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Baltic Calculations or what Determines the Profoundness of the European Project in Estonia, Latvia and Lithuania

The minor cultural, historical and geographical differences between the three Baltic states (3B) – Estonia, Latvia, and Lithuania – do not explain the major differences in preparation for EU accession, the structure of their political and economic systems and, finally, public attitudes towards the European project. For authors basing their theory on a cyclical development of civilisations (Spengler, Quigley, Toynbee, Huntington) it is common to explain differences between nations or civilisations in terms of differences in history, culture or geography. Other authors (Strange, Ferguson, Acemoglu & Robinson) stress the importance of institutional change and of Prince Tancredi Falconieri’s saying that “If we want things to stay as they are, they will have to change.”

For 3B politicians Prince Tancredi Falconieri’s 19th century message became very clear in the late 1980’s, because in order to prevent another occupation and guarantee secure sustainability of sovereign independence everything had to change. When following the so-called European debate in 3B one notices a dividing line between the discussions before and after 2004. The former period allowed the Baltic states, after being wiped off the maps due to fifty years of Soviet captivity, to return into the European mainstream, overhaul their outdated economic model, transform the political system and embed their sovereign security in the transatlantic security architecture. During this period 3B had to catch up with Hungary, Poland, the Czech Republic and Slovakia in terms of reforming their political and economic infrastructure in order to fulfil the acquis communautaire requirements. Those requirements were deemed as beneficial by politicians from the whole of the political spectrum, mostly as a result of the inefficiency of the Soviet economic institutions and memories of the total lack of democratic culture during Soviet occupation. The latter period is still ongoing and the reforms made before 2004 have had a direct effect on the mood of the people in all three countries regarding the European project. Estonians are enthusiastic about the European project not because Estonia was the first among the Baltic cousins invited to start the EU entry negotiations at the Luxembourg 1997 Summit, but because of the effects of a lean government, gradual reforms of the education sector, rule of law and free media, which allowed Estonia to overhaul the remnants of the Soviet arbitrariness and ensure sustainable growth of its small, open and innovative economy. For Latvia and Lithuania, which both took a minimalist and gradual approach to the reform process there was no immediate

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2 The first politician to use the phrase “return to Europe” was the Czech playwright and later president Vaclav Havel in his speech in the Polish parliament (Sejm) in 1990 - http://www.visegradgroup.eu/the-visegrad-book/havel-vaclav-speech-in

3 Acquis communautaire is the accumulated legislation, legal acts and court decisions which constitute the body of European Union law. Its implementation has become a condition for new Member States after Greece’s accession to the EU in 1982.

4 Latvia and Lithuania were invited to start the EU entry negotiations after the Helsinki 1999 Summit.
success story after the newly acquired independence similar to Estonian Skype, thus the old historic myths of statehood of the interwar period or in the Lithuanian case its medieval royal history had to be used in order to mobilise society. The Estonian politicians and elites who let history be history have been more successful in ensuring Estonian sovereignty by integrating into the European project and making society agree with the decisions of their representatives. The performance of the Latvian and Lithuanian political elites was not so positive, which created a certain backlash within the political system that now faces serious transformations, particularly in Latvia after the events of 2006-2010.5

While Estonia is the darling of most senior statesmen in Europe and belongs to the eurozone, Latvia and Lithuania are seen as countries trying to catch up with Estonia even though for some of Estonia’s southern neighbours’ politicians this would be hard to admit. The fact that Estonia participates along with Finland, the Netherlands and Germany in the governance process of the European Stability Fund (ESF) and the European Semester in order to save some of the fellow eurozone members, is at the same time incredible and laudable. That Estonia, with a GDP per capita barely reaching the level of Greece or 60% of the EU’s average, can play this role has become a major topic in the Estonian media and prompts -- particularly -- populist and opposition politicians to paint the European project in bleak colours. Keynesians and austerity proponents in economic management have joined this debate and very often misunderstand the very nature of the current EU institutional setup. Regardless of the present economic woes one cannot really tell whether this is a healthy debate on European Project per se. These are issues that governments must tackle and their relative success determines the public attitude vis-à-vis Europe.

