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Northern Dimension  
of the CFSP**

**Two Reluctant Regionalizers?**

The European Union and Russia in Europe's North

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## **Contents:**

<b>Introduction</b>	3
<b>The normative foundation of the EU-Russian ‘strategic partnership’</b>	5
<b>The (inter)regional component in the EU’s policy towards Russia</b>	14
<b>The EU’s role in facilitating transboundary interregional cooperation with Russia</b>	19
<b>Conclusions</b>	25
<b>Notes</b>	31

## Introduction<sup>1</sup>

It has become something of a cliché to argue that the break-up of the Soviet Union in 1991 resulted in dramatic changes in the unfolding of political space in the 1990s. Yet this was especially true in the case of the then European Community (EC)<sup>2</sup> and its relations with the Soviet Union/Russian Federation. During the Cold War, the relations between the EC and the USSR were practically non-existent. The ascension of Mikhail Gorbachev and the period of *perestroika* and *glasnost* resulted, however, in a gradual *rapprochement* between the two parties. The creation of these new ties was formalized in the signing of a Trade and Cooperation Agreement (TCA) between the EC and the USSR, which was, however, in effect signed with an already crumbling Soviet Union as it took place as late as 21 December 1989.<sup>3</sup>

After the dissolution of the Soviet Union in December 1991, the 1990s witnessed a rapid development in EU-Russian relations. Indeed, the first part of the decade in particular can be seen as a time of searching in order to find a proper framework for the relationship. Consequently, the two parties have been busily engaged in the creation of a host of new institutional and contractual structures ranging from the mutual Partnership and Cooperation Agreement (1994) to their own approaches to the relationship (the EU's Common Strategy on Russia and Russia's Mid-Term EU Strategy, 1999). These endeavours have resulted in a structured dialogue between the parties, including the annual Cooperation Council, the EU-Russia Summits organized twice a year between the EU Troika and the Russian President, and continuous discussions between ministers and civil servants and the members of the Commission. There are also regular exchanges between the European Parliament (EP) and the Russian State Duma.

In addition to institutional ties, Russia and the European Union have been bound together by a significant rise in trade and tourism. The financial and political crisis of August 1998 in Russia does, however, still affect the level and development of EU-Russian trade and foreign direct investments (FDI). EU exports to Russia have particularly suffered while Russia has been able to continue exporting its goods to the EU internal market.

This is largely due to the fact that the main bulk of Russian exports are gas, oil and other raw materials of which there is a dire need in the European Union. As a consequence, the EU is Russia's most significant trading partner, accounting for 36.7 per cent of Russia's imports and 33.2 per cent of its export trade. In comparison, Russia's share of the EU's external trade is considerably more modest, consisting of only 3.3 per cent of total imports and 1.9 per cent of exports. The European Union is also Russia's most significant source of FDI although it, too, has suffered from the economic uncertainties in Russia. The level of FDI peaked in 1997 at 1,723 million euro, but soon plummeted after August 1998 and stood at only 343 million euro in 1999.<sup>4</sup>

There is, however, another side to the post-Cold War developments in EU-Russian relations, as the changes have not only transformed the nature of 'high politics' between Brussels and Moscow but have also had profound effects on the level of interregional cooperation over the former East-West divide. Indeed, the first thing that has to be taken into consideration when examining the European Union's transboundary interregional cooperation with Russia is the relative novelty of the phenomenon: during Soviet times, transboundary links across the Iron Curtain were not only non-existent, they were also strictly illegal.<sup>5</sup> Viewed from this perspective, the development of interregional cooperation between the European Union and Russia during the 1990s must be seen, firstly, as still being in its early stages and thus largely experimental but also, secondly, as a kind of significant new opening in post-Soviet Russia. Indeed, taken together with the overall development of EU-Russian relations and keeping in mind the rise in tourism and transboundary interregional cooperation, there has been a significant qualitative change in the fabric of Russian society. Sergei Medvedev has argued that all levels of Russian society (elites, regions, social groups and individuals) have already experienced a degree of new openness that is practically impossible to reverse.<sup>6</sup> But the as yet unanswered question still persists: Is there already a sufficient 'critical mass' to ensure that a reversal to the old autocratic ways is truly impossible in Russia?

This paper seeks to examine the role of interregional cooperation in the EU-Russian relationship. The focus of the analysis is placed on Northern Europe and Northwestern

Russia. This is due to three main reasons. First, the North is where the EU and Russia share a common border, an interface, which is due to grow even larger in the coming years with the on-going EU enlargement. Second, post-Cold War Northern Europe has been a laboratory of innovative thinking resulting in a dense network of often overlapping regional arrangements all aimed at bridging the East-West divide. Consequently, as Pertti Joenniemi has noted, during the 1990s the North became one of the most regionalized parts of Europe.<sup>7</sup> Thirdly, the North is the direction where, mainly due to enlargement, both the European Union and the Russian Federation are becoming increasingly aware of the need for increased cooperation and the need to develop new innovative forms for that cooperation.

This paper is divided into four parts. The first part gives an overview of the current state of play in the overall relationship between the European Union and Russia. The emphasis is put on the examination of the normative, or conceptual, framework in the EU-Russian 'strategic partnership' as it sets the stage for the interregional cooperation as well. The second and third parts go on to examine the regional component in the EU's policy on Russia. The emphasis is put on Northern Europe and the different parts of the machinery the EU has created in order to encourage and facilitate interregional cooperation with Russia. The fourth and final part concludes the paper while reflecting on the role of interregional cooperation in the wider framework of the EU-Russian relationship.

### **The normative foundation of the EU-Russian 'strategic partnership'**

When examining the European Union's policy towards Russia, the starting point must be the observation that the Russian Federation is not going to become a member of the EU. This at first sight rather self-evident fact is, however, crucial in understanding the peculiarities of the EU-Russian relationship.<sup>8</sup> It sets the stage for the current partnership-oriented approach and is reflected in Russia's share of EU assistance. When compared to other beneficiaries, especially those currently engaged in the accession process, Russia receives a surprisingly small portion: Russia's share of the EU's external assistance

budget is less than 5 per cent and falling.<sup>9</sup> These phenomena are reflected at the level of transboundary interregional cooperation with Russia as well.

On a general note, the EU's policy on Russia during the last ten years can perhaps be best described as an attempt, or rather a series of gradual attempts, at striking the right balance between exclusion (as Russia is deemed to be an unsuitable candidate for membership) and inclusion (as Russia is, on the one hand, too large and economically potentially significant and, on the other, too troubled and nuclear a part of Europe to be excluded altogether without jeopardizing stability on the continent) vis-à-vis Russia's role in the European project. The first steps at finding the right 'policy mix' were already taken during the dissolution of the Soviet Union when the EC adopted the TACIS Programme<sup>10</sup> in order to facilitate the transition towards market economy and democracy on the territory of the rapidly fragmenting Soviet Union.<sup>11</sup> The next step followed in 1992 as the EC decided that instead of membership Russia, together with the rest of the countries of the former Soviet Union (FSU)<sup>12</sup>, were to be offered bilateral Partnership and Cooperation Agreements (PCAs) with the European Union. The PCA between the EU and Russia was signed in June 1994 after prolonged and difficult negotiations but it entered into force as late as December 1997 due to the events in the first war of Chechnya (1994-96).

The Partnership and Cooperation Agreement, which still remains the legal foundation of the EU-Russian relationship, envisages a 'partnership' between the European Union and Russia. The partnership is to be built on 'common values' and is based on the mutual commitment of 'strengthening the political and economic freedoms which constitute the very basis of the partnership'.<sup>13</sup> The main goals of the partnership are to create a framework for political dialogue between the parties, to promote trade and investment, and to support Russian efforts to consolidate its democracy and to complete the transition into a market economy.<sup>14</sup> The ultimate end-goal of the partnership is the creation of a free trade area (FTA) between the European Union and Russia.<sup>15</sup>

To sum up, conceptually the EU-Russian relationship is to be built on the already existing foundation of similar values and goals between the parties and on the assumption of the compatibility of their future endeavours in Europe. Moreover, the PCA implicitly reveals an understanding of the inherent nature of the EU-Russian partnership as a *continuous process resulting in growing similarity* between the parties. To be precise, the aim is not a gradual and mutual *rapprochement* between the European Union and Russia but a process where Russia has to do all the adjusting as the cooperation to be undertaken aims at facilitating the transition of Russia towards Western models of society and economy.

