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The Economic Presence of Russia and Belarus in the Baltic States: Risks and Opportunities

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BOOK REVIEW

The Economic Presence of Russia and Belarus in the Baltic States: Risks and Opportunities

ANDRIS SPRŪDS (ed)

Riga, Centre for East European Policy Studies, Latvian Institute of International Affairs, Centre for Geopolitical Studies, Academic Center for Baltic and Russian Studies, 2012.

ISBN 978-9934-8292-1-5.

The events of September and October 2013 – namely, the restrictions on the import of Lithuanian dairy products to Russia and the “blacklisting” of Lithuanian truck drivers by applying reinforced customs control procedures – demonstrated that something is wrong in the relationship between the Baltic states and Russia. Inevitably, the question arises as to whether anyone seeks to improve this relationship. A number of authors have tried to explain where the problems lie in the book *The Economic Presence of Russia and Belarus in the Baltic States: Risks and Opportunities*.

The editor of the collection is the prominent Latvian political analyst Andris Sprūds. Six chapters are devoted to questions of economic relations, elite attitudes, interconnections, and stigmas. They are written by Andrejs Jakobsons, Kārlis Bukovskis, Arvils Zelčiņš, Didzis Klaviņš, Gatis Pelnēns, Diāna Potjomkina, and Andris Sprūds. In their analysis of various aspects of Latvia’s economic collaboration with Russia and Belarus, the contributors do not share a unified methodological framework; instead, the chapters are mainly descriptive.

Despite this, the book is very informative. The authors have analyzed trade dynamics between the Baltic countries, Russia, and Belarus in great detail. Many statistical data are provided, facilitating understanding of the strength of economic dependence between these countries. The main and traditional areas of economic collaboration remain: energy, transport, and transit.

The contributors have identified several problems that impede meaningful and purposeful economic collaboration between the countries. They admit that Russia’s economic presence is important for the Baltic economies, although this cannot always be seen directly. For example, even though Russia’s direct investments in Latvia for 2010 are comparatively low (just 3.5% of the total foreign investment), if one adds the investments of Cyprus, the figure becomes 6%. Cypriot investments are usually associated with Russian capital, and the sum of investments from these two countries raises Russian capital to second place after investments from Sweden.

This book explains the different positions within the elite. If the business elite are eager to develop relationships with Russia and Belarus, the political elite chooses a

safer position. This is understandable, as no top politician in the Baltics wants to be accused of Russian patronage.

All the authors admit that the relationship between the countries is complicated due to the common Soviet past, as well as a lack of legal foundations, inter-institutional communication, and political dialog. The visit of Latvian President Valdis Zatlers to Russia is mentioned many times as a starting point for a better collaboration between the two countries, while political support is expected to increase following the establishment of an interstate commission in order to improve the economic relationship. It is also immediately noted that the benefits of the commission may turn out to be inaccessible to those businesses which lack strong ties to the political elite.

The contributors admit that Belarus is not the main trade partner of the Baltic countries. The Belarusian market is not large, the authoritarian political regime dominates, and the government pursues a protectionist import policy. Despite this, mutual trade is increasing by the year (80). Belarusian export transit is attractive for Lithuania and Latvia. Belarusian transit comprises one-fourth of all cargo transshipment in Klaipėda port. Of course, the relationship between the countries is deteriorated by the decision in Minsk to build the Astravas nuclear power plant just 50 kilometers from Vilnius. A claim is made that Lithuania has developed a pragmatic-selective cooperation strategy with Belarus (215). Both large and small Latvian enterprises invest actively in Belarus. As noted by Klaviņš, “professional ties and mutual trust will continue to play a much bigger role than EU sanctions or restrictive measures” (167). Large Lithuanian companies (e.g., Vakarų medienos grupė, Senukai, VIČI) are increasing their investments in Belarus. Accordingly, in 2013, the Belarusian fertilizer manufacturer Belaruskalij bought one-third of the joint-stock company Birių krovinių terminalas shares. By comparison, Estonia has only a limited economic relationship with Belarus, and this is possibly caused by the absence of a common border. In contrast to its neighbors, Estonia immediately supported EU sanctions against Belarus, since it had little to lose.

The book’s conclusions make seven recommendations for Latvia. The authors recommend identifying the sectors of strategic importance that require government intervention. The role of monopolies should be curtailed by improving legal acts and the effectiveness of the respective institutions. Transparency is necessary in decision-making. The logistics infrastructure should be improved and developed further, and use the EU’s mechanisms for developing regions. Other recommendations include strengthening formal cooperation channels (e.g., via the WTO), and developing a more coherent and reliable Latvian foreign and economic policy.

All the countries discussed in the book under review are states in transition. The analysis in this collection makes an attempt at joining, integrating, and consolidating the experience of economic relations with the primary explanatory scheme of the transition model, which could be an example for other researchers to follow. Due to its object and research specificity, the book cites a sufficiently large and high-level body of expert works, which are also critically evaluated. Insights are provided in a purposeful and functional way, and thus the book presents an excellent overview of economic relationships between the Baltic countries, Russia, and Belarus.