitiveness of a nation's industries and contributes to value added growth. Thus, economic success can be measured by a nation's ability to guarantee the conditions for increasing productivity and sustained value-added growth.

In the Global Competitiveness Report (GCR) countries are evaluated on the basis of the Growth Competitiveness Index, which consists of three components that are "widely accepted as being critical to economic growth: the quality of the macroeconomic environment, the state of a country's public institutions, and, given the increasing importance of technology in the development process, a country's technological readiness."[39] However, some economists see serious flaws in using "economic competitiveness" for the evaluation of a country's economic performance.[40]

### The mechanisms and policies applied by governments

Building a viable economy with sustained growth is a long-term process and therefore there are no blueprints for how to achieve it. It is rather a mixture of different macro-, and increasingly micro-economic mechanisms. When taking productivity growth as a measure of a country's competitiveness, one has to keep in mind that the major determinants of sustained productivity growth are related to the private sector. It is business that should keep up with international competition and with the need to continuously reinvent and develop its products, technologies and management and marketing know-how. Innovation, being the key to sustained productivity, requires access to information, openness to new practices, a readiness to constantly improve, and last but not least competition incentives from the market, such as a demand for sophisticated products and rivalry from other companies.[41]

Although the competitiveness race is left to the companies, the government's role is crucial for enhancing the competitive spirit and for supporting the private sector. There are three major areas where the policies of governments have proven successful for private sector generated growth. The first essential function for a government is the regulation of the private sector. It is very important that government establish rigorous rules for domestic competition. This includes strict anti-trust policies, deregulation, privatisation, and the setting of environmental and safety standards for products. For the sake of businesses' competitiveness, government regulations should facilitate competition among companies and demand a continuous improvement of products by imposing strict standards.

---

[39] "The Global Competitiveness Report 2004-2005", *World Economic Forum,* Executive Summary
[40] Krugman, 1994.
[41] Porter, 1998.

Secondly, the macro-economic environment and efficient public institutions have a vital role in a country's economic performance as they provide a necessary background. Due to restrictions on monetary and fiscal policy there is a tendency to overestimate the importance of macro-economic balance sheets. Macro-economic stability and balanced budgets are significant objectives of economic policies, but they cannot create competitiveness.[42] A vital aspect for improving the competitiveness of industries is to avoid intervening with macro-economic measures such as currency devaluations, direct involvement in trade policy or any other measures that would artificially lower production costs for domestic companies. These distorted competitive edges will disappear sooner or later in the global context.

Central and East European policy-makers may desire to emulate the industrial policies that helped to create a competitive edge in world markets for Finland and Japan forty years ago. These industrial policies included protectionism and managed trade to nurture and protect domestic companies before they could gain a competitive edge to compete on the world markets. But the policies that made possible the rise of Nokia, South Korean electronics and Japanese car industries are not applicable in a world where business has lost its nationality. With optimised production cycles, scale of economies and a technological race inside industries, as well as with penalties for protectionism, such measures would be inefficient in today's competitive global economy. Of course, these policies have not completely disappeared, but exploiting them in the right way is quite difficult, even if applied for a short term only as some countries still do.[43] Today, economic success results from a complex interaction between general economic stability, industrial development, innovative activities of companies, the input of the scientific community, the availability of educated people, advanced communications and physical infrastructure, and very importantly, well functioning public institutions.

Third, modern industries flourish in countries with a high level of specialized education, excellent research institutions and scientific infrastructure, which all fall within the realm of government responsibility. Government policies aimed at improving training and skills, and incentives for innovation and sustained investments are important here.[44] With the growing significance of knowledge-based industries the mechanisms applied by governments to accelerate innovation become central in determining an economy's ability to sustain value added growth.

---

[42] For instance, Japan and the USA have had chronically huge public deficits, but high living standards and very competitive industries.

[43] Brazil built up its computer industry with protectionist policies in the 1980-90s. The result was not a competitive industry, but a network between industry and national research facilities that proved after liberalization a very useful basis for innovation.

[44] Porter, 1998: 184-191.

*Supporting industry and research networks*

The most competitive industries tend to develop in certain locations, or clusters, where the infrastructure, skilled labour and supporting industries are present. "'Global' competitiveness often depends on highly concentrated 'local' knowledge, skills, capabilities and a common tacit code of behaviour which can be found in a geographical concentration of firms. Accumulated tacit knowledge and experience that cannot be codified, copied or easily transferred at arm's length to other rivals, still keeps most of the competitive strength at a local level in spite of the large talk of 'globalisation'."[45] Economies of scale, activity specific interaction in production, research facilities, high domestic demand, and reduced transaction costs favour the business clusters. Therefore, national economic policies that favour investment, industrial transformation, R&D and investment in human capital are crucial for an economy's efficiency. For example, the success of Singapore is a result of aggressive government policies that promoted growth and development while relying on foreign direct investments. It created a conducive environment for investors and focused on the continuous upgrading of industries and services, with remarkable investments in human resources.[46]