This basic approach is reiterated in the EU Common Strategy on Russia (CSR), which was adopted in the Cologne European Council in June 1999. Common strategies were a new CFSP instrument adopted in the Amsterdam Treaty (1997) and the first of them was drafted on Russia during the German presidency in spring 1999.<sup>16</sup> Drafted in the aftermath of the financial and political crisis of August 1998, the document reflects the EU's quest for a more unilateral approach, concentrating on enumerating the priorities and actions which are necessary for the EU in the development of the EU-Russian relationship. It also, however, assumes that the eventual, albeit gradual, similarity is the main aim of the relationship, which has, however, evolved from a plain partnership to a 'strategic' one. Without spending too much time scrutinizing the peculiarities of EU jargon, the term 'strategic partnership' is, however, largely ill-defined, as the one characteristic which over the years has best characterized the EU-Russian relationship has been the lack of any strategic substance in the dialogue.<sup>17</sup> This might, however, be changing as the development of a European Security and Defence Policy (ESDP) has resulted in a budding strategic dialogue between the European Union and Russia.<sup>18</sup>

The current state of play in the EU-Russian relationship and the mutual rhetoric on the importance of forging a 'strategic partnership' between the two does, however, conceal some very important differences between the European Union and Russia. The first difference concerns the very basis of the relationship, namely what the main aim of the 'strategic partnership' is. As has already been suggested, for the European Union it is a vehicle to be used in facilitating the transformation of Russia. Indeed, central objectives

for cooperation are ‘stable, open and pluralistic democracy in Russia, governed by the rule of law and underpinning a prosperous market economy’.<sup>19</sup> Therefore, when viewed from Brussels, the ‘strategic partnership’ is about the centrality of common values and supporting the transition and consequently the growing similarity between the European Union and Russia. This is reflected in the choice of instruments the European Union has developed vis-à-vis Russia. The implementation of the PCA is made conditional upon the respect of common values and principles, and the main practical instrument, the TACIS Programme, has been adopted in order to ‘promote the transition to a market economy and to reinforce democracy and the rule of law’ in Russia through giving financially small amounts of technical assistance.<sup>20</sup>

In Moscow, the interpretation of the ‘strategic partnership’ is, however, very different. For example, the CSR’s Russian counterpart, ‘the Medium-term Strategy for Development of Relations between the Russian Federation and the European Union (2000-2010)’, does not make a single reference to common values. Instead, Russia approaches international relations, and thus its relationship with the European Union, through a prism of realist thinking where concepts such as balance of power and geopolitics are more important than references to common values.<sup>21</sup> Moreover, as Henrikki Heikka has argued, Russia sees the EU’s role as subordinate to another, much more strategic relationship that Russia enjoys with the United States. As a consequence, the ‘strategic partnership’ with the EU is first and foremost an attempt at counterbalancing the US influence in Europe.<sup>22</sup> Thus, instead of seeking a growing similarity with the EU, the Russian emphasis is put on curbing the perceived US hegemony in the international system and preserving and maximizing the freedom of Russia’s political maneuvering in the future.

This brings us to a second difference, namely the relation towards sovereignty in the European Union and Russia. Whereas the European Union strives for deeper and deeper integration based on the pooling of sovereignty, Russia is still battling the effects of the dissolution of the Soviet space with an emphasis on the preservation of sovereignty. In short, whereas the EU can be seen as moving towards a post-modern and post-sovereign

political system<sup>23</sup>, the Russian project is still very modern in its essence. As a consequence, rigid state-centric interpretations of the 'indivisibility' of sovereignty still play a central role in Russia and inhibit the country from fully taking part in the European integration.<sup>24</sup> This interpretation is clearly discernible in Russia's Mid-Term EU Strategy, according to which '[As] a world power situated on two continents, Russia should retain its freedom to determine and implement its domestic and foreign policies, its status and advantages of a Euro-Asian state and the largest country of the CIS, independence of its position and activities in international organizations.'<sup>25</sup>

A third difference relates to the divergent meanings of the very basic concepts affecting the unfolding of political space in the post-Cold War era. The European Union and Russia have particularly different interpretations of the dual concept of globalization/regionalization. For the European Union, globalization is an integral feature of the contemporary international system and regionalization is seen as part and parcel of globalization while being a beneficial and perhaps even crucial component for further European integration. In Russia, by comparison, the interpretation is entirely different. Particularly in the centre, globalization is seen as a form of US hegemony in the contemporary international system, and beneficial to only a handful of the already most advanced and prosperous countries in the world. Moreover, globalization is seen as a negative driving force potentially menacing Russia's territorial integrity.<sup>26</sup>

As a concept, regionalization does not fare much better in the eyes of Moscow either. The gradual failing of the Russian state during the last decade has led to de facto regionalization in Russia where the regions have started having their own external economic relations and even foreign policies as a means of survival.<sup>27</sup> The main driving force behind regionalization is thus not a conscious attempt at gaining access to global networks but is regarded rather as 'an anti-crisis strategy' and is part and parcel of the still continuing fragmentation of the Soviet space.<sup>28</sup> As a consequence, and while keeping in mind that although by definition regionalization entails both integration and fragmentation, it is in the case of Russia that the fragmenting tendencies are heavily accentuated. As a result, it is very difficult for Russia to link onto the on-going

interregional cooperation within the European Union as they are of an inherently different origin and nature.

It is, however, an oversimplification to argue that there would be only one interpretation of regionalization in Russia. At least two different interpretations can be discerned in contemporary Russia. The first, and currently prevailing, interpretation in the centre stresses the negative nature of regionalization and emphasizes its role in accelerating further fragmentation of Russia. It refers to the unwanted and uncontrolled devolution of Russia due to the erosion of central power, and it is feared that regionalization will result in an increased likelihood of secessionist conflicts especially on the outskirts of the Federation.<sup>29</sup> This 'negative' regionalization entails that the Russian regions themselves seek further autonomy and even independence in order to protect their own interests, or indeed secure their very survival, at the expense of the centre. This interpretation of regionalization also has an international dimension where foreign countries are seen as seeking to escalate the 'negative' regionalization of Russia in hopes of turning the border regions in particular 'into passive objects of [their] foreign policies' in order to extract mainly economic gains from the resource-rich Russia.<sup>30</sup>

Globalization and regionalization are, however, forces that affect contemporary Russia regardless of Moscow's distaste towards the concepts. Their effect is already visible in, for example, the growing regional disparities within the Federation.<sup>31</sup> For the European Union the phenomenon is increasingly important due to the fact that the regions residing closest to the European Union are not necessarily the ones best equipped to rise to the challenge. This is especially true of the Northwestern parts of Russia where already difficult economic conditions are made worse by the acute environmental degradation.<sup>32</sup> In addition, the status of the Kaliningrad region as a future enclave within the enlarged Union serves only to exacerbate the problems.

Yet there is also a more 'positive' interpretation, especially at the level of the regions, where regionalization is seen not as a threat but increasingly as a possibility.<sup>33</sup> In this context, networking and cross-border cooperation are seen as partial answers to the

growing problems that face the Russian regions. They are also seen as a means of facilitating Russia's closer integration with the West and with the European Union in particular. This interpretation is especially visible at the level of the regions, which stress the geoeconomic interpretation of the international system over the traditional geopolitical one which still prevails in the centre.<sup>34</sup>

However, to claim that the regions prefer regionalization and the centre centralization does, of course, have a somewhat self-evident ring to it. In the case of Russia, the reality is, however, more complicated as no consensus exists to assert that it is at the level of already existing regions where the process of regionalization should stop. As Sergei Medvedev has noted, the regionalization of Russia is an on-going phenomenon affecting not only Moscow but also, and increasingly, the regional capitals as well, potentially leading to continued self-dismemberment of the Russian Federation and its constituent units.<sup>35</sup> Therefore, the tug-of-war between centralizing and regionalizing tendencies is more multifaceted, including not only Moscow and the regions but also the centres of the regions and their respective peripheries, which are being engaged in an on-going battle for autonomy and even supremacy.

In contrast to these negative effects of regionalization, Northwestern Russia would seem to be a special case, to a certain extent also in the eyes of the centre. There are several reasons for this. First, the *Oblasts* (regions) of Northwestern Russia have at no time indicated any secessionist tendencies, making it a 'safe' direction for Moscow to explore positive aspects of regionalization.<sup>36</sup> Second, the North already has a versatile history of beneficial interregional cooperation, ranging from the Pomor trade in the Barents region to the Hanseatic League in the Baltic Sea.<sup>37</sup> The impact of this factor should not, however, be exaggerated as it is just as easy to find periods of violent confrontation as it is to find fruitful cooperation in the past. Third, and perhaps most importantly, the Northwestern parts of Russia reside next to the European Union. Indeed, it is in the North where Russia already shares a common 1300-kilometre border with the EU – an interface that will only grow larger with the on-going enlargement. This could give the European

Union an opportunity it could exploit in order to tie Russia more closely to interregional cooperation in Europe.

Moreover, Northwestern Russia already seems to enjoy a special status within the Russian Federation where different, although still mainly experimental, forms of interregional cooperation are taking root. Of particular importance in this respect is Russia's initiative concerning the Kaliningrad *Oblast*, which could be transformed into a 'pilot region' in EU-Russian relations. Although the initiative has remained unsubstantiated and it remains to be seen what the term 'pilot' will actually entail, Russia's initiative nevertheless represents an important new departure in seeking both bi- and multi- rather than unilateral solutions to the problems in Northern Europe.<sup>38</sup>

There are already some concrete forms of cooperation. For example, there are two twin-city projects on the Finnish-Russian border between Imatra-Svetogorsk and Kuhmo-Kostamuksha<sup>39</sup>. For example, the cooperation between Imatra and Svetogorsk reflects the internal dynamics within Russia already discussed. The cooperation is of very recent origin as it began in earnest in 1997 when Svetogorsk became an independent municipality with more autonomy over its affairs. So far, the cooperation has been rather modest, mainly including personnel exchanges over the border and some small projects financially supported by Imatra. The mood is, however, optimistic in the two towns as a new international border crossing point is to be opened between Imatra and Svetogorsk, and plans for a cross-border business park are already in the pipeline.<sup>40</sup>

In comparison, cooperation between Kuhmo and Kostamuksha is more developed and stable. This is due to a historical anomaly on the Finno-Soviet border during the 1970s and 1980s where the Finns, and especially the town of Kuhmo, were centrally engaged in the project of building an iron smelter works and the surrounding industrial town in the Soviet Kostamuksha. This experience not only made Kuhmo the one exclusive point on the Finno-Soviet border where direct and daily, although fairly heavily controlled, cross-border links were possible during the Cold War but also laid the foundation for the present cross-border cooperation between the sister cities.<sup>41</sup> During the 1990s, Kuhmo

and Kostamuksha built on this foundation developing, for example, cooperation in clean drinking water and waste sewage treatment, business parks and other cross-border development projects. The development of cooperation has been facilitated by the existence of a permanent international border crossing at Vartius and the development of 'Vartius international border village', which aims at fostering new economic contacts and cooperation between the cities. On the Russian side, Kostamuksha has been declared a special economic zone, which is anticipated to result in increased incentives for further economic cooperation.<sup>42</sup>

