

# **The Baltic and Visegrad States: After twenty years of shared interest in Europe**

**Date and Place: 8<sup>th</sup> November, 2011, Mirror Hall of the Ministry of Foreign Affairs, Prague**

## Conference report

The conference commenced with a welcome speech by **Petr Kratochvíl**, Deputy Director of the Institute of International Relations. He pointed out that the idea to organize the conference crystallized during the discussion on the occasion of the anniversary of the renewal of the diplomatic relations with the Baltic States (and also of the Commemoration of the 20<sup>th</sup> anniversary of the formation of the Visegrad Group). Although the countries share a number of similarities, it is been decided to look at pressing issues ahead. He believed that the Baltic States and the Visegrad countries share a number of similar approaches. He then introduced the three topics of the conference namely European economic governance, the Eastern Partnership and the third perhaps politically sensitive issue energy security and policy.

**Keynote Speech: Jiří Schneider**, First Deputy Minister of Foreign Affairs of the Czech Republic

**Jiří Schneider** started his keynote speech by looking back at the first meeting of the Visegrad countries that took place in 1991. That was quite a turbulent year because of the reforms, particularly for the Eastern countries. At the same time solidarity in a sense of common purpose was already established. In dealing with common interests and issues – economic governance, the EaP and energy - it is important to draw on symbolic elements of our partnership. Another very important meeting for the Visegrad states was the Prague Summit when Slovakia joined NATO with the Baltic States in 2004. It is important to draw on the symbolic meaning of our cooperation from the past; common interest should be discussed and how to increase relative power to promote this interest together as well as within the EU and in the international arena. It is important to work also with other coalitions e.g. the Baltic States. The Visegrad and the Baltic States share interests and policies but there are still areas in which cooperation can be enhanced. A lesson has been learnt that the Visegrad states can do business without the international secretaries although it can not be done without proper resources. The Visegrad countries have managed to increase funds allocated to the Visegrad states that allows focusing on the projects of the EaP. Talking about the economic governance and financial framework of the EU, there is a huge field for cooperation especially promoting the interests in a cohesive policy. In terms of energy a certain level of consensus is achieved amongst the Visegrad states. Schneider then encouraged the speakers to express their ideas and opinions about the subject matters.

## **Panel I: *Challenges for European Economic Governance***

*Chair - Radomír Špok, EUROPEUM Institute for European Policy*

Czech Republic – **Jiří Georgiev**, Deputy Secretary of State for EU Affairs, Office of the Government of the Czech Republic

Estonia - **Signe Ratso**, Director in DG TRADE for Market Access and Industry, European Commission

Latvia – **Artis Bērtulis**, Head of the EU Directorate, Ministry of Foreign Affairs of the Republic of Latvia

Poland - **Malgorzata Kalużyńska**, Director of the Department of Economic Policy, Ministry of Foreign Affairs of the Republic of Poland

Hungary - **Péter Mocsáry**, Deputy Director of the EU Economic Policy Department, Ministry of Foreign Affairs of the Republic of Hungary

In the first presentation **Signe Ratso** focused on the external side of the EU, particularly the challenges of European economic governance, and external relations with the EaP partners. She pointed out that the economic prospects and the future of the euro zone as well as the contributions of emerging economies such as Russia and China are very important topics and related to each other. She started with the European economic context and then focused on how trade and investment can contribute to the future of the EU; more specifically spoke about trade policies. It is clear that the economic downturn has affected the EU through lower demands and higher uncertainty. What are the possible solutions? Next she presented following viewpoints.

- *Trade is a way out*

Trade is a source of growth and job creation. Although newly emerging economic powers including Brazil, China, India and Russia have been often perceived negatively, the EU can actually benefit from such trends as they create new possibilities for trade and investments.

- *Trade is a catalyst for growth.*

Intra-EU trade has been high and growing over the past decade.

- *Growth in EU depends on global growth.*

At the moment the growth in the world is mainly concentrated on Asia as well as in South America and in some parts of Africa. According to the estimations, by 2015 90% of future economic growth will be generated outside of Europe. The growth outside of Europe also creates additional possibilities for business growth in Europe namely by trade.

- *Exports and job in the EU*

- *The role of investment in steering growth.*

- *Foreign capital in the Baltic and Visegrad states*

- *Global value chains*

Although one can consider the overall value of trade important, it is the value added that is more so as each country adds to the production value. Both the Visegrad countries and the Baltic States stand out quite significantly in terms of added intermediate value compared to the rest of the EU27 countries and the rest of the world.

- *EU remains a trading power*

The EU still remains a trading power and has been long the largest attraction of foreign investment; however it is currently ranked three while China is positioned as the first one.

- *Trade and investment policy – how we engage with other partners (multilateral policy, Bilateral agreements, other instruments)*

As of trade and investment, the EU has negotiated bilateral agreements (mainly Free Trade agreements), cooperated with the strategic partners such as the U.S. and maintained a high level economic dialogue with China. Further to this, negotiations have started with South Korea, Central America and Colombia.