The Eurobarometer surveys show strong support of the EU in Estonia and Lithuania while the Latvian population’s response to questions like “whether Latvia has benefited from the EU membership” or “whether the EU is a good thing” is lukewarm.6 People’s attitudes towards the EU are strongly connected with those they hold towards their own governments, media and legal systems. When a governance system fails to provide results positive attitudes towards the EU tend to stagnate as the Latvian example clearly demonstrates. At the same time and rather curiously, several sociological surveys in addition to Eurobarometer show that the Latvian public has more trust in the EU than in its own government, parliament, judicial system and party political system combined. This shows what happens when a country is unable to reform its electronic media legislation in accordance with the fast changing 21st century requirements of modern media, when issues like media ownership in a small economy in a transforming quasi-federal union of states are not solved and, consequently, state-owned media and media sponsored by energy monopolists actually form public opinion. This leads to the broader problem of the quality of liberal democracy, the depth of civic participation and the quality of free media which this essay does not really have the space to elaborate upon.

Blame them (the EU) not us!

The major criticism on Europe in 3B is the old -- and legitimate -- complaint about a democracy deficit ‘over there’ in Brussels. The financial crisis of 2008 left deep scars on the social fabrics in all three states; however it was deepest felt in Latvia and Lithuania due to the massive exodus of their population to the western and southern

5 The ominous Umbrella revolution in Latvia started after illegitimate parliamentary elections in 2006 and coincided with the world financial crisis and resulted in a complete overhaul of the existing Latvian party political system.

parts of the European continent. The democracy deficit is usually used by populist politicians without showing comprehensive respect for the reality of the EU governance system. All the way till 2004 the EU was by and large thought among the general public as providing freedom of travel and free access to the EU market. The realisation of the inadequacy of the antiquated political and economic system came -- for the Latvian public -- with the starkest economic decline in the whole of the EU, when the unsustainable real estate bubble burst and economy contracted by a quarter. Lithuanians and Latvians responded ‘by foot’ to the democracy deficit in the EU and at home: about half a million Lithuanians and 320 000 Latvians left their home countries. The human exodus particularly from the countryside has exacerbated the discussion about national issues in Latvia and populist politicians in 3B have been following the worst example of other EU governments in blaming all the domestic ills on the EU ‘army’ of civil servants, which restricts the unfettered decision-making of sovereign states. This transfer of ‘guilt’ is particularly troublesome because the same people who left 3B for the western part of the continent could not only help their respective countries with their remittances, they also are acquiring the skills which are needed to contribute to a new start in the economy once they return. Also such a transfer of guilt shows how old fashioned most of the populist politicians are: instead of offering solutions for the current EU governance problems they simply propagate the return to the status quo ante policies, which is irresponsible considering the slow descent of the EU as a global player considering its demographic problems, the structure of the EU governance system and the fact that eastern neighbour Russia has just become a member of the World Trade Organisation (WTO).

Thus, while neither the democracy deficit debate nor the current problems of the economic structure have produced any considerable anti-EU political movement, the local discontent is still used by populist politicians and rudimentarily one could say that some political parties in the 3B have acquired a certain anti-European flavour, but that staunchly anti-EU parties are still marginal players. Members of the Party of European Socialists (PES) have produced policy papers\(^7\) to solve the existing economic woes with Keynesian medicine; however, the EU is too heterogeneous to use the same prescription for all countries grappling with the crisis. Moreover, the European Greens’ proposals to overhaul the fossil fuel generated economy and to stop the planetary entropy have been heard among the 3B green parties, but they are still minor players due to the basic cost & benefit analysis which makes the Baltic modern societies to choose the policies which add to speedy economic development rather than to conservation.

