



Political State of the **Region Report**

Baltic Sea Neighbourhoods
– A Mega-Region in Progress?

2014



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Political State of the Region Report 2014

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Foreword by Urmas Paet

Foreign Minister of Estonia

Challenging Times for Our Region

It has been a busy time for Estonia in regard to regional cooperation. Since January, Estonia is the chair of the Baltic Cooperation, both in the Baltic Assembly and the Baltic Council of Ministers. Estonia also commenced its yearlong role as coordinator of the regional co-operation 'Nordic-Baltic Eight' in January. Estonia's demanding chairmanship of the Council of the Baltic Sea States will start in July and last until June 2015. Furthermore, Estonia will assume its role as the chairing country in the thematic cooperation organisations Helcom and Vasab in July. During the second half of this year, Estonia coordinates the work of National Contact points of the EU Strategy for the Baltic Sea Region. Finland, Russia, and Estonia have started the Gulf of Finland Year 2014. To sum it up, 2014 is a Baltic Sea Year for Estonia.

Today, we can say that 2014 is not a year of business as usual for our region. For the first time ever, the CBSS political level event meeting of the Prime Ministers has been cancelled. Russia, one of the Member States of the Council of the Baltic Sea States, has just annexed a part of the territory of an observer state to the organisation.

There are also continuous economic and social challenges. Our region as a whole is growing slower than we would like to see. Long term unemployment and other social problems remain on the agenda. Our societies must be ready to accept painful reforms; some elements of our welfare state are simply not working.

This report reflects how our societies search for political answers to the challenges of today. It is not possible to just sit down and wait for better times.

Estonia has a strong interest in promoting regional cooperation – we are both benefiting

and contributing. Thus, we try to use our chairmanships to serve shared interests in the region, facilitate problem-solving, and create opportunities for stakeholders. We try to be pragmatic and practical, to build up from the level that has been reached during the previous presidencies and to serve common cause.

After Finland, Estonia takes over the presidency of The Council of the Baltic Sea States (CBSS). We hope to have two important new documents as achievements of the Finnish presidency. One reflects the work to implement the long-time document titled "A vision for the Baltic Sea Region by 2020", which was adopted in Vilnius 2010. The second document reviews the priorities of the CBSS from the Summit 2008 in Riga, and we intend to establish three long-term priority areas- Regional Identity, Sustainable and Prosperous Region and Safe and Secure Region. Our Presidency period will mainly focus on fulfilling these basic documents. We also hope to see first clear results from the CBSS Project Support Fund, which hopefully speeds up international cooperation in divers' fields.

The Baltic Sea Region has all the potential to be a strong player in the world's economy and an example to other parts of the world in many areas. People with a good vision about the future must put our cooperation potential into practice. Regular BDF reports about our region's political and economic development are an important tool to support the creation of that vision.



Urmas Paet
Foreign Minister of Estonia

Foreword by Dagfinn Høybråten

Secretary General of the Nordic Council of Ministers

With the fourth Political State of the Region Report, the Baltic Development Forum think tank has once again raised issues of high relevance for the Baltic Sea Region. As Secretary General of the Nordic Council of Ministers (NCM) and as a sponsor of the report, I welcome that the Political State of the Region Report this year focuses on the neighbourhood of our common region, including the Eastern Partnership countries and the Arctic region.

The importance of the Baltic Sea Region co-operation has increased in the recent years. The EU Strategy for the Baltic Sea Region (EUSBSR) has given new impetus to the activities of regional co-operation organisations, such as the Baltic Development Forum, the Council of the Baltic Sea States and NCM. The NCM has, since 1991, co-operated closely with the three Baltic countries and from the mid-1990s onwards with the regions of Northwest Russia as well. With the EUSBSR, the NCM has also extended its Nordic and Baltic networks to Poland and Germany. Since the launch of the Strategy, the NCM has engaged in various flagship projects; since 2013 it has, together with Council of the Baltic Sea States, taken leadership of the Horizontal Action on sustainable development and bio-economy.

The co-operation with the regions of Northwest Russia is, in my view, important for the overall regional stability and for engaging Russia as a partner in this regional co-operation. Through its office in Northwest Russia, the NCM strives to engage regional Russian partners in EUSBSR, where relevant. In addition, the NCM contributes

to the Northern Dimension (ND) with activities within three of the four ND partnerships.

Belarus, which is a neighbour of the Baltic Sea Region, is also important to the NCM. Since 2005, the NCM has worked to support the Belarusian university-in-exile in Vilnius, the European Humanities University. On behalf of the EU, the NCM is implementing two major projects to support the education of young Belarusians in Europe, as well as support to the civil society.

The co-operation in the Arctic region is a cornerstone of the NCM's international co-operation. The Nordic countries hope that the new opportunities in the Arctic will be utilised with respect for the environment and the living conditions of the peoples of the Arctic. I therefore welcome that the Political State of the Region Report includes a chapter on how the Arctic region can benefit from the experiences of co-operation in the Baltic Sea Region.

This year's Political State of the Region Report is an important contribution to the discussions on the co-operation among the neighbours of the Baltic Sea Region. I encourage you to read the report thoroughly and discuss it with your colleagues with the aim of applying its lessons to the progress of the region.



Dagfinn Høybråten,
Secretary General
Nordic Council of Ministers

Editors' Foreword

The Baltic Sea Region remains an interesting and challenging area, not only for policy-makers, but also for researchers. Its promotion as a European macro-region, the launch and implementation of the EU Strategy for the Baltic Sea Region and its comparatively successful way of dealing with the European economic crisis have marked the Baltic Sea Region as an innovative and progressive area. Certain European developments and trends start exactly here. Since these processes of transformation and co-operation have, for the most part, not been concluded but are still work in progress, there is the possibility of and need for input and fresh ideas from the academic world. The ongoing crisis in Ukraine also creates a challenge for the Baltic Sea Region, making it necessary to contemplate its possible consequences for regional co-operation involving Russia. With this in mind, the aim of Deep Water is to contribute with its expert knowledge to the continuously necessary monitoring and analysis of regional developments

The Political State of the Region Report is an attempt to make such a contribution and to provide such input. We launched the first Report in Gdansk in October 2011, the second in Copenhagen in June 2012, and the third in Riga in May 2013. Now, we are glad to be able to present the fourth Report. It contains assessments of various issue areas and specific themes relevant to the Baltic Sea Region with a particular focus on the region's neighbourhoods (Russia and Eastern Europe, the Arctic, and the Nordic region). The recent events in Ukraine and Russia added a special topicality to this focus, but also to some extent changed the initial direction and contents of some of the report's chapters. The chapters primarily reflect the views of the individual authors and not necessarily those of the editors and sponsors.

We would like to thank our authors for their valuable contributions and their efforts. We owe special thanks to Hans Brask, Lars Grønberg, Christian Rebhan and Anna-Lena Pohl for their valuable help and input in the editing and review process. We are indebted to Daniel Müller of the BDF for all of his technical support during the editing process and to Peter Dowdy for the proofreading. In the name of everyone who has contributed to the report, we would also like to express our gratitude for the support of the Baltic Development Forum, the Nordic Council of Ministers, the Estonian Institute for International Affairs, the Department of Northern European Studies at Humboldt University (Berlin) and the German Institute for International and Security Affairs (SWP Berlin). We hope that this report proves persuasive to responsible persons and decision makers, and creates the possibility of future work.

Berlin, in May 2014



A handwritten signature in dark ink, appearing to read 'B. Henningsen'.



A handwritten signature in dark ink, appearing to read 'Tobias Etzold'.



A handwritten signature in dark ink, appearing to read 'C. Opitz'.

Bernd Henningsen, Tobias Etzold, Christian Opitz

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List of Acronyms

AC	Arctic Council	HDI	Human Development Index
BASREC	Baltic Sea Region Energy Cooperation	HELCOM	Helsinki Commission
BEAC	Barents Euro Arctic Council	HE&R	Higher Education and Research
BEN	Baltic Euroregional Network	HLE	Healthy Life Expectancy
BSPC	Baltic Sea Parliamentary Conference	ICT	Information and Communication Technology
BSR	Baltic Sea Region	IMF	International Monetary Fund
BSRUN	Baltic Sea Regional University Network	LLL	Lifelong Learning
		MOOCs	Massive On-line Open Courses
CBSS	Council of the Baltic Sea States	NATO	North Atlantic Treaty Organisation
CFSP	Common Foreign and Security Policy	NB8	Nordic-Baltic 8
		NC	Nordic Council
DCFTA	Deep and Comprehensive Free Trade Area	NCM	Nordic Council of Ministers
		ND	Northern Dimension
EaP	EU Eastern Partnership	NDAP	Northern Dimension Action Plan
EAM	Ecosystem Approach to Management	NDEP	Northern Dimension Environment Partnership
ECEAP	Estonian Centre of Eastern Partnership	NDI	Northern Dimension Initiative
EDP	Excessive Deficit Procedure	NDPC	Northern Dimension Partnership for Culture
EEA	European Economic Area	NDPHS	Northern Dimension Partnership on Public Health and Social Wellbeing
ENP	European Neighbourhood Policy	NDPTL	Northern Dimension Partnership on Transport and Logistics
ENI	European Neighbourhood Instrument	NUAS	Nordic Association of University Administrators
ERDF	European Regional Development Fund		
ESM	European Stability Mechanism	TFR	Total Fertility Rate
ESS	European Spallation Source	UBC	Union of Baltic Cities
ETC	European Territorial Cooperation	UEFA	Union of European Football Associations
EU	European Union	UN	United Nations
EUSBSR	European Union Strategy for the Baltic Sea Region	UNCLOS	United Nations' Convention of the Law of Seas
EUS	EU Strategy	VASAB	Vision and Strategy around the Baltic Sea
FIFA	Federation Internationale de Football Associations		
GDR	German Democratic Republic		

Executive Summary and Introduction

Christian Opitz



2014 marks the 10th anniversary of some historic enlargements, which saw the entry of eight Central and Eastern European countries into the European Union (EU) and NATO. In many ways, the incremental institutionalisation of the co-operation in the Baltic Sea Region (BSR) since the early 1990s had paved the way and, in turn, been further facilitated by this milestone. Even the tricky yet desired process of involving Russia has made steady progress, thanks to an inherently pragmatic approach of seeking common solutions for common problems, circumventing the obvious pitfall of divisive politicisation. Striving for an ever closer structural and normative alignment, the BSR thus seemed to be destined to thrive on stability and prosperity.

But 2014 also reminded us again how inter-linked the BSR is with developments elsewhere on the European continent. Instead of actively diffusing ideas of co-operation and stability, the region has had to struggle with contagious trends of potential or actual confrontation in its proximity, be it in the East or the North. In light of this unsettled environment, we have chosen the term 'Neighbourhoods' as the overall theme of the Political State of the Region Report 2014. This year's contributions in particular aim to shed light on current developments in the BSR by illuminating the interactions with its dynamic neighbourhoods. What are the main external challenges, and in which ways do they affect the region and its member states? Conversely, what opportunities might there be amidst the upheaval, and how could these be seized in order to advance the BSR project as a 'Mega-Region in Progress'?

Moreover, the BSR has shown that common problems can be solved in pragmatic ways when there is a will to co-operate and overcome historical divides, all without forgetting the past. The region is rightly recognised as a model for

cross-border convergence and co-operation in numerous areas. The Political State of the Region Report 2014 will therefore also outline if and how the BSR can provide inspiration in other contexts. In light of historical and new fault lines emerging across the continent, what lessons does the region offer for neighbourhoods in Europe and beyond?

Challenging Neighbourhoods

The developments surrounding the crisis in Ukraine is, without a doubt, the greatest challenge for the future of co-operation in the region. Russia's annexation of the Crimean peninsula fuelled suspicion and a feeling of insecurity, particularly but not only among the former Soviet republics in the Baltic. The Baltic States have called upon NATO to provide hard security assistance. Poland has turned up its rhetoric vis-à-vis Russia. Politicians in Sweden and Finland have rekindled discussions about joining the military alliance. Several governments throughout the region have considered or already taken actions to increase their military budget again. The overall climate in the BSR for including all riparian states based on amity seems to have cooled down considerably.

How, then, can the BSR bridge the widening gap between Europe and Russia? With few options seemingly remaining, **Andrey Makarychev** and **Alexandra Yatsyk** introduce a potential field of co-operation, in the form of mega-events in Russia. Their chapter discusses identity politics in light of the FIFA World Cup 2018 in St. Petersburg and Kaliningrad. These mega-events could be a way to facilitate international and thus Europe-friendly branding strategies in the two cities. The authors ascribe to the BSR neighbours a special role in the contested identity processes that could possibly transform into broader social changes supporting meaningful intra-regional co-operation.

Regarding the wider neighbourhood, the various countries geographically situated between the EU and Russia may be ideally suited for linking the poles, both literally and politically. Against this background, the chapter by **Mindaugas Jurkynas** and **Toms Rostoks** deals with the role of the Baltic States regarding the Eastern Partnership. The authors characterise Estonia, Latvia and Lithuania generally as strong supporters of the policy, although a closer inspection reveals national differences. Especially since there is now an obvious and urgent need to rethink the Eastern Partnership, their recommendation should be of particular interest for Baltic policy-makers.

Another neighbourhood of the BSR has certainly come under the spotlight: the Arctic. While this region has so far remained peaceful, global impacts and attractions may endanger the stability in the future. **Lassi Heininen** and **Lidia Puka** therefore ask whether the countries and institutions of the BSR as a whole can afford to stick to their hitherto rather passive role. Their chapter explores the pressing questions of if and how the Arctic and Baltic Sea regions can learn from each other and strengthen their co-operation.

Connecting Neighbourhoods

In the relationships between the BSR and its Eastern and Northern neighbourhoods, the EU naturally looms large. Slowly recovering from the deep-seated economic and financial crises of the past years, the Union is still seeking its inner balance and optimal readjustment. Deepening the connections with non-EU neighbours might promote political and financial coherence, as well as unleash new dynamics. **Kimmo Elo** takes up this issue in his discussion on networks within the EU Strategy for the Baltic Sea Region. Various links of energy, economy and policies draw a picture of a densely networked system in which the BSR could act as the key regional hub in the European North. However, Elo maintains that concerted efforts are needed to streamline the existing diversity of macro-regional programmes.

Historic and current experiences in the BSR may also help the EU to address internal cleavages that have been exacerbated by the sovereign-debt crisis. **Fabrizio Tassinari** traces lessons that could be drawn from the trajectory of the Baltic

States to set the struggling countries in Southern Europe back on track towards recovery. After all, the current North-South gap is reminiscent of the historic East-West rapprochement in the BSR and points to questions of political and economic convergence. While being mindful of the limited transferability of this event, his chapter offers a spatial and temporal contextualisation of present tensions within the EU.

Internal neighbourhoods

If the BSR strives to be (come) a relevant actor in its neighbourhoods, its different national and institutional actors need to capitalise on the driving forces that constitute it as a mega-region in process. The principal leaders for broadening and deepening the BSR co-operation have traditionally been the Nordic countries, especially in the form of joint Nordic institutions. **Tobias Etzold** analyses the role of the Nordic Council and the Nordic Council of Ministers for advancing the regional institutional system and implementing regional EU policies. However, too much potential for regional integration is still wasted due to the friction caused by the undertaking of a set of similar but partially overlapping programmes. His chapter therefore highlights options for co-ordinating the different approaches in order to generate added value for the region as a whole.