*Innovation policy*

An objective of government innovation policy is to introduce instruments that facilitate "the local generation of technology".[47] Countries with low R&D expenditure, which are in the early stage of industrialisation and innovation should offer incentives to invest in R&D. The companies tend to underinvest in research because of the uncertainty problem – they are not sure in the market returns of research, or they consider the costs of innovation too high relative to the cost of acquiring the second best version from available options, i.e. they will rather apply older technology.[48] This is important, because their companies would be unlikely to do so. With chronic underinvestment in R&D sustained economic growth is questionable.[49]

Government can however provide incentives for innovation with financial and non-financial instruments.[50] Major categories of financial instruments include tax incentives for research and development activities (R&D), research grants and government venture capital funds. With regard to tax

---

[45] Jovanovic, 2003: 99-100.

[46] Blomqvist, 2000.

[47] Mani, 2004: 29.

[48] Dunning and Narula, 1998: 387-397.

[49] There is strong positive correlation between the R&D investments and economic growth. See Schreyer and Pilat, 2001.

[50] Mani, 2004: 36.

incentives, they usually allow deductions on R&D expenses for production and services.

The second category, government grants, is especially important in the early phase of innovation development. The grants can be significant incentives since they make some funds available for risky research projects that companies would hesitate to fund with their own capital. However, government grants mechanisms will be effective only if administered well, preferably by one agency that has a total overview of innovation activities. Additionally, in order for research grants to be successful, a number of highly trained engineers or scientists is required. If a country has an adequate pool of researchers it could also launch home grown technology programs, intensify research in priority areas or create specialized funds.[51]

The third category of incentives, providing venture capital, is essential in countries with no significant innovation activities by the private sector, as is for example the case in the new EU member states. In these countries the young technology-oriented companies face difficulties in obtaining financing via the traditional banking system, but also to other types of funding, since an effective venture capital system is still missing.[52] One option to fill this gap is to create a government fund for small technology-oriented companies to give them a good start and some business history, so that they can move on to obtaining financing on the financial markets.

The other part of government incentives for innovation comprises nonfinancial instruments. Mostly it is related to education policy and to the strengthening of the technological infrastructure. Encouraging university education in mathematics, biotechnology, computer science or other technical fields has become a priority of many governments. Governments have also been actively involved in creating new research institutions or in strengthening the ones in priority areas.

At the same time it should be stressed that all financial instruments will fail to achieve the desired effect if the country does not have an adequate number of scientists and has not invested in its education system from the early stages onward. The most important resource that countries have in the information age is their people. Education and training are the new strategic goals. How people are trained will determine how they interact in the development of new ideas. While professional training in science has congregated in the world's best universities and is increasingly global, the education system at primary and secondary levels is still national.[53]

Innovation policies are useful, but there are many aspects for how these

---

[51] Mani, 2004: 42.
[52] Schöfer and Leitinger, 2003.
[53] Lundvall and Tomlison, 2000.

policies should be implemented. With regard to R&D, government intervention can also harm the competitiveness of companies. This aspect of innovation is very often oversimplified, since conventional wisdom tends to claim that the more government-guided R&D the better. But business research assumes that the most sensitive R&D projects are to be kept as company secrets and therefore government money poured into R&D may indeed be wasted, as it would not target state-of-art research.

The role of government is to encourage innovative activity if needed, either by financing overall research or by picking a winner in the industry and supporting research for a short time. Governments can provide a basic level of R&D to facilitate cooperation between universities and industries, or when there is underinvestment. In the later stages of industrial development however they should facilitate competition in R&D, since this will actually accelerate innovation. But it is indeed difficult to determine the optimal level of competition, and in certain industries where firms are few R&D should receive government support.

The building of an innovation-based economy occurs in the form of sequences. The first phase usually involves technology transfers through foreign direct investments, and at later stages will increasingly entail the country's original technology creation. However, this popular argument has been challenged in recent years because the evidence from studies on TNCs indicates that there is actually very little spillover effect from foreign direct investments to local unaffiliated companies, unless it is facilitated by special government policies. Instead, the technologies are mainly transferred within the TNCs.[54] A widespread method to acquire the new technologies is to purchase them and to adapt them to the needs of domestic industries. This might indeed be necessary in the early phases of building a knowledge based economy, especially when moving from low- technology to middle-technology production. However, when moving higher up in technological development, a reliance on technology purchases alone could become detrimental to the national economy. Since the newest technologies are quite costly, buying technology will absorb resources that could have been used in establishing the national research and innovation networks.

---

[54] Mani, 2004: 31.

