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PART 1
BALTIC STATES AND THE EU: A ROCKY ROAD FROM "OUTSIDE" TOWARDS THE "CORE"

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INTRODUCTION

The Baltic states of Estonia, Latvia and Lithuania were the only countries of the former Soviet Union to have integrated themselves into the European Union. Their success derives from that fact that their belonging to Europe was not only a geopolitical choice, but fundamentally in line with their values and identity. They have successfully overcome two upheavals in the past two decades: the wrenching transition from a command economy to a free market system after the collapse of the Soviet Union and the imposition of the most drastic austerity measures at the beginning of the current global financial crisis.

Though Estonia, Latvia and Lithuania tend to always be lumped together as the "Baltic states", the term is relatively recent and has changed over time. To give one example of national differences, linguistically, Lithuanian and Latvian form the Baltic branch of the Indo-European language family, but Estonian is closely related to Finnish in the Finno-Ugric language family. Nevertheless, historically and culturally Latvians and Estonians have much more in common with each other than with the Lithuanians. In addition to that, Latvians and Estonians are predominately Lutheran (though amongst the least religious in the world), while the Lithuanians are Christian Catholics.

The paper is structured in three parts. The first part explains the historical background, the reasons and the ways that led Estonia, Latvia and Lithuania towards their EU membership. The second part deals with contemporary policies and politics in the Baltic states. The final part gives a future outlook for the Baltic states and their priorities in the EU context.

1. Return to Europe

1.1. Historical Background: Threatened Statehood

Until the 20th century, the Baltic nations were quite distinct from each other and were not viewed together. Estonia and Latvia were subjugated by Germanic crusaders in the 13th century and a small German minority remained the dominant political, social and economic elite until 1917, despite years of Danish, Polish, Swedish, and finally Russian rule. Lithuania, on the other hand, became the largest state in Europe in the 15th century, controlling much of what today is Belarus and western Ukraine. The independent character of the Grand Duchy of Lithuania gradually declined after its Union with Poland in 1569 and its absorbtion by the Russian Empire in 1795.

In the 20th century Estonians, Latvians, and Lithuanians experienced a national revival. Estonia, Latvia and Lithuania successfully fought to achieve their independence from Russia after the end of the First World War, but were allowed to enjoy statehood only for two decades until the Nazi-Soviet Pact of 1939, which carved Eastern Europe into spheres of influence. Lithuania, Latvia and Estonia were simultaneously militarily occupied and then annexed by the USSR in 1940. A year of Soviet terror was followed by the Nazi German occupation during which the Jewish population was destroyed in the Holocaust. The return of the Red Army in 1944 was met with several years of armed resistance, particularly intense in Lithuania. Resistance was broken by the collectivisation of farming accompanied by mass deportations in 1949. The most dramatic legacy from the Soviet period was the drastic demographic shift in Estonia and Latvia. Estonia had been more than 90% ethnically Estonian, and Latvia nearly 80% ethnically Latvian in 1945. By the end of the Soviet period the percentage of Estonians had declined to 62 and the percentage of Latvians to just 52, putting into doubt their continued status as majorities in their own homelands. The desire to halt this negative trend became one of the drivers of the independence movement in the late 1980s[1].

1. Kasekamp, Andres, *A History of the Baltic states*, Basingstoke: Palgrave Macmillan, 2010.

Latvians, Estonians and Lithuanians seized the opportunity to express their desire for freedom during the Soviet leader Gorbachev's glasnost and perestroika, which began in 1986. This culminated in the peaceful Baltic "Singing Revolution" in 1988. The first democratically elected Lithuanian, Estonian and Latvian governments in 1990 announced their intention to restore independence, a step that was finally realised during the failed putsch in Moscow in August 1991. Since Western countries had not recognised *de jure* the Soviet annexation of the Baltic states in 1940, the re-admittance of the Baltic states into the international community proceeded swiftly.

1.2. The Road to EU Membership: One Option out of Three

After recovering their independence in August 1991, Estonia, Latvia and Lithuania had three choices for their geopolitical orientation: re-integration with the East, integration with the West or neutrality. The latter option, a path modelled on the success of Finland in safeguarding its independence while maintaining close relations with the Soviet Union, seemed to be the most realistic and also the one that friends in the international community recommended. It also fit with the slogan popular at the time of being a "bridge between East and West". Re-integration with the East also did not appear as unrealistic as it does from today's standpoint since in the early 1990s Yeltsin's Russia was moving toward democracy and a free market economy. Russian democrats had been the allies of the Balts in the struggle against the Communist regime; in addition, Russia and the Commonwealth of Independent States initially remained the most important trade partners of the Baltic states.