However, politics have not and are not the only means towards BSR integration. Equally, if not more important are the relationships between non-state actors in specific issue areas. In this regard, **Paula Lindroos** and **Kazimierz Musiał** present the educational and research dimension of BSR co-operation. Their chapter draws an overview of the multitude of collaborations between knowledge-based institutions and others. At the same time, the authors point towards a number of unexplored approaches for creating a true 'Learning Region' for increased regional cohesion.

The concept of life learning is particularly relevant in light of the ageing societies in many countries of the BSR. **Pēteris Zvidriņš** and **Atis Bērziņš** portray this and many other demographic trends in the Region. Based on rich empirical data, the authors recommend taking these developments seriously, as they challenge current economic and social constitutions.

Overview of major national developments in the BSR

Unlike in the Political State of the Region Reports of 2011 and 2013, this year's report focuses on the aforementioned wider regional developments and does not include country chapters. The following section, however, offers a brief and concise overview of some major domestic events in the BSR. It focuses on those countries that held national elections or saw a relevant government change since the last Political State of the Region Report in May 2013.

Denmark

Danish politics under Prime Minister Helle Thorning-Schmidt have continued to be very volatile. In light of disastrous opinion polls for her Social Democrats, Thorning-Schmidt reshuffled her cabinet twice in 2013. Moreover, in January 2014 the Socialist People's Party resigned from the government following the contested sale of a stake of the country's largest state energy company to a US investment bank. Consisting only of the remaining Social Democrats and the Danish Social Liberal Party, Thorning-Schmidt and her minority coalition depend heavily on the support of like-minded parties in the parliament for pursuing their agenda.

Estonia

In February 2014, Estonian Prime Minister Andrus Ansip declared that he would step down one year before the next scheduled election. In his place, European Commissioner Siim Kallas started negotiations on behalf of the ruling Reform Party to form a new government with the Social Democratic Party. After Kallas surprisingly resigned as a candidate due to increasing public scrutiny into his early career, Minister of Social Affairs Taavi Rõivas was nominated as the next Prime Minister. With the signing of a coalition agreement between the Reform and Social Democratic parties in March, Rõivas became the youngest head of government in the EU.

Finland

Once hailed as the beacon of financial stability in Europe, Finland currently faces serious

economic challenges. In September 2013, Finland's national symbol and former world's largest mobile phone company Nokia was sold to US competitor Microsoft. These woes also affected Prime Minister Jyrki Katainen's uneasy coalition of six parties. Following the adoption of a disputed programme of heavy spending cuts and tax increases, the Left Alliance withdrew from the cabinet in March 2014. Only one month later, Katainen announced that he would resign as Prime Minister and chairman of the leading National Coalition Party, citing his interest in an international task.

Germany

In September 2013, all eyes within the BSR and Europe at large were on Germany, as one of the continent's most powerful states voted on a new parliament. Incumbent Angela Merkel and her Christian Democratic Union/Christian Social Union won by a large margin and acquired a third term as chancellor. However, their former junior partner, the Free Democrats, failed to obtain at least 5% of the votes for the first time in post-war Germany. After long negotiations with the main opposition party the Social Democrats, the new grand coalition took office in December. Since the eurosceptic party, Alternative for Germany, also barely missed the vote threshold, the parliament comprises only four parties, with The Left and Green parties as small opposition.

Iceland

Following the parliamentary election in April 2013, Iceland has been ruled by Prime Minister Sigmundur Davíð Gunnlaugsson, who is backed by the centre-right coalition of Independence Party and Progressive Party. Initially the new government halted the country's membership negotiations with the European Union. In February 2014, the ruling parties submitted a bill to parliament through which the EU application was to be withdrawn formally. Contradicting a previously promised inclusion of the public, this decision sparked widespread demonstrations. Opinion polls and online petitions showed massive support for holding a referendum on this matter. At the time of this writing, the protests continue.



Latvia

On November 27th, 2013, Latvia experienced one of its darkest days since its independence, when a collapsing supermarket roof in Riga killed 54 people. In the aftermath of the tragedy, Prime Minister Valdis Dombrovskis resigned and declared that a new government would need broad support from the parliament. In January 2014, Minister of Agriculture Laimdota Straujuma was nominated to replace Dombrovskis. Heading a coalition of four parties, Straujuma became the first female Prime Minister of Latvia.

Norway

In September 2013, about 3.6 million Norwegians decided on a new parliament. The election saw the loss of the incumbent government coalition under Prime Minister Jens Stoltenberg, although his Labour Party regained the most votes. However, the four opposition centre-right parties won the majority of parliamentary seats.

Erna Solberg was subsequently sworn into office, heading a minority coalition of the Conservative Party and Progress Party with the parliamentary support of the Liberal and Christian Democratic parties. Led by Finance Minister Siv Jensen, the Progress Party is the first right-wing party in Scandinavia to formally participate in a government.

Final Remarks

The Political State of the Region Report 2014 cannot address every worthwhile question, especially in light of the volatility of national and international events. Nevertheless, the following chapters will take up a wide range of relevant issues that portray, with great detail, the BSR as deeply embedded in its neighbourhoods. The conclusions at the end of this Report will more generally scrutinise this colourful painting and offer an outlook on the future of the BSR that is situated in its regional and international contexts.

Mega-Events, City Branding, and Soft Power: The Cases of St. Petersburg and Kaliningrad

Andrey Makarychev & Alexandra Yatsyk



Introduction

One of the most visible facets of Russia's globalisation is its growing participation in the world-

wide calendars of sports mega-events. In July 2013, Kazan was the host city for the Universiade; in February 2014 Sochi hosted the winter Olympics, and a dozen Russian cities are preparing for the World Football Cup in 2018. Evidently, the contexts in which these world-scale events are discussed are much wider than the sports themselves. They encompass a wide array of social and political issues, including new patterns of socialisation and communication that turn mega-events into multilayered interfaces between various actors.

In this paper we focus on two Baltic cities – St. Petersburg and Kaliningrad – which are to co-host the FIFA World Cup in 2018. Unlike Western nations and cities with relatively well-established identities, most of the mega-event hosts in Russia have much less recognisable international profiles. Thus, are keen on investing cultural and symbolic resources in developing their (re)branding strategies and looking for new pathways to reach global audiences.

Hosting mega-events is a challenge for sub-national units, which have to develop strategies to keep a balance between global administrative and commercial requirements, on the one hand, and national commitments and loyalties, on the other. The key issue we are going to tackle in this essay is whether the FIFA 2018 Cup will be used for developing Europe-friendly branding strategies for Kaliningrad and St. Petersburg, or, con-

versely, if these two cities are more likely to plug into the narrative of Russian geopolitical grandeur which is dominant in Moscow. A concomitant and closely related question is whether those branding strategies would be able to foster social changes in the two cities and make them better partners for Baltic neighbours.

The current state of affairs and recent developments

Issues at stake. In recent years the global industry of sports mega-events went through a profound shift that affected the Baltic Sea Region as well: with a number of EU-based cities (like Hamburg, Munich and Stockholm) having dropped their bids to host the Olympics, mega-events are moving eastwards, including to Russia. A particular manifestation of this new trend is the FIFA World Cup 2018 in a dozen of Russian cities. This shift implies not only opening new markets for city branding and investments in tourist infrastructure in the East (including Eastern Europe), but also new possibilities for overcoming the East-West cultural and political divides.

The geographical location of St. Petersburg and Kaliningrad in the Baltic Sea Region, at the borders of Russia and Europe, is particularly important in this respect. Both cities are situated in a region where 'a revived Russia' and 'an uncertain EU' (Archer and Etzold, 2010) increasingly disengage from each other politically and in terms of security, yet are closely interconnected economically.

On the one hand, mega-events can erase political and administrative borders, and promote host cities' openness to the global world. For the

Russian co-hosts, mega-events may be a means to overcome their relatively peripheral position in the European milieu. On the other hand, mega-events might exacerbate existing normative divisions or create new dividing lines. Non-democratic hosts may face critical reactions from the EU accusing them of human rights violations, corruption, low environmental standards, etc. That is why one should not overrate the transformational potential of mega-events. Experts maintain that in most cases the effectiveness of sports to promote positive social change has been minimal (Lyras and Peachey, 2011). Besides, as critics say, hosting the FIFA Cup is a serious challenge to local budgets, which can entail a worsening of the financial sustainability of host cities and regions.

In global sports, international organisations are not necessarily supportive of democratic participation at a grass-roots level (Friedman and Andrews, 2010). Global sports institutions are more concerned with providing security (through systems of surveillance and control) and developing an entertainment industry than with responding to local social or cultural demands (Dean, 2008). The experiences of many host cities suggest that mega-events make decision-making less democratic and less transparent, 'whilst crucially they tend to be in the interests of global flows rather than local communities'. Ultimately, 'the end result is a global form of consumption in which the unified principles of peace, youth and diversity are usurped by the needs of a media-driven conception of global consumption' (Miles, 2010). Distributional inequalities are also among the negative effects of mega-events, as in non-democratic countries mega-events prompt shifts of public funds into private hands (Soja, 2010).

Experiences from Lviv, Kazan and Sochi.

As co-hosts of the FIFA World Cup in 2018, St. Petersburg and Kaliningrad need to take into account the experiences of a series of previous mega-events in Eastern Europe – in particular, the UEFA Cup co-hosted by Ukraine and Poland in 2012, the Universiade 2013 in Kazan, and the Olympics in Sochi in 2014.

Lessons from the UEFA championship are quite ambiguous. On the one hand, they suggest that mega-events can reduce the regulatory rigour of borders between an EU member state and a neighbour. The experience of the city of Lviv,

with its strong Austrian and Polish legacies, can be used as a particular example of an inclusive cross-border branding strategy relying on the permeability of borders. It was of fundamental importance that the Euro 2012 contained an intense cultural programme aimed at increasing the visibility of the event and reaching wider international audiences. This experience is especially pertinent for Kaliningrad, with its potential for synthesising cultural resources and capitalising on various trans-border projects. Yet on the other hand, the Euro 2012, instead of bringing Ukraine closer to Europe, has only enhanced the portrayal of this country – in particular, by the German media – as corrupt, socially unjust and violating human rights, and thus far from ready to embrace European social and political norms.

The key lesson from the Universiade 2013, held in Kazan, is that while even being part of the 'vertical of power' controlled by the Kremlin, regions like Tatarstan can take advantage of mega-events to raise their domestic and international profiles. The Russian Sports Minister has dubbed the Universiade in Kazan a model for all cities to host the FIFA World Cup. The sports programme in Kazan, accompanied by a rich 'Cultural Universiade', was instrumental in globally promoting this region through a variety of artistic, musical, theatrical and other representations and performances aimed at emphasising regional distinctiveness (Kazan, 2013).

Economically, regional hosts can also extract some practical benefits from mega-events, launching large-scale projects consonant with the Kremlin-supported strategy of modernising Russia's economy. Examples in Tatarstan are Innopolis (a high-tech innovation city-satellite within the Kazan agglomeration) and – though delayed for the time being – the project of the Moscow-Kazan high-speed railway. Both Kaliningrad and St. Petersburg, with their distinct identity profiles and a history of bargaining with Moscow over administrative functions and prerogatives, can also benefit from hosting the FIFA Cup by both better representing themselves internationally and gaining materially from the federal centre's resources.

The lessons to be drawn from the Sochi Olympics are less celebratory. Arguably, the most consequential among them is a series of legal chang-

es that discontinued the functioning of a number of Russian laws and toughened state control over urban rezoning, facilitated evictions, and invalidated public elements (such as environmental expertise) in city planning. The federal law adopted in December 2007 imposed restrictions during the Olympics on advertising, public meetings, transportation of vehicles, movement of people, and alcohol and drug consumption. It abolished public hearings for Olympic construction works (which is especially deplorable for environmental groups), introduced an unnecessary submission of regular documentation for the starting phase of technical expertise and for previously agreed-upon infrastructural projects related to the Games, and cancelled the registration of decisions on land expropriation for the purpose of building the Sochi Olympic facilities in state organs. Additionally, the law introduced exceptional privileges for the International Olympic Committee and its employees, who are not required to pay taxes in Russia over the course of the Olympic preparations. Further, they were exempted from obtaining work permits and their visas and residence permits were issued gratis. All this implies that the 'state of exception' appears to be one of the tenets of Putin's regime. Moreover, a structural condition for Russia's inclusion in major international sports bodies was established.

The law signed by President Putin introduced even harsher legal measures for the 2018 FIFA World Football Cup. While the law formally aims at raising managerial effectiveness and security, it in fact opens up new opportunities for authoritarian rule. The practice of depriving people of their land property can be intentionally turned into a routine and extended to other regions which are to host major sports events in the years to come. Some civil activists expect that the deplorable Sochi experience of de facto depriving people of their houses might be repeated under different pretexts in other regions.

Future perspectives ***Controversies of Federal Policies***

For the Kremlin the FIFA World Cup, as other mega-events, is a double-edged phenomenon. First, it is a means for mass-scale redistribution of financial resources and, indirectly, compe-

tences and loyalties among power holders. On the other hand, it is a playground for ideological articulations aimed at sustaining the Kremlin's triumphalist discourse of national glory and policy of state-sponsored patriotism. The Kremlin will definitely keep viewing mega-events as essential elements of its soft power strategy aimed at confirming Russia as a reliable great power capable of organising major global events. This might be particularly important after the de facto expulsion of Russia from the G8 in the aftermath of the annexation of Crimea during the crisis in Ukraine.

The reverse side – which is very unfortunate – of the rising nationalism in Russia is Moscow's voluntary self-detachment from Europe. A draft proposal for the new Concept of the Culture Policy explicitly suggests that Russia is not part of Europe, which implies that ideas of multi-culturalism and tolerance are not welcome any more in Russia. The de-Europeanisation of Russia might be particularly sensitive for its westernmost territories, including St. Petersburg and Kaliningrad, with identities that are deeply rooted in a European cultural milieu. In particular, the initiative of 'Lithuanian cultural autonomy' (an organisation of local citizens of Lithuanian descent) to establish a 'People's Friendship House' in Kaliningrad as part of the World Cup programme is definitely a step meant to counter-balance the cultural unification trend fostered by the central government. In a possible situation of sharpening identity debate within the country, the experiences of Russian Baltic cities might serve as a convincing argument supporting the advocates of Russia's belonging to European cultural traditions. This can be done by strengthening the trans-border and thus pro-European components in a variety of cultural events that are to be part of the FIFA Cup.