Nowhere could this be witnessed better as in the sector of nuclear energy. Even though numerous studies show that the 3B have enough resources to provide their energy needs without fossil resources, still the construction of the Vysaginas Nuclear Power Station is on the agenda in all three states due to security considerations. According to one of the requirements of EU accession Lithuania had to shut down its Chernobyl type Soviet built nuclear power station in Ignalina, which made Lithuanian producers suffer a significant increase of the electricity price. Thus, right at the moment the 100% reliance on Russian gas for energy production as well as the decision of the Russian government to build nuclear reactors in the vicinity of the Baltic states in Kaliningrad and Belarus has made the 3B governments to agree initially on sharing in the building costs for the future nuclear reactor. Thus, the meek announcements of green groups to concentrate on the alternative and plentiful

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7 Jon Gruddas and Andrea Nahles, “Building the Good Society The Project of the Demcratruic Left”, www.compassonline.org.uk
biological energy resources have been suffocated by the nuclear energy lobby as well as the Russian gas lobbies in Vilnius and Riga.

Criticism on the EU in all the Baltic states stems from the fact that the Common Energy Policy is still in the pipelines. On the one hand the competition of the western European markets in natural gas, oil or electricity allow the French, German or British consumer to have the best provider of the utilities without having to be concerned whether the actual provider of the energy is Algeria, Norway, Qatar or Russia. At the same time a new Iron Curtain has descended between the western and eastern parts of the European continent, because oil and gas pipeline networks are not merged, thus giving Russia free reign on the liberalised energy markets of the new democracies. It affects 3B in particular because at the time of writing this paper consumers of all three states still depend on the Russian Gazprom monopolist and its local gas supplies subsidiaries. Because the Russian Gas monopolist is helped by the official Kremlin administrative capacity, because it has its lobbies in Brussels and because it has invested in media outlets in Lithuania and Latvia, it plays a particular role in prolonging dependency on Gazprom and its subsidiaries in terms of long term contracts. While Estonia has its own oil shale electricity producing capacity it nevertheless has built the Estlink electricity cable allowing Estonian consumers to participate in the competitive Nordpool electricity market, and thus few Estonians object to the EU as a whole. Lithuania also has decoupled electricity producers and transmitters, participates already in the Nordpool electricity markets, but has not yet finished building the undersea cable linking Lithuania with Sweden. That Lithuanian consumers cannot yet reap the full benefits of Nordpool and because Ignalina is closed and a new nuclear plant is still only a blueprint has added to the average Lithuanian's grudge against the European project. The monopoly situation for the Latvian electricity giant Latvenergo ends next year and following the EU regulation it has decoupled the electricity producing part of the company from the transmission companies. However, Latvia still does not participate in the transparent Nordpool electricity bourse, during the dry months of the year when there is not enough river water to provide the basic level of electricity. Latvia depends not only on its Baltic neighbours but also on Russia with whom its electricity grid is still connected. Thus, Latvian consumers cannot reap the benefits of the EU market liberalisation. Populist politicians use such situation by demanding the breach of the EU directives and resorting to the monopoly situation, because during four spring/summer months the Latvian Daugava hydroelectric station cascade is able to provide all Latvian households cheaply with electricity and also to export the surplus. All in all the situation is such that 3B households still must grapple with the expenses for gas dictated by the Russian energy monopoly and the general public, instead of blaming corrupt local politicians or energy monopolists’ lobbies, takes the short cut and blames everything on the EU. This 'vicarious blame' on the EU project is rather unfortunate, especially considering the fact that the blame the public directs at the EU is often provoked by ‘imbedded’ media outlets. It is ironic that the EU, which provides the possibilities of free travel, free labour markets allowing the destitute part of the population of the 3B to find better employment in the western and northern parts of the continent or using mobile telephony from Lisbon to Tallinn is unable to create more positive public relations than the impartial media outlets which together with the Russian energy monopoly lobbyists continue their anti-EU or anti-Western media campaigns.