Summing up Ratso highlighted once again that the growth outside the EU should be seen as a great opportunity for the Visegrad and Baltic states. DG Trade is actively pursuing new opportunities for the EU and the Baltic and Visegrad countries are relatively well positioned to exploit such opportunities (e.g. intensive margin expansion).

The next speaker **Jiří Georgiev** contributed to the discussion by presenting a more theoretical overview on European economic governance and its institutional and legal aspects.

He pointed out that recently there have been speeches with an interest focused on European economic *governant* not only economic governance. What is the difference? In terms of European economic governance it can be talked about network and multilateral governance in which it is hard to find accountability and responsibility. When talking about European economic *governant*, it should be addressed to the European Council for two reasons: as the central authority; the fiscal policies that still enhance the member states. Certainly there has been a shift in debates about European economic *governant* it can be asked whether it means a revival of an intergovernmental method. In his view, this is not the case, at least not in traditional European governmental manner.

Georgiev clarified that intergovernmental networks can be seen in the light of the traditional perspective

of European integration. It is true that the contractions of the EU integration and such division of methods have clearly affected the EU infrastructure. In terms of institutions, there is a division of methods - division between community and intergovernmental method. There is no policy that can strictly govern under the current structure of the EU Treaty scope and under the existing system.

Next he illustrated the current situation and divisions seen in the situation by introducing two models - Unitarian and Cooperative models. In an attempt to distinguish between different kinds of regulations in the current situation, it is important to take into account the competence – shared and exclusive competence - which is carried out by the EU institutions. It is clear there is coordination of economic, foreign and social policy, European policy and that is supporting coordinating supplementary action of the EU. Clearly the Unitarian model can be useful, which involves legal organization, legal groups and exclusive and shared competencies. In his view, it is hard to say that in this regard, the Treaty provides something that is not defined by the Treaty but can be used in a current situation of the EU area. He expressed doubts whether the Unitarian model would be enough for the EU27 countries as the member states might feel scarcity of power compared to the community that consequently the member states cannot find solutions outside of the community and that it is not defined by the Treaty. It can happen that the member states, particularly euro zone member states, might find a solution outside of the Treaty's scope.

Georgiev addressed the question whether current European economic governance is the right option for the present situation - or is there a need for the European economic *governant*? Certainly the issue is very sensitive as we address fiscal and economic issues and we have to look at the new regulations relating a new cohesion policy. According to him, it seems that the new Cooperative model introduced is vital especially regarding the European Council which is based to some extent on complicated procedure of legislative law at EU level. But there is still a need for the Union model as it has been proved effective at different levels of competencies as well as in other areas such as the open market. However, in regard to the EU institutions there is a need for progress and the traditional Unitarian model cannot cope with this. The cooperative model would be of interest to be used by all member states, which is framework of the Treaty. However, it cannot be implemented only outside of the scope of the Treaty. Flexibility and the wide scope of implementation are the positive traits of the model but at the same time it is clear that the Treaty has not enough mechanisms for effective application of it.

As concluding remarks he believed it to be a reasonable solution to use a combination of both Unitarian and Cooperative models in the future if there will be a strong EU economic *governant* i.e. the European Council will play a stronger role in the future. The Unitarian model will not necessarily solely help in policy areas such as social policy, which is related to differences of the member states. It seems that the current version of the EU still provides wide scale progress for the Unitarian model, on the other hand the Cooperative model would be a good supplementary for the EU in many respects. There is a need for institutional guarantees of the EU countries.

**Artis Bērtulis** first stated that compared to the situation of twenty years ago, we still have a vision but we lack the instruments to achieve the vision.

He pointed out that the current financial crisis that is experienced in Europe highlights that the way the economic policies have been coordinating have not corresponded to the degree of the implementation of economic integration. Given the current situation it is clear that a higher degree of surveillance and coordination of economic policies are needed than before, particularly in the euro zone. Today the EU has considerably improved its economic governance using different instruments such as the Europe 2020 strategy, Euro-Plus Pact and new 'six-pack'. Recently euro zone members have adopted crucial decisions to meet the euro zone needs and it is everyone's task complies with this new framework of economic governance. It requires efforts but can be achieved by helping and encouraging other countries. It is crucial to show responsibility of the decisions and of actions particularly as the decisions affect the entire EU. Still some crucial decisions are ahead regarding some EU member states as well as the whole EU. In terms of the new steps taken it is important to explain the moves to people. Latvia has recently taken painful decisions but now it can be concluded that the austerity measures have brought results and Latvia

has successfully returned to the financial market. Latvia is also willing to fulfill the obligations responsibly in the future. In these crucial issues the solidarity is needed amongst the EU member states. In sum he named again the challenges of the economic governance in the EU - responsibility as well as solidarity and sovereignty and integrity in relation to government and people and government and financial market.