The rise of ideological arguments might result in controversial effects on the Kremlin's economic policies. In this regard, in March 2014 Vladimir Yakunin, the head of 'Russian Railways' – one of the major state corporations – suggested that Russia has to relinquish its economic and financial orientation towards Europe, which propagates norms 'alien to Russian values'. Instead, he called for reorienting major economic trans-border projects from the European part of Russia to

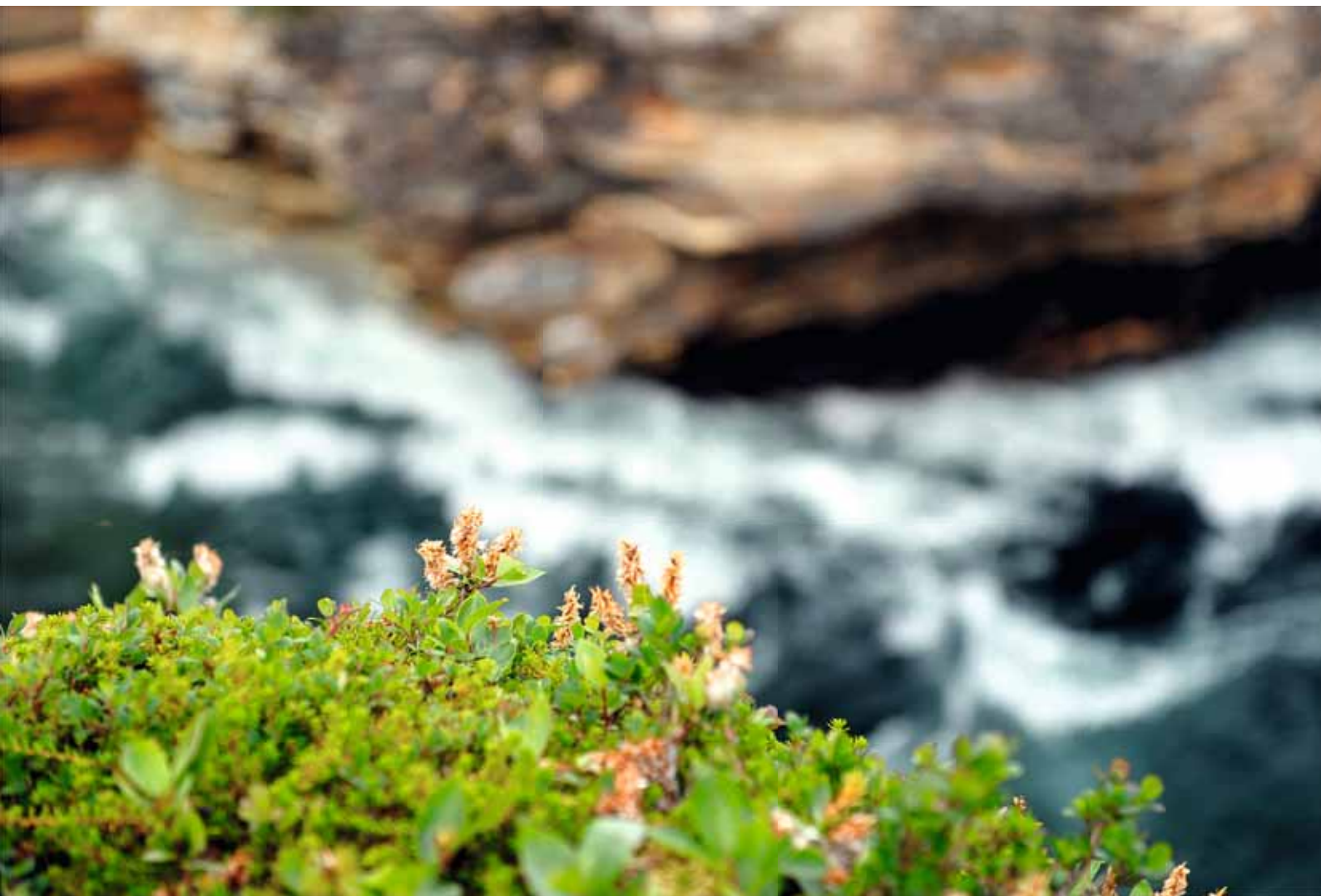
its east. Given the heavy involvement of 'Russian Railways' in upgrading the transportation system in Russia's north-west, including St. Petersburg, the politicisation of Russian economic policy might create uncertainty for European investors and damage the financial sustainability of the prospective upgrading of the regional transportation system.

Hosts' perspectives

Mega-events provide opportunities for St. Petersburg and Kaliningrad to raise their global profiles and improve their competitive advantages, as well as enhance cooperation with Baltic neighbours.

Technical and economical issues. St. Petersburg and Kaliningrad form a north-western cluster of co-hosts of the FIFA 2018 World Cup. By most accounts St. Petersburg is much more devel-

oped in infrastructural terms. It is the only city beyond Moscow that is placed in the category of 'transportation hubs' by the Concept of Transportation Service for the FIFA 2018 World Cup. According to the Concept, St. Petersburg is assessed as having a 'high level' of hotel room availability, while Kaliningrad's level is graded as 'low'. Air traffic infrastructure of St. Petersburg falls into category 1 (the highest technical level), while Kaliningrad finds itself only in a lower category 2, which requires some upgrading. Transportation capabilities for St. Petersburg are appraised between 'good' and 'high' (depending on the type of transport), while for Kaliningrad it is between 'low' and 'good'. Both cities, being Baltic ports, suffer from antiquated sea vessels (the average age of exploitation exceeds 38 years), which makes their relatively fast renovation highly dubious. This is particularly regretful due to the fact



that the Baltic Sea is known as the most intense in the world for the density of ferry lines and the growth rate of passenger flows.

The weakest link in St. Petersburg's infrastructure is the decade-long procrastination of the construction of a new stadium, which started in 2004 and yet remains unfinished. However, St. Petersburg was considering a bid for Euro 2020 and the Olympics in 2024, which attests to the need for drastic modernisation of its economy which is unthinkable, without European investments and technologies.

The same applies to Kaliningrad. On the one hand, 'with Kaliningrad's one-sided economic specialisation to meet demands from the mainland, incentives for the business to adapt to European norms are dim' (Gänzle and Muntel, 2011). This especially pertains to those local businesses that are impeded by the costs of adapting to a different legal environment, border and language barriers, etc. Yet on the other hand, regional businesses lean toward the European market, which is seen as more promising by those business operators who expect to take advantage of EU-promoted special development programmes and neighbourhood initiatives, and to get better access to EU retail markets and tourist infrastructure (Gareev, 2013). Foreign investors are also enthusiastic about investing in building the football infrastructure in Kaliningrad using the incentives stipulated by the Special Economic Zone. Even at the peak of political conflict between Russia and the West, the chief executives of major German corporations have publicly announced that their corporations will keep doing business with Russia as usual. This, in particular, includes huge contracts for Siemens in transportation and communications related to the FIFA event.

Issues of cultural identity. Both Kaliningrad and St. Petersburg touted the World Cup as an additional chance for cementing their reputation as the most Europeanised cities in Russia. The key problem is whether it would be possible to inscribe representations of the Baltic – and in a wider sense European – identities of St. Petersburg and Kaliningrad into their branding strategies.

There are studies suggesting that regional identities can, in principle, be expressed by means of sports games (Marschik, 2001). Yet in Kalinin-

grad there was always a conflict between a more pro-European identity of this region and a more nationalist Moscow, which is often insensitive to the local demands for developing trans-border neighbourhood links with Germany, Poland and Lithuania. The federal centre tends to use Kaliningrad for 'international politicking rather than assisting with developing its interests' (Berger and Holtom, 2008). There are risks that, due to the resurrection of Cold War rhetoric, Moscow may again view Kaliningrad as a 'forward base' in its power balancing with the West instead of developing the region's trans-border potentialities (Nieto, 2011).

In previous years, Kaliningrad has used festivities – like, for example, the celebration of its 750th anniversary – to display its cultural belonging to Europe. The governor Nikolay Tsukanov suggested that the FIFA Cup in 2018 give an even stronger impetus to this region's development by taking advantage of learning from countries like Poland, Ukraine and Germany. In preparation for the FIFA Cup a group of local architects 'Ar-Deko' has started accumulating the experiences of previous football tournaments, including the UEFA Cup co-hosted by Ukraine, for developing art projects based on local cultural and historical traditions. The FIFA Cup is not only about football games, but also about Fan Festival, football film festival, and a variety of cultural events aimed at placing Kaliningrad in a comparative perspective with successful hosts of previous sport mega-events in Europe, like Barcelona or London. In most successful global cities, sports become an inalienable part of other large-scale events that constitute foundations for their global positioning and marketable images. In particular, the new international forum 'Kaliningrad-2018' can become a pertinent platform for marketing business opportunities unfolding in this city, along with the Northern Dimension Business Council and the Baltic Development Forum. It is also advisable that a series of Baltic-Russia Youth Forums and the German-Polish-Russian dialogues also focus on emerging trans-border urban strategies, which will require policy co-ordination among multiple regional actors.

Conclusions and recommendations

Against the background of the shrinking space for political dialogue between Russia and most European countries, regional platforms remain one of the few possible places for cross-border communication. Mega-events, such as the FIFA World Cup, are projects in which Russia will certainly need a positive interaction with its neighbours. Due to their geographical location and a long legacy of dialogue with Europe, Kaliningrad and St. Petersburg are front-runners in moulding communicative spaces where regional, national and trans-national identities are articulated. It is quite telling that the preparation for FIFA World Cup has reinvigorated old identity debates in both cities, as exemplified by the activities of local groups advocating Kaliningrad's return to its historical name of *Königsberg* and turning St. Petersburg into Russia's capital.

In a practical sense, Kaliningrad and St. Petersburg are preparing for growing flows of tourists in 2018 that would be able, according to a Presidential decree, to travel to Russia without visas to attend mega-events. This may generate a multi-billion industry to include transportation, hospitality, travel, design and consultancy, and the production of 'images' of global tourist sites which circulate through conventional and new forms of media. Mega-events are definitely good opportunities for corporate business from European countries, including its Baltic Sea partners. It is obvious, for instance, that Russia does need European – and more specifically German – expertise and know-how to organise the FIFA World Football Cup of 2018. Yet it would be advisable for Russia's business partners to prioritise investments in those sectors that are likely to bring bigger social effects, like public-private partnership (which is part of Russia's priorities during its G20 chairmanship), higher transparency standards, or developing the IT sphere.

It is partly due to its hosting of mega-projects that Russia has to act in accordance with the logic of globalisation in terms of its marketing and territorial branding, urban renovation projects, trans-national communication and information strategies. Mega-events make it clear that their overall potential cannot be fully materialised without maintaining the openness of the country to the West.

At the domestic level, large-scale sports tournaments require legions of volunteers – but, as international experience suggests, they cannot function in a sustainable way without robust civil society institutions. Urban planning cannot be effective without top-level city managers, which presupposes a certain autonomy of municipal authorities that is deficient throughout Russia. Large infrastructure construction projects are likely to be unsustainable without independent environmental expertise that, again, requires strong contributions from NGOs – evidently, with strong international linkages that have to be encouraged, not suppressed. In particular, the Baltic Sea NGO Forum can be an important voice in this respect.

In the four years until 2018 it is important to encourage debates on the issues of social equality and inclusion, tolerance and diversity, and local participation. If related to specific mega-events, these debates might avoid mutual recriminations and excessive politicisation. At the same time, undemocratic practices can be contested from many perspectives, including human rights activists, minority protection groups, environmental organisations, etc. Most of them are normatively driven and address specific issues (the state of ecology, treatment of migrants, corruption, animal protection, etc.). It would certainly be in the best interests of Baltic Sea countries to support these debates for strengthening European aspirations in the two cities next door to Europe.

Kaliningrad:

Estimated investments needed
– 33.5 billion RUR
Estimated number of fan zone visitors
– 300,000
Number of games - 5

St. Petersburg:

Estimated investments needed
– 78 billion RUR
Estimated number of fan zone visitors
– 880,000
Number of games - 7

Should the Baltic States initiate the reform of the EU's Eastern Partnership Policy?

Mindaugas Jurkynas & Toms Rostoks



The Baltic States (Estonia, Latvia and Lithuania) have been enthusiastic supporters of the European Neighbourhood Policy (ENP) in general and the Eastern Partnership (EaP) in particular. Their view of the six countries included in the EaP policy (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) is that these countries deserve more engagement

on the part of the EU. Although the Baltic States' main focus is on making sure that reform-minded countries in the European neighbourhood are granted support, political dialogue should be maintained with those EaP countries that are in favour of a more limited engagement with the EU. On the strategic level, the Baltic States' approaches to the EaP are similar, but on the tactical level, there are slight differences. Lithuania stands out as the most vocal supporter of the EaP, while Estonia's and Latvia's approaches are more pragmatic. The future outlook of the EaP is somewhat uncertain, taking into account the events of the past year. This article also provides policy-makers from the Baltic States with recommendations on how to avoid this worst-case scenario.

Relevance of the EU's Eastern Neighbourhood to the Baltics

The British political thinker Gilbert K. Chesterton once said: 'We make our friends; we make our enemies; but God makes our next door neighbour.'. In a similar vein, states can choose allies and foes according to their identity and interests. Alas, there is no menu for choosing one's vicinity. Neighbouring countries are the first ones asked for assistance or met with suspicion. The geopolitical surroundings of the European Union stretch from the Maghreb to the High North. Currently, the EU's neighbourhood is turbulent. Neighbours across the Mediterranean have been rocked by the aftershocks of the Arab Spring, while the Eastern neighbours are caught in the ongoing standoff between Russia and the EU. This article addresses the approaches of the Baltic States to the Eastern Partnership (EaP) and tries to provide recommendations to policy-makers in Lithuania, Latvia, and Estonia in light of recent developments in EaP countries.

EaP is an outgrowth of the European Neighbourhood Policy (ENP), launched back in 2004. The EaP, in turn, was initiated in 2009 as a joint Swedish-Polish initiative in order to make the EU more attentive to its Eastern neighbours. These policies were mainly aimed at facilitating the prosperity, stability and security of the EU's neighbouring countries, but these neighbours were supposed to gravitate towards the EU on their own. The EaP countries of Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine were increasingly put under the microscope by politicians and media due to the 3rd summit of the EaP in Vilnius in late November 2013. Furthermore, Russia's annexation of Ukraine's Crimea in March 2014 galvanised security concerns in Central European states and the Baltics.

The interest of Estonia, Latvia and Lithuania in their Eastern neighbourhood has been among their top foreign policy priorities since the Baltic accession to the EU and NATO in 2004. The Baltic

States have seemingly fulfilled their geo-strategic goals of Western integration and have recalibrated their foreign policies, which basically rest on EU membership, energy security issues, Transatlantic unity and the EaP (Jurkynas 2014a). The Baltics saw their niche in the Europeanisation of their Eastern neighbours. Thus, Estonia, Latvia and Lithuania have been enthusiastic supporters and became strong advocates of the EaP. However, their specific approaches and contributions to the EaP are somewhat different.

Baltic States' views on Eastern Partnership Policy

Lithuania

The Eastern Partnership sprang naturally into Lithuania's headlines in 2013: the 3rd EaP summit was organised during the Lithuanian Presidency of the Council of the EU in Vilnius at the end of November 2013. The stakes were high, as almost everyone's eyes were on Ukraine, whose move westwards by signing the Association Agreement with the EU was very much anticipated in Western capitals. Perhaps the European Commission and a majority of EU countries looked at this exercise of Europeanisation merely through a technical lens. However, the Baltic States, Poland, Sweden and increasingly Russia saw Ukraine as a key country to the burgeoning (geo-) political and democratic changes in Eastern Europe.

Lithuania's attention and actions towards the EaP, especially in Ukraine, Georgia, Belarus and Moldova, have been emphatic and active since 2004. Lithuanian policy-makers were looking for opportunities to contribute to the post-modernisation of the Eastern neighbourhood (Jurkynas 2014b). The motto 'The more Europe, the less post-communism (read: Russia's influence, too)!' has not lost lucidity in ten years – on the contrary, it sharpened with the impending Lithuanian Presidency, which kicked off on July 1st, 2013.