Last but not least there is mild criticism on Germany and France as big powers that undermine the EU project in Latvia and Lithuania. There are two reasons for this. First, the current 3B elites are able to provide policies that make economies grow and gradually transform remnants of the centrally planned political and economic structure. However, they quite often fail to be in the vanguard of overhauling the
existing governance mechanisms because of the nature of the political governance process in the EU, where particularly small and open economies are dependent on the larger Member States in order to receive the benefits from the common EU budget and gain access to the employment positions in the EU administration. Other than its Baltic neighbours and due to its diligence and complete overhaul of its governance mechanisms in the early 1990’s, Estonia is member of the eurozone and its monetary policy makers do not have to worry about the attacks of currency speculators, which allows the country to stick to what is the most disciplined financial policy of the whole EU and benefit from the inflow of the FDI. Second, even though some populist politicians blame Germany and France for bullying smaller European economies, they only offer to return to the policy of the nation states as the major stakeholders in the European game. In Latvia several odious politicians belonging to the parliament’s opposition parties and some mavericks have resorted to offer common economic projects between Latvia and Russia whilst using EU money (such as the Riga-Moscow high-speed railway project lobbied by the Russian Railways). It was reprehensible enough when, before the financial crisis in 2008, oligarchic politicians proclaimed in the Latvian media to ignore the country’s EU, because EU & NATO simply deliver security guarantees which opens doors to wholesale projects with Russia and China. However, it is perhaps symbolic that Harmony Centre, the currently major opposition party, under the pretext of the financial crisis closed the City of Riga representative office in Brussels while at the same time opened representative offices in Moscow and St Petersburg. Thus, the EU’s inability to have an impact on such seemingly simple matters allows third countries to interfere in the domestic matters of the EU and especially its peripheral Member States through legal loopholes and the power of the lobbies. Because of the EU’s institutional architecture and democratic consolidation problems in some of its Member States and due to the lack of both policy tools and political will of EU Member State politicians to mitigate such problems, we shall probably face continuous turmoil in the near future.

Let’s do it better or keep everything like it was before?

The problems of European governance are long known and meticulously described in voluminous works of several authors in European studies (S. Hoffman, Moravscik, H.Wallace, A.Heritier, G.Majone, I.Bache etc). The structure that was foremost designed to pool the material resources replicated in certain ways the creation of the Zollverein that consequently led to the creation of Germany in 1871. All the way until the Maastricht Treaty in 1993 the European project was more about pooling a market than about democratic institutions and as an irony perhaps today sounds the acknowledgement of Jean Monnet: “if I had to do it again, I would start first through culture.” Starting from the assumption that neither culture nor geography but the institutions determined the continuous pre-eminence of the European powers on the world stage for the last half of the millennium one, can easily conclude that with the European Communities institutions designed in the 1940-50’s for the initial six and later twelve EU democracies together with the nation states’ administrations cannot sustain twenty-eight and in the near future perhaps thirty-three democracies, if the EU wants to compete on an equal footing with the growing powers on the Eurasian continent. While the EU must grapple with its own institutional problems it should not forget that a cyclical interpretation of history is not the only option and that the linear interpretation, which became dominant after Enlightenment and on the principles of which the Rome Treaty is based, perhaps explains more correctly what has been

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institutionally achieved in Europe after two devastating world wars. The fact that European integration had followed a piecemeal approach until 1993 is mostly explained with the argument that the superpower rivalry divided the European continent during the Cold War. Now that the major European institutions have been established, European citizens must pressure their representatives to continue further reforms through which the EU can become a fully functional confederacy with a truly liberated market allowing the European economy to reap the benefit of the economies of scale. The larger populations in several countries on the Eurasian landmass are benefiting from the economies of scale and the European Union should not be the exception. This also means that European citizens must be aware of the emerging powers on the Eurasian landmass.\(^9\) Competing with India, the People’s Republic of China (PRC), Russia and other rising powers who all are members of the WTO makes the global trading field transparent as never before in human history. Eventually this should also lead to political liberalisation in those countries which then could compete with the democratic EU on an equal footing. This way the innovative European project does not only create economies of scale but also pools sovereign democracies and profits through providing win-win examples for other aspiring continental trading blocks. It also means that the continental integration process is the only option for European civilisation to ensure its long-term sustainable existence. Looking back at European history and learning how nation states were born in bloody campaigns should teach us a lesson. It shows that resorting to the nation state option is detrimental for the liberties and welfare of European citizens. In view of global environmental problems, the spread of diseases but also opportunities in outer space, European citizens should remind themselves that it was our own European who upgraded the democratic institutions in the United States of America, Canada, Australia and New Zealand and who were able to pool resources not only to rise to global pre-eminence but also to save our own civilisation from mutual destruction during two devastating World Wars. We should also be aware that the continental democratic powers will have to defy the challenges of entropy the earth is facing today.