Integration with Western Europe appeared the least likely and utopian scenario at the time. History, however, argued against the other two options. First of all, in 1939, the Baltic states had declared their neutrality, but that did not save them from occupation by the Soviet Union and Nazi Germany. This lesson showed that the Baltic states should better avoid finding themselves isolated and without strong allies again. Secondly, the disastrous experience of nearly half-century of Soviet rule naturally drove the Balts West-wards. The Balts were determined to move as quickly and as far away as possible from Russia and the policies associated with it. Thirdly, post-Soviet Russia was sinking into chaos while Western Europe offered the hope of freedom and prosperity.

Finally, there was a general feeling of a "Return to Europe", a restoration of the values and connections that Estonians, Latvians and Lithuanians had prior to the cataclysm of the Second World War.

The general strategy adopted by the Balts was to join as many international and Western organisations as possible and to do so quickly, thus guaranteeing the survival of their independence by becoming embedded in the dense network of international bodies. This determination was driven by a sense of urgency; a window of opportunity existed that needed to be seized while Russia was still weak[2]. One can recognize the same underlying logic today in such political decisions as joining the Euro Area.

Some of the most significant milestones in the path of consolidating the Baltic states' sovereignty and integrating with the West were membership in the Council of Europe in 1993-95, the withdrawal of Russian troops in 1993-94, and Europe Agreements in 1995. Accession of Finland, Sweden and Austria to the Union on 1 January 1995 was the event which triggered the application of Estonia, Latvia and Lithuania to join the EU. By this time, Finland and Sweden were becoming the most important trade partners of the Baltic states, especially Estonia. This enlargement fundamentally re-ordered the geopolitics of Northern Europe. Thus it was no coincidence that Estonia, Latvia, and Lithuania, separately, but within a space of a few months from each other, formally applied to the EU later that same year[3].

As with nearly every round of EU enlargement, the new members begin to advocate on behalf of their neighbours, to expand the zone of stability and prosperity in their vicinity. To nearly everyone's surprise, Estonia was among the five Central and Eastern European countries (CEEC) invited to begin membership negotiations in 1997. Estonia was singled out because its free market reforms had been more rapid than those of the others. Latvia and Lithuania were initially upset that they had been left behind, but Estonian success gave them the motivation to redouble their efforts. Their efforts were soon rewarded and they began negotiations less than two years after Estonia. Initially it appeared that

2. Ehin, P., "Estonia: Excelling at Self-Exertion", in Bulmer, S., Lequesne, C. (Eds.), *The Member States of the European Union*, Oxford University Press: Oxford, 2013, p. 214.
3. Arnswald, Sven, *EU Enlargement and the Baltic states: The Incremental Making of New Members*, Programme on the Northern Dimension of the CFSP, vol. 7, Helsinki & Berlin: Finnish Institute of International Affairs & Institut für europäische Politik, 2011, pp. 35-38.

the EU would follow the "regatta" approach to enlargement, i.e. every candidate would conclude negotiations and join the Union individually based on its own merits. Therefore, Estonia, and particularly its foreign minister, Toomas Hendrik Ilves, began to emphasize its "Nordic" identity. The main reason for this was to distance Estonia from the "Baltic" identity and for the Baltic states to be treated individually, rather than being lumped together as a group. The fear was that if the Baltic states were not differentiated, then Estonia's accession would be delayed until the slowest reformer of the three Baltic countries – Lithuania – was ready[4]. Ironically, at the same time in pursuit of NATO membership, Lithuania, which had the strongest position of the three in that process, also tried to re-brand its identity from "Baltic" to "Central European".

1.3. The EU Accession Process

An important feature of the Eastern and Central European enlargement round, which was conducive to the Baltic states' aspirations, was the emphasis on "objective criteria", i.e. the Copenhagen criteria. Unlike Poland, for the Baltic states EU membership was not only a question of "when", but also "if". The Baltic states had a weaker starting position than the other CEECs: they were the poorest and least known applicants, their border of the former Soviet Union remained a geopolitical "red line", and there were fears of upsetting Russia who could meddle with the issue of the Russian-speaking minority in Estonia and Latvia. Politically, the Baltic states were the most vulnerable and could conceivably been have left out, but their strides in fulfilling the "objective" criteria ensured that they would not be left behind.