Lithuania's preparation for the presidency and the 3rd EaP summit took several years and naturally peaked in 2013. As early as 2011, the EaP was singled out as one of the four areas of national interest for the country's presidency. The Nordic and the Baltic countries (NB8) made a political statements about the political relevance

of the EaP (Lithuanian Foreign Ministry 2013). Lithuanian bilateral contacts with EaP countries increased in order to warm up hopes for the success of the upcoming EaP summit. High-ranking Lithuanian officials, from the President to the Foreign Minister, visited all EaP countries but Belarus. However, Vilnius initiated more active economic contacts with Minsk.

The EaP moved ahead, since agreements on political association and economic integration with Georgia and Moldova were initialled (the agreements are anticipated to be signed in June 2014), visa facilitation agreement with Azerbaijan was signed, Moldova was offered a visa-free regime, an agreement on participation in EU-led missions with Georgia was signed, and an aviation agreement with Ukraine was initialled. Even Belarus, represented by the foreign minister, Vladimir Makei, expressed a wish to start negotiations with the EU about a visa facilitation and readmission agreement.

However, the summit suffered some flops, too, mainly due to Moscow's objection to the EaP. Russia sees the EaP in geopolitical terms and has defied EU's influence in Russia's vicinity. Armenia was 'five minutes away' from signing the deep and comprehensive free trade area (DCFTA) agreement, which is an integral part of the Association Agreement. Nevertheless, Yerevan succumbed to Russia's pressure and withdrew from the deal in September 2013, preferring to join the customs union to be built by Russia with some other former USSR republics. Ukraine followed suit and after Moscow's economic and political bullying suspended the negotiations just before the summit on November 21, even though Ukraine's president Viktor Yanukovich arrived in Vilnius and took part in last-minute negotiations.

On the one hand, Ukraine's withdrawal from the Association Agreement left a bitter aftertaste for the Lithuanian Presidency. On the other hand, the no-deal with the EU ignited protests in Kiev and across Western Ukraine, which led to the toppling of Yanukovich's rule. Lithuania, along with other EU member states, backed the change of the Ukrainian government in February 2014 and demonstrated a high spirit in co-organising Western support for Ukraine by arduously supporting sanctions at the EU level against Russia, which invaded and annexed Ukraine's Crimea in March 2014.

Latvia

EaP is by far the most important element of Latvia's foreign policy in the context of the EU's external relations. Moreover, Latvia's development co-operation policy has been used as a tool for providing practical assistance to EaP countries. Latvia's approach to the EaP can be best described as pragmatic. Latvia's pragmatism in relations with the EaP countries and in defending this policy within the EU is best manifested in a very realistic assessment of Latvia's ability to achieve progress in the implementation of this policy.

Despite its overall sympathetic attitude towards the EaP countries, Latvia sees them as politically and economically weak and vulnerable to Russia's pressure. Moldova has been hailed as the EaP success story, but it is the poorest country in Europe and has a break-away region (Transnistria). Moreover, a consultative referendum in the South-Eastern autonomous unit of Gagauzia resulted in an absolute majority of voters supporting closer ties with Russia and CIS countries. In April 2014, the EU lifted visa requirements on Moldova for holders of biometric passports, and this was announced as a major progress in the EU's relations with Moldova. However, it is likely that this measure will further facilitate outward migration from Moldova, a trend with which Latvia has had first-hand experience after joining the EU.

Georgia is less vulnerable to Russia's pressure than other EaP countries. However, Georgia has not been fully successful in following through with implementation of practical reform measures. Latvia has mostly worked to convince Georgia about two things: patience and consistency. Patience is necessary because Georgia's EU aspirations cannot be achieved quickly. Integration with the EU is about political will, but it is also about gradual and step-by-step fulfilment of EU conditionality. That requires consistency. Latvia also realises that the support for Georgia's EU aspirations varies widely across EU member states. There is scepticism across the EU with regard to Georgia's European credentials and its ability to deliver in the long run.

Latvia's perception of Ukraine, both before and after the Vilnius summit, was that Ukraine, a country of more than 40 million people, was too big for Latvia. Thus, Latvia has always supported

Ukraine's European aspirations, but it was too big a partner to influence or to provide tangible assistance. Also, geography matters. Latvia does not have a common land border with Ukraine and, therefore, it was clear that Ukraine would always be more important to the Visegrad countries than to the Baltic States (with the possible exception of Lithuania).

Although the remaining three countries represent a diverse group, Latvia recognises that their interest in the EU is mainly caused by the necessity to maintain a dialogue that at some point may become a viable alternative to engagement with Russia. The most important country for Latvia in the EaP is Belarus because of a common border, a sizable Belorussian minority living in Latvia, and economic interdependence. Despite the glacial relations between Belarus and the EU, Latvia emphasises that Belarus is interested in maintaining political dialogue with the EU. With regard to Azerbaijan and Armenia, Latvia recognises the limited nature of their interest in the EU. Azerbaijan's interest towards the EU has decreased because there is little that the EU can contribute to solving the Nagorno-Karabakh conflict.

How does Latvia envisage the progress of the EaP during its EU Council Presidency in 2015? On the one hand, if there is something to learn from the Lithuanian Presidency, then Latvia should be prepared to face political and economic pressure from Russia. In fact, Latvia is more sensitive to Russia's pressure because of the sizable Russian minority that is heavily exposed to Russia's mass media. Thus, potential conflicts between the EU and Russia over EaP countries will inevitably create domestic repercussions in Latvia. On the other hand, if the EU association agreements with Moldova and Georgia are signed in June 2014, then in the best case scenario Latvia's main task will simply be to monitor the progress of implementation of these agreements and make sure that the EaP remains as high as possible on the EU agenda. With regard to Armenia, Azerbaijan and Belarus, Latvia's Presidency should probably not extend beyond maintaining the existing political dialogue. Ukraine would be the most difficult issue. Depending on the outcome of the presidential election in Ukraine in May 2014, monitoring Ukraine's progress could become an important part of Latvia's EU Council Presidency.

Estonia

Estonia's attitude to the EaP bears a large resemblance to that of her two southern neighbours, but with the important exception that Estonia does not have a common border with any of the EaP countries. Although this may seem to be a minor factor since Estonia has a track record of being a staunch supporter of the EaP policy, its implications are far-reaching. Lacking strong historical ties and having limited economic interests in EaP countries, Estonia's contribution to the EaP policy is largely driven by values and security concerns. Another factor that could somewhat undermine Estonia's interest in the EaP is that its first EU Council Presidency is several years away (first half of 2018). Ironically though, Estonia's financial assistance to EaP countries exceeds Latvia's and Lithuania's contributions combined.

Since EU accession, providing assistance to its Eastern neighbours has become part and parcel of Estonia's foreign policy. EaP, as the country's key foreign policy priority, was chosen to make Estonia more visible and competitive in Brussels with expert knowledge of the region. The country's European Union Policy 2011-2015 stipulates the importance of the EU's political and economic role in strengthening of democratic values in the Union's neighbourhood (Government of Estonia 2011). Therefore, Tallinn bolsters the EaP for closer economic and political integration of the EaP countries with the EU. Estonia puts emphasis on visa liberalisation and free trade in while hoping for a Europeanisation of Ukraine, Georgia and Moldova. These three countries have been priority recipients of Estonia's developmental assistance since 2003, whereas Armenia, Azerbaijan and Belarus were added to this list only in 2011. Tallinn sees itself as a capital which can share reform-related experiences with all interested parties. However, the post-Vilnius events in Ukraine in 2014 and Russia's aggression may have brought back old anxieties on the Estonian political scene.

On a tactical level, Estonia's approach to the EaP has been down-to-earth, an approach that Estonia shares with Latvia. Estonia realises that the EaP countries have numerous domestic challenges and that their relations with the EU have been fraught with difficulties. However, Estonia believes that problems can be overcome by quiet and persistent work, which requires extensive as-

sistance from donor countries, including Estonia. Importantly, Estonia's development co-operation budget survived the economic downturn virtually unscathed, and this has allowed Tallinn to further boost its development aid in recent years. Consistent development policy has enabled Estonia to implement several high-visibility projects. In 2011, the Estonian Center of Eastern Partnership (ECEAP) was opened with an objective to offer training courses for mid-level officials from EaP countries. The ECEAP also offers scholarships to civil servants and NGO representatives from EaP countries.

Another Estonian initiative in late 2013 was to organise a visit to Moldova by the former Estonian President Arnold Rüütel, who held the position of Chairman of the Supreme Soviet of the Estonian Soviet Socialist Republic back in the 1980s. Arguably, he was well-positioned to explain Estonia's experience with the EU accession and membership to Moldova's political elite (part of which shares a similar Soviet career path with Mr. Rüütel). During the speech at the Comrat State University, Gagauz autonomous unit, he noted that he was delighted to see Estonia and Moldova 'sharing the same European boat' (Rüütel 2013).

Overall, Estonia, along with its Southern Baltic neighbours, is well-positioned to provide assistance to EaP countries because of several factors: first, the Baltic States and the EaP countries have a shared Soviet past. Estonia is a shining example of the progress that can be made through strong determination to implement political (and other) reforms. Thus, advice from Estonia is going to be well-received in countries like Georgia, Moldova and Ukraine. Second, providing assistance to EaP countries serves the security interests of Tallinn because it is likely to contribute to security and stability in Europe's Eastern neighbourhood. Political reform and increasingly strong ties with the EU are likely to result in lower Russian influence in EaP countries. This assumption, however, is increasingly questionable because it was Russia's opposition to Ukraine signing the Association Agreement with the EU that was the immediate cause of Yanukovich's ouster and the subsequent turmoil. Third, the EaP policy is an excellent opportunity to strengthen Estonia's credentials as a good member of the international

community. Not only has Estonia managed to allocate 2% of its GDP to defence spending, but it also is the frontrunner in terms of development assistance among the Baltic States. Fourth, the EaP has also allowed Estonia to position itself as a reform success story in the EU's Eastern neighbourhood. It has made it possible for Estonia to project its achievements in information technologies, as this has become a significant element of Estonia's assistance to the EaP countries.

Future Outlook and Policy Recommendations

The Ukrainian and Russian standoff is the biggest challenge for the EaP at the moment. The Baltic States seem to be eager to continue their active role in Ukraine's Europeanisation and to retain Georgia and Moldova on the EU track, too. However, the situation in the EU's Eastern

neighbourhood is unstable. This has far-reaching implications for the EaP policy in general and the approaches of the Baltic States to EaP countries in particular. Thus, the question is whether the EaP policy can, if it should at all, survive in its current form.

The reasons for rethinking the EaP are many. First, this policy has failed to produce 'a ring of friends', stability and prosperity on the EU's Eastern flank. Second, EaP has been applied inconsistently, as Belarus and Azerbaijan have received differing treatment while, in fact, their human rights records are similar. Third, the EaP has failed to take into account the impact of Russia's pressure on EaP countries. Fourth, the EU has apparently overestimated the willingness to engage in meaningful reform on the part of the EaP governments. Fifth, while the EaP policy provides a positive vision for long-term development in countries such as Moldova, Georgia and



Ukraine, the EU is hardly prepared to respond to their short-term problems and challenges. Thus, a more coherent approach to relations with the Eastern neighbours is long overdue. Baltic policy-makers could play a particular role in the following considerations.

The first recommendation would be to garner support for the EaP from the BSR countries. Although the origins of the EaP largely lie within the BSR (EaP was a joint Swedish-Polish initiative), support for this policy has been uneven across this region. For instance, Denmark and Finland have been considerably less active with regard to the EaP countries. The Baltic States should try to find out whether the commitment of partners in the Baltic Sea Region to the EaP has changed in the light of the ongoing events in Ukraine.

Second, the Baltic States should use the current policy momentum. At the moment, there is a lot of goodwill in the EU vis-à-vis EaP countries, therefore, as much as possible should be achieved while the current consensus lasts. In particular, more support from Southern member states is crucial if the EU is to step up its efforts

in the Eastern neighbourhood. Thus, a dialogue with Southern EU member states and taking into consideration their concerns about the situation in North Africa and the Middle East is more important than ever.

Third, the Baltic States should step up their own efforts with regard to EaP countries. Estonia is far ahead of its southern neighbours in this respect. Lithuania and especially Latvia should follow suit and provide more aid to the EaP countries. Foreign policy 'on the cheap' is a risky venture, and the Baltic States risk being marginalised if they bring too little to the table. Joint Baltic development assistance projects are also an option.

Having said that, the Baltic States should be cautious because the current crisis is as much about the future of the EaP countries as it is about the security of the Baltic States. After all, progressive change in the European neighbourhood is a secondary aim of the Baltic States, while their NATO and EU membership (read: security and well-being) remains the essential pillar. In other words, the Baltic States should know where to stop before their own security is compromised.

The Baltic Sea Region and the Arctic

Lassi Heininen & Lidia Puka



As the sea ice melts in the Arctic Ocean, it opens up the region for a multifunctional transformation, triggering political, economic and scientific interests. The perception and significance of the entire North evolves not only in the policies of the Arctic states, but also globally. Although several Baltic Sea countries have a strong interest in the Arctic, the members of the region as a whole are not perceived to be utterly interested in the Arctic region. In light of an increasing global impact and interest in the Arctic, it is justified to ask whether the remaining Baltic Sea states can afford to remain passive? Can the two regions collaborate more closely with each other, or are there some limits to co-operation? What could the benefits of the mutual learning be?

Modern History of Co-operation

In the 1990s, there was a significant geopolitical change in Northern Europe, including in the Baltic Sea Region (BSR) and the Arctic. The military and political tension of the Cold War dissolved into international co-operation and political stability without armed conflicts. In spite of a few border disputes (e.g. between Canada and the USA in the Beaufort Sea) and growing global interest in the High North, this is still the state of geopolitics and international dealings in the Arctic and Baltic Sea regions in the 2010s.

Occurring in the background is a fundamental shift from the confrontation of the Cold War to international co-operation across national borders, which started in the Arctic region in the late 1980s. It was accelerated by deeper international and interregional co-operation and modern region-building in the entire North in the 1990s. Here, the BSR was a forerunner of a new kind of trans-boundary co-operation across the former Iron Curtain. Correspondingly, the Arctic region became a model for modern region-building with nation-states as major actors.

It is interesting to note that the real change started in the 1980s, even before the end of the Cold War. There are a few reasons for this, such as the devolution of power in the Nordic countries, evolving regional co-operation between

universities, towns and other sub-national actors, increased self-determination among Northern indigenous peoples, and growing concerns over the environment in the High North.

Using environmental protection as one the main fields of co-operation, interregional co-operative forums were founded. Established platforms include the Council of the Baltic Sea States (1992), the Barents Euro-Arctic Council (1993) and the Arctic Council (1996). They all contributed to high political stability within their respective regions. This post-Cold War state of Arctic geopolitics, as well as that of Baltic Sea geopolitics, is one of the most successful examples of trans-border co-operation across national borders including both state and non-state actors. Together with globalisation, all this means a power transformation from the nation-state to local and regional, as well as global levels.

Actors in the North

It is important to emphasise that in the entire North – both the BSR and the Arctic – there are not only states, state policies and state-owned enterprises. Other stakeholders include interest groups of indigenous peoples, non-governmental civil organisations and scientific communities. They have their own understanding of sover-

eignty, particularly when it comes to how to use resources and land. Consequently, there has been a rethinking on whether sovereignty is about inter-state relationships only. Tellingly, the Arctic Council and the Barents Euro-Arctic Council show a significant impact by representatives of Northern indigenous peoples. Furthermore, these non-state actors stand first for environmental protection and second for the implementation of sustainable development in the Arctic. If environmental awakening was the first step, the next step could be the implementation of their rights through forms of self-determination and self-government regarding land and natural resources.