For the Baltic states’ elites it was a conscious decision to embed their sovereignties in Europe Thus, the support for more federalism in 3B has been more of a rule than an exception. Obviously the size of the Baltic states is the major determinant affecting such a decision, but also historic memories of the arbitrary and non-democratic rule during the Soviet occupation cannot be discounted here. It means that in order to avoid arbitrary power the elites of the 3B have promoted a formation such as the EU in which the rule of law is respected and members are expected to stick to the rules they agreed on. Thus, the Estonian president Toomas Hendrik Ilves has emphasised that the European project can prosper only if all countries follow the rules agreed upon, particularly now, when the new EU financial architecture is being established. He has presented Estonia as an example of sustainable growth showing that the country can be sustainable and grow at the same time through strategically applying market rules and simultaneously using the cohesion and CAP funds to upgrade its infrastructure. The strategic trade rules even within the EU allow it to promote innovative companies regardless whether they are primarily employed in industry, agriculture or the service sector. Today Estonia stands out not only among its Baltic peers but also among Scandinavian countries as the country most integrated in international organisations. Being a small and open economy has served Estonia well because the endogenous forces have forced Estonian elites to upgrade their governance system to enable it to withstand the competitive edge of not only more competitive neighbours, but also other small and open economies of

the world with whom Estonia as a member of the World Trade Organisation (WTO) competes as an equal.

Baltic MEP’s and political elites have recently pronounced themselves in favour of applying the principle of solidarity to all Member States in order to enable them to compete in the agricultural goods market on equal terms. At the moment farmers in the Baltic states receive only a fraction of agricultural payments other Member State farmers receive. However, in the negotiations on the next budgetary proposal for the years 2014-2020 there is an initial agreement that Baltic farmers will receive 75% of the subsidies their colleagues in Greece, the Netherlands or Malta receive and which will be a move into right direction. The Estonian president, Lithuanian politicians and Baltic MEP’s have also advocated liberalising the service market in the EU. Such move would allow the consumers to benefit from the common market in a similar way this happened when roaming charges were equalised and led to a wave of identification with the EU among European citizens. It would also level the playing field for all entrepreneurs in the service sector and would not discriminate entrepreneurs because of their country of origin. The fact that nation states must compete on the global scale through membership in organisations such as WTO, UNO and NATO means for most of the Baltic elites that for countries to be competitive sovereignty must be pooled in regional blocks with subsidiary rules solidly in place.

The non-governmental sector has also been active in 3B and participated in the million signatures petition framework debates. In Latvia the million signature petition coincided with the www.manabalss.lv initiative which basically serves as the petition mechanism for the ten thousand Latvian voters to make sure that their petition reaches parliament for scrutiny. Thus, the new citizens’ initiatives have helped to transform the stagnated Latvian party political system and hopefully will allow democratising it with active citizens’ participation. The debates that followed the Lisbon 2020 agenda discussions in the EU institutions in the three Baltic states showed multiple initiatives, like for example broadening the Bologna process and establishing pan-European education standards for universities and vocational schools, emulating the ERASMUS student exchange success among high-school students or having medical services liberalised. The underlying theme was that the absolute majority of the proposals indicated that the 3B citizens prefer a further federalisation of the European continent.