In addition, in the beginning of 2000 the three INTERREG Karelia regions on the Finnish side (North Ostrobothnia, Kainuu and North Karelia) and the Karelian *Oblast* on the Russian side established a Euregion Karelia, which is based on the Euregion model already used on the German-Dutch border 25 years ago.<sup>43</sup> According to Tarja Cronberg, the aim of the common cross-border region is to promote a more efficient usage of existing financial flows, especially EU funds (INTERREG, TACIS). The mid-term goal is to create common regional strategies with the intent of resolving common transboundary challenges such as criminality and prostitution while exploiting the potential of open borders in economic and social development.<sup>44</sup> In addition to Euregion Karelia, the Kaliningrad *Oblast* has also been active in participating in similar Euregions (the Baltic and the Saule Euroregions with plans to take part in the Neman Euroregion as well) with its neighbours.<sup>45</sup>

These new forms of cooperation are attempts at re-creating and emulating the successful experience already achieved within the European Union and to some extent with the applicant states.<sup>46</sup> Although these forms of cooperation still remain experimental, they nevertheless open new avenues for cooperation between the European Union and Russia. There are, however, numerous problems and obstacles still to be overcome. Some of them are a direct result of the very backwardness that the cooperation is supposed to surmount, such as the lack of a proper basic infrastructure. These are deep asymmetries and structural problems which are likely to hinder cooperation well into the future. In addition, as, for example the Imatra-Svetogorsk cooperation has revealed, historical

animosities, an abundance of bureaucracy combined with the chronic lack of reciprocal funding on the Russian side and, indeed, the very differences in the ‘mindsets’ on both sides of the border have managed to hinder cooperation.<sup>47</sup> Also, as Tarja Cronberg has argued, the promising new projects in the Euregion Karelia have suffered from a lack of mutual trust between the partners, which has been reflected, for example, in the EU-centric decision-making and implementation of the projects, which have sent a de facto message of distrust and exclusion to the Russian side.<sup>48</sup>

The EU’s corner has not been without problems either. The most acute problem relates to the difficulties that the regional actors have experienced in combining funding for transboundary cooperation with Russia. For example, although the EU finances three INTERREG programmes on the Finnish-Russian border, the matching funds for the Russian side must be obtained from a different TACIS Cross-Border Cooperation Programme. This problem is due to the compartmentalized and vertical logic of the EU. EU internal structural policies are guided by one set of laws while EU external relations with Russia are guided by another.<sup>49</sup>

### **The (inter)regional component in the EU’s policy towards Russia**

It has sometimes been argued that the European Union’s policy on Russia has been lacking a regional dimension. For example, Lyndelle D. Fairlie has noted that the two founding documents, the Partnership and Cooperation Agreement and the Common Strategy on Russia, treat Russia as a more or less unified and undifferentiated space.<sup>50</sup> This is, however, only natural as, for example, the PCA has been signed with the totality of the Russian Federation. In addition, Fairlie’s observation is only partially accurate, as the ‘Special Initiatives’ section of the CSR does indeed contain references to cross-border and regional cooperation. The first part of the paragraph reads: ‘The Union will support the strengthening of cross-border and regional cooperation and will prepare an inventory of relevant EC and Member State instruments and actions directed at the enhanced involvement of EU programmes in Russian regions of special interest to the EU.’<sup>51</sup>

However, although the document acknowledges the possibility of the existence of 'special interests' vis-à-vis certain Russian regions, it nevertheless fails to specify them. The only direct reference to a certain geographical area which poses a special challenge or an interest for the European Union is to be found in the second part of the paragraph which refers to the need to intensify the preparations for the Foreign Ministers' Conference on the Northern Dimension in November 1999 in Helsinki.<sup>52</sup> It is indeed in the Northern Dimension that the special regional interest of the European Union in Russia has been formulated.

### **The Northern Dimension<sup>53</sup>**

The European Union acquired its 'northern dimension' through the memberships of Finland and Sweden in 1995. What had previously been a rather western and central European political project was given a new northern geographical reality. At first, the term 'northern dimension' referred mainly to the special characteristics that the two new Nordic members were about to bring to the Union: harsh climate, arctic agriculture, long distances and low population density. In addition, the 'northern dimension' was, of course, not only a list of hardships and challenges requiring special measures from the Union but also a concept representing positive Nordic values such as equality, transparency and the welfare state.<sup>54</sup>

The 'northern dimension' acquired fresh political content in September 1997 when the Finnish Prime Minister, Paavo Lipponen, launched the initiative for the Northern Dimension of the European Union.<sup>55</sup> The venue for the speech, a Barents Conference in Rovaniemi in northern Finland, was a fitting forum for the northern, even Arctic (as opposed to the original Nordic<sup>56</sup>) foundations of the concept. In his speech, Lipponen described Northern Europe and Northwestern Russia<sup>57</sup> in particular as a source of great hopes and expectations but potential dangers as well. According to Lipponen, in order to exploit these opportunities and solve the problems the European Union required a policy tailored for its Northern Dimension.

The initiative was quick to gather political momentum, the next political milestone being in December 1998 when the Vienna European Council officially accepted it as a part of the external relations of the Union. Vienna also witnessed the first official document written on the topic as the European Commission's communication on the Northern Dimension<sup>58</sup> was introduced. In the communication, the Commission preserved the original spirit of the Finnish initiative. As in Prime Minister Lipponen's speech in 1997, the actual content of the Northern Dimension was described mainly as a list of things the Northern Dimension was not supposed to be: new institutions, more money or a new form of regionally based cooperation in Northern Europe. For its part, the General Affairs Council in its meeting in May 1999 set its own guidelines for the implementation of the Northern Dimension mainly along the earlier lines of the Commission, as the 'added value' in the initiative would come solely from increased synergies resulting from a better coordination and complementarity of the Community and member state actions in Northern Europe.<sup>59</sup>

Originally, making the Northern Dimension more concrete was one of the central themes of the Finnish EU Presidency in autumn 1999. The Finnish Presidency fell victim, however, to other political events during the tumultuous 1999, namely the acute crisis in the Balkans (Kosovo), which became a priority in EU foreign policy and external assistance, and Russia's ruthless actions in Chechnya, which made Moscow an undesirable partner for the member states. Consequently, the Foreign Ministers' Conference in November 1999 failed to agree on almost anything substantively new other than that the Helsinki European Council should decide on drafting an action plan for the Northern Dimension.<sup>60</sup>

The action plan for the years 2000-03 was adopted at the Feira European Council in June 2000. The document is divided into two parts. The first, horizontal part, lays out the framework for the Northern Dimension. The main idea and limitation of the dimension is spelled out very clearly at the beginning where the action plan states that the added value is to be gained 'through reinforced coordination and complementarity in EU and Member States' programmes and enhanced collaboration between the countries in Northern

Europe' and that 'the Northern Dimension is an on-going process without a specific budgetary appropriation.'<sup>61</sup> Otherwise the horizontal part is almost identical to the earlier Commission report as it goes through the most important sectors in the initiative. The second, operational part of the action plan gives an in-depth account of the different sectors ranging from infrastructure and environment to public health and justice and home affairs.<sup>62</sup> The list is once again quite exhaustive but the action plan fails to present significant new concrete proposals or actions to be taken during the first four-year term.

The Swedish Presidency in spring 2001 sought to give the Northern Dimension added impetus. According to the Presidency Programme, giving the initiative concrete content was one of the aims of the Presidency.<sup>63</sup> The Swedes indeed achieved some of their goals during their six-month stint at the wheel. For example, the Northern Dimension was given political continuity in the Second Foreign Ministers' Conference organized by the Swedish Presidency in Brussels in April 2001. Although the outcome of the Conference can in concrete terms be described as rather thin, it nevertheless reiterated the EU's commitment to the policy and thus further consolidated its place on the EU's agenda. The Conference also resulted in a new initiative to be put under the aegis of the Northern Dimension, the so-called Northern Dimension Environmental Partnership (NDEP). The main aim of the NDEP is to address environmental 'hot-spots' especially in the Northwestern parts of Russia. The main mechanisms for cooperation within the NDEP are very similar to the actual Northern Dimension as it is mainly consultation, coordination and cooperation that are sought with the programme. The NDEP does, however, emphasize forging close links with international financial institutions (IFIs), which in turn play a central role in organizing funding for the projects already agreed within the NDEP.<sup>64</sup> The NDEP is, however, still in its infancy and it is impossible to assess what its impact will be on the Northern Dimension and on the current state of EU-Russian cooperation.

On a more general note, the Northern Dimension highlights problems in the EU's relations with Russia. First, it has revealed a North-South divide within the Union. The biggest issue behind this divergence in member state interest towards the Northern

Dimension is the competition for scarce (financial) resources in the external relations of the European Union. Therefore, there seems to be a clear North/East-South divide where the northern member states are eager to increase spending in the North, whereas the southern member states are worried about being increasingly sidelined in the future use of funds, especially in an enlarged Union. In addition, according to a study conducted by the Trans-European Policy Studies Association (TEPSA) in 1998, the southern member states perceive the existence of a Northern Dimension as a potential threat to their own national interests.<sup>65</sup> As a consequence, the southern member states have a strong, although mainly 'negative' (or obstructive) interest in the Northern Dimension in the sense that their main priority lies in keeping the importance of northern issues on the European agenda in check when compared to the relative importance of the 'southern dimension'.