In the following presentation **Malgorzata Kałużyńska** provided the multinational perspective of the European economic governance rather than the Polish one as Poland has been a Presidency of the European Council of the EU since July 2011. Firstly, Kałużyńska expressed her concern about the long lasting euro crisis that will continuously dominate the agenda during Polish presidency. Destabilization of euro and debt crisis has remained one of the most important topics during Polish presidency in economic and financial area. She stated that there are number of measures that should be undertaken to improve the governance in the Euro area but it is equally important to look at the conclusions of the Council. There is a need to have coherence of the activities of the Euro area to improve the governance and at the same time to improve the coherence between the Euro area and the EU as a whole in order to integrate the EU. She pointed out two challenges of European economic governance that will be the topics of the upcoming presidency: implementing those elements that have been already adopted; and disputing Council conclusions and preserving the integration of the EU as a whole at the same time having a need to strengthen the euro zone governance.

One solution would be using existing structures of the European Commission. She believed the European Commission to take a more dominant role in a problem solving process although it may not be enough. In terms of preserving the Euro zone a number of solutions should be taken into consideration despite the fact that some of them may not sound perfect. One of the important instruments in coordinating economic policies is Euro-plus Pact that is however not accepted by all member states, however, it should be examined as well. In conclusion she stated that the existing instruments as well as other possible solutions should be implemented in order to tackle the challenge of preserving the integration of the EU which will not be an easy task.

The next speaker **Géza Mocsáry** first stated in his speech that in the current economic situation it is important for the EU to decide whether to present and implement new steps or to stick to the existing ones to solve the problems. He believed that certainly a new quality of cooperation is needed. He pointed out the different grounds and different member states regarding the attempt to tackle the current economical problems in the Euro area. Secondly, he highlighted the Mediterranean institutions and importance to implement correcting measures. As another challenge he pointed out the existing financial tools, precisely economic and legal measures and strategies that should be renewed in order to get a better focus. Mistakes have been made in a decision system. In addition, it is important to develop new strategic procedures, enhance legal measures, establish new monetary authorities and implement new measures in this field. However, it might be challenging to adopt those proposals and mechanisms on time. Mocsáry stressed that there is a clear need of mapping out the new system in the EU. The decision making is proved to be difficult as it is challenging to make decisions in euro zone with insiders and outsiders. Although there is a reason to be proud of the developments there are still many things to do.

During the following **discussion**, the question of the Treaty was addressed to Kałużyńska, more precisely whether some steps should be taken towards changing the Treaty. Kałużyńska stated that first the consultations between the member states will be held and until March next year it will not be clear whether changes to the Treaty will be needed. She noted that the European Council feels quite a strong pressure by some member states in this subject matter. At the moment it is too early to predict what to expect from the European Council. Additionally, the question regarding the consequences of those conclusions was risen as there are countries represented that are not in the euro zone. In Ratsó's view the discussions should be focused what should be done internally in terms of the EU governance as the current crisis has shown that the methods implemented and coordination have clearly not been sufficient.

She pointed out that the issue should be looked at in a global context as the EU economy is integrated with the rest of the world's economy. External custom regime has been the strength of the EU in a global economy so the EU should continue to strengthen its role globally in the prospect of the new emerging economies in global market.

## **Panel II: *The Future of the Eastern Partnership through Baltic and Visegrad Lenses***

*Chair: Martin Ehl, Hospodářské noviny*

Lithuania - **Liudas Mažylis**, Vytautas Magnus University, Kaunas

Czech Republic - **Petr Mareš**, Ambassador, Special Envoy for the Eastern Partnership, Ministry of Foreign Affairs of the Czech Republic

Hungary - **Ádám Szesztay**, Director of the Strategic Planning Department, Ministry of Foreign Affairs of the Republic of Hungary

Estonia – **Erkki Bahovski**, Estonian Foreign Policy Institute

Poland - **Jarosław Dziejczak**, Minister Counsellor, Head of Division for Eastern Partnership, Ministry of Foreign Affairs of the Republic of Poland

Slovak Republic - **Igor Derco**, Eastern Europe, South Caucasus and Central Asia Territorial Department, Ministry of Foreign Affairs of the Slovak Republic

The floor was first given to **Liudas Mažylis** who interpreted the Eastern Partnership through Lithuanian discourses - media and everyday political talk. His short media analysis was illustrated by various political cartoons published in Lithuanian internet portals (i.e. Iritas.lt, republica.lt, delfi.lt) in 2011. The presentation reflected what topics are considered to be important in Lithuanian discourse. In a European context he pointed out some political figures such as Belyacki as well as Berlusconi and Tymoshenko. In Lithuanian internal discourse there is important family concept connecting to ruling of Lithuanian Constitutional Court that serves as an example of ideological clashes, although it is much less reflected in the media than external problems, international problems, issues with neighbouring countries and the problem of democratic values in Belarus mentioned by Belyacki. Secondly, Ukraine and Tymoshenko have found an equal reflection in the Lithuanian media. Tymoshenko reflected that the political genre is often understood in Lithuania as a contradiction of European values and interests. In addition Mažylis presented other topics reflected in the Lithuanian media such as the EU position, its internal conflicts and corruption; increasing prices in Lithuania; dual standards and selective justice; the Custom Union for Ukraine and Nord Stream. In conclusion he pointed out that Lithuania is orientated towards a pragmatic future and their decisions are not only about the centre of Europe that has been very important previously for the Lithuanians during their accession period, but Lithuanians would now agree that the centre of the European can already move towards the East.