While closely following such debates in the Baltic states one can notice a puzzling misunderstanding of the younger or so-called ERASMUS generation who keep asking why the present statesmen are unable to have a political will and play a similar role as the US founding fathers in the late 18th century. Such puzzlement is understandable because students learn history and make causal links between the US and the EU integration process; however they forget that what made the US rapidly acquire its continental pre-eminence was the Civil War. However, preventing war has been the raison d’etre for the EU’s founding fathers. Also students as is typical for their age wanted to see immediate federalisation and lacked the patience for institutionalised representative democracy. Social networks indeed make people look the political system differently but it is naïve to believe that virtual reality will change existing political allegiances in the EU Member’s States and transform the existing political culture from nation state into a federal EU-centred polity. Social networks can help us in this process, but they cannot be the central element. Serious work needs to be done to inform in particular the elderly citizens about the benefits of the EU project in a similar way as in the Baltic states and other Visegrad countries before their EU accession in 2004. Another policy option would be to follow the example of Austria and Hungary who are pioneering in lowering the voting age from
eighteen to sixteen in order to bring more balance into the specific European democratic environment. Last but not least the pan-European party groups in the European parliament could continue their scrupulous efforts in establishing truly pan-European conservative, liberal, social democratic and green parties, so that European citizens would perceive the European parliament elections not as secondary elections, but as elections that allow them to enjoy the benefits of being part of the greatest consumer market in the world. For this to happen a consensus has to be reached to continue the reform of the EU Council and make presidential election open to the European demos. The same applies to the travails of the EU Commission which has witnessed significant transformations during the last twenty years. The Commission should only undergo further democratisation if there is an agreement reached to form a European two chamber parliament with a renewed role for the national parliaments. The EU has an exemplary record in its language policy which is trickling down to the Member States through the Europeanisation process and there are several other positive examples that European citizens can be proud of. Unfortunately, the small differences very often are overblown by the sensation prone media outlets and people, in particular during a crisis, are prone to stick to something that has proven durability (national democracies) rather than something that is still in blueprint. EU policy makers as well as citizens can do better in apprehending the challenges our continent faces and demanding change from the national and EU elected representatives. This means that citizens must also comprehend the financial reality most of the western countries are in with several generations of Europeans borrowing from their future generations and only few Europeans governments paying proper attention to science and education as main driving forces of innovative economies. In short, Europeans need transparent institutions, free and critical media, worthy representations as well as educated representatives. It also means that corrupt practices should not be tolerated; good governance practices should be emulated through the Europeanisation process and for that to happen European citizen must insist on the priority of rule of law and a strengthening of OLAF and Europol.

How do we judge our past and future?

The populations of the 3B and until recently the majority of its politicians, tended to judge the European project against history. Painful memories of the Soviet captivity were reemphasised, because it was only after the Baltic revolutions from 1987-199 that for the first time Estonians, Latvians and Lithuanians were able to speak openly and research and discuss the true nature of Soviet occupation and rule. It means that questions of culture, migration or religion were usually integrated into an historic narrative which was unfortunately influenced by the ‘end of the history’ advocates in a rather unbalanced way. Only since recently the rather traditional historic narrative which based its point of reference on the traditional balance of power politics on the European continent has given way to a more nuanced approach. This approach underlines the importance of institutions and dissects the construction of historic narratives with the help of a new generation of Western social science research methods.

In the debate on the European project there are always marginal, extreme or simply populist politicians, who never fail to use the opportunity, particularly during times of crisis, to blame the EU or some international financier conspiracy for problems of cultural change, migration or the decline of religious authority. Until now such populists have been marginal in the Baltic states. However, particularly with the painful memories of the forced inflow of the migrant workers from other parts of the USSR into Estonia and Latvia in mind, one may predict that when governments fail to explain the benefits of the mobility of labour within the EU and the benefits migrant
labourers bring to the national welfare and pension systems in the current demographic situation, such marginal forces could one day become as vocal as Pia Hedegaard in Denmark, Marie Le Pen in France or Geert Wilders in the Netherlands. Due to the official Soviet policy of atheism, religion did not experience a renaissance in the 3B and Estonia is proud to present itself as the least religious country in the world.¹⁰ For the majority of people the conclusion they drew after the reacquired independence and with the accession to the transatlantic community was, that -- in order to survive -- policies of political neutrality are suicidal. Therefore, to ensure long term sustainability one needs trusted allies and for that countries must be attractive. But being attractive for small and open economies means finding the magic formula for the balancing act between satisfying the basic requirements of national sovereignty and allowing the market economy to flourish, to have an educational sector that churns out brilliant and innovative minds and a government that levels the playing-field. Perhaps it sounds rather simplistic, but to fulfil such a list of requirements the key is a political leadership that is able to tell the truth to its electorate and a demanding and critical populace that is able to comprehend that human labour is still the factor that ensures the sustainability of civilizations. And in such an endeavour one should not be mislead by G.F. Hegel’s dictum that “the only thing we learn from history is that we do not learn from history”.

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