Unlike the former "Warsaw Pact"[5] countries who had been under Communist rule, but retained their sovereignty, the Baltic states had to begin from scratch. They had no army, ministry of defence, diplomats, national currency, central bank, border guards, customs officials, etc. On the one hand, this was a great disadvantage, but on the other, it allowed for the implementation of European best practices from the beginning. Indeed, sometimes it might be more difficult

4. Sillaste-Elling, K., "The Path to Receiving an invitation for Accession Negotiations – the Critical Years of 1996-1997", in Tael, K. (Ed.), *Estonia's Way into the European Union*, Estonian Ministry of Foreign Affairs, Tallinn, 2009, p. 26.
5. The Warsaw Pact included the Soviet Union, Albania, Poland, Romania, Hungary, East Germany, Czechoslovakia, and Bulgaria as members (Albania was expelled in 1962).

to reform entrenched bureaucracies than to train inexperienced, but enthusiastic young officials who were open to radical change in the system.

EU accession negotiations proceeded without any great stumbling blocks, yet some difficulties were present. First of all, perhaps the most complex single issue was the decommissioning of the Ignalina nuclear power plant in Lithuania[6]. Secondly, expensive environmental protection and phyto-sanitary standards were also generally where CEECs sought derrogations. Thirdly, the justice and prison systems required overhauling. Fourthly, for small, young states, administrative capacity was also a big concern. Finally and ironically, Estonia had to de-liberalise its international trade, introducing customs and tariffs.

Politically, the most difficult and sensitive area of the accession negotiations was the Russian minority issue. The main questions revolved around citizenship and language. Since the Baltic states were recognised legally as restored states, rather than successor states to the USSR, citizenship was not granted automatically to all residents. Instead, those who settled in the Soviet period needed to apply for naturalisation. The main criterion for citizenship was basic competence in the state language. Rather than taking the Estonian or Latvian language exam, many opted for Russian citizenship instead and a large number remained stateless. An Organisation for Security and Cooperation in Europe (OSCE) mission was in place in Tallinn and Riga from 1993 to monitor the treatment of the Russian-speaking minority. After most of the OSCE's recommendations had been implemented by the Estonian and Latvian governments, the missions were concluded in 2001[7].

Lithuania does not have a substantial Russian minority and therefore generously granted citizenship to all residents. The only significant ethnic minority in Lithuania is Polish, but it was not an issue during the accession negotiations. Poland and Lithuania managed to put aside their differences with the signing of a treaty of friendship in 1994, undoubtedly partly motivated by both

6. Maniokas, K., Vilipišauskas, R., Žeruolis, D. (Eds.), *Lithuania's Road to the European Union: Unification of Europe and Lithuania's EU Accession Negotiation*, Eugrimas, Vilnius, 2005, pp. 297-349.
7. Van Elsuwege, Peter, *From Soviet Republics to EU Member States. A Legal and Political Assessment of the Baltic states 'Accession to the EU*, Leiden: Brill, 2008, pp. 286-287.

countries' desire to remove a potential obstacle to the process of their integration into Euro-Atlantic structures.

A special matter of concern for Lithuania was (and remains) Kaliningrad, a Russian exclave (created on the ashes of German East Prussia after the Second World War) which remains the most highly militarised region in Europe. In 2002 for a brief period Kaliningrad rose to the top of EU-Russia agenda. President Putin demanded that Kaliningraders be able to travel freely across Lithuania to the Russian motherland without visas. The EU, however, refused to make any exceptions regarding future Schengen regime territory. In the end, a compromise was reached, whereby so-called Facilitated Transit Documents (in other words, simplified special visas) would be issued[8]. More recently, Kaliningrad has become a worry since Russia has reportedly moved tactical nuclear missiles into the exclave.

Together with Poland, Hungary, the Czech Republic, Slovakia, Slovenia, Cyprus and Malta, the Baltic states successfully concluded their EU accession negotiations at the Copenhagen summit in December 2002. While it is true that EU conditionality and the *acquis communautaire* drove the reform process in the Baltic states, the Estonians, Latvians and Lithuanians also realised that these reforms were necessary for themselves. Furthermore, Soviet-era legislation had to be modernised in any case and thus having the *acquis* as a model to follow was much easier than drafting new legislation from scratch.