The next speaker was **Petr Mareš** whose presentation focused on more critical aspects of the EaP and its neighboring countries and the limited progress achieved so far. He started his presentation with a short survey around some EaP countries while reminding the audience of the keywords of the Warsaw summit - common values. Firstly, he analyzed the situation of Belarus by expressing a concern of its last elections and the situation of the politics of administration. He stressed that it is equally important to take into consideration the opposition that has failed so far to produce any general wide support or propose common programs. Despite the sharp decline of support for Lukashenka, the support for the opposition did not increase. In addition, serious economic problems of Ukraine leave little optimism for the future. Secondly, Mareš described the current situation in Ukraine. He pointed out the monopolistic political power has been built in Ukraine and weak opposition that is not able to offer any alternative that would prove attractive to the public. Thirdly, looking at Azerbaijan he expressed concern about human rights and the progress of political reforms that are not even detectable; the whole situation is a serious question of double standards whenever we criticize the situation in any other EaP country. On the other hand, in

the current situation the EU countries are entirely focused on their own problem in the fight for survival. After more than two years of launching EaP, it is still taken seriously only by a small part of the Eastern member states. In future the EU should learn to deal the problems with its Eastern neighbours taken into account the complexity and without simplifying the explanation and postponing crucial decisions. On a brighter note he concluded that the EaP countries are at the moment closer to the EU than previously. He went on considering the alternatives for the future. Starting with the gloomier predictions, he pointed out the Ukraine and the EU decision to postpone the negotiations of the Association Agreement with the Ukraine. He believed that the Ukraine and the EU relation will become an issue during the election campaign. He also predicted that the negotiations with Moldova and Georgia will slow down because of the general feeling that Ukraine's have to come first. Taking into consideration all those issues, it could be that in three years time there will be no need to organize another Summit because the EaP will be "dusted files". In the current situation it is necessary to go in another direction. First the EU should solve its own integral problems. He believed that without Europe the EaP would not exist. Secondly, it is important to stay realistic and acknowledge that not all Eastern partners will develop in the same way as the EU. Lastly, Mareš claimed that it is crucial to make up our minds about the goals of the EaP, adding that the EaP must not become a substitution for membership. On the other hand, not all eastern European countries will become members. In conclusion he noted that taking that course will guarantee the next Summit.

In the subsequent presentation **Ádám Szesztay** was looking at the EaP before and after the Warsaw Summit. He pointed out that before the Warsaw Summit there was no clear vision of the EU in Eastern Europe and it was explained and interpreted mainly by the EP initiative as a part of the EU Neighborhood Policy. After the Warsaw Summit it could be said that for the first time, it has adopted structures for cooperation between the EU and the Eastern members but it clearly excluded the membership. Next he expressed concern regarding the South Mediterranean conflict that never ends and is becoming internationally a part of the EU problem. The foundation of the EP illustrates the identity of our policies towards the EU, towards our Eastern partners. There are different parts with different structures in the Eastern neighborhood; that is why the foundation of the EaP from a strategic point of view was history in the making. The efforts of the Visegrad countries and the Baltic States with the Eastern partners can be considered a success and achievement of the EaP. However, there is an ongoing fragmented cooperation between the EU states.

The next speaker **Erkki Bahovski** focused on the opportunities both for Estonia and the EaP countries as well as on the challenges of the EaP countries. As for opportunities, the EaP program has helped to promote the image of Estonia with some specific programs. Secondly, while Estonia is too small to contribute a lot financially it has rather contributed its experience to the EU, for instance in relation to transformations from social structures to full integration of the EU and NATO. He mentioned other countries such as Belarus, Georgia and Moldova that are more important currently in respect of the EaP for Estonia. Thirdly, the involvement of the EaP activities has demonstrated that Estonia is not solely obsessed with Russia but contributing to other European programs while being an active partner to the EU. Furthermore, the EaP program helps "to recourse" that was asked after Estonia joined the NATO and the EU in 2004 and particularly when Estonia switched to the Euro this year. Bahovski emphasized that the EaP program allows for Estonia to formulate a very important foreign policy goal. However, it is clear that it does not substitute the EU membership dreams and euro zone dreams since not the whole country is committed to the EaP course; nevertheless it is still quite a remarkable aspect. Lastly, Erkki Bahovski mentioned various programs that are actively operating at the EaP Centre in Tallinn (e.g. scholarship programs, first platform issues and practical activities) that additionally promotes Estonian experience on the e-government via the students of the EaP countries.