## Conclusion

In conclusion, nation states find themselves at a crossroads where globalisation influences their economic and social choices. Governments that are faced with limited possibilities to intervene with macro-economic policies have started to use other mechanisms to improve their economic prospects. To endure in the international competition for investments, technologies and know-how, the state's activities are aimed at offering a favourable business climate: to provide modern infrastructure, an educated workforce, proximity of research facilities, good public institutions and a beneficial social environment. The challenge for the new EU member states will be to find the right mix to hoist themselves onto a new level of development and thus to avoid the evolution of a "two-tier" European Union.

## References

Bernhard, William and David Leblang (1999) "Democratic Institutions and Exchanger-ate Commitments", *International Organization* 53(1).

Blomqvist, Hans C. (2000) "Development Policies of Singapore: Dynamics of Internationalisation versus Regionalisation." *University of Vaasa. Discussion Paper* 275.

Cerny, Philip G. (1990) *The Changing Architecture of Politics: Structure, Agency and the Future of the State.* London: Sage Publications.

Cerny, Philip G. (1995) "Globalization and the Changing Logic of Collective Action", *International Organization* 49(4).

Cohen, Benjamin J. (1998) *The Geography of Money.* Cornell University Press.

Drucker, Peter, F. (1997) "The Global Economy and the Nation-State", *Foreign Affairs* 76(5).

Dunning, John H., and Narula, J. (1998) "Explaining International R&D Alliances and the Role of Governments", *International Business Review* 7(4).

"Eesti konkurentsivõime: mida riik teeb selle tugevdamiseks", Eesti Konjunktuuriinstituut. Tallinn 2002.

Eichengreen, Barry (2002) "Capital Account Liberalization: What Do the Cross-Country Studies Tell Us?", *The World Bank Economic Review* (March).

Garrett, Geoffrey (1998) "Global Markets and National Politics: Collision Course or Virtuous Circle?", *International Organization* 52(4).

Garrett, Geoffrey (2004) "Globalization's Missing Middle", *Foreign Affairs* 83(6).

Grzymała-Busse, A. and A. Innes (2003) Great Expectations: The EU and Domestic Political Competition in East Central Europe. *East European Politics and Societies* 17(1).

Haass, Richard N. and Robert E. Litan (1998) "Globalization and its Discontents: Navigating the Dangers of A Tangled World", *Foreign Affairs* 77(3).

Haq, M.; Kaul, I.; Grunberg, I. (1996) *The Tobin Tax: Coping with Financial Volatility.* Oxford University Press.

Hoffmann, Stanley (2002) "Clash of Globalizations", *Foreign Affairs* 81(4).

Holmes, S. (2003) European *Doppelstaat? East European Politics and Societies* 17(1).

Jones, Erik (2003) "Liberalized Capital Markets, State Autonomy, and European Monetary Union", *European Journal of Political Research* 42.

Jovanovic, Miroslav, J. (2003) "Local versus Global Location of Firms and Industries", *Journal of Economic Integration* 18(1).

Krugman, Peter (1994) "Competitiveness: A Dangerous Obsession", *Foreign Affairs* 73(2).

Lall, Sanjaya (1991) "Multinational Enterprises and developing Countries: Some issues for Research in the 1990s", *Millennium. Journal of International Studies* 20(2).

Lerein, P. and K. Rawdanowicz (2004) "Enhancing Income Convergence in Central Europe after EU Accession," *OECD Economics Department Working Papers*, No. 392.

Lundvall, B. and M. Tomlinon (2000) "On the Convergence and Divergence of National Systems of Innovation", *Special Issue of Research Policy on Innovation Systems,* Aalborg University.

Mani, Sunil (2004) "Government, Innovation and Technology Policy: An International Comparative Analysis", *International Journal of Technology and Globalisation* 1(1).

Moravcsik, A. and M. A. Vachudova (2003) "National Interests, State Power, and EU Enlargement." *East European Politics and Societies* 17(1).

Mundell, Robert (1968) *International Economics.* New York: Macmillan.

Porter, Michael E. (1998) "Competitive Advantage of Nations" in Michael E. Porter *On Competition.* Harvard Business Review Book.

Rodrik, Dani (1996) "Why Do More Open Economies Have Bigger Governments?" *NBER Working Paper Series,* WP 5537.

Ruggie, John G. (2003) "Taking Embedded Liberalism Global: The Corporate Connection", in Held, D. and Koenig-Archibugi, M. (eds.) *Taming Globalization: Frontiers of Governance.* Cambridge: Polity Press.

Ruggie, John G. (1997) "Globalization and the Embedded Liberalism Compromise: The End of an Era?" *Working Paper 97/1,* Max-Planck-Institut für Gesellschaftsforschung.

Sachs, Jeffrey and Steven Radelet (1998) "The East Asian Financial Crisis: Diagnosis, Remedies, Prospects", *Harvard Institute for International Development*.