Second, the Northern Dimension has blurred the clear demarcation between inside and outside in policy formulation and implementation within the European Union. As Hanna Ojanen has argued, the Northern Dimension injects EU external relations with an entirely new logic, which, firstly, requires a vastly increased amount of internal coherence and coordination between EU programmes and policies. Second, it would also require not only accommodating but also allowing the outsiders' (the 'partner countries') views to affect what EU policies should entail in the North.<sup>66</sup>

Third, in order to be implemented successfully, the Northern Dimension requires a multilevel approach, where not only the European Union and its member states but also other existing actors in the North must play a significant role.<sup>67</sup> Moreover, the Northern Dimension requires horizontal coordination and co-operation within the EU across previously separate programmes, pillars and initiatives. This has proved to be an extremely difficult obstacle for the Northern Dimension to overcome, which seems to be effectively bogged down in the infighting of the Brussels bureaucracy.<sup>68</sup>

There is also an additional downside with external repercussions in the EU's policy towards selective engagement in Russia. The Northern Dimension is essentially about

giving the Northwestern parts of the country accentuated EU attention. Therefore, the European Union has to tread carefully in order not to aggravate the ‘negative’ interpretations of regionalization as Moscow tends to see the EU’s activities as potentially accentuating the negative consequences of regionalization through increasing regional disparities and, consequently, encouraging secessionist tendencies. The motives of the European Union are also being questioned, as the EU’s policy is perceived as ‘cherry picking’ where the EU seeks to gain maximum results from some Russian regions without paying attention to the totality of the Federation. This has been reflected in, for example, the official Russian response to the Northern Dimension where Moscow has made it clear that cooperation in the North must be more than just extracting natural resources: ‘Russia sees in the Northern Dimension not a set of isolated resource export-oriented projects but, first and foremost, an additional instrument for all-round development of her North-West, including the Kaliningrad region as a part of the Russian Federation’s territory and of its internal market.’<sup>69</sup>

## **The EU’s role in facilitating transboundary interregional cooperation with Russia**

### **A sub-regional approach: Northern Europe**

There is a multi-layered web of organizations in the North. Indeed, it is fair to say the 1990s witnessed a development where the countries of Northern Europe were ‘racing to regionalize’.<sup>70</sup> As a result, the North has an extensive network of overlapping organizations in which the European Union is at least partially involved, either through direct partaking of the Commission or through the presence of the EU member states. First, there are the three regional councils ranging from the high north to the southern shores of the Baltic Sea: the Arctic Council (AC), Barents Euro-Arctic Council (BEAC) and the Council of the Baltic Sea States (CBSS). In addition to these three, there are other councils with a more limited membership, such as the Nordic Council, the Nordic Council of Ministers, and the Baltic Council. As a consequence, there is considerable

overlap in the regional councils both in terms of their geographical scope and thematic interests.<sup>71</sup>

The European Union and its Northern Dimension are in a rather difficult position as they are by no means the only, although undoubtedly one of the most important, relevant actors in transboundary interregional cooperation with Russia in the North. There is competition as well as cooperation between the different actors, which easily leads to sub-optimal results, unnecessary duplication and wasted resources. Moreover, as recent studies concentrating on the activities of the northern organizations have suggested, there is often a lack of knowledge concerning the actions of other actors.<sup>72</sup>

Therefore, at first sight, the Northern Dimension would seem to serve a good purpose as the 'organizing principle' for cooperation in the North. The reality has, however, been somewhat different as the European Union has been rather passive in taking part in the work of the councils, the Commission in particular being at times half-hearted in its attempts at working at the regional level. For example, in the case of Baltic Sea cooperation it has confined itself to a passive role, enabling rather than spurring regional cooperation.<sup>73</sup> Moreover, the Commission has been reluctant to take an active part in the work of the Arctic Council, although it has been present in the work of the other two major organizations (BEAC and CBSS) in the region. As a consequence, the potential of the Northern Dimension, and European Union, in coordinating and encouraging (inter)regional cooperation in the North has been underutilized. To be fair, however, it is worth keeping in mind that the main bulk of funding for interregional cooperation in the North does come from EU sources. In fact, the European Union has devised a multitude of different funding mechanisms for interregional cooperation with Russia with a growing emphasis being put on Northwestern parts of the country. In the following, the most important financial mechanism, the TACIS Programme, is discussed.

## TACIS

Initiated in 1991, TACIS has been the EU's primary instrument in tackling the effects of the dissolution of the Soviet Union on the territory of the FSU. The current Council TACIS Regulation for the period 2000-06 was adopted during the time of the deepest crisis in the EU-Russian relationship in December 1999 due to the events in Chechnya.<sup>74</sup> This is reflected in the emphasis put on the observance of strict conditionality in the Regulation, according to which 'when an essential element for the continuation of cooperation through assistance is missing, in particular in cases of violation of democratic principles and human rights, the Council may... ..decide upon appropriate measures concerning assistance to a partner State'.<sup>75</sup>

The new Regulation shows that the EU is becoming increasingly aware of the need to develop differentiated treatment for different parts of the Russian Federation. For example, the Regulation states explicitly that 'experience has shown that Community assistance will be all the more effective when it is concentrated on a restricted number of areas within the partner States'. It is, however, possible that rather than reflecting serious strategic pre-meditation, the wording above can equally well reflect the realization that the scarcity of resources allocated for TACIS in the future will require that the EU packs more of a punch by concentrating them on fewer areas. However, although the Regulation fails to enumerate what these 'areas' might be and on what grounds they should be selected, it nevertheless makes a reference to the possibility of selecting certain regions for preferential treatment in the future, thus departing from the way Russia is treated in documents of a more political nature, i.e. PCA and CSR.

The actual work in TACIS is based on Indicative Programmes (IP) covering three to four years, which are prepared either on a country-by-country basis (Russia, Ukraine etc.) or horizontally (Regional Cooperation, Cross-Border Cooperation or Nuclear Safety). The Indicative Programmes in turn lay the ground for annual Action Programmes, which enumerate the actual measures to be taken during the given year.

The Indicative Programme 2000-03 to the Russian Federation is based on the principles already described in conjunction with the TACIS Regulation. TACIS has, however, three areas of particular attention in Russia: (i) support for institutional, legal and administrative reform; (ii) support for the private sector and assistance for economic development; and (iii) support in addressing the social consequences of transition.<sup>76</sup> Nuclear safety is also a key area in TACIS with Northwestern Russia being an area of special importance.<sup>77</sup> The funds allocated for TACIS in Russia are, however, rather modest, ranging between 300-360 million euro for the period 2000-03. It is, however, worth bearing in mind that Russia receives TACIS money from other horizontal programmes as well, such as the Regional and Cross-Border Cooperation and Nuclear Safety Programmes.<sup>78</sup> All in all, Russia received an average of approximately 240 million euro (or 2 euro per capita) per year between 1991 and 1998.<sup>79</sup>

The Indicative Programme does, however, reveal some new nuances, especially in the more elaborated nature of regional differentiation in allocating project funding. Although the EU has abandoned the concept of annual priority regions, which were in effect between 1992-95<sup>80</sup>, the IP states that 'priority, on a competitive basis, will be given to reform-minded and committed regions'. Moreover, 'particular attention will be paid to the links with regional initiatives like the Northern Dimension and with the EU enlargement process, including Kaliningrad.'<sup>81</sup>

In terms of transboundary interregional cooperation, the TACIS Cross-Border Cooperation (CBC) Programme is especially significant. During the period 1996-1999, the TACIS CBC allocated 100 million euro, of which over 50 per cent was spent on projects in Northwest Russia and Kaliningrad.<sup>82</sup> According to the present Indicative Programme for the period 2000 – 2003, the TACIS CBC supports 'activities and projects having a clear cross-border cooperation component', which 'may include projects having a cross-border impact (such as environmental projects), but will particularly include cross-border projects involving direct and clear cooperation between partners from both sides of the border.'<sup>83</sup> Projects eligible for TACIS CBC funding are, for example, border crossings, transport, telecommunications and energy networks. The geographical

orientation of the TACIS CBC is focused on the borders between the EU and the FSU, but the borders with the applicant states also come into question. Within these limits, the IP makes a specific reference to the Northern Dimension, the Black Sea Convention as well as the Baltic Sea and Barents Euro-Arctic regional cooperation frameworks.

The TACIS CBC is realized mainly through larger projects (minimum 1 million euro), which can be partly financed by (for the non-Russian part, that is) other Community funding instruments operating in the border areas; such as INTERREG but also the Pre-Accession instruments PHARE, ISPA and SAPARD. The amount of money allocated for TACIS CBC is, however, rather modest, being 30 million euro per annum for the period 2000-03.<sup>84</sup>

### **The overriding logic of EU enlargement**

Despite the fact that, during the last decade, the European Union has adopted a multiplicity of policies and devised a host of instruments in order to encourage transboundary interregional cooperation with Russia, it seems equally evident that other parts of European integration are paradoxically working against these goals. This is true in the case of enlargement, which will bring the Schengen *acquis* to the borders of Russia.<sup>85</sup> The enlargement of the 'area of freedom, security and justice' will thus erect a new 'paper curtain' between the European Union and Russia. This is especially true in the case of Kaliningrad where, until very recently, visa-free and even passport-free travel between the exclave and mainland Russia was possible via Lithuania and Poland. Poland has, however, decided to apply the Schengen *acquis* from autumn 2001 onwards, with Lithuania adopting it once it enters the EU.<sup>86</sup>

The concrete problems related to EU enlargement in terms of the Schengen *acquis* should not, however, be exaggerated, as they are of a largely technical nature and consequently fairly easy to resolve with the establishment of EU member state consulates in Kaliningrad and with the adoption of, for example, multiple entry visas for

Kaliningraders.<sup>87</sup> Therefore, Schengen will not inevitably result in a rupture in the well-functioning border regime between the European Union and Russia. The currently smoothly running Finno-Russian border with over 5.6 million border crossings in 2000 alone is a case in point. The issue does, however, have a more symbolic nature to it, as the clear demarcation being drawn between the European Union and Russia inadvertently suggests that Russia is indeed the exact opposite – ‘an area of insecurity and injustice’ – the antithesis of that which is being developed with European integration. This has, in turn, negative repercussions for Russia’s self-image, feeding the fear of exclusion even further.