He also pointed out various challenges of the EaP. He considered the most serious one to be how the contributing activities are translated into real programs given that some countries in question are different. For instance, Moldova is currently thinking of the EU membership in the distant future while others are

not. The question is how to proceed in the current situation. Secondly, the influence of Russia on the EaP countries should be taken into account, more precisely the impact of the potential formation of the Eurasian Union on the EaP countries. Although it might be too early to say anything definite about the Eurasian Union after the Duma elections it could become a more realistic plan. In this regard, Bahovski expressed concern that in near future it might exercise pressure on the EaP countries which would definitely affect the EaP activities. Thirdly, he asked to pay attention to the Arab Spring and its impact on EP activities pointing out that the representatives of Northern-African countries have lots of ambitious plans such as planning to open their markets. He stressed that there is a kind of interrelated triangle: Northern African countries, EaP and EU-Greece. Northern African countries are currently observing the situation in the Euro zone and this is done also by the EaP countries. Most importantly the EU has to fix its problems first and then to rethink the conditionality and perhaps then to stick to a different approach.

**Jaroslav Dzedzic** spoke more optimistically, counting up various positive achievements made so far by the EaP. He emphasized that the achievements of the EaP should be not assessed by the current situation of other countries. He reminded the audience that the EaP was born only two years ago. The initial goal of the EaP was to help other countries to integrate into the EU, to promote economic integration, to help setting the standards and values of the EU and to promote democracy. He stressed that in this regard the EaP is still in the beginning of these long processes.

Dzedzic went on by stating the achievements accomplished by the EaP. An achievement of the EaP is having the EaP with the goals of the EU structured towards the Eastern Neighborhood. The EaP countries have also started a bright intergovernmental cooperation within the EaP. How shall the EaP proceed in the current situation? He claimed that the EU should not forget the main objection of the EaP – integration of the Eastern European countries with the EU and it should adhere to it by sending out the three following messages that is: firstly, by addressing their ambitions and aspirations in terms of integration with the EU; secondly by promoting a visa free regime with the EU - visa Action Plan with Ukraine and Moldova have been quite satisfactorily implemented in recent months - and stressing the importance of Deep Comprehensive Free Trade agreements which are already been negotiated with Ukraine and been prepared to launch with Georgia. While working on these agreements of various countries, we should be aware that the tough economic times bring them closer to the full participation of the EU internal market and make the integration of economic areas in the EU and in the EaP countries a reality. He pointed out another important dimension of EaP such as Bilateral Track. The goal of the EaP is to finalise the political association with the Ukraine and to start negotiations this year with Moldova and Georgia. In addition, the EU should allow more flexibility regarding the resources needed to support those countries. The cooperation has already started which should have an important impact on implementation of institutional agreements and free trade. Furthermore, meetings should be prepared on differing levels and sectors such as migration, education, culture and research. There have been lots of meetings in the field of transportation in the neighbouring areas already. He also stressed the importance of cooperation with civil society and NGO-s in order to strengthen their position and their perspectives in governments as well as cooperation with business sector.

As concluding marks Dzedzic repeated that lots of cooperation has been started in different areas with quite distinctive progress that allows him to be optimistic about the next Summit.

Then next speaker **Igor Derco** shortly discussed the previous work done by the EaP over the last two years. The first year can be described as interpreting the policies within the EU and within the eastern partners while the second year developed an understanding of the eastern partners' growing potential. As a result of these years the EP has an advantage in the EU Neighborhood Policy. He highlighted that the EaP is a long term project of modernization of Eastern Europe and that the process has no shortcuts. There is a lot of hard work and performance required in the EaP's activities while some achievements have been performed already. The EaP should serve as a model for its Southern neighbours, leading to security in the southern neighborhood. It is also crucial to acknowledge that the current political environment does not encourage easy classical reforms. He then continued by commenting on the process

of implementing the EaP. As of the goals and the visions of the EaP, the Warsaw Summit demonstrated that we need to re-phrase our understanding of the EaP with its Partner countries. It is crucial for the EaP to spread democracy, freedom and human rights so that these should not be sacrificed for the progress of the EaP. These issues should be addressed particularly in Belarus but also in Romania and in the Ukraine. In conclusion he stressed that it is important to understand that the EU needs to have a stable and democratic neighborhood.

In the following **discussion** Ratso perceived optimistically that all countries have the clear support of the EaP and the Eastern Neighborhood Policy in general. On the other hand, she pointed out, the EaP can function as a tool to bring the countries closer to Europe via approximation of legislation, etc. She stressed that it is a challenge and an exercise that will take several years while facing some unexpected difficulties like attempts to persuade the Ukraine to the Custom Union at the same time as they are finalizing the free trade agreement with the Ukraine.