EU accession was elite-driven, and there was an obvious split between the opinion of the elites and the population. Estonia and Latvia were consistently the two CEEC countries that were the most sceptical regarding EU membership. Lithuanians, however, were much more enthusiastic and thus were among the first to hold their membership referendum in 2003 and achieved a result of 90% in favour. The Estonian and Latvian governments, on the other hand, tactically delayed their referenda until the other candidate countries had voted in favour in order to achieve a positive result. The Baltic states finally became EU members on 1 May 2004.

8. Paulaukas, Kestutis, "The Baltics: from nation states to member states", *Occasional Paper nº 62*, Paris: EU-ISS, 2006, pp. 15-16.

It is important to recall that the EU accession process ran in parallel with that of NATO. Though the two were not officially linked, one obviously gave additional impetus to the other. For Lithuania, Latvia and Estonia, NATO membership was even more enticing than EU membership. Security was understandably their priority since their entire recent history had been marked by an absence of security. The EU was at the time perceived to be primarily a Single Market and lacking in a security dimension. This was partly because joining the EU appeared to be an eventuality, whereas Baltic NATO membership was not a foregone conclusion since there was strong opposition to it by Russia and many Western opinion leaders.

1.4. The Political Systems: Best Practices from Abroad and National Legacies

Building in their new institutions, Estonians, Latvians and Lithuanians borrowed from European, especially German and Nordic, models and best practices, though they also revived many elements from their previous period of independence. The Baltic states have unicameral parliamentary systems. In Estonia and Latvia deputies are elected according to party lists and proportional representation, but Lithuania has a mixed majoritarian and proportional electoral system modelled after Germany. The Estonian and Latvian presidents are elected by the parliaments and have mainly symbolic powers. In Lithuania, the president has greater power, in part because she is directly elected.

Centre-right coalitions have been in power for almost the entire period of independence in Estonia and Latvia, though the political party system itself has been quite volatile. This instability is characterised by the fact that until 2006, every Latvian general election was won by a political party that had not yet existed at the time of the previous election.

The Lithuanian political party system is completely different, primarily because the successor party to the Lithuanian Communist Party managed to successfully transform itself into a European social democratic party. The reasons of this difference is that the Lithuanian Communist Party played an important role in the achievement of independence, whereas the Estonian and

Latvian Communist Parties were dominated by ethnic Russians and thus were perceived as an alien body.

Unlike in Latvia and Estonia, power has generally alternated in Lithuania between two large blocs – the left (social democrats) and the right (conservatives)[9]. An exceptional moment in recent political history was the impeachment of the maverick populist Lithuanian President Rolandas Paksas in 2004 after he had granted citizenship to his main campaign financer, a Russian arms dealer.

9. See Pettai, V., Auers, D., Ramonaite, A., "Political Development" in Lauristin, M. (Ed.), *Estonian Human Development Report: Baltic Way(s) of Human Development: Twenty Years On*, Eesti Koostöö Kogu, Tallinn, 2011, pp. 144-165.

2. The Baltic States as EU Members

2.1. Contemporary Politics: Moving towards more Stability

After EU membership, it was Latvia which encountered the greatest political turbulence. Latvian politics was peppered with allegations of corruption as "oligarchs" financed political parties. Public indignation culminated in 2011 when outgoing President Valdis Zatlers dismissed the parliament and his action was subsequently overwhelmingly approved in a national referendum[10].

In contrast, after short-lived governments during the transition years, the Estonian government is currently one of the most stable in Europe. Estonian Prime Minister Andrus Ansip, having come to office in April 2005, is currently the longest-serving prime minister in the EU, with the exception of Luxembourg's Jean-Claude Juncker.

Perhaps astonishingly in a European context, the Estonian and Latvian prime ministers who implemented austerity, Andrus Ansip and Valdis Dombrovskis, were both returned to office in general elections held in 2011. However, an unhealthy development in both countries is the grip on power in the capital cities of Riga and Tallinn by Nils Uskaovs' Harmony Centre and Edgar Savisaar's Centre Party, respectively. Predominantly supported by Russian-speaking voters, they have become the largest national parties and they are systematically building up an alternative centre of power in opposition to the national government.