The driving force behind the emerging co-operation in the Arctic was the fact that the Arctic Ocean was heavily impacted by long-range air and water pollution from further south. This was aggravated by local and regional pollution, caused by radioactivity, heavy metals, black carbon and other pollutants from industry, agriculture, settlements and the military. Later, the Arctic also became globally known as an environmental linchpin: an area where the physical impacts of rapid climate change, such as the melting of sea ice and glaciers and the thawing of permafrost, are visible and cumulative. These developments have affected human security too.

In the entire North, material aspects of geographical space, natural resources and state power are not the only parameters. They are complemented by immaterial factors, such as identities, values, and human capital (e.g. Stefansson Arctic Institute 2004 and Larsen 2010). What is also frequently overlooked is the density and quality of knowledge production by research institutions taking place within these regions. Consequently, there is more knowledge-based potential and willingness to implement sustainable development and prioritise the sustainable use of resources, and if needed, to redefine sustainability.

Global effects in the Arctic

In the 21st century, another significant transformation with growing global interest has occurred in the entire North and brought new actors, and their agendas, into the region. At the

core of this transformation is a growing international interest in the Arctic region's rich natural resources. According to the U.S. Geological survey, the Arctic is estimated to contain 22% of global undiscovered oil and gas deposits. Resource geopolitics, including energy security, has a long history in shaping the entire North. This continues today. New actors already impact the region and its future development, since aggressively expanding and growing extractive industries can result in new kinds of and more dangerous environmental risks to the Arctic and beyond. In order to increase the necessary deep-water drilling, the oil and gas industry faces both significant risks and opportunities from climate change. For example, the utilisation of natural resources also requires an adequate transportation infrastructure.

On this basis, the Arctic has become a part of the larger issues of Northern (geo)politics and security, ranging from sovereignty and national security, to resource governance, economic development, and environmental issues. This has also caused a new kind of pressure for the states of, and the people living in, these regions. Regardless of whether these changes are interpreted as threats, challenges or opportunities, they are likely to influence the sustainable use of resources and human security. Finally, the geo-strategic and geo-economic importance of the entire High North is growing in the global economy and world politics. New trends in science and research and innovations in devolution and self-government could make the region more resilient in the face of global interests and needs.

Governance Changes in the Arctic and in the BSR

As a response to this new situation, each of the eight Arctic states adopted a national strategy for the Arctic region. They have thus (re)defined and (re)mapped themselves as Arctic countries. As well, several non-Arctic states – for example Germany and the United Kingdom – have started to elaborate their own Arctic policies. Although these national strategies promote international, institutional co-operation, their main aim is mostly to protect national security and economic interests. The clear priority and

policy objective of all eight Arctic states is to facilitate economic activities and business in the Arctic. In addition to this, the five littoral states of the Arctic Ocean – Canada, Kingdom of Denmark, Norway, Russia and the USA – emphasise and defend their national (maritime) sovereignty. Their joint Ilulissat Declaration of May 2008 outlines the common interests and mutual understanding of sovereignty in terms of how to control the Arctic Ocean's resources based on the United Nations' Convention of the Law of Seas (UNCLOS). They do not express a need to develop a new comprehensive international legal regime to include non-Arctic actors. Actually, none of the eight Arctic states supports such kind of regime.

The Arctic states try to strengthen their position within the region. They strive to 'gain' more time before the interested 'outsiders' become more present and recognised as actors in the region. This was clearly manifested, on the one hand, by the Ilulissat ministerial meeting. On the other hand, the Arctic states have demonstrated a reluctance to accept new observers to the Arctic Council. This was finally done at the Arctic Council ministerial meeting in Kiruna in May 2013, when new observer states were adopted (China, Japan, India, Singapore, South Korea, and Italy).

However, the decision to grant observer status to the European Union (EU) was postponed. The EU already launched a Communication on the Arctic and a joint Communication on Arctic policy as a follow-up. This can be interpreted as the EU's growing interests to become a global actor in the Arctic region. Actually, the EU substantially impacts the Arctic in the fields of fisheries, research, and international climate negotiations already. In addition, although the EU Baltic Sea Region Strategy (EUSBSR) does not explicitly refer to the Arctic, its overarching goals – to save the sea, increase prosperity, and connect the region – could also be applied to existing Arctic co-operation. Moreover, developments in the Arctic will influence the strategy to a much greater extent in the future, not only the Baltic Sea's ecosystem, but also regarding transportation, tourism, or sustainable development.

Reflections of the 'Globalised Arctic' in the Baltic Sea Region

The diversity of economic and political integration of the BSR states and their geographical position influence their ability to address the opportunities and challenges of the Arctic. As a whole, the Arctic is neither the most obvious, nor the most developed pillar of the Baltic Sea countries' foreign and regional policies. The most involved and interested are naturally the northernmost countries of the region – Denmark, Finland, Iceland, Norway, Russia and Sweden. The Arctic is a priority of their foreign policies, and they are also members of the Arctic Council. However, just like the other Arctic states, these countries do not see the added value in raising the Arctic topic within the forums of BSR co-operation, although the Nordic countries substantively deal with Arctic issues within the context of the institutions of Nordic co-operation.

The remaining Baltic Sea countries lack a strong interest in the Arctic. Germany and Poland, as observers at the Arctic Council, are the most active. Germany has developed its national Arctic guidelines in 2013, and looks to the region predominantly in economic terms – as a path towards strengthening trade relations with East Asia, especially with China. There is also a visible bottom-up interest, related to the environment of the Arctic and intensifying climate change. Polish Arctic policies are based on two pillars: research and multilateralism. The country's economic interests are much weaker than Germany's. Research on Arctic climate, physics, biology, sea optics and environment has been developing for fifty years. The freedom of research is also an important element to be included in the Polish Arctic strategy that is currently drafted. The Baltic States generally have a weak connection with the Arctic, mostly through their research expertise.

Energy and Transportation Interests in the entire North

The dynamic developments in the Arctic create the necessity for BSR countries to address the challenges and opportunities at hand. The biggest challenge concerns the security and environmental implications; any destabilisation



in the European part of the Arctic may have a negative effect on the security and ecology of the Baltic Sea. Opportunities lie in three major domains: extraction of hydrocarbons and other minerals, sea transport, and fisheries.

In the field of energy and minerals, the Arctic and Baltic regions cannot be compared – the scope of diversity is simply too large. For example, Alaska is abundant in zinc and more than 150 rare-earth elements. Northern Russia is home to the production of 40% of global palladium, 20% of diamonds, 15% of platinum, and around 10% of the world's cobalt, nickel tungsten and zinc. Regarding energy, today the natural resources located in Western Siberia and Alaska's Prudhoe Bay account for 10% of the global oil reserves, and 25% of the global natural gas production. The extraction of these re-

sources, however, is not subject to BSR co-operation. Only two countries, Russia and Norway, and their (partially) state-owned companies – Gazprom and Rosneft in Russia, and Statoil in Norway – lead significant operations in the Arctic and Siberian regions. None of them, however, has shown any intention of making this a subject for regional co-operation. The remaining exploration of the Arctic resources is dominated by the other major global energy players, the USA and Canada, as well as transnational corporations such as Shell, ConocoPhillips, ExxonMobil, Eni, Cairn Energy and Chinese companies in Iceland. The BSR as a whole, however, neither has nor does influence the development of Arctic resources.

In marine transportation the wide-spread exploitation of the Northern Sea Route is still

considered to be a rather long-term vision. Only a small, but growing, number of vessels pass through it annually. For Russia – a country that stretches along over 8,300 km – marine transport is a condition sine qua non for the development of the economy. The transportation potential – and needs – of Russia extend beyond the BSR, or even the Arctic. Russia is also actively developing ports in the Black Sea, Caspian Sea and in the Far East. In the Baltic Sea, Russian ports are operating the largest volumes, not only in terms of cargo, but also through the fixed energy infrastructure. Recent Russian investments in the region have strengthened the country's position in the region, as well the role of the ports of Ust-Luga, Primorsk, and St. Petersburg. As container traffic has been steadily on the rise for the last 5 years (by 4% last year), the role of marine transportation has increased.

For the time being, the dynamics evolving around the Northern Sea Route have little influence on the BSR. However, this connection could become more obvious over time, depending on the future development of the port and road infrastructure in the BSR. At the same time, potential benefits for the region will largely depend on the policy of Russia – the major transportation player in both the Arctic and the BSR.

Regional Best Practice Sharing

The Arctic and Baltic Sea regions share the same achievement of shifting Cold War confrontation into post-Cold War stability. However, so far the international forums of BSR co-operation (the Council of the Baltic Sea States, Northern Dimension Partnerships, the EUSBSR), have failed to address joint interests between the Arctic states and the BSR countries. Clear asymmetries between the Arctic and the BSR in terms of the geographic size and economic potential make it difficult to transfer the co-operation model that has evolved in the Baltic onto the Arctic region. Moreover, there is even an internal competition within both regions, as well as a perception that interprets Russia as the 'other'. Finally, little incentive on the side of the Arctic countries exists to render Arctic co-operation as inclusive as co-operation in the BSR.

Nevertheless, the strength of BSR co-oper-

ation is the expertise the region has developed in 'soft' co-operation areas. This includes the protection of the marine environment, higher education and research, and civil crisis management. In all these domains, knowledge transfer and best practice sharing is possible. Although it would benefit both regions to share experiences and expertise, it is unlikely that the Arctic will become a topic for all the regional councils in Northern Europe. While the BSR forums mainly evolve around integration and 'soft' co-operation issues, the Arctic Council deals with research on the environment and climate change, safety, and emerging economic activities. Beyond that, Arctic co-operation between the five littoral states of the Arctic Ocean is primarily based on the idea of national sovereignty. Finally, the Arctic region is more globalised and will hardly be developed to become the same kind of an integrated region as the BSR. The Baltic and Arctic co-operation forums develop according to their own agendas, with different stakeholders and interests. For the time being, the 'key players' do not necessarily see the added value in a keen institutional co-operation between the councils. There is, however, an interest among civil societies to deepen multilateral co-operation, both within and between the regions, as well as more broadly in the European and global context.

Conclusions

The Baltic Sea and Arctic regions differ significantly in terms of their geography, population, resource abundance and the stage of development and goals of existing co-operation. So far, the BSR has not worked out a coherent approach towards the Arctic, although the individual Arctic-Baltic Sea countries actively engage in developments in the entire North.

Still, despite a lack of defined 'pan-Baltic Sea' interests, the ongoing transformation in, and of, the Arctic region will affect BSR countries. Thus, policy-makers need to address a set of universal questions. The countries need to find out how to adjust to the changing governance structure in the Arctic and react to new challenges and opportunities. For example, if environmental degradation in the North proceeds, it will impact various fields of BSR co-

operation, including projects in environmental protection, sustainable development as well as transportation and energy.

The question then is whether the BSR, as a whole, can remain passive. Bearing in mind the global economic power and influence of the energy and mineral majors, there is an urgent need for strong governance in the Arctic in favour of sustainable development. This is also in the interest of the BSR states, because current research shows the connection between the melting ice cap on the poles and the floods and 'weather lock-ins' at the Baltic Sea latitudes.

It is not clear if there are lessons from BSR co-operation in the Arctic. It might, however, be far more interesting for the Baltic Sea countries to follow Arctic developments and participate in global Arctic co-operation, be it for environmental, security or economic reasons. Here, the most prospective fields of co-operation are research, environmental protection, sustainable development and crisis management. These topics can be discussed both at regional and global forums as well as in project-based activities aiming at establishing more permanent co-operation.

Growing networks?

The Baltic Sea Region as a connecting region between the European Union and its northeastern neighbours

Kimmo Elo



During the past 25 years, the Baltic Sea Region (BSR) has developed into a common space in the European north. The region has not just become a model for macro-regional strategies, but has also been established as a connecting region between the EU and its northern and northeastern neighbours in general and Russia in particular. However, the macro-regional strategic objective, fostering co-operation and networking between EU and non-EU countries, must become a more important objective in the BSR. The relationship between the ND and the EUSBSR in particular must be defined, but also the question of how to embed the Arctic in the network of macro-regional strategies needs clarification. The BSR has every possibility to establish itself as the key regional hub in the European North, but such a development needs the support and commitment from both the European Commission and from all Baltic rim states, including Russia.

Since the end of the Cold War, the Baltic Sea Region (BSR) has grown together, transforming itself from a divided sea into a common space in the European north. One of the ensuing consequences was that both regional networks within the BSR and networks between the BSR and wider Europe began to emerge.

Strategically, the establishment of regional frameworks supporting the networking of the EU with Russia has enjoyed a high priority. As early as 1999, the Northern Dimension Initiative (ND) was launched in order to foster co-operation between the EU and Northwest Russia. Since the start of its implementation in 2010, the EU Strategy for the Baltic Sea Region (EUSBSR) has embodied the EU's attempt to establish an umbrella framework for macro-regional co-operation and policies. As a result, the BSR turned into the EU's first macro-region and into the key region connecting the European North, the Arctic and

Northwest Russia with Western Europe. Although linking Russia with the EU – and, thus, preventing Russia and Europe from drifting apart – is one of the core priorities, the cross-regional connections between the BSR and the EU have a special importance for regional dynamics as well.

In this article, the focus will be on different networks – energy, economic and policy networks – and especially on the BSR's role within these networks. The utilised concept of networks is based on a theoretical understanding of networks consisting of 'nodes' and 'edges'. Nodes are here understood as social entities – groups, organisations, states, regions, programmes, policies – whereas edges describe different kinds of connections – concrete, symbolic, political etc. – linking the nodes together. Against this background, the BSR is considered to be a hub in cross-regional networks connecting north-east Europe with the wider EU. The focus will be on the role

The BSR and the EU-Russian Energy Network



Figure 1: EU-Russian energy networks

(graph source: http://commons.wikimedia.org/wiki/File:Major_russian_gas_pipelines_to_europe.png)

and status of the BSR as a connecting 'node' or 'regional hub' in these different networks.

Since the completion of the Nord Stream gas pipeline in 2011 running through the Baltic Sea from Vyborg, Russia, to Lubmin, Germany, the BSR has become an important part of the energy network between Russia and the EU (see Figure 1). Additionally, the gas pipeline has changed the geopolitical and security status of the BSR, making the BSR also subject to more general debates revolving around the EU-Russian relations.

The symbolic-political dimension of the Nord Stream project has clearly exceeded its energy political importance. Currently, 55 bcm

of natural gas run annually from Russia to Germany, which is approximately one quarter of the total gas supply from Russia to Europe and roughly half of the annual flow through the Ukraine route (107 bcm). Politically, the Nord Stream gas pipeline was from the very beginning politicised and conceptualised as a German-Russian connection, raising historically grounded doubts about Germany's motives and interests. Since the launch of the *Energiewende* (energy transition) in Germany, the increasing dependence of Germany on imports of Russian gas has let these doubts re-emerge. Currently, approximately 60 percent of Germany's gas im-

ports come from Russia. Poland in particular has been worried about possible consequences of Germany's dependence on Russian gas on Europe's sovereignty and on Germany's willingness to criticise political developments in Russia (Reuters 2014).