Additionally Ratso raised the topic of the Deep Comprehensive Free Trade Agreements that has been decided certainly with clear ambitions. In this regard she asked the question that went beyond the EaP, namely related to the Arab Spring that has drawn attention to Southern Mediterranean countries, and decisions about extending the negotiations of the Deep Comprehensive FTA agreements since these two regions can be perceived as competitive. The question was addressed to Hungary as a presidency of the EU member states namely how the potentially conflicted situation is dealt with in the Council.

Szesztay expressed optimism regarding the performance and progress of the EaP regardless of the situations that have not quite been favourable for the EaP. We see the changes in the EaP and can slowly influence Western neighbours he assured. However, it is currently hard to say what is needed to be done but it is important to calculate our strength and to do the best. Indeed, mainly because of the Arab Spring the Summit was postponed and re-scheduled to half a year later. Szesztay did not express enthusiasm towards analysing the two dimensions of the European Neighbourhood Policy although they clearly affect the EaP, the Southern Mediterranean partners and Russia. It is true that there is only one European interest - to have a stable and cooperating neighbourhood - and it also applies for the Eastern as well as the Southern region. In his opinion, the EU should not be thinking in the categories of competition between the Eastern and Southern region but in a category of a common European interest. It is important we talk about two areas that are completing each other.

In terms of the South-East competition, Dziejdzic did not perceive the situation as problematic. After months of many discussions, work on preparation of the Summit and political conclusions it is learnt that the EU needs a united common Neighbourhood Policy, of course with some differences between the Eastern and Southern neighbourhood. It has also been learnt from the Arab Spring that the EU should think and act constructively on common policies and solutions.

In the end of the discussion, the question of frozen conflicts in the EaP was raised. Answering a question, Mareš found the situation of the EaP to be difficult that leaves little space for optimism. The EaP is structured in a way that it avoids conflicts and in this regard, quite pessimistically, he hardly noticed any progress through the EaP. Dziejdzic joined the debate stating that although the EaP is not solving conflicts, the fact that both Armenia and Azerbaijan are currently 'on the table' means that small steps are already taken to solve the conflicts.

### ***Panel III: Energy Security and Beyond: the Contribution of the Baltic and Visegrad Countries***

*Chair: Jan Žižka, E15*

Hungary - **Anita Orbán**, Ambassador-at-Large for Energy Security, Ministry of Foreign Affairs of the Republic of Hungary

Lithuania - **Audrius Brūžga**, Ambassador, Director of the Energy Security Center, Vilnius

Czech Republic - **Václav Bartuška**, Ambassador-at-Large for Energy Security, Ministry of Foreign

Affairs of the Czech Republic

Slovak Republic - **Urban Rusnák**, Ambassador, Special Representative of the MFA for the External Energy Security

Latvia – **Andris Sprūds**, Director of the Latvian Institute of International Affairs *Discussion*

In the first presentation **Anita Orbán** focused on the lessons and challenges of the energy security in Visegrad countries. She pointed out that the Visegrad countries share the same issues on energy security, that they have small markets which are fragmented and vulnerable regarding energy supply. She considered the structure of energy market to be the biggest issue for them. Looking back, for her the achievement of the past was that the issue and acknowledgement of the Visegrad countries has been put on the agenda of the EU. Energy security has become a pillar of the energy policy of the EU that can be additionally considered a great achievement. Partly as a cause and as a result of this, the Southern gas corridor became an important concept to the EU. After the dispute and crisis between Ukraine and Russia on energy matters the EU has invested - 3,5 billion Euros - for critical infrastructure development, partly also to the Central Europe. Hungary managed to receive money for key infrastructure projects, for instance interconnecting the natural gas network with Romania and interconnecting the Hungarian network with Croatia has been created while at the same time the interconnecting with Slovakia is a work in progress. Orbán stressed that interconnecting is very important in this area and may prove to be useful in a crisis e.g. to avoid the situation of December 2009 when some countries were left without resources of natural gas because the lack of interconnectivity of the markets. Diversification is equally important. In her view, the other crucial milestone was an acceptance of the Security of Supply Directive that applied to all pipeline operators. She considered it important as in many cases the countries were interconnected by the pipeline. This is a critical measure when it comes to a question of crisis management and the internal market. In this way, all the EU countries were interconnected by the pipeline. During the Hungarian presidency many conclusions have been agreed on energy market between the member states. By 2014 there should be 27 countries interconnected in the energy market driven by a solidarity principle and providing energy security for all the member states. As of last year, Orbán claimed the North-South energy corridor to be the most crucial step for the Visegrad and Baltic countries. She believed that the Southern Corridor with intergovernmental projects involved was also an important step forward. In addition, multilateral negotiations with Azerbaijan and Kazakhstan have been launched.