Schreyer, P. and D. Pilat (2001) "Measuring Productivity", *OECD Economic Studies,* No. 33 (November).

Schöfer, Peter and Roland Leitinger (2003) "Framework for Venture Capital in the Accession Countries to the European Union", *Working Paper,* University of Applied Sciences "FH bfi Wien".

Stopford, John, M., Susan Strange, John Henley (1991) *Rival States, Rival Firms. Competition for World Market Shares.* Cambridge: Cambridge University Press.

Strange, Susan (1991) "Big Business and the State", *Millennium. Journal of International Studies* 20(2).

"The Coalition Agreement", Government of Estonia, www.riik.ee/valitsus.

"The Global Competitiveness Report 2004-2005", *World Economic Forum*.

"The Republic of Estonia: Selected Issues," *IMF Country Report,* No 04/357, November 2004.

## Contributors

**Erkki Bahovski** is the Head of Foreign News Desk at the daily newspaper *Postimees*. In spring 2004 he was a Reuters Foundation Fellow at Green College, Oxford. He is currently completing his MA in the Department of Political Science at the University of Tartu and is a member of the board of the Estonian Foreign Policy Institute.
(erkki.bahovski@postimees.ee)

**Paul A. Goble** is a senior research associate at the EuroCollege of the University of Tartu. In 2004, he retired from the U.S. government where he worked in various capacities at the State Department and in U.S. international broadcasting having to do with the Baltic countries and the non-Russian nationalities of the former Soviet Union. The editor of four books and numerous articles on those topics, he currently is completing a monograph on the status of Islam in the Russian Federation.
(pgoble@ec.ut.ee)

**Christiane Kasack** is a student of political science, philosophy and public law at the University of Hamburg. Her master thesis deals with democratic legitimation through transnational parliamentary assemblies. From April 2005 she will be working as a Research Associate in a research project on the internationalization of the state monopoly on the use of force at the International University Bremen.
(c.kasack@iu-bremen.de)

**Andres Kasekamp** is Director of the Estonian Foreign Policy Institute and Professor of Baltic Politics at the Department of Political Science, University of Tartu. He graduated from the University of Toronto and gained his PhD in modern history from London University. He has been Visiting Professor at Humboldt University Berlin and the University of Toronto. From 2002 to 2005 he served as Editor of *Journal of Baltic Studies*.
(andres.kasekamp@ut.ee)

**Ole Kværnø** is Director of the Institute for Strategy at the Royal Danish Defence College. He has previously been posted to Estonia from 1998 to 2003 as Dean of the Baltic Defence College, where he was one of the original founders of the College. He holds a M.Phil. in Political Science from Copenhagen University and is the author of a number of articles and book chapters on security policy, international security, security organizations and strategy.
(IFS-01@fak.dk)

**Vahur Made** is Deputy Director of the Estonian School of Diplomacy. He defended his PhD dissertation on Estonia and the League of Nations at the Department of History at the University of Tartu in 1999. Currently, he is conducting a research project on the Baltic states during the Cold War. (vahur@edk.edu.ee)

**Erik Männik** is currently completing his PhD dissertation 'Estonia's Integration into NATO: Opportunities and willingness of a small state' at the Department of Politics and Philosophy of Manchester Metropolitan University. He worked in the Estonian Ministry of Defence until the end of 2000 where his last position was Head of Defence Policy Planning Bureau. (E.Mannik@mmu.ac.uk)

**Marie Louise Løvengreen Rasmussen** is currently working as an intern at the Institute for Strategy at the Royal Danish Defence College. She is a 5th year student at the Department of Political Science at Copenhagen University specialising in international relations in general and in conflict resolution and the correlation between conflict and development policy in particular. (IFS-01@fak.dk)

Aili Ribulis received her M.A. in political science from the University of Tartu and worked several years as Political Officer in the Delegation of European Commission in Estonia. In Spring 2004, she obtained her MA in European Politics and Administration at the College of Europe in Bruges, Belgium. Currently, she is teaching in the EuroCollege at the University of Tartu. (aribulis@hotmail.com)

**Rein Tammsaar** worked for ten years in the Estonian Ministry of Foreign Affairs before taking up a position at the Policy Planning and Early Warning Unit of the Council of the European Union in 2004. He holds a MA from Moscow State Institute of International Relations and is currently a doctoral candidate in the Department of Political Science at the University of Tartu. (rein.tammsaar@consilium.eu.int)

**Heli Tiirmaa-Klaar** is a doctoral candidate in the Department of Political Science at the University of Helsinki. She obtained her MA from the Central European University in Budapest and was a Fulbright Fellow at the George Washington University. She has taught at the Estonian Business School and Tallinn Pedagogical University. From 1995 to 2001 she worked at the Estonian Ministry of Defense where her last post was Head of the International Organisations Division. (htiirmaa@hotmail.com)