The crisis in Ukraine has also changed the BSR's status and role as a part of the EU-Russian energy network. In March 2014, plans for supplying Ukraine with European gas through the bi-directional pipeline of the Ukraine route surfaced. The idea of re-directing Russian gas flowing through the Nord Stream pipeline into the Ukrainian pipeline was also brought up in this connection. Although such a re-direction is not directly forbidden, the existing contracts reserve the Ukraine pipeline for deliverance from east to west. Re-directing 'Nord Stream gas' to Ukraine could cause Russia to reduce the gas flow through the Baltic Sea in order to prevent a 'gas surplus'. In this respect, the crisis in Ukraine could have an effect on the BSR as well.

Since the BSR is the second-most important energy connection between the EU and Russia, it is also a firm part of the EU-Russian energy space and, at least partly, affected by overall developments in this domain. Although the BSR is known for its political stability, the discussions during the construction of the Nord Stream gas pipeline showed how easily energy questions can

be politicised. In this respect, plans for reducing the EU's dependency on Russian energy imports are a double-edged sword. On the one hand, an overall reduction of the energy flow could increase the the BSR's role as the networking region for energy policy. This is because Russia could prefer the Nord Stream gas pipeline and the politically stable BSR to other energy routes. In other words, the total gas flow could decrease, but the share running through the BSR could increase, thus making the BSR the most important energy corridor connecting Western Europe with Russia. On the other hand, since the debates about reducing the dependence on Russian energy supply are politically loaded and deeply rooted in historically different perceptions of Russia among the EU Member States, new fault lines could emerge in the BSR. Such developments could result in increased political tensions in the BSR.

Economic Networking

Although the energy connection is a topical issue, economic networks between the BSR rim states and the EU are more important from a macroeconomic point of view. Trade networks have the function of binding the BSR together and fostering both economic and social co-operation in the BSR. For the small and medium-sized economies of the Nordic countries and Baltic States, trade

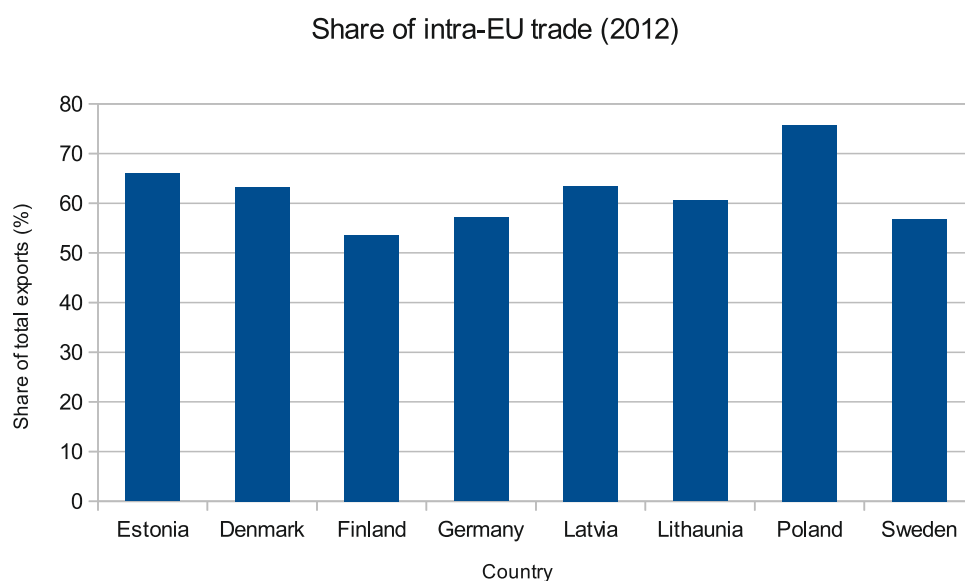


Figure 2: Economic relevance of the EU for the BSR in 2012

(data source: Eurostat).

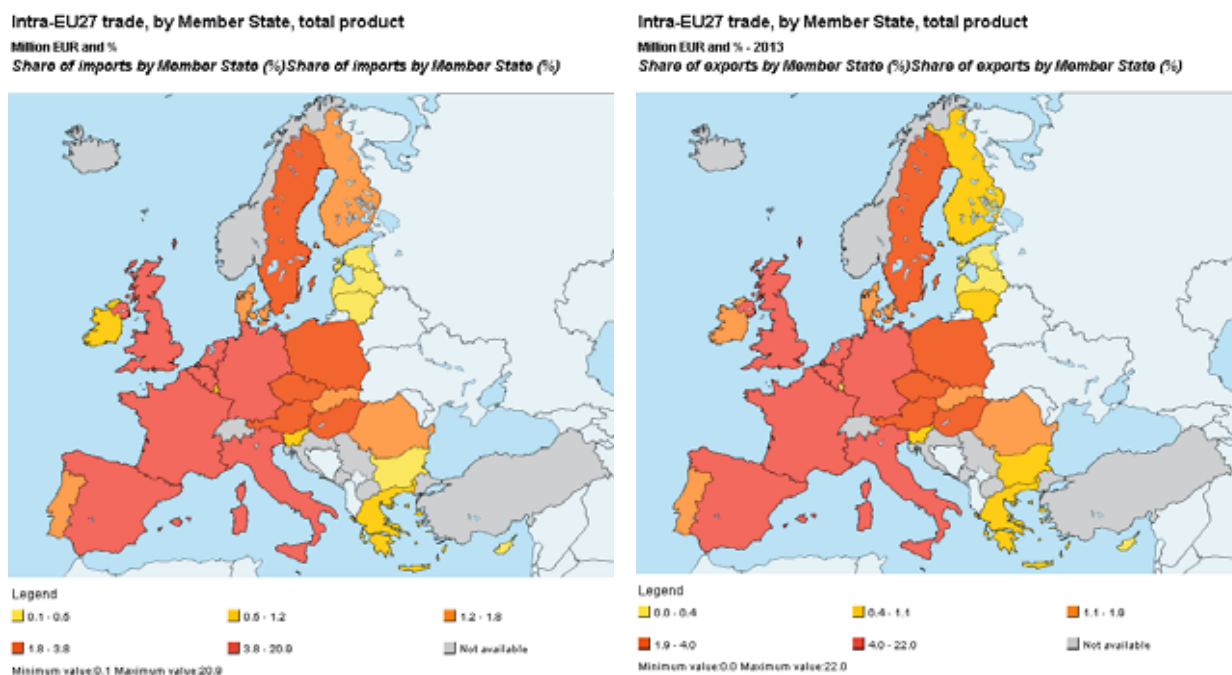


Figure 3 a & b: Economic relevance of the BSR for intra-EU trade

(Source: Eurostat).

with other BSR countries represents approximately 50% to 75% of their total trade. For the large-sized economies of Germany and Russia, the share of trade with other BSR countries lies between 10% and 15% of their total trade. However, although the BSR is an economically interdependent region, characterised by strong intra-regional trade flows, the 'German connection' is of crucial importance for regional trade: Germany is both one of the BSR rim states and, as Europe's biggest economy, the most important trade partner for all other BSR rim states.

Considering the intra-EU trade in general, all EU Member States in the BSR are tightly connected by internal markets. In 2012, the share of intra-EU trade of their total exports was almost 60 percent and for no country was the share of intra-EU trade less than 50 percent (see Figure 2).

With the exception of Germany, however, the economic relevance of the BSR rim states for the European internal market is relatively modest. Without Germany, the share of the BSR of intra-EU imports and exports is just around 10 percent. With Germany, the share of the BSR would increase to over 30 percent, which underlines the importance of the 'German connection' for the BSR (see Figure 3 a & b).

Once again, the strong dependence of the BSR on both intra-EU trade and dense mutual regional trade connections is a double-edged sword. On the one hand, the small economies in the BSR can enjoy the advantages of the European internal market of over 500 million people. On the other, since small economies have a smaller production basis and portfolio, they are known to be more vulnerable to economic disruptions. Additionally, since most of the BSR countries are dependent on intra-regional trade, i.e. on trade with other BSR countries, economic problems in one country can quickly affect other countries as well, increasing the risk of an economic domino effect. Such a development was eminently evident in 2009-2010, as internal trade within the BSR collapsed by over 20 percent. Since the crisis hit the whole EU at the same time, only limited economic evasive actions were possible.

Programme Networks: EUSBSR, ND and beyond

The EUSBSR was the first macro-regional strategy of the EU. Because the EUSBSR is an EU internal strategy, direct participation in it is limited to the EU Member States in the BSR,



that is to say Sweden, Denmark, Estonia, Finland, Germany, Latvia, Lithuania and Poland. The EUSBSR also welcomes co-operation with neighbouring countries (especially with Norway and Russia, but also Belarus). In this respect, the EUSBSR uses the broad geographical definition of the BSR (INTERREG 2014). Also functionally, this definition is quite well in line with the EU's general understanding of its macroregional policies. For example, in its evaluation in 2013, the Commission of the EU emphasised that a macro-regional strategy should offer 'an integrated framework relating to Member States and third countries in the same geographical area' and create a framework in which 'EU and non-EU countries can work together on the basis of mutual interest and respect' (European Commission 2013, p. 3).

In regard to their overall objectives, the EU's macroregional strategies 'seek to place issues in a multilateral setting, and to reach out beyond current EU borders to work as equals with neighbours [and encourage] participants to overcome not only national frontiers, but also barriers to thinking more strategically' (European Commission 2013, p. 2). In the network of regional policies, the EUSBSR should offer a regional hub connecting not just regional actors (i.e. states, cities, organisations), but also connecting BSR policies with other regional co-operation frameworks and programmes. Of special interest here are the ND and the European Neighbourhood Policy (ENP), both being part of the Common Foreign and Security Policy (CFSP). Macro-regional policies should contribute to major EU policies and, thus, also support the EU's general external interest.

In this respect, the most important objectives are promotion and strengthening of “European values”, fostering deep and sustainable democracy, and economic development in the direct neighbourhood of the EU, all of them counting to the central priorities and objectives of the EU’s external actions (European Union External Action 2014a).

The ND, in turn, is a joint policy covering a broad geographic area, from the European Arctic to the southern rim of the Baltic Sea. The ND was renewed in 2006 and currently provides a framework to promote concrete cooperation, political dialogue, economic integration, competitiveness and sustainable development in Northern Europe. Additionally, the framework should strengthen stability and foster modernisation in the target region (see further: European Union External Action 2014b).

The ENP was developed in 2004 mainly as a bilateral policy between the EU and a selected group of neighbouring countries. Its geographical focus is on Eastern Europe and the Mediterranean region, but it also shares the general objectives of the EU’s macro-regional strategies. Also the ENP seeks to prevent new dividing lines between the EU and its neighbours from emerging, strengthen the prosperity, stability and security, and promote the values of democracy, rule of law and respect of human rights (see further: European Union External Action 2014a).

The EUSBSR should not create any new institutions or funding, but benefit from the existing ones supporting the implementation of the EUSBSR’s objectives. This must apply also to the cooperation between EU and non-EU Member States in the BSR. In this respect, the EUSBSR is linked to both the ND and the Council of the Baltic Sea States (CBSS). Both offer methods and procedures helping to establish the BSR as a hub connecting the EU with Russia. The CBSS brings together the foreign ministers as well as the heads of government in the region, thus, being the main hub for policy networking. The ND, in turn, does not only share the core geographical space, also its objectives and methods are very similar to those of the EUSBSR. Moreover, already in 2012, the Committee of the Regions underlined in its opinion paper “Revised EU Strategy for the Baltic Sea Region” the need for more integration between the ND

and the EUSBSR: ‘The structures of the Northern Dimension should be used as much as possible in the context of closer cooperation between the EU and Russia in the Baltic Sea region’ (Committee of the Regions 2012, p. 5). However, such a claim is only reasonable when the objectives of the EUSBSR are similar (or equivalent) to those of the ND. Here we should keep in mind the very idea of a macroregional strategy: ‘[T]o address common challenges faced by a defined geographical area relating to Member States and third countries located in the same geographical area which thereby benefit from strengthened cooperation contributing to achievement of economic, social and territorial cohesion’ (European Commission 2014). Against this background, fusing – or at least bringing closer together – the EUSBSR and the ND in order to benefit from tools and methods fostering co-operation between EU and non-EU countries seems to be a reasonable claim. Such an integrationist approach would also make the network of regional programmes more streamlined.

The relationship between the current ENP and the EUSBSR is a bit more complicated, since the BSR lies outside the geographical area of the ENP. However, there exists a financial linkage between the ENP and the EUSBSR, indicating policy dependencies. The implementation of the EUSBSR is partly funded by the Baltic Sea Region Programme co-financed by the European Regional Development Fund (ERDF) and the European Neighbourhood Instrument (ENI). The ENI is the main financial support instrument under the ENP, granting support for bilateral programmes with neighbourhood countries, regional programmes for the east and the south or cross-border co-operation programmes between Member States and neighbourhood countries. The projects supported by the ENI must also be compatible with the general objectives of the ENP. In this respect, the EUSBSR’s objective to increase co-operation with neighbouring countries of the Baltic Sea region is a clear linkage to the ENP.

All macroregional programmes inherently include external actions vis-à-vis neighbouring non-EU countries. Against this background, the EUSBSR should be seen as an important regional hub, connecting the BSR with its neighbouring regions and the EU, but also networking the EUSBSR with the EU’s other macro-regional

programmes and policies. Because the EU is increasingly involved in developments in its close neighbourhood, regional and macro-regional policies can be expected to gain in importance in the future. In the BSR, the 'Russia connection' has proven to be a complicated issue and new approaches fostering cross-border co-operation are needed, e.g. through strengthening the policy and co-operation networks connecting the EUSBSR, other macro-regions, the ND and the ENP.

Outlook and Recommendations

Today, the BSR constitutes a European macroregion characterised by dense intraregional economic and institutional connections. However, economic relations with Russia are also important for the Baltic rim states. Additionally, the Nord Stream pipeline makes the Baltic Sea one of the main energy corridors connecting the EU with Russia. In this respect, the BSR has gained the status of a regional hub, connecting the EU with its northern and northeastern non-EU regions. These developments have been supported by a large number of EU projects and programmes tailored towards tackling actual problems and challenges, but also fostering innovations for the future.

The BSR is part of the network of the EU's macroregional programmes and policies. The overall objective of the EU's macroregional strategies is to foster cross-border networking between EU and non-EU countries. The big question is whether this can be achieved with an intra-EU strategy like the EUSBSR, or whether the ND and the EUSBSR should be fused. What the EU needs is fewer programmes and more coherence in its macroregional policies. However, it also needs to strengthen the co-operation between regional actors and EU institutions. In this respect, the role

of the European Commission as the central coordinator of all cross-regional activities and its relations with the central institutional regional actors should be enhanced. Currently, the lack of binding decisions makes many BSR policies dependent on the goodwill of the rim states. Within the EU, one possibility could be to strengthen the role of the Council of the EU as a mediator between the Commission and member states, especially in issues regarded as 'vital' for regional development. This could increase the pressure on national states and strengthen their commitment to regional policies.