However, five new pipelines in Europe mean that there is still a lot of work ahead. She also stressed the huge challenges that the Visegrad states are facing currently. Firstly, as of the Euro crisis, energy security is not at the top of the EU agenda at the moment. Another challenge is that energy security was understood as a gas supply issue that has become a multifaceted issue that also influences nuclear electricity. Regarding nuclear energy she pointed out multiple issues namely the safety issue e.g. safety requirements of nuclear installations. The Visegrad countries share a common approach towards a nuclear future since all of these countries are committed to keeping nuclear energy as a significant part of energy production. Thus, the V4 also face the political challenge of defending our position. All those issues are very characteristic to all Visegrad countries and they take similar positions.

In terms of crude oil and Russia, it is important to keep transit secure, safe and continuous. Again, cooperation in this field is required. As for natural gas there are steps being taken towards crucial interconnectors. In addition, she mentioned that the Southern gas corridor needs to be opened as soon as possible. Orbán concluded that this is the time for action and it is essential to build critical infrastructure and to implement what is already on the table e.g. the energy corridor. In various fields cooperation is the keyword.

Lithuanian representative **Audrius Brūzga** compared the energy situation of the past in Lithuania with the current situation. After the break-up of the Soviet Union Lithuania was fully dependent on important raw materials; this has previously invoked strategic and security issues which are prevalent even now. Lithuania is still tied up to the Russian electricity grid and fully dependent on the Volga cascades and regulations in Moscow. Regarding the gas that is being pumped from Russia, Lithuania is

paying the highest toll in Europe while failing the negotiations for an alternative with Gazprom. Because of the preoccupation with oil, gas and nuclear matters, he claimed energy efficiency and conservation programs were left unattended.

He explained that the current Lithuanian Government has introduced an ambitious package of sweeping reforms – The Strategy of Energy Independence - which still has to be secured through additional projects. There has been good progress regarding the projects of building electricity interconnectors with Sweden and Poland, constructing a new nuclear power plant as well as the Visaginas project. In addition, there are projects in the gas sector that are expected to be completed by 2014 and a new pipeline to Poland by 2020 that should provide access to external resources. He concluded that a huge shift has taken place in the Lithuanian energy sector. He expressed appreciation in terms of the common EU energy policy for 2020 that is supported by a well drawn up infrastructure development plan and will facilitate cooperation on a regional and international scale. Regarding cooperation, he additionally mentioned the complementary role of the OSCE in energy security and NATO in reshaping its mandate in Energy Security. Lithuania has offered to set up an ENSEC Council of Europe in Vilnius with a hope for cooperation of Baltic and Visegrad partners.

The next speaker **Václav Bartuška** addressed in his presentation the current situation of energy security between and within the Baltic and Visegrad countries more critically. According to him, only the Czech Republic have 'done their homework' properly but it is certainly not enough. In his view, the Baltic and Visegrad countries do not say much in the EU regarding energy security and they cooperate only because there is no one else to turn to in this matter. However, they have the same experience and share the same neighbourhood thus having some things in common. Bartuška stressed that cooperation is crucial in the current situation as some Western energy companies have retreated from the V4 countries and more will leave in the long term. Secondly, the public service is in bad shape in many fields. He underlined that it is important to keep in mind that the V4 and the Baltic countries need to take care of their own issues as the EU will not resolve their problems. Something should have been done a long time ago. In his opinion, these countries have kept silent within the EU except the Czech Republic. It is important to acknowledge that without cooperation will be difficult to be heard. Regarding several projects the V4 has had limited success, for example the North-South corridor can be actually looked at as a marketing tool. Lastly, the other countries such as Germany or Russia should not be blamed; however, it is often the attitude and sometimes irresponsibility of the V4 and the Baltic States which is doing more harm. He encouraged the countries to define what they want as this will make a progress. On the other hand the countries in question have plenty of advantages as well e.g. Latvian effective budget cuts. It is important to have a clear aim what is wanted to be achieved.

**Urban Rusnák**'s presentation was focused on the issue of the relation between regional cooperation and competition amongst the Visegrad countries. In terms of cooperation, it is necessary to increase the influence of the region and find solutions. That also involves cooperation on an EU level in which the V4 is trying to define goals, re-establish themselves as an influential group and influence a bigger group i.e. EU. The North-South connection is an example of a solution of certain crucial problems. Energy security and cooperation has not been at the top of the agenda in the Visegrad countries in the past twenty years and only became more important to due to the development of the EU and external pressure. Then the V4 realised that cooperation is needed in the open market, firsthand in its own region. The crisis since 2009 makes us to realise a new reality that calls for cooperation and action on the European level, national level and company's level. On the company level there can sometimes become evident different interests - companies aim to increase profit whereas states are interested in energy security. In this sense, it is quite clear that companies are not particularly interested in interconnectedness as that would create competition between the companies. For example, the North-South corridor is not an interest of some international companies that actually rather delay the project. For instance, the North-South corridor creates a competition between the private entrepreneurs in the Czech Republic. Also, he pointed out the pipeline project between Bratislava and Schwechat which did not interest *Slovnaft* as it is the part of the MOL

group. In this respect, it is important to balance competition and cooperation. At the end of his presentation, Rusnák posed the question: what could the V4 countries do as the part of administration, as planners, thinkers, solution providers and decision makers? The V4 must recognise that the only solution is regional cooperation and a total change in a design of energy cooperation. In terms of interconnected energy markets the markets should be saturated.