The place where this *problematique* becomes most evident is the Kaliningrad *Oblast*. Wedged between Poland and Lithuania on the southern shore of the Baltic Sea, Kaliningrad is, with the on-going EU enlargement, set to become an isolated enclave within the Union. Being cut off from ‘big’ Russia and being altogether ‘unintegratable’ into the European Union, Kaliningrad represents a severe test to future EU-Russian relations.<sup>88</sup> What makes Kaliningrad so challenging is not its current status as ‘a hell-hole enclave’<sup>89</sup> of Europe from where almost every problem and danger imaginable (communicable diseases, organized crime, environmental degradation etc.<sup>90</sup>) emanates, but rather its unique place both inside and outside of both Russia and the European Union: it is an undisputed part of the fully sovereign Russian Federation but its location is made problematic by the actions of an outsider, the European Union.<sup>91</sup>

Therefore, in addition to acting as a powerful symbol of Russia’s exclusion from EU integration, the adoption of the Schengen *acquis* also has very real effects, which manage to cripple existing forms of cooperation dating from the Soviet times and which have otherwise survived the difficult decade of post-Soviet transformation in Eastern Europe. Consequently, the European Union finds itself in a paradoxical situation. Although the stated aim of interregional and cross-border cooperation is the erasure of former dividing lines and the prevention of the emergence of new ones, the day-to-day practices of European integration nevertheless result in the opposite, and Russia is being excluded and increasingly marginalized in Europe.<sup>92</sup> The previously working and ‘natural’ forms

of cooperation are being disrupted and are being replaced by perhaps more artificial forms of cooperation induced by the multitude of EU cross-border cooperation instruments.

## **Conclusions**

The normative and conceptual foundation of the EU-Russian relationship is problematic on both sides. The European Union has based its Russian policy on the assumption that Russia is increasingly becoming similar to the EU and is harmonizing its society on the basis of the Western model. There is, however, a mounting body of evidence suggesting that such a development is highly unlikely and consequently the viability of the EU's basic approach to its Russian relations is to be questioned.<sup>93</sup> This has repercussions for the EU's system of external relations in general as it has the potential to exacerbate the capability-expectations gap<sup>94</sup> in the EU's policy on Russia, resulting in internal frustration within the European Union as the objectives set for the policy are increasingly difficult to attain due to the relatively high level of discrepancy between the stated objectives and the ways and means the European Union actually possesses vis-à-vis Russia.

In comparison, it can be argued that the 'strategic partnership' is built on a normative framework, which although mutually agreed is, if not entirely alien, then at least only partially subscribed to on the Russian side. In addition, the current nature of cooperation has certain elements which are being increasingly detested in Moscow. As the eventual similarity between the European Union and Russia is the main aim of the partnership, Russia has been, and still is, subjected to constant monitoring and assessment of the progress (or rather the lack of it) in meeting the EU criteria. As a result, the EU-Russian relationship has become an exercise in enumerating the numerous failures and inadequacies to be found in Russia, while Moscow is being made constantly aware of the risk of 'lagging behind' or 'falling behind a normative divide' in the New Europe.<sup>95</sup> Instead, what Russian wants from the 'strategic partnership' with the EU, is equality and

not to be excluded from the important political processes in Europe. This wish is reflected in the official Russian responses to the European Union as, for example, Russia's Mid-Term EU Strategy states that 'partnership with the EU can manifest itself in joint efforts to establish an effective system of collective security in Europe on the basis of equality without dividing lines'.<sup>96</sup>

Equality with the EU is, however, the one thing that Russia cannot achieve as the relationship is in reality based on a conglomeration of asymmetries, which, when brought together and if given time, can only manage to exacerbate the unequal nature of the relationship in the future. The asymmetries in the realm of economy have already been discussed in this paper. These same asymmetries can be found in almost all aspects of life, ranging from demographic factors to military prowess. Indeed, the only factor with which Russia far exceeds the EU's capabilities is its vast nuclear armory – an asset, when considering the acute lack of funding available for upkeep and further development, is beginning to look more like a liability than a strength.

One of the main problems in the EU's policy on Russia is that it has been crafted in a similar manner to the EU's policy on applicant states.<sup>97</sup> As a consequence, the EU-Russian relationship is an exercise in standardization and harmonization of the Russian economy and society with the European model. This approach does have one crucial difference, as the incentives for Russia to engage in this process are much smaller than in the case of the applicant states. This results in a situation where conditionality, one of the central principles in the EU's relations with third parties<sup>98</sup>, is not easily applicable. As the European Union lacks carrots that are both big and realistic enough (membership, association, free trade area) and sticks that would be robust enough (the financial flows between the EU and Russia are rather modest) the EU consequently lacks actual levers that it could use in order to influence Russia's behaviour.

The difficulties that the EU faces in applying conditionality on Russia were clearly demonstrated in 1999-2000 when the European Union sought a harder line on Russia's atrocities in Chechnya. The Helsinki European Council in December 1999 adopted a

harshly worded resolution on Russia's actions in Chechnya, and the EU used spring 2000 to first debate and later implement sanctions on Russia. The sanctions consisted of reviewing and partially suspending the implementation of the Common Strategy on Russia, but at the end of the day they proved to be almost entirely ineffective. Consequently, in June 2000, the Feira European Council to all intents and purposes scrapped the sanctions and chose to adopt a new, more pragmatic policy on Russia.<sup>99</sup> Therefore, strict applications of conditionality have been replaced by new notions of 'constructive engagement'<sup>100</sup> or 'double strategy'<sup>101</sup>, which refer to the EU's new approach on Russia, which is focused on developing close links of concrete cooperation in the hope of facilitating the similarity in Russia while voicing the condemnation in the footnotes of the communiqués. Although the new approach has been well received by Russia, it nevertheless has a certain flavour of *realpolitik* not entirely fitting for a European community of values. The question that remains is whether it is possible for the European Union to square the circle and continue to insist on a growing similarity and centrality of common values between the European Union and Russia without rupturing the very 'strategic partnership' that both are engaged in.

Transboundary interregional cooperation could, however, offer at least a partial solution to the EU's dilemma. Before examining this possibility further, it is worth paying attention to the dual nature of Russia's approach to the European Union. As has been argued in this article, for Russia the 'strategic partnership' with the EU is firmly rooted in traditional notions of realism and geopolitics. However, European integration and the rapid pace of events in Europe's North have challenged these mindsets to a large degree resulting in a rather schizophrenic situation wherein the Russian regions (with the tacit endorsement of the centre) are increasingly taking part in more 'post-modern' forms of transboundary cooperation. In effect, the centre is playing with two different sets of cards depending on whether the emphasis is being put on the level of the overall political relationship ('strategic partnership') or interregional cooperation.

In the long term, this kind of constellation might, however, result in problems for Russia, especially if the interregional cooperation is further consolidated and perhaps acquires an

existence of its own. This kind of development might challenge the supremacy of Moscow even further and consequently be met with increased reluctance, or even outright hostility, towards further regionalization in Russia. So far, the evidence would seem to suggest otherwise, as it is clear that interregional cooperation is highly dependent on the evolution of 'high politics' between the European Union and Russia. This was reflected in, for example, the difficulties that the Northern Dimension faced during the Finnish Presidency in autumn 1999 when the development of regionally based cooperation with Russia was all but suspended due to the events in Chechnya.

The effect of the increased autonomy of interregional cooperation does not necessarily have to be negative as it might strengthen the more 'post-modern' deck of cards leaving Moscow with a deck of geopolitics cards with which it can no longer play adequately. This would, of course, translate into a drastic break in political thinking in Russia, which would in turn entail and facilitate the further integration of Russia into European structures.

The question which arises is what the EU's role could be in these experiments. It is, of course, true that the EU cannot and indeed should not be engaged in exchanges of a political nature with the Russian regions. This would easily be interpreted in a very negative way in Moscow and it might have the potential to rupture EU-Russian relations without resulting in any significant gains on the regional level either. However, the current EU policy of supporting the autonomous actions and networking by regional players themselves would seem to be an effective one. This observation does, however, require some additional qualification, as the current input of the EU, in terms of both the content of the policy and the amount of resources allocated for its implementation, is by no means adequate to meet the daunting challenges that face the Union, especially in Europe's North.

In fact, the European Union needs a two-level strategy on Russia. First, the EU has to be able to play the 'strategic partnership' game with Moscow. In concrete terms, this means that the EU must be patient with Russia. The EU should also tone down the rhetoric

concerning the alleged (and growing) similarity between the parties. The change should, however, go beyond the rhetoric, as the very mind-set of the European Union towards Russia should be geared away from ‘achieving the best’ and more towards ‘avoiding the worst’.<sup>102</sup> This change in emphasis would help to close the capability-expectation gap while making the internal tensions concerning Russia within the European Union more manageable.

The incremental changes that have taken place in the EU’s policy on Russia since 1998 suggest that this development is indeed taking place. The EU should, however, be wary of exchanging overblown rhetoric for unnecessary pessimism and cynicism, as that will be equally damaging. The EU has therefore to set its sights on the eventual integration of Russia while keeping a cool head concerning the timetable. In addition, the EU should avoid the temptation of playing the game of *realpolitik* with Russia. Russia is naturally more than willing to cut deals and divide spheres of interests but this is something that the EU must not become engaged in. Consequently, the Union has to tread a fine line stressing both values and interests in its relations with Moscow.

Second, the EU should also develop its interregional links with Russia. This does not mean, however, that it is the EU itself which should be engaged in political exchanges with the regions. Rather, the Union has to encourage and facilitate the role of the regions in creating these links in the spirit of subsidiarity. Developing these ties will enable the EU to strengthen the post-modern deck of cards in Russia, which in turn should spur the further integration of Russia into European structures.

