

east, interest rates stand to fall in most of the CEECs, and the decreasing costs for capital are expected to help foster economic growth in the region generally.

Since trade in goods and services, as well as capital flows, is not likely to lead to an equalization of incomes among the current 15 members of the EU and the CEECs in the short term, gaps in wages between regions are expected to persist for some time. Moreover, as firms and even some CEEC industries are closed and others are expanded with the privatization and restructuring of eastern industry, the EU will be faced with assisting the CEECs through their structural transformations. A special source of funds will be needed to reduce and ameliorate the shocks experienced by individuals and households facing such profound changes.

These changes make it clear that, even with restrictions, labor migration will, over the short

term, have greater effects on the EU's labor markets than will trade and investment. Sharing contiguous borders with some of the CEECs, and in relatively close proximity to others, Austria and Germany can expect to absorb the lion's share of eastern migrants. Of the predicted annual net migration of close to 300,000 workers, 200,000 are expected to head for Germany. But estimates suggest that the number of annual migrants should halve within a decade. Even though fears concerning the scope and scale of migration appear unfounded, measures have nevertheless been introduced to slow the free influx of labor during the first several years following accession. Economic growth, welfare gains, and successful structural changes in the accession countries will eventually raise incomes and improve living standards, thereby lessening pressures that promote migration.

AN INTERVIEW WITH LATVIAN PRESIDENT VAIRA VIKE-FREIBERGA

AS THE EUROPEAN UNION begins to expand eastward, NATO has announced that it will decide next year whether to expand into the former Soviet republics of Latvia, Lithuania, and Estonia. Earlier this year, *Current History* consulting editor Sean Patrick Murphy interviewed visiting Latvian President Vaira Vike-Freiberga in Washington, D.C. about Latvia's possible entry into NATO and the implications for Latvia's relationship with Russia. An edited transcript of the interview follows.

What does Latvia hope to gain by joining NATO? And do you feel the Bush administration is taking the right tack with Russia by asserting, as Secretary of State Colin Powell did, that Russia will not have a veto in determining which countries can join NATO?

Absolutely and resoundingly, "Yes." I think it's the right tack because we are, the three Baltic states, we're sovereign nations, we were held captive, held occupied for a half century. It was an illegal occupation. I just recently again heard voices raised in Russia that we voluntarily joined the Soviet Union, which I think is absolutely appalling. It's an appalling refusal to come to grips with history and to get on with a different perception of what really happened. In other words they haven't renounced communism and the horrors that were perpetrated. I think that's extremely serious. And, with that sort of attitude, I think one has to take a strong stance because we don't want to be going back

to the principles that guided that country when it was the Soviet Union. I think it would be a danger, not just to us in Latvia, but to everybody else in the world.

Do you believe Russia will carry out its threat to consider reopening the question of its borders with the Baltic countries in general and with Lithuania in particular should they become members of NATO?

In our case, Latvia has agreed on a border treaty with Russia in which Latvia has renounced a considerable chunk of its territory. In spite of this concession on Latvia's part, the Russians continue to refuse to sign that border treaty. And it's quite clear that their devout hope has been to make it a barrier to our accession to the European Union first and then to NATO. [However,] it has been made clear to us that the physical demarcation of our frontier is considered sufficient by both the European Union and by NATO.

How do you respond to the threat made by Andrei Nikolaev, the chairman of Russia's Duma defense committee, who this March said that Russia is ready to divert the flow of goods now going through the Baltic states to Finland and to shift energy exports as well if Estonia, Latvia, and Lithuania become members of NATO?

Well, as I say, Russia of course is a sovereign country and has the latitude to do with its goods as it chooses. And if [the Russians] want to cut off their nose to spite their face or to put pressure on Latvia, there's nothing we can do about it. But, if they want to ship their goods at the fastest and the cheapest and most economically rational route, they will continue

THE BALANCE SHEET

From an economic standpoint, eastern enlargement appears to be a win-win situation. CEEC economies are comparatively small, together generating an output that is only 4 percent of the EU-15, and eastern enlargement is not expected to generate significant benefits or costs for Western Europe over the short term. In contrast, the CEECs are expected to gain disproportionately and significantly upon accession.

Friction will occur in the intense power play that will emerge between net payers and net receivers of Brussels's budgetary funds. In addition, the power play could cause the formation of at least two camps firmly at odds with one another. Austria, Germany, Sweden, and the Netherlands apparently will be counting their gains, while France, Spain,

Portugal, Greece, and Ireland will be mourning their losses.

The EU faces the task of implementing major institutional and policy reforms to further prepare itself for eastern enlargement—at least by the time of the next Inter-Governmental Conference that is scheduled for 2004. The conference will allow changes to be made to already existing treaties. The exact procedures and objectives of the 2004 conference will be decided upon in December 2001 at the European Council meeting slated to take place in Laeken, Belgium. If at Laeken the EU's leaders and representatives fail to introduce an agenda with new treaties to be considered at the 2004 conference, frictions between and among EU member nations could emerge and diminish substantially the prospects for a broadly inclusive and speedy CEEC accession process. ■

doing it through the Latvian ports, where the distances are the closest and where the prices are competitive with any harbor in the Baltic Sea and which never freeze over in the winter.

It is estimated that as many as 300,000 Russians live in Latvia without formal citizenship. Under what conditions can Russians apply for citizenship? Do you believe that your government has gone far enough to include these people in Latvian society and politics?

Our constitution guarantees rights to all residents. Anyone residing in Latvia is entitled to all the basic human rights of right of property, right of residence, right of work, freedom of movement, freedom of religion, freedom of association. Any resident of Latvia is guaranteed these rights under the constitution, citizen or noncitizen. The only difference is that, much as it is in many countries, noncitizens cannot vote, they are not drafted into the army, and they cannot take public office.

This February you were quoted as saying that the establishment of friendly relations with Russia must be a key foreign policy priority. How has Latvia ensured that it has remained a priority?

I have repeatedly expressed my readiness for a personal meeting and talks with President Putin. It did take place; we met in Austria. I have expressed my readiness to engage in dialogue with officials from Russia and have done so. We have had on several occasions visits of parliamentarians from the Duma and I have met with them.

The United States Department of State recently issued a report criticizing Latvia for, among other things, poor prison conditions, a weak judicial system, and widespread corruption. Has your government responded to these criticisms?

My government's been working on it for years. [But] our prison system, for instance, is one of the sad inheritances we have from Soviet times. And Lord knows, sitting in a Soviet prison wasn't exactly a piece of cake. Latvia has been investing huge amounts of money in trying to bring the standard of living in our prisons to some kind of more humane level. We are grateful for the collaboration we have had from other friendly countries and from the Soros Foundation. . . . I think that when we join the European Union we will have to answer to the standards required by the European Union—so many square meters per prisoner and so on. This will require very heavy investments; it's going to be very costly for the Latvian government to bring these up to standard.

Corruption is a widespread phenomenon in all postcommunist countries, including ours. We are fighting—the public is becoming increasingly aware of the problem and there is widespread discussion in public about it.

There are those who say the Baltics are the East of the West, while Russia has traditionally viewed them as the West of the East. Where do Latvia and the other Baltic nations belong in your view?

I think that they belong to where they've been historically, for 800 years and more. And that means with the rest of Europe. ■