**Andris Sprūds** started his speech by stressing the importance to find linkages between regional developments. Besides the solidarity and regional cooperation amongst the Baltic States, it is essential to recognise the priority of cooperation in the Baltic Sea region. The V4 and the Baltic countries are a part of Nordic security community, share transparency and solidarity. In terms of cooperation, the energy security community is still in a formative phase. Nordstream can be one of the examples, although it is not so easy to find a common ground forcing the Baltic and Visegrad countries to cooperate more. In terms of the cooperation between the Baltic countries and Baltic sea region there are some structural differences such as different mix of resources and different mixes of energy relations, for instance in energy markets. In addition, he mentioned that the differences in vulnerability of Baltic Sea region e.g. the energy sources of Germany and Poland are more sensitive in this context. He highlighted that Latvia, Lithuania and to some extent Slovakia is dependent on Russian gas which makes them more vulnerable. It has made them an energy island in the past. Estonia is more secure in terms of domestic supply. Thus, he stated, there are mixes of perceptions in the region and it is not so easy to find common ground. On the positive side he mentioned achievements such as *EU-ization* of the region and that the institutions have become more present in the EU. There have been important developments in the energy market - electricity sector changes - and in regulatory framework. In terms of energy in the Baltic countries, there are some developments and alternatives in green energy and energy efficiency. He pointed out that at the same time nuclear energy is still quite popular in the Baltic countries. Thirdly, the relations with Russia have developed, the attitude of the countries is calmer and energy is more securitised. Regional cooperation on gas remains important; however, there is a need for complementary approaches in the region. In this regard, the EU context is important. Looking at the energy dynamics the picture is mixed. Some developments can be recognised in energy issues but Polish, Lithuanian and Latvian gas dependency has to be resolved. Sprūds concluded that in twenty years some progress has been made but not necessarily regarding the cooperation with the EU. Lastly he stressed that the Baltic and Visegrad countries' cooperation is needed in the funding issue.

In the following **discussion** first the question about green energy was discussed. Brūzga stated that green energy efficiency is continuously an important field and has been implemented during the last forty years in Latvia.

As a next comment, the cost of the of the energy projects was highlighted. It was mentioned that energy security projects are always costly projects, however not always profitable ones and thus not so attractive to the voters neither always to the politicians. The question was addressed to the rest of the member states at present whether they have economic and political solutions to such dilemma and respective projects involved.

Orbán claimed it to be the most important question - who is going to pay the bill of energy reform in the countries of question? So far it is proved to be a great dilemma in terms of public versus private funding allocated to such projects. Here she pointed out that building two interconnections with Romania and Croatia in Hungary has been a conscious decision by the state to invest in energy security. In her perception, the public is ready to commit funds to energy security. Energy security has been high on the agenda in Hungary and the politicians are willing to commit to long-terms energy security issues. She believed that there are lots of opportunities to make the kind of investments that would be beneficial to consumers in the long run. Having critical infrastructure elements in place is important.

Sprūds agreed that the funding issue is very complex and in this regard the state plays an important role in managing the strategic framework, however some projects do not make a feasible business case.

Žižka pointed out that it is also an issue for Poland in terms of North-South connection. In Sprūds's

opinion Poland will be a potential link in Visegrad and the Baltic States in the gas supply business in the future.

Ratso brought in the aspect of trade to the discussion. She agreed with previous speakers that cooperation between the Visegrad and the Baltic States is needed in order to be understood by the other member states and the European Commission. She claimed that in recent years an important topic in the Baltic States has been Russia. More precisely, the real problem is the lack of interconnectors with the EU. In this area, it is crucial to have cooperation within the EU in order to direct investments to the infrastructure. Again she highlighted that cooperation is needed in order to be heard in the decision making process of the EU. On a brighter note, the V4 and the Baltic States have a bigger responsibility in the energy question and trade can actually contribute to energy matters. For instance, the pipeline establishments can be seen as a part of investment and trade commitments. She pointed out achievements such as establishment of the Ukraine as a transit country that should solve the gas crisis with Russia. Secondly, the member states negotiate a New Agreement on energy with Russia that although is a sign of progress will definitely be a challenging process.

The last question dealt the Fuel Quality Directive proposed by the European Commission. As there seems to be a lack of green feeling in Central-Europe and the Directive seems to be pushed mainly by the 'old member states' of the EU, what are the perceptions on this subject matter? As for the EU commission Fuel Quality Directive, Bartuška thought that it should be asked whether the V4 and the Baltic States can afford to be this picky in the future as Europeans . He thought that the countries should be pleased with what is being offered, and should not take the resources for granted.