In the Lithuanian case, the conservative government, headed by Andrius Kubilius, which successfully implemented austerity policies, was turned out of office by the Social Democrats in the elections of October 2012. Worrisomely, populist parties of all stripes were hugely successful, and two of them (the Labour Party and the Order and Justice Party led by ex-president Paksas) are now junior members of the coalition government.

10. Dreifelds, J., "Latvia", in *Nations in Transit 2012: Democratization from Central Europe to Eurasia*, Freedom House, New York, 2013, pp. 321-323.

The integration of ethnic minorities is not an issue that has faded away after EU membership. Estonia was reminded of this with the "Bronze Soldier" crisis in 2007 when Russian youths rioted in opposition to the government's relocation of the Soviet war memorial from central Tallinn. In Latvia in 2011, a signature collection campaign succeeded in forcing the question of Russian becoming the second official state language being put to a national referendum (where it was defeated by a three-quarters majority). In Lithuania, the issue of the rights of the Polish minority, specifically the question of schooling in the mother tongue, occasioned a war of words between the Polish and Lithuanian governments in 2010. The bilateral dispute has recently toned down somewhat after the inclusion of the Polish minority party in the new Lithuanian coalition government from November 2012.

Paradoxically, the success of integration is usually measured by the pace of naturalisation of minorities, but after joining the Schengen regime there is little incentive for stateless Russians in Estonia or Latvia to apply for citizenship. As permanent residents they can travel and work in the EU almost as freely as citizens and at the same time they can maintain their family and business ties with Russia since Russia does not require a visa and allows them to own property. Though in normative terms they appear underprivileged, in practical terms they can enjoy the best of both worlds.

2.2. EU Membership: the Community Method

During the Convention on the Future of Europe and the drafting of the EU Constitutional Treaty, the Baltic states, especially Estonia, were assiduously courted by the United Kingdom to support its attempts to block deeper integration, particularly in the areas of social and tax policies as well as the security and defence policy. Having open, liberal economies with low flat income tax rates, which they credited for helping them to successfully overcome the negative legacy of the centralised Soviet command economy, they were alarmed at the prospect of greater harmonisation in this field. As fresh members of NATO, they were wary of any EU structures in the field of security and defence that might duplicate or even undermine the Transatlantic relationship. Furthermore, as recently restored states, they valued the sovereignty which

they had struggled so hard to achieve. Thus the Baltic states were initially inclined to favour the intergovernmental model over the community method.

Nevertheless, during the accession process they had learned that the European Commission is the best friend of the small new members, i.e., it is the institution that can ensure that small member states get a fair deal and are not ridden over by the interests of large member states; consequentially, the Baltic states have never supported proposals that would lessen the Commission's power. While Estonia and Latvia were cautious, Lithuania demonstrated its zeal by being the first member state to ratify the Constitutional Treaty in 2004[11].

A watershed for the Baltic states in their understanding of the dynamics of the EU was the signing of the Nord Stream agreement for the construction of an underwater gas pipeline in the Baltic Sea between German Chancellor Gerhard Schröder and Russian President Vladimir Putin in 2005 which blatantly contravened their interests. This shocked the Balts into calling for the need for Europe to speak with one voice to Russia, to strengthen the Common Foreign and Security Policy, and to create a common energy policy. By corollary, it brought the Balts to the understanding of the need for the community method in general.

When it came to the Lisbon Treaty, all three Baltic states displayed greater enthusiasm for deeper integration than previously, and ratification of the Treaty did not occasion any real debate. One of the constant fears of the Baltic states was that of a two-tier Europe, where they would not be included among the core countries. An important step in no longer perceiving themselves as being "second-class" Europeans was the enlargement of the Schengen regime to include the Baltic states in December 2007.

In striving to be among the core countries, Lithuania attempted to join the single currency in 2007 already, however, its bid was rejected as its inflation rate was deemed to be very narrowly (0.1%) above the Maastricht criteria. In retrospect, this is not surprising since the economies of the "Baltic Tigers" were overheating *(as discussed in Part 2)*.

11. Kasekamp, A. & Veebel, V., "Overcoming doubts: The Baltic states and the European Security and Defence Policy", in Kasekamp, A. (Ed.), *The Estonian Foreign Policy Yearbook 2007*, Tallinn, Estonian Foreign Policy Institute, 2007, pp. 11-12.