So to what extent are the European Union and Russia ‘reluctant regionalizers’ as the title of this paper suggests? In the case of the European Union the evidence indicates that it has indeed been the opposite, ‘an eager regionalizer’, which has been developing a multitude of different mechanisms in order to encourage interregional cooperation, and has even been willing to experiment with the Northern Dimension, which represents a more exclusive form of regionality that is slightly alien to the currently prevailing logic of European integration. If a certain amount of reluctance has been detected, it can be

explained by the rather cautious stance towards the internal developments within the country: as the relationship between the centre and the regions is still under formation it is only prudent that the EU has not wanted to be engaged in the on-going struggle for power.

Russia, however, is an entirely different matter. There is, on top of what has already been said, an additional question to be taken into consideration when assessing the level of Russia's 'reluctance' (or 'eagerness') in engaging in interregional cooperation. It relates to another and more worrying interpretation of the existence of the two decks of cards in Russian political thinking. Although Russia has shown a surprising amount of initiative and creativity in approaching the EU in order to solve the problems in, for example, Kaliningrad, even this approach has its problems, as there is a danger that Russia's initiative does not necessarily reflect a correct understanding of the nature of European integration and a true reading of the EU's policies. Could it instead indicate that Russia is indeed unable to comprehend that EU integration is about strictly adhering to a laboriously negotiated *acquis communautaire*, which cannot be re-negotiated or deviated from on a political basis?<sup>103</sup> The evidence so far is rather thin but it seems at least partly to be pointing in that direction: what Russia has in effect been suggesting is that the Kaliningrad question in particular could best be solved by treating the *Oblast* as a special case – something that is not compatible with the EU's approach to enlargement, and indeed in its relations with Russia. This is something the EU should also take into consideration when devising and implementing its future policy on Russia.

## Notes

<sup>1</sup> I would like to thank Tuomas Forsberg, Mathias Jopp, Hanna Ojanen and Aaro Toivonen for their comments on an earlier draft of this paper. I would like to also thank Lynn Nikkanen for checking the English language.

<sup>2</sup> The Maastricht Treaty entered into force in November 1993, turning the European Community into a European Union (EU).

<sup>3</sup> For an account of the history of EC-USSR relations during the Cold War, cf. John Pinder, *The European Community and Eastern Europe* (London: Royal Institute of International Affairs and Pinter Publishers, 1991), pp. 8-36.

<sup>4</sup> All of the economic data in this section has been taken from the European Commission's *The EU & Russia* webpages available at [http://www.europa.eu.int/comm/external\\_relations/russia/intro/index.htm](http://www.europa.eu.int/comm/external_relations/russia/intro/index.htm).

<sup>5</sup> Heikki Eskelinen, *Towards Regionalization Across the East/West Divide in the European North* (1999, available at <http://212.140.137.4:8080/out/eskelinen.pdf>), p. 15.

<sup>6</sup> Sergei Medvedev, *Russia's Futures: Implications for the EU, the North and the Baltic Region* (Programme on the Northern Dimension of the CFSP No. 8, Helsinki and Berlin: Finnish Institute of International Affairs and Institut für Europäische Politik, 2000), p. 29.

<sup>7</sup> Pertti Joenniemi, *Bridging the Iron Curtain? Co-operation around the Baltic Rim* (COPRI Working Papers 22/1999), p. 3. Joenniemi's observation originally concerned the Baltic Sea region alone but it is fair to say that the argument can be extended to the whole of Northern Europe as well. One could argue with some justification that another area of importance in terms of interregional cooperation is the Black Sea region. There, however, the institutional stratum is still underdeveloped but it is definitely one of the directions where significant gains in terms of interregional cooperation can be expected in the future. For more on the topic, cf. Charles King, 'The New Near East', *Survival*, 43, 2 (2001), pp. 49-67.

<sup>8</sup> The fact has not, however, been so self-evident on the Russian side as, after recurring flirtations with the issue, it was finally laid to rest in October 1999 when Russia adopted its Mid-Term EU Strategy which clearly states that 'partnership between Russia and the European Union will be based on the treaty relations, i.e. without an officially stated objective of Russia's accession to or "association" with the EU.' *Medium-term Strategy for Development of Relations between the Russian Federation and the European Union (2000-2010)*, 1.1. The document can be found, for example, at [http://www.eur.ru/eng/euru/docs\\_rcs.html](http://www.eur.ru/eng/euru/docs_rcs.html).

<sup>9</sup> Marius Vahl, *Just Good Friends? The EU-Russian "Strategic Partnership" and the Northern Dimension* (CEPS Working Documents No. 166/ March 2001), pp. 13-14.

<sup>10</sup> TACIS comes from the words Technical Assistance for the Commonwealth of Independent States. Countries eligible for TACIS are: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, the Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

<sup>11</sup> Originally, as the evaluation of the TACIS Programme makes clear, the emphasis was being put on the market economy. The notion of democracy as an equally important aspect of Russia's transition has come about much more gradually. *An evaluation of the Tacis Country Programme in Russia. Final synthesis report*. January 2000, p. 15.

<sup>12</sup> With the notable exception of the three Baltic states, which have been considered more 'European' than the rest of the FSU. In this article the term FSU refers to the CIS countries enumerated above.

<sup>13</sup> *Agreement on Partnership and Cooperation* (hereafter PCA) preamble. Moreover, Article 2 enumerates the normative foundations of the partnership: 'Respect for democratic principles and human rights as defined in particular in the Helsinki Final Act and the Charter of Paris for a New Europe, underpins the internal and external policies of the Parties and constitutes an essential element of partnership and of this Agreement.' The document is available at [http://www.europa.eu.int/comm/external\\_relations/ceeca/pca/pca\\_russia.pdf](http://www.europa.eu.int/comm/external_relations/ceeca/pca/pca_russia.pdf).

<sup>14</sup> PCA, Article 1.

<sup>15</sup> Originally, the prospects for the free trade area were to be inspected in 1998 but the August 1998 economic and political crisis dissolved any remaining hopes that such an arrangement could be feasible between the European Union and Russia in the foreseeable future.

<sup>16</sup> For a more detailed analysis of the CSR, see Hiski Haukkala and Sergei Medvedev (eds), *The EU Common Strategy on Russia: Learning the Grammar of the CFSP* (Programme on the Northern Dimension

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of the CFSP No. 11, Helsinki and Berlin: Finnish Institute of International Affairs and Institut für Europäische Politik, 2001).

<sup>17</sup> For more on the 'unstrategic' nature of the EU's Russian policy, see Hiski Haukkala, 'The Making of the European Union's Common Strategy on Russia', in Hiski Haukkala and Sergei Medvedev (eds), *The EU Common Strategy on Russia: Learning the Grammar of the CFSP* (Programme on the Northern Dimension of the CFSP No. 11, Helsinki and Berlin: Finnish Institute of International Affairs and Institut für Europäische Politik, 2001), esp. pp. 31-32; and Hiski Haukkala and Aaro Toivonen, 'EU:n yhteinen Venäjä-strategia: kohti yhteistä tragediaa?', *Ulkopolitiikka*, 38, 1 (2001), pp. 68-77.

<sup>18</sup> The first steps towards a strategic dialogue were taken in the EU-Russia Summit in Paris in October 2000. *Joint Declaration on Strengthening Dialogue on Co-operation on Political and Security Matters in Europe*, Paris, 30 October 2000. The document is available at [http://www.europa.eu.int/comm/external\\_relations/russia/summit\\_30\\_10\\_00/stat\\_secu\\_en.htm](http://www.europa.eu.int/comm/external_relations/russia/summit_30_10_00/stat_secu_en.htm).

<sup>19</sup> *Common Strategy of the European Union on Russia* (hereafter CSR), part I. The document is available at [http://www.europa.eu.int/comm/external\\_relations/ceeca/com\\_strat/russia\\_99.pdf](http://www.europa.eu.int/comm/external_relations/ceeca/com_strat/russia_99.pdf).

<sup>20</sup> *Council Regulation No 99/2000*, Article 1. *Official Journal of the European Communities* L12/1, 18 January 2000. The allocated money for TACIS for the years 2000-06 is 3138 million euro.

<sup>21</sup> For an analysis of Russian thinking on international relations, cf. Henrikki Heikka, *Beyond the Cult of the Offensive: The Evolution of Soviet/Russian Strategic Culture and its Implications for the Nordic-Baltic Region* (Programme on the Northern Dimension of the CFSP No. 10, Helsinki and Berlin: Finnish Institute of International Affairs and Institut für Europäische Politik, 2000).

<sup>22</sup> Heikka, *Beyond the Cult of the Offensive*, p. 85.

<sup>23</sup> Cf. William Wallace, 'Europe after the Cold War: interstate order or post-sovereign regional system?', *Review of International Studies*, 25, Special issue, (December 1999), pp. 201-223, p. 203.

<sup>24</sup> Andrey S. Makarychev, *Islands of Globalization: Regional Russia and the Outside World* (Regionalization of Russian Foreign and Security Policy Working Paper No. 2, August 2000, Zürich: ETH), p. 13.

<sup>25</sup> *Medium-term Strategy for Development of Relations*, 1.1.

<sup>26</sup> Makarychev, *Islands of Globalization*, pp. 25-26.

<sup>27</sup> Cf. Medvedev, *Russia's Futures*, p. 82.

<sup>28</sup> Makarychev, *Islands of Globalization*, p. 12. Or as Sergei Medvedev has noted, regionalization is not just one of the political forces shaping post-Soviet reality but it is 'the principal shaping factor, the "paradigm" defining all other trends and future arrangements in the wider Eurasian space.' Sergei Medvedev, 'Post-Soviet Regionalism: Integration or Break-up?', in Björn Hettne, András Inotai and Osvaldo Sunkel (eds) *National Perspectives on the New Regionalism in the North* (London: Macmillan, 2000), p. 142, italics in the original.