However, this would not solve the 'Russian dilemma', i.e. how to get Russia more involved and committed to sustainable co-operation. The growing strategic, political, economic and environmental importance of the Arctic region makes this issue even more important. The BSR neighbours the Arctic and, thus, has every possibility to act as a connecting corridor between the Arctic and the EU. Such a development could strengthen the status of the BSR as the Northern hub in the network of regions in Europe, but also require strategic re-thinking about how to support coherence, cohesion and co-operation in the wider macroregion. Considering the fact that the macroregional strategies should contribute to the overall neighbourhood policy of the EU as well, networking the BSR with north-western Russia and the Arctic should result in stronger cohesion and integration between the ND and the EUSBSR within the framework of the ENP (see especially Lang and Lippert 2011, p. 102-117). However, such a development would need the support and commitment of both the European Commission and from all rim states, including Russia. The big task of politics is to convince all partners of the benefits of closer networking and co-operation.

Baltic Sea Lessons for Europe's North-South divide

Fabrizio Tassinari



This article distils lessons from the experience of the Baltic Sea Region for the North-South division that has emerged in the EU since the sovereign debt crisis. It finds two somewhat contrasting insights: the first about the lessons from the Baltic States about budget consolidation and structural reforms, and the second about regional co-operation. Against this background, pro-European policy makers need to take the sources of Europe's divide at face value if they are to effectively counter Euro-scepticism and reconnect institutions to citizens.¹

The sovereign debt crisis that hit Europe in 2009 has created an apparent gap between the fiscally pious nations of Northern Europe and the profligate countries in the continental South. Over the course of this past half decade, the gap has been brought into the debate and tentatively explained from a myriad of disciplinary and thematic perspectives: from social trust and tax collection to labour market legislation and competitiveness, as well as from solidarity to liability. Irrespective of which analytical lenses one chooses to wear, the primary concern for policy makers and observers has been bringing Southern Europe towards a sustainable path of recovery and Europe back on track to continue deepening the integration process.

In more than one respect, this state of affairs is reminiscent of situations that, at different junctures in recent history, have confronted the Baltic Sea Region. It applies to the Baltic States' own experience with the financial crisis. But it reaches even farther back, to the period that followed the fall of the Berlin Wall, when the poorly governed, post-Communist East of the region sought, and eventually succeeded in, reunification with the West. Much like the dynamic characterisation of the North-South gap, the East-West rapprochement in the Baltic Sea area was oriented towards the convergence of political and economic standards in all matters, from the quality of public

services and the ability of a government to implement policies, to the rule of law and control of corruption. Then as now, the EU has entered the picture to guide this transformation by introducing a set of rigorous rules, as well as by tying financial aid and closer association to the Union to demands for specific reforms.

Somewhat differently than today's North-South divide, the Baltic Sea regional actors from the Nordic countries and Germany supported the process in ways that went beyond the institutionalised channels, by developing overlapping, informal networks of cross-border co-operation that ended up playing a decisive role in accompanying the broader process of economic reform and political transition. Another departure from the situation today is that, in the post-Cold War period that led to the historic enlargement of 2004, the EU was consistently popular in Central and Eastern Europe. This positive perception continued in the post-enlargement period and partly contributed to the remarkable turnaround demonstrated by countries such as Latvia and Estonia, when they were hit by the credit crunch.

The fact that the crisis has fundamentally challenged these assumptions in Southern Europe stands as a warning about the applicability of any lesson coming from the Baltic Sea Region. Even so, the parallel deserves closer scrutiny, and we should start to observe it by contextualising Europe's North-South gap.

¹ This is an abridged and revised version of this author's: 'The Crystal Curtain: a postscript on Europe's North-South divide', which will appear in the German Marshall Fund of the United States.



Contextualising Europe's North-South divide

Ever since the Euro crisis hit the continent, the European Union has become the epitome of everything that is wrong with our institutional architecture. Especially in the profligate countries of Europe's south, the EU has been accused of perpetuating the economic orthodoxy, of being unreceptive to change, and detached from the needs and demands of the poorer segments of society. The imposition of austerity policies, as well as the pace and scope of structural reforms, have come to compound the impression of a top-down process, in which the EU bureaucracy is merely a body executing the orders of investment bankers and rating agencies. At different junctures over the past five years, the *indignados* movement in Spain, the rise of powerful Euro-sceptic political

forces in Italy and Greece, and the virulent reactions in Greece to the diktats of the so-called Troika of Lenders (the European Commission, the European Central Bank and the IMF) have all testified to this sentiment.

But the origins of the crisis, and of the EU's own role in it, should be traced farther back. According to the American political scientist Francis Fukuyama, it is the presence of a 'political coalition protecting the autonomy of the bureaucracy' (Fukuyama, 2012) in the North what distinguishes Northern and Southern Europe. The EU's Northern Member States are better governed because their institutions are more transparent, effective and entrusted with implementing policies in the name of a perceived common interest. Governance failures in Southern Europe, on the other hand, are inex-

trically tied to more or less pervasive forms of political patronage, which hamper efforts at creating a merit-based administration for the state and represent a key reason behind Southern Europe's stagnation and lack of reform.

To be sure, it is not always as clear-cut as it sounds. But it is fair to say that in Northern Europe, good governance has historically played a more systematic role in state-building processes and remains the indispensable party in the functioning of the state. Danish historian Bo Lidegaard explained it thus: "Good governance" in Danish means that you need complete transparency and consistence in the way you serve the citizens. That is because the welfare state is built on rights of the individual... Under the law, the bureaucracy is obliged to be sure that you get exactly what you are entitled to, no more and no less' (Lidegaard and Tassinari, 2014). Because all major reforms revolve around the political centre, bureaucracy is entrusted with ensuring continuity to policy-making.

This fundamental difference about the role of bureaucracy in policy making takes us closer to the events that led to the Euro crisis. EU institutions are typically regarded as the staunchest proponent of a school of thoughts that sees transition to mature democracy as a rather linear and sequential process. This mind-set was apparent in the process of EU enlargement, where the acceptance, implementation and verification of the *acquis communautaire* is the principal measure of progress. At most, different cultural attitudes are regarded as something that can be changed through socialisation. In the course of the crisis, Northern EU Member States, led by Germany, have been seen as being behind this line, and have been accused of pushing even beyond the positions of the European Commission.

In reality, the debate on austerity has been more nuanced, and less top-down than this narrative might suggest. Remarkable in this respect was the public *mea culpa* by Olivier Blanchard, the chief economist of the International Monetary Fund, which effectively acknowledged a miscalculation in the social consequences of fiscal consolidation measures. Be that as it may, the perceived rigidity of this approach has provoked an inevitable backlash. As Europe plunged into crisis and resentment among its participants

grew, 'culturalist' explanations gained currency. All too often, Europe's crisis management has been confined to the folklore sections of the national media, with Northern European tabloids trumping up the mortgaging of the Parthenon as a solution to the Greek crisis and Southern European outlets portraying German Chancellor Angela Merkel in Nazi fatigues.

However, at the heart of this controversy is the very logic of the deepening of European integration. European integration presupposes a long-term scenario, whereby Member States coming from very different starting points systematically 'converge' into an ever closer Union. The crisis has challenged this assumption insofar as the convergence of policies between North and South has, in effect, yielded divergent outcomes. The original sin for this state of affairs is that convergence presupposed an institutional compatibility that is yet to be found. 'The question', Bulgarian political scientists Ivan Krastev and Georgi Ganey argue, 'isn't whether Germany's policies are correct. It is whether they will produce the same outcomes in different economic and political environments' (Krastev and Ganey, 2013). Southern Europe has been encouraged to reform around a set of norms and rules that ultimately take their inspiration from the fiscally-responsible North, without accounting for vastly different governance perceptions and standards.

The real 'convergence' is one that, above all acknowledgments, differences in performance within the enlarged Europe are here to stay, because they are rooted in a different understanding of the rights and obligations entailed by the social contract. This is where the Baltic Sea experience has something important to tell.

Baltic Sea Lessons

The Baltic Sea Region has not been immune and isolated from the developments described so far. It has affected them and been affected by them. More importantly, with all the due caution in replicating lessons across different geographical and temporal landscapes, the region shows an unlikely way forward. On the reform agenda, one should start by remembering that the financial maelstrom, starting in the United States after the fall of Lehmann Brothers in 2008, first hit Europe

from its eastern flank. Together with the fragile economies of, among others, Ukraine and Hungary, the credit crunch virulently affected countries like Latvia and Estonia. The two small Baltic economies had long been overheating, boosted by property and credit bubbles not dissimilar from those that had fuelled the crisis in parts of the European Southern periphery. As a result, the Baltics were hit by the full force of the crisis, with their economy shrinking and unemployment skyrocketing. In a matter of a few months, they moved from being 'tigers' to being 'basket cases' (Lucas, 2009), throwing into serious question the whole transformation agenda behind the EU enlargement process.

What has happened since has roundly disproved the voices claiming that, as Southern Europeans do today, the only way out of the rut is to abandon the EU economic orthodoxy. Estonia and Latvia did not lose faith in the EU agenda; they followed a recipe of strict budgetary consolidation, lowered salaries, and forewent devaluation and ended up joining the single currency in 2011 and 2014 respectively. This turnaround led to some heated intellectual exchanges, such as those between the Nobel Prize-winning economist Paul Krugman, a long-time critic of European austerity measures, and the Estonian president Toomas Ilves. In fact, Ilves went so far as to hail the Estonian experience as a model for other distressed governments of the EU: 'Other countries will have to go through a similar process. There is no way we can keep current levels of salaries and prices and remain competitive... You don't have to reinvent the wheel. The Irish are doing it, Estonia is doing it. I think others can too' (Bithrey, 2011). In following the taxonomy suggested in the previous section, the Baltic experience is one dominated by the rational choices of the *Homo Economicus*, who can follow the governance standards imposed by the EU and come out stronger as a result.

But there is also another Baltic experience worth noting here. This experience is older and closer to the other end of the intellectual spectrum, the one focusing on an acceptance of diversity, both in discourse and policy. It is the experience, which started in the immediate aftermath of the Cold War, of subsuming the cultural variety of the Baltic Sea area into workable formats

of regional co-operation. The logic here is one of region-building, the bottom-up process of transnational interaction that Baltic Sea economic and social stakeholders initiated in the post-Cold War period. This process was inspired, and in many ways driven, by the North, Scandinavia and Germany. The very birth of the Council of the Baltic Sea States in 1992 was a German-Danish initiative; the Northern Dimension a Finnish one.

Yet, the Baltic Sea regional dynamic has differed in remarkable ways from the mainstream experience of European integration in the sense that has it almost entirely eschewed centralisation, homogenisation and conditionality as tools to advance convergence among different political and economic cultures. The logic of regionalisation in the Baltic has been driven almost entirely by a softer logic of trust-building, multiplicity, and socialisation. It has not been the case that one standard of statecraft was considered superior to the other; nonetheless, it has been the case that Nordic and Northern German actors have continued to inspire domestic transformation and reform (Tassinari, 2004).

The interesting questions here concern the way in which this latter experience has correlated to the wider EU governance narrative, and to what extent this experience has proven replicable elsewhere in the EU. On the previous question, the prevailing consensus among independent scholars and observers is that the EU has not fundamentally overtaken home-grown regional developments in the Baltic Sea Region. Regional co-operation has underpinned the most defining EU developments occurring in the area, including the Eastern enlargement and attempts at engaging Russia, but it has not replaced them. Even so, regional developments have supported the EU narrative unambiguously by creating endeavours, from the Northern Dimension (of 1997) to the EU Strategy for the Baltic Sea Region (in 2009), where the bottom-up resources of transnational co-operation could coalesce into a broader EU discourse. In this way, the region has traditionally stood as a model of the 'network governance' paradigm that European integration stands for (Filtenborg et al, 2002).

When regarding the applicability of this model elsewhere, one must say that the lessons are not as encouraging. The EU has actively

sought to replicate some of the Baltic Sea experiences. Mirroring the Northern Dimension, the Black Sea Synergy (in 2007) and the Union for the Mediterranean (in 2008) have attempted to spur the formats of regional co-operation as a way to overcome divisions of socio-economic standards, but often also the separation of civilisations, like Western Europe and the former Warsaw Pact states, or Europe and the Arab-Muslim world. However, these initiatives have failed to take root, partly because of the ongoing introspection of the Union, and partly because of the lack of support coming from the 'inside-out'. Thus, it is not an overstatement to claim that they lie in tatters even after more than half a decade has passed since their establishment. Inside the EU, macro-regional strategies mirroring the Baltic Sea Strategy have emerged in the Danube (2010) and in the Adriatic (2012). Perhaps also because of their novelty, the record here is harder to assess. Still, a functional, and indeed technocratic turn is detectable, at least in the way that the implementation of these endeavours is carried out. This turn has relegated the core business of regional co-operation to the realm of low politics: technocratic co-ordination. It remains to be seen whether this co-operation will translate into a degree of regional 'we-feeling', if not fully-fledged identity, along the lines of characterising the Baltic Sea region-building experience.

Rebooting the narrative

Over the past year, the European Commission has implemented a project, initiated by the European Parliament, focused on 'a new narrative for Europe'. In an itinerant tour of events across European capitals, policy-makers share, alongside artists, writers and civil society, opinions and ideas about what should constitute the 'narrative', or perhaps the 'narratives', that have the discursive power to guide post-crisis Europe out of its present predicament. If recent experiences are anything to go by, just upholding the European consensus on budget discipline, structural reforms, growing harmonisation of policies and integration of institutions will not sway the discursive power and will not suffice to counter the Euro-sceptic agenda.

The main lesson from and contribution of the Baltic Sea experience is primarily that the sources of post-crisis EU divisions need to be taken at face value in order to kickstart any persuasive reform narrative. Baltic littoral states were hit by the economic maelstrom as much as other countries in the European periphery. Nevertheless when the situation worsened beyond repair, the Baltics were prepared to overhaul their entire macro-economic and financial framework, based on a broad social and economic consensus about the EU's reform agenda.

The other, more complex explanation behind the Baltic Sea story is that the Eastern part of the region had benefited from two post-Cold War decades of cross-fertilisation with Scandinavia and Germany on the cultural, social, economic and political levels. This cross-fertilisation has perhaps not led to the emergence of a genuine regional identity, comparable for example to the ties binding the Nordic countries, but it has created the preconditions for successful cross-border co-operation that exceeds, by far, the mere functional transactions of international regimes. Based on existing experiences from the Mediterranean, from the Black Sea to the Adriatic, the Baltic Sea experience looks rather exceptional and it is doubtful that this outcome can be replicated elsewhere in post-crisis Europe. But if the aim of European policy-makers is to bring the institutions and governments closer to its citizens again, the experience from the Baltic Sea provides a two-folded 'narrative', which is at least worth considering: first, a viable road to recovery has to pass through careful consideration of the structural causes of the crisis, rather than through piecemeal measures now plaguing the recovery in Southern Europe. Second, a regional commonality of intentions and purposes is a precondition for reaping the benefits of European integration. This commonality accompanies the broader processes of Europeanisation and constitutes a principal source of any virtuous process of trust-building and socialisation.