For Estonia, joining the Euro Area was a way to exit the financial crisis. It provided a positive motivating goal for the budget cuts and averted the risk of forced devaluation of the Estonian currency. On 5 June 2013 the European Commission and the Eurogroup concluded that Latvia also meets the Maastricht criteria and thus is ready to join the Euro Area on 1 January 2014. The Lithuanian government aims to follow in 2015. At present, the majority of the Latvian population is not in favour of membership since they fear price hikes and the prospect of having to contribute to the bailout of wealthier euro-zone members.

Membership in the Euro Area confronted Estonia with a new unexpected responsibility – to show solidarity by lending money to EMU members who had flouted the rules that Estonia has strictly adhered to. In Estonia the European Stability Mechanism (ESM) triggered the first serious public debate about the EU since accession. The initiator was the Legal Chancellor who complained to the Supreme Court that the ESM's procedures violated the Estonian Constitution. The Supreme Court decided narrowly in favour of the government, clearing the way for ratification of the ESM by the Estonian parliament on 30 August 2012. In order to mollify the opposition, the Government broadened the role of the Parliament in future ESM-related decision-making.

2.3. Baltic Policies and Preferences on the EU Level

Within the EU, Estonia, Latvia and Lithuania championed initiatives to strengthen cyber security, energy security, the Eastern Partnership, the liberalisation of the energy market, transparency, innovation, the Single Market (especially free movement of services), and were staunch proponents of enlargement. Cooperation between Baltic states and the Nordic countries as a regional bloc within the EU was also further developed. A new hope for regional convergence was the EU's pioneering Baltic Sea Strategy adopted in 2009 (though without any budget line of its own). Within the EU, Nordic-Baltic coordination continues to be very fruitful and multifaceted[12].

12. See Henningsen, B., Etzold, T., and Pohl, A.-L. (Eds.), *Political State of the Region Report 2013: Trends and Directions in the Baltic Sea Region*, Baltic Development Forum, Copenhagen, 2013.

The Baltic states have niches or pet projects which they have tried to upload onto the EU agenda. Lithuania, in particular, has been concerned about energy security. The country has been the pioneer for the EU Third Package in energy when in comes to unbundling. This has resulted in a hostile response from Gazprom, the monopolistic supplier of gas to the Baltic states. Indeed the aim of the Baltic states is to end their dependence on Russia by using EU funds to build infrastructure connections with the heart of Europe. Consequently the highly ambitious Rail Baltic project which would connect Tallinn with Warsaw, is a top priority for Estonia. In addition to that Estonia has promoted the importance of cyber security and everything digital. The flagship project of Estonia's 2011-2015 EU policy is the creation of an EU digital single market. It will also be a priority of the Lithuanian EU Presidency. Estonia is the home of Skype and e-government, and was the first country to use national online voting in parliamentary elections.

From the outset, the Balts were enthusiastic supporters of the European Neighbourhood Policy and quickly found their niche[13]. With the advent of Eastern Partnership in 2009 it received greater impetus. In this area Belarus has been an issue of special importance to Lithuania. President Grybauskaite went against the EU mainstream in 2009 and sought to engage Minsk. This policy blew up in her face when the Lukashenko regime used brute force against the opposition presidential candidates in December 2010. Nevertheless she was more successful in dealing with Ukrainian President Viktor Yanukovich, insisting on visiting jailed opposition leader Yulia Tymoshenko in hospital.

An aspect to take into account is that joining the EU meant that the Baltic states became donors, no longer recepients of external assistance. The Baltic states have actively sought to transfer their knowledge and experience of reform and European integration to the Eastern European countries that two decades earlier had been with them together at the same starting point with the break-up of the Soviet Union, but who have not enjoyed the same progress[14]. The main target countries for Estonian, Latvian, and Lithuanian development cooperation are Georgia, Moldova and Ukraine, and in addition, Afghanistan,

13. Galbreath, D. J., Lasas, A. and Lamoreaux, J.W., *Continuity and Change in the Baltic Sea Region. Comparing Foreign Policies*, Rodopi, Amsterdam and New York, 2008, p. 127.
14. Andrespok, E., Kasekamp, A., "Development Cooperation of the Baltic states: A Comparison of the Trajectories of Three New Donor Countries," *Perspectives on European Politics and Society*, 13(1), 2012, pp. 117-130.

where all three countries had soldiers on the ground. Here it is evident that values and geopolitical interests intersect. Particularly in the case of the former Soviet Socialist Republics, as the Baltic states are uniquely placed to be the most knowledgeable and effective donor countries.