<sup>29</sup> Tair Tairov. 'Turbulence in Russia and Border Cooperation', in Lassi Heininen and Gunnar Lassinantti (eds) *Security in the European North: From 'Hard' to 'Soft'* (Rovaniemi & Stockholm: Arctic Centre University of Lapland & The Olof Palme International Center, 1999), pp. 172-3.

<sup>30</sup> Andrey S. Makarychev, 'Border regions of Russia: opportunities and challenges', in Pertti Joenniemi and Jevgenia Viktorova (eds) *Regional Dimensions of Security in Border Areas of Northern and Eastern Europe* (Tartu: Peipsi Center for Transboundary Cooperation, 2001), p. 179.

<sup>31</sup> According to Andrei S. Makarychev, the socio-economic differentiation between the most and least-developed regions in Russia is already approaching 50:1. Makarychev, *Islands of Globalization*, p. 15.

<sup>32</sup> For an analysis of a multitude of 'soft security' threats in Northwestern Russia, see Christer Pursiainen with the assistance of Pekka Haavisto and Nikita Lomagin, *Soft security problems in Northwest Russia and their implications for the outside world*, UPI/Programme on the Northern Dimension of the CFSP Working Paper 31/2001 (Helsinki and Berlin: Finnish Institute of International Affairs and Institut für Europäische Politik).

<sup>33</sup> This is, of course, to a certain extent an oversimplified interpretation of the Russian realities as it is hardly likely that all 89 constituent units of the Russian Federation would perceive any basic concepts in a uniform way. For a more nuanced account of the topic, cf. Makarychev, *Islands of Globalization*, pp. 27-35; and Alexander A. Sergounin, *The Process of Regionalization and the Future of the Russian Federation* (COPRI Working Papers 9/1999).

<sup>34</sup> Makarychev, *Islands of Globalization*, p. 28.

<sup>35</sup> Medvedev, 'Post-Soviet Regionalism', p. 155.

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<sup>36</sup> Heikki Eskelinen and Merja Kokkonen, *Getting into Line with the European Regime – Programmes of Transborder Cooperation on the Finnish-Russian Border*. A paper presented to the 5<sup>th</sup> Nordic-Baltic Conference in Regional Science: Global-Local Interplay in the Baltic Sea Region, in Pärnu, Estonia, 1-4 October 1998, p. 6. The paper is available at [http://www.geo.ut.ee/nbc/paper/eskelinen\\_kokkonen.htm](http://www.geo.ut.ee/nbc/paper/eskelinen_kokkonen.htm).

<sup>37</sup> For the historical roots of interregional cooperation in the North, cf. Marko Lehti, 'Competing or Complementary Images: The North and the Baltic World from the Historical Perspective', in Hiski Haukkala (ed.) *Dynamic Aspects of the Northern Dimension* (Turku: Jean Monnet Unit at the University of Turku, 1999); and Jens Petter Nielsen, 'The Barents Region in Historical Perspective', in Olav Schram Stokke and Ola Tunander (eds) *The Barents Region: Cooperation in Arctic Europe* (Oslo and London: The Fridtjof Nansen Institute, PRIO and Sage Publications, 1994).

<sup>38</sup> Alexander Sergounin, 'EU Enlargement and Kaliningrad: The Russian Perspective', in Lyndelle D. Fairlie and Alexander Sergounin, *Are Borders Barriers? EU Enlargement and the Russian Region of Kaliningrad* (Programme on the Northern Dimension of the CFSP No. 13, Helsinki and Berlin: Finnish Institute of International Affairs and Institut für Europäische Politik, 2001), p. 177.

<sup>39</sup> For more on Kuhmo-Kostamuksha cooperation, see Veikko Tikkanen and Jyrki Käkönen, 'The Evolution of Cooperation in the Kuhmo-Kostamuksha Region of the Finnish-Russian Border', in Paul Ganster, Alan Sweedler, James Scott and Wolf Dieter-Eberwin (eds) *Borders and Border Regions in Europe and North America* (San Diego: San Diego State University Press and Institute for Regional Studies of the Californias, 1997).

<sup>40</sup> Christopher Brown-Humes, 'Border neighbours build on Finnish-Russian links', *Financial Times* 18 August 2001.

<sup>41</sup> Tikkanen and Käkönen, 'The Evolution of Cooperation'.

<sup>42</sup> A phone interview with the Mayor of Kuhmo, Markku Kauppinen, 29 August 2001.

<sup>43</sup> Tarja Cronberg, *Europe Making in Action: Euregio Karelia and the Construction of EU-Russian Partnership*, a paper presented to the 'Think-tank seminar on the Northern Dimension and the Future of the Barents Euro-Arctic Cooperation' in Björkliden, Sweden 14-17 June 2001.

<sup>44</sup> Cronberg, *Europe Making in Action*, p. 6.

<sup>45</sup> For more on Euroregions and Kaliningrad, cf. Natan M. Shklyar, 'Russian Regions in Subregional Cooperation', in Renata Dwan and Oleksandr Pavliuk (eds) *Building Security in the New States of Eurasia: Subregional Cooperation in the Former Soviet Space* (New York and London: M. E. Sharpe and EastWest Institute), pp. 92-3.

<sup>46</sup> These cases have been discussed in, for example, James Scott, 'Dutch-German Euroregions: A Model for Transboundary Cooperation?'; and Bohdan Gruchman and Franz Walk, 'Transboundary Cooperation in the Polish-German Border Region', both in Paul Ganster, Alan Sweedler, James Scott and Wolf Dieter-Eberwin (eds) *Borders and Border Regions in Europe and North America* (San Diego: San Diego State University Press and Institute for Regional Studies of the Californias, 1997).

<sup>47</sup> Brown-Humes, 'Border neighbours build on Finnish-Russian links'.

<sup>48</sup> Cronberg, *Europe Making in Action*, p. 8.

<sup>49</sup> Cronberg, *Europe Making in Action*, p. 9.

<sup>50</sup> Lyndelle D. Fairlie, 'Will Kaliningrad become a test case in "regionalities"?', in Pertti Joenniemi and Jevgenia Viktorova (eds) *Regional Dimensions of Security in Border Areas of Northern and Eastern Europe* (Tartu: Peipsi Center for Transboundary Cooperation, 2001), p. 199-200.

<sup>51</sup> CSR, part III.

<sup>52</sup> CSR, part III.

<sup>53</sup> This part draws heavily on my earlier work, published in Hiski Haukkala, 'Succeeding without Success? The European Union's Northern Dimension', *Northern Dimensions 2001 – The Finnish Yearbook of Foreign Policy* (Helsinki: Finnish Institute of International Affairs, 2001).

<sup>54</sup> For a fuller account of the early stages of the Northern Dimension, cf. Hiski Haukkala, 'Introduction', in Hiski Haukkala (ed.) *Dynamic Aspects of the Northern Dimension* (Turku: Jean Monnet Unit at the University of Turku, 1999), pp. 10-11.

<sup>55</sup> Paavo Lipponen, *The European Union needs a policy for the Northern Dimension*, a speech at the 'Barents Region Today' - Conference in Rovaniemi, 15 September 1997. The speech is available at <http://www.vn.fi/vnk/english/>.

<sup>56</sup> For comparisons between the terms 'Nordic' and 'Northern' see Pertti Joenniemi and Marko Lehti, 'The Nordic and the Northern: Torn Apart but Meeting Again?', in Marko Lehti and David Smith (eds)

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*Reinventing Europe: Nordic and Baltic Experiences of post-Cold War Identity Politics* (London: Frank Cass, forthcoming).

<sup>57</sup> The geographical area of the Northern Dimension covers Northwestern Russia together with the other 'partner countries': Estonia, Iceland, Latvia, Lithuania, Norway and Poland.

<sup>58</sup> *A Northern Dimension for the Policies of the European Union*, COM(1998) 589 (25 November 1998). Available at [http://www.europa.eu.int/comm/external\\_relations/north\\_dim/doc/com1998\\_0589en.pdf](http://www.europa.eu.int/comm/external_relations/north_dim/doc/com1998_0589en.pdf).

<sup>59</sup> See the *Conclusions of the 2186<sup>th</sup> Council meeting* – General Affairs – Brussels, 31 May 1999, PRES/99/171.

<sup>60</sup> *Foreign Ministers' Conference on the Northern Dimension, Conclusions of the Chair*, 11 and 12 November 1999. Available at

[http://www.europa.eu.int/comm/external\\_relations/north\\_dim/conf/formin1/index.htm](http://www.europa.eu.int/comm/external_relations/north_dim/conf/formin1/index.htm).

<sup>61</sup> *Action Plan for the Northern Dimension with external and cross-border policies of the European Union 2000-2003*. 9401/00 (14 June 2000), I.1, I.6. Available at

[http://www.europa.eu.int/comm/external\\_relations/north\\_dim/ndap/06\\_00\\_en.pdf](http://www.europa.eu.int/comm/external_relations/north_dim/ndap/06_00_en.pdf).

<sup>62</sup> All the sectors found in the action plan are energy, transport, telecommunication/information society, environment and natural resources, nuclear safety, public health, trade, business cooperation and investment promotion, human resources development and research, justice and home affairs, regional and cross-border cooperation, and a special reference made to Kaliningrad.

<sup>63</sup> *Programme of the Swedish Presidency of the European Union 1 January to 30 June 2001*, p. 23. The document is available at [http://www.eu2001.se/static/pdf/program/ordfprogram\\_eng.pdf](http://www.eu2001.se/static/pdf/program/ordfprogram_eng.pdf).

<sup>64</sup> *Northern Dimension Environmental Partnership*, Presidency Information Note, 5 June 2001.

<sup>65</sup> Wolfgang Wessels, *National vs. EU Foreign Policy Interests: Mapping 'important' national interests* (Cologne/Brussels: TEPSA, 1998), p. 15.

<sup>66</sup> Hanna Ojanen, *Conclusions: Northern Dimension – Fuel for the EU's External Relations?* in Hanna Ojanen (ed.) *The Northern Dimension: Fuel for the EU?* (Programme on the Northern Dimension of the CFSP No. 12, Helsinki and Berlin: Finnish Institute of International Affairs and Institut für Europäische Politik, 2001), p. 225.

<sup>67</sup> For more on multilevel implementation of the Northern Dimension, see Nicola Catellani, 'The Multilevel Implementation of the Northern Dimension', in Hanna Ojanen (ed) *The Northern Dimension: Fuel for the EU?* (Programme on the Northern Dimension of the CFSP No. 12, Helsinki and Berlin: Finnish Institute of International Affairs and Institut für Europäische Politik, 2001).

<sup>68</sup> The external relations commissioner, Chris Patten, and the foreign minister of Sweden, Anna Lindh, acknowledged this in a joint article published on the eve of the Swedish EU presidency when they wrote that 'it has been absurdly difficult to link money from [these] different sources'. Chris Patten and Anna Lindh, 'The Northern Dimension of EU foreign policy: from words to action', *Financial Times*, 20 December 2000.

<sup>69</sup> *The Northern Dimension in European Integration and European Co-operation: Russian Position*, cited in Sergounin, 'EU Enlargement and Kaliningrad', pp. 152-53.

<sup>70</sup> As the title of the book Kenneth P. Thomas and Mary Ann Tétreault (eds) *Racing to Regionalize: Democracy, Capitalism, and Regional Political Economy* (Boulder and London: Lynne Rienner, 1999) suggests.

<sup>71</sup> For an in-depth survey of the regional organizations, see Åge Mariussen, Hallgeir Aalbu and Mats Brandt, *Regional Organisations in the North* (Studies on Foreign Policy Issues Report 5:2000, Oslo: Royal Norwegian Ministry of Foreign Affairs, 2000).

<sup>72</sup> Pekka Haavisto, assisted by Teemu Palosaari, *Review of the Arctic Council Structures. Consultant's Study*; and Mariussen, Aalbu and Brandt, *Regional Organisations in the North*.

<sup>73</sup> Joenniemi, *Bridging the Iron Curtain?*, p. 7.

<sup>74</sup> For a detailed account of the events, see Haukkala, 'The Making of the European Union', pp. 51-57.

<sup>75</sup> *Council Regulation No 99/2000*, Article 16.

<sup>76</sup> *TACIS Indicative Programme to the Russian Federation 2000-03*, 5.

<sup>77</sup> *Council Regulation No 99/2000*, Article 2.5. In addition, one of the horizontal programmes, the Nuclear Safety Programme, is dedicated to tackling the problem in Russia and Ukraine in particular with an equal share of 40 per cent of funding (53 million euro in 2000) allocated to each country. *TACIS Nuclear Safety Indicative Programme 2000-2003*, p. 4.

<sup>78</sup> *TACIS Indicative Programme for the Russian Federation 2000-03*, 8.

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<sup>79</sup> *An evaluation of the Tacis Country Programme in Russia...*, p. 6.

<sup>80</sup> During that four-year period the EU had chosen ten 'specific concentration areas' ranging from Kaliningrad to Lake Baikal, each with a separate Action Programme.

<sup>81</sup> *TACIS Indicative Programme to the Russian Federation 2000 - 2003*, 6.

<sup>82</sup> *TACIS CBC Indicative Programme 2000 - 2003*, p. 2.

<sup>83</sup> *TACIS CBC Indicative Programme 2000 - 2003*, p. 4.

<sup>84</sup> *TACIS CBC Indicative Programme 2000 - 2003*, p. 15.

<sup>85</sup> For an analysis of the external repercussions of EU enlargement, cf. Heather Grabbe, *The Sharp Edges of Europe: Security Implications of Extending EU Border Policies Eastwards* (Institute for Security Studies, Western European Union, Occasional Papers 13, March 2000).

<sup>86</sup> Lyndelle D. Fairlie, 'Kaliningrad Borders in Regional Context', in Lyndelle D. Fairlie and Alexander Sergounin, *Are Borders Barriers? EU Enlargement and the Russian Region of Kaliningrad* (Programme on the Northern Dimension of the CFSP No. 13, Helsinki and Berlin: Finnish Institute of International Affairs and Institut für Europäische Politik, 2001), p. 79.

<sup>87</sup> The different measures available for resolving the Schengen-related problems have been discussed in Fairlie, 'Kaliningrad Borders in Regional Context'.

<sup>88</sup> There is hardly any need to dwell on Kaliningrad in detail, as the debate on the topic is already as wide as it is comprehensive. For more on the topic, cf. James Baxendale, Stephen Dewar and David Gowan, *The EU & Kaliningrad: Kaliningrad and the Impact of EU Enlargement* (London: Federal Trust, 2000); Lyndelle D. Fairlie and Alexander Sergounin, *Are Borders Barriers? EU Enlargement and the Russian Region of Kaliningrad* (Programme on the Northern Dimension of the CFSP No. 13, Helsinki & Berlin: Finnish Institute of International Affairs and Institut für Europäische Politik, 2001); Pertti Joenniemi and Jan Prawitz (eds) *Kaliningrad: The European Amber Region* (Aldershot: Ashgate, 1998); Pertti Joenniemi, Stephen Dewar and Lyndelle D. Fairlie, *Kaliningrad Puzzle - A Russian Region within the European Union* (Karlskrona & Mariehamn: The Baltic Institute of Sweden & The Åland Islands Peace Institute, 2000).

<sup>89</sup> As external relations commissioner Chris Patten has described the *Oblast*. Chris Patten, 'Russia's hell-hole enclave', *Guardian Unlimited*, 7 April 2001, <http://www.guardian.co.uk/Archive/Article/0,4273,4166918,00.html>.

<sup>90</sup> For a good survey of the problems and prospects in the Kaliningrad *Oblast*, see James Baxendale, Stephen Dewar and David Gowan (eds) *The EU & Kaliningrad*; and Pertti Joenniemi and Jan Prawitz (eds) *Kaliningrad: The European Amber Region* (Aldershot: Ashgate, 1998).

<sup>91</sup> This argument has been developed in, for example, Pertti Joenniemi, 'Kaliningrad, Borders and the Figure of Europe', in James Baxendale, Stephen Dewar and David Gowan (eds) *The EU & Kaliningrad: Kaliningrad and the Impact of EU Enlargement* (London: Federal Trust, 2000); and Pertti Joenniemi, 'Kaliningrad: A Pilot Region in the Russia/EU Relations?', in Hanna Ojanen (ed) *The Northern Dimension: Fuel for the EU?* (Programme on the Northern Dimension of the CFSP No. 12, Helsinki and Berlin: Finnish Institute of International Affairs and Institut für Europäische Politik, 2001).

<sup>92</sup> Christopher S. Browning, *The Region-Building Approach Revisited: The Continued Othering of Russia in Discourses of Region-Building in the European North* (COPRI Working Papers 6/2001), p. 48.

<sup>93</sup> I have discussed this *problematique* earlier in Hiski Haukkala, 'Clash of the Boundaries? The European Union and Russia in the Northern Dimension', in Marko Lehti and David Smith (eds) *Reinventing Europe: Nordic and Baltic Experiences of post-Cold War Identity Politics* (London: Frank Cass, forthcoming).

<sup>94</sup> Christopher Hill has argued that the excitement that followed the adoption of the CFSP in the Maastricht Treaty set the expectations too high when compared with the actual capabilities the EU possessed. This has led to the emergence of a capability-expectations gap (CEG) both inside and outside the European Union. Hill's argument was that the CEG is potentially very dangerous as it can leave the non-members counting on the EU too much or the Union trying to implement unrealistic policies. Christopher Hill, 'The Capability-Expectations Gap, or Conceptualizing Europe's International Role', *Journal of Common Market Studies*, 31, 3 (1993), pp. 305-29.

<sup>95</sup> Cf. René Nyberg, *The Baltic as an Interface Between the EU and Russia*, the keynote address in the ICCEES VI World Congress, Tampere, Finland, 29 July 2000, p. 6.

<sup>96</sup> *Medium-term Strategy for Development of Relations*, 1.1.

<sup>97</sup> Marius Vahl, *Just Good Friends*, p. 9.

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<sup>98</sup> For more about conditionality in EU external relations, cf. Karen E. Smith, 'The Use of Political Conditionality in the EU's Relations with Third Countries: How Effective?', *European Foreign Affairs Review*, 3, 2 (1998), pp. 253-74.

<sup>99</sup> This process has been described in detail in Haukkala, 'The Making of the European Union', pp. 51-62.

<sup>100</sup> According to the Select Committee on European Security in the House of Commons, the 'Draft Council Report to the European Council on the Implementation of the Common Strategy on the European Union on Russia' in June 2000 stated that 'despite testing times... the approach of constructive engagement underpinning the Common Strategy has yielded results'. *Select Committee on European Scrutiny, Twenty-Fifth Report: Common Strategy on Russia*. The document is available at <http://www.parliament.the-stationery-office.co.uk/pa/cm199900/cmselect/cmeuleg/23-xxv/2313.htm>.

<sup>101</sup> This term was used in the European Parliament's *Report on the Implementation of the Common Strategy on Russia*. Final A5-0363/2000, 29 November 2000.

<sup>102</sup> Originally, this suggestion has been made concerning the US role in the transformation of Russia. See George W. Breslauer, 'Aid to Russia: What Difference Can Western Policy Make?' in Gail W. Lapidus (ed) *The New Russia: Troubled Transformation* (Boulder: Westview Press, 1995).

<sup>103</sup> These straits of Russian thinking in seeing all aspects of international life as political processes have been reflected in, for example, the problems Russia has faced in negotiating for WTO membership. Cf. Reginald Dale, 'New U.S.-Russian Dynamic Should Focus on WTO Entry', *International Herald Tribune*, 24 July 2001.