The Baltic states were relatively pleased by the EU multiannual budget for 2014-2020 agreed upon at the European Council in February 2013. During the budget negotiations public attention was focused on two issues: the first issue was the inequality endured by Baltic farmers vis-à-vis farmers in old member states and the second issue was the Commission's proposal for a Connecting Europe Facility for cross-border infrastructure. There was hope that funding would be found from the facility for Rail Baltic and a Baltic regional Liquefied Natural Gas terminal.

It is worth mentioning that the only time a Baltic state has used its veto in the EU was in 2008 when Lithuania blocked the negotiating mandate for a new EU Partnership and Cooperation Agreement with Russia[15]. Though the stated Lithuanian concern about Russian duplicity in resolving the "frozen conflict" in Abhkazia later proved to have been justified, at that time Lithuania was roundly criticised for its stubborness and even Estonia and Latvia sided with the EU mainstream.

All three Baltic states have been able to attract new EU agencies into their capitals. Lithuania became the first in 2007 by hosting the European Institute for Gender Equality. Latvia hosts the Body of European Regulators of Electronic Communications and finally in 2012 the headquarters of the EU Agency for Large-Scale IT systems became operational in Tallinn.

15. Vilpišauskas, R., "Lithuanian foreign policy since EU accession: Torn between history and interdependence" in Baun, M. & Marek, D. (Eds.), *The New Member States and the European Union: Foreign Policy and Europeanization*, Routledge, London & New York, 2013, p. 139.

3. Future Outlook

3.1. General Trends for the Future

After having imposed drastic austerity measures, the Baltic states have become the fastest growing economies in the EU. Estonia is the newest member of the Euro Area and Latvia is set to be the next one in 2014, to be followed by Lithuania in 2015. This is a sign that the Baltic states continue to aspire to be in the "core" of Europe. In fact Estonia, has become the most integrated country in Northern Europe, in terms of membership in international organisations: EU, NATO, OECD and the Euro Area.

On the downside, an increasing worry is the declining and ageing population. The Baltic states have highly restrictive immigration policies which are a reaction to the Soviet legacy. Unemployment, which would otherwise be substantially higher, has been partially alleviated by mass immigration. The trend started already in the boom years of the mid-2000s when the UK and Ireland, the only EU countries not to put restrictions on new member states, where the most popular destinations. Hundreds of thousands have left Lithuania and Latvia, but the outflow from Estonia has been smaller, only tens of thousands left, and primarily in direction of neighbouring Finland. This emigration often simply takes the form of commuting[16].

3.2. The Lithuanian EU Presidency

Starting on 1 July 2013, Lithuania has become the first of the Baltic states to hold the rotating presidency of the EU. Its performance will be closely watched for lessons learnt by Latvia and Estonia, whose turns to hold the presidency come in 2015 and 2018, respectively. The catchwords of the Lithuania presidency are "credible, growing and open Europe"[17]. Under "credibility", the aim is to work towards financial stability and banking union. "Growth" will be

16. Purs, A., *Baltic Facades: Estonia, Latvia and Lithuania since 1945*, Reaktion, London, 2012, p. 179.
17. Lithuanian Presidency of the Council of the European Union, "Presidency priorities", 17 April 2013.

driven by further deepening and integrating the Single Market. Finally, "open" refers to the EU's global role, particularly towards its neighbourhood. Probably the most anticipated event will be the Eastern Partnership Summit to be held in Vilnius in November 2013. The hope of all three Baltic states is that the Eastern Partnership countries will be brought closer to the EU; the big prize the Lithuanian presidency aims for is the signing of an Association Agreement with Ukraine and/or Moldova.

The EU presidency might prove to be a tremendous challenge for Lithuania's government which has been in office only since November 2012 and most of whose members have little governmental experience and knowledge of the English language. Fortunately, foreign minister Linas Linkevicius, has a prominent role managing the EU presidency, is highly experienced and competent. Furthermore, it is expected that president Dalia Grybauskaite, a former EU commissioner for budget planning and 2013 laureate of the Charlemagne Prize, will play a central part in the EU presidency. Fortuitously in this case, as noted above, the president of Lithuania is endowed with greater powers than heads of states in average parliamentary democracies, though not as extensive as in France. Notably, unlike Estonia and Latvia, it is the president who represents the country at the European Council.