Nordic strategies towards the Baltic Sea Region

Tobias Etzold



The Nordic countries' strong attachment to the Baltic Sea Region (BSR) and their interest in regional co-operation is reflected in the involvement of the joint Nordic institutions, notably the Nordic Council of Ministers (NCM) and the Nordic Council (NC), in BSR-related co-operation. The NCM in particular has become an important part of the wider regional institutional system and active in the implementation of regional EU policies. In order to strengthen this role and impact, as well as to create synergies, establishing a closer link between general as well as regional NCM activities and existing regional EU policies could be a way forward. There is also a potential to widen Nordic co-operation with Germany and Poland. In order to advance regional co-operation, it is essential that the different approaches be better harmonised and co-ordinated with each other.¹

All five Nordic countries (frequently referred to as Norden) have an interest in and a close affiliation to the Baltic Sea Region (BSR). Although in a strict geographical sense only Denmark, Finland and Sweden are integral parts of the region, politically Norway and Iceland, mainly owing to their close intra-Nordic relations, also belong to the region. Certainly the latter's attachment is less advanced than the former's, but economically in particular Norway and Iceland have also been fairly active in BSR affairs. From the early 1990s onwards, the Nordic Baltic Sea littoral countries have become key actors in Baltic Sea regional co-operation. These countries' governments even played important roles in establishing regional institutions: Denmark co-initiated the Council of the Baltic Sea States (CBSS), Finland was the driving force behind the EU's Northern Dimension (ND) and Sweden's efforts were crucial in elaborating and adopting the EU Strategy for the Baltic Sea Region (EUSBSR).

The Nordic countries' strong attachment to the BSR and their interest in and commitment to regional co-operation is also reflected in the involvement of the joint Nordic institutions,

notably the Nordic Council of Ministers (NCM) and the Nordic Council (NC). Although with the Nordic countries being only one part of the BSR, all Baltic Sea littoral states are involved in these two organisations, NCM and NC became vital and prominent pieces of the wider regional institutional jigsaw. Their BSR engagement is based on the fact that Nordic co-operation has generally opened up and become more European and international since the mid-1990s. On that basis, the co-operation with Norden's adjacent areas, such as the BSR, and countries, notably the Baltic states and Northwest Russia, became an important pillar of joint Nordic endeavours. At that time, Nordic co-operation was undergoing a reform process and many doubted the future relevance of the NCM and the NC due to the fundamentally changed geo-political setting of Northern Europe. Therefore, the internationalisation and adoption of new missions and tasks, for example in relation to Norden's adjacent areas, including the BSR, were important signs for the willingness, and in retrospect also the capability, of Nordic co-operation to adapt to new external circumstances and to seek a place in the wider regional arena of Northern Europe and beyond.

¹ Parts of this chapter will also appear in a chapter on 'Nordic co-operation within a wider regional setting' for a book on the future of Nordic co-operation to be published by Routledge later this year.

The role and the strategies of the Nordic institutions in BSR co-operation: an overview

The political and economic developments and regional co-operation in the BSR have found a firm place on the agenda of the Nordic Council (NC) and the Nordic Council of Ministers (NCM). The NC brought its expertise and experience in establishing co-operation among parliaments into the Baltic Sea Parliamentary Conference (BSPC). That way, the NC became a driving force in fostering dialogue among parliamentarians in the wider region. The institutions of Nordic co-operation and the Nordic countries have encouraged the Baltic States to establish similar institutions, in the form of the parliamentary Baltic Assembly and the intergovernmental Baltic Council of Ministers, and have transferred their structures and mechanisms for co-operation across the Baltic Sea. Since then, the NC and the Baltic Assembly have continued to meet for joint sessions from time to time. NC delegations visit the Baltic States and northwestern Russia on a regular basis.

The NCM deals in various formats with BSR issues. Since the early 1990s the body runs local information offices in the capitals of the three Baltic states and later also established information points and offices in Northwest Russia and Kaliningrad. The BSR is also affected by the co-operation among the five Nordic and three Baltic countries (Nordic Baltic 8), since this form of co-operation includes eight out of eleven countries in the wider BSR and also deals with BSR-related matters. The policies towards the Nordic adjacent areas have some impact and connection to the BSR and related regional co-operation since it is their stated aim to help build a strong BSR and reducing the welfare gap between the countries of the region (Nordic Council of Ministers 2013, p. 1). As part of the co-operation programmes established with the Baltic countries and northwestern Russia, the NCM, for example, runs a NGO Baltic Sea programme that supports the activities of NGOs in the entire BSR, reaching out even to Belarus.

However, Nordic policies and programmes have created a certain overlap of activities, since such aims have been fairly similar to those of BSR-specific regional organisations such as the

CBSS. Basically, the NCM's policies towards adjacent areas cover all the geographical areas and their problems, for which other regional organisations were specifically designed. Even one of the main objectives of BSR co-operation, integrating and involving Russia on an equal basis, is part of the NCM's adjacent areas policies. To this is added the fact that when the EU started to play a more active part in the BSR towards the end of the 1990s, the Nordic institutions became involved in EU BSR initiatives that again had similar purposes.

Nowadays, the latest guidelines for Nordic co-operation with northwestern Russia as well as with the Baltic States clearly state that these forms of co-operation must not overlap with existing forums for regional co-operation (Nordic Council of Ministers 2013, p. 1). On the contrary, they are designed to help facilitate broader regional co-operation, create synergies, and strengthen the overarching regional policy frameworks, notably the Northern Dimension and the EU Strategy for the Baltic Sea Region (*ibid.*). The NCM further collaborates with Baltic Sea organisations, such as the Council of the Baltic Sea States and in general contributes to regional co-operation efforts with its expertise, funding and experience.

Northern Dimension

The Nordic Council of Ministers is like the other regional North-European regional councils – Council of the Baltic Sea States (CBSS), Arctic Council (AC) and Barents-Euro-Arctic-Council (BEAC) – an official partner of the EU within the Northern Dimension (ND). All regional councils have been recognised as important actors within the ND as they cover a wide range of co-operation issues in their respective geographical areas (Council of the European Union 2005: 1). Although not having been allocated an official role within the ND framework in its early stages, the NCM and the NC emphasised the ND's importance for Nordic co-operation and the relevance of their involvement in the ND. Only in the preparation phase for the second Northern Dimension Action Plan (NDAP), the NCM's and the NC's role loomed clearer and the NCM became an official ND partner.

Currently, the NC is active in the Northern Dimension Parliamentary Forum and the NCM

is an active partner in three of the four Northern Dimension Partnerships:

- ND Environment Partnership (NDEP),
- Partnership for Culture (NDPC), even hosting the partnership's secretariat between 2011 and 2013,
- and the Partnership for Health and Social Welfare (NDPHS), of which the NCM is an official partner organisation, contributing to specific projects, for example on alcohol and drug prevention among the youth in St. Petersburg.

The fourth partnership, Transport and Logistics, also exhibits a strong joint Nordic involvement. The Nordic Investment Bank (NIB) sponsors the partnership to a great deal and hosts its secretariat.

Co-operation between the Nordic Council of Ministers and the Council of the Baltic Sea States

The mutual relationships, primarily in the form of exchange of information and the co-ordination of activities, between the NCM and the CBSS, which have for some time been the most important intergovernmental Baltic Sea regional organisation level, have improved and been systematised over the years (Nordic Council of Ministers 2005: 66). The co-operation between the NCM and the CBSS consists of co-funded joint projects and activities, jointly organised conferences, meetings of CBSS and NCM secretariats and presidencies on a regular basis. Encouraging the exchange of information is the preparation of an exchange programme for secretariat staff, aimed at creating transparency and synergies, as well as at avoiding unnecessary overlap. Previous joint activities included the Baltic Sea Region Energy Cooperation (BAS-REC), cross-border co-operation within the Baltic Euroregional Network (BEN), transport, the ND Partnership on Public Health and Social Wellbeing (NDPHS), Baltic 21, and the Northern Dimension. Currently, both bodies are engaged in the implementation of the EU Strategy for the Baltic Sea Region and jointly co-ordinate one of its horizontal actions (see below).

EU Strategy for the Baltic Sea Region

The EU Strategy for the Baltic Sea Region (EUSBSR) has become an important structure of practical project-based regional co-operation since its adoption in 2009. The NCM also contributed actively to the preparation of the strategy and has had, at least in its own perception, a big impact on its elaboration (Norden Nyheter 2009). The European Commission views the NCM as an important partner in project implementation within the strategy (*ibid.*). Overall, the NCM regards the following policy areas as particularly important within the strategy: internal market, innovation, research and education, climate change and natural resources, bio-energy, culture, regional policy and cohesion, and health and social security. The organisation assumed a leading role in establishing a fund for innovation and research in the region and additionally contributes to this work in several other areas. The Nordic Council's working bodies have also showed an interest in the strategy. Its then-President (Bohlin 2009) even promised that the 'strategy will be at the core of Nordic co-operation' in the years to come.

Already in the first phase of the EUSBSR's implementation from 2010 onwards, the NCM contributed to various flagship projects within several of what then were 15 priority areas (for example on clean shipping, on sustainability for agriculture, forestry and fisheries, and on energy markets). When the strategy was revised and a new action plan designed in 2012/2013, the NCM claimed that more must be done to ensure that the Action Plan remains politically relevant at the highest level and that it will become more relevant for the private sector and for the citizens (unofficial NCM source). NCM stakeholders promised that they will do their part to ensure such.

The second EUSBSR Action Plan of February 2013 covers 17 thematically specified priority areas and five cross-cutting so-called 'horizontal actions'. The NCM is involved in several of the priority areas as flagship project leader and in one of the horizontal actions as co-coordinator. More concretely, the NCM is active in the newly established priority area 'Culture and cultural identity' and leads the flagship projects 'Knowledge, experience and information exchange on creative industries in the Baltic Sea

Region' and 'Baltic Sea Region cooperation with a focus on culture as a part of sustainable development'. In co-operation with the European Commission and the priority area co-ordinators Schleswig-Holstein and Poland, the NCM organises workshops and conferences to bring together representatives from various cultural sectors and creative industries. In the priority area *Agri* 'Reinforcing sustainability of agriculture, forestry and fisheries' the NCM holds responsibility for the flagship project 'Reinforcement of animal health and disease control'.

Jointly with the CBSS Secretariat, the NCM co-ordinates the horizontal action 'Sustainable development and bioeconomy'. While the CBSS takes the lead in the part of the action covering sustainable development, the NCM is mainly responsible for the bioeconomy package. The joint co-ordination role in this horizontal action area represents a good example for concrete co-operation between two of the major regional organisations in Northern Europe. Bioeconomy is an area in which the NCM can rely on previous experience and well-established expertise. The NCM's



primary objective in this area is to facilitate and foster co-operation in order to manage the transition towards a bio-based economy in the BSR.

Some argue that the NCM did not have a clear stance on this new macro-regional approach on which the EUSBSR is based, and was hesitant about taking an active role in the strategy, a reason being that two of its members, Norway and Iceland, are not in the EU. When it eventually had decided that it would like to play a role, it instead focussed on what these critics would call the soft and uncontroversial parts of the strategy. Nonetheless, on account of aforementioned involvement and activity, the NCM is a not unimportant implementation partner in the new EUSBSR action plan, realising that the macro-regional approach plays an increasingly important role in Europe's institutional architecture. The NCM would decline in relevance and standing within this architecture if it did not try to integrate within this new macroregional setting.

Current challenges

The big challenge for all stakeholders of the EUSBSR is to keep the strategy going, to render it effectively, to achieve tangible results within their allocated areas of responsibility and to ensure the interest of central governments and European institutions. Regional institutions have an important role to play here. The European Commission had stated repeatedly that it can perform some kind of co-ordinator and facilitator role, but that the actual implementation of the strategy and the execution of concrete projects have to be conducted by the regional stakeholders. Only they have the expertise and the experience. The regional actors have to assume these tasks and challenges more decisively than they seemed to in the past. Regional organisations, such as the NCM, would also have to assume more responsibility and ownership of at least parts of the strategy. This will be particularly the case if the European Commission materialises its plans to re-export the responsibility for the strategy to the Region, which for many would come too early. A firm anchoring of the strategy within the EU institutions remains necessary for its functioning and success and to ensure that the links between the BSR and Brussels remain tight. A suc-

cessful implementation of the strategy requires both ownership by Brussels and by the regional stakeholders.

In order to not just keep the strategy and other formats of regional co-operation (most notably the ND) going, but to render their implementation effectively and successfully, creating a coherent framework for regional co-operation is the key to all efforts and one of the major challenges for Baltic Sea stakeholders (see Etzold and Gänzle in Political State of the Region Report 2012). The various forms of regional co-operation need to be better interlinked. In light of this challenge, a clearer division of labour is continuously required (see Etzold and Gänzle 2012: 54). Sound and close co-operation among the major regional bodies in Northern Europe remains important in order to make progress. Owing to its expertise, experience and financial and human resources, the NCM is in a good position to contribute substantially to the creation of a coherent system of regional co-operation in Northern Europe and the BSR (*ibid.*: 58). According to the European Commission (2012: 6), continuing dialogue with the NCM 'will ensure a more co-ordinated use of human and financial resources'. Within that context, the NCM needs to continue to strengthen its working relations to other regional organisations such as the CBSS, for example by means of an active and steady dialogue on all involved levels, mutual exchange of information and joint projects.

Outlook and recommendations

The Nordic voice in the BSR remains important in order to move regional co-operation forward. This applies both to the individual Nordic countries as well as to the structures of Nordic co-operation. The Nordic countries occupy a key position in BSR co-operation. Unlike most other countries of the BSR, they belong to basically all wider regional co-operation arrangements. They take part in the various forms of BSR, Nordic, Arctic and Barents co-operation, as well as the EU, either as full members or associated through the European Economic Area. This provides the Nordic countries with the opportunity to link the various regions and their co-operation arrangements. Simultaneously, the Nordic countries

should apply their political and economic weight to strengthen and to consolidate the role and the impact of Baltic Sea Regional organisations. The Nordic Council of Ministers plays an important role in overall regional co-operation, owing to longstanding experience and expertise in regional co-operation and attractive funds. Nordic co-operation is strong in informal contacts, networking, values and bottom-up approaches and has done its part to turn these features also into important elements of BSR co-operation.

There is, however, room for improvement and an even more advanced role. It seems that for many it is not too obvious that the structures of Nordic co-operation have a Baltic Sea profile and that they are engaged in BSR affairs. The NCM and the NC are often perceived as pure Nordic organisations that deal with Nordic affairs only. Thus, these bodies could possibly do more to raise their BSR-related profile, also in relation to activities at the Nordic, European and global levels, and to make their activities in the area more public and visible. At times, it seems that officials from the Nordic countries and the Nordic institutions disagree on what Nordic co-operation should do and what it should focus on. This leads to a situation in which many activities are conducted, occasionally, however, half-heartedly and without a clear focus. A clearer prioritisation and focus on fewer issues, as well geographical areas, could therefore help sharpening the NCM's overall profile.

There always has been and there still is a certain risk of creating overlap and a duplication of structures between Nordic adjacent areas policies / co-operation programmes and those of the Baltic countries and northwestern Russia. As outlined, the NCM stated explicitly in its newest guidelines that its co-operation with the Baltic countries and northwestern Russia must not overlap with other regional co-operation arrangements. That the NCM realises this risk is good and well. What is missing in official papers and statements, however, are clear indications what that means and how this can be done in practice. What and where are the border lines? Which concrete activities are indeed affected by overlap? Thus, official statements by the NCM should become more specific in this respect. Also, statements as to the need to strengthen the

ND and the EUSBSR need more sophistication, content and concretisation. What does the NCM concretely plan to do in order to strengthen these frameworks for regional co-operation?

Also, since the NCM claimed that more must be done to ensure that the Action Plan remains politically relevant at the highest levels and that it will contribute towards this end, NCM stakeholders need to become more concrete how they want to ensure this political relevance and what the NCM exactly plans to undertake in this respect. As a start, the relevant ministerial settings within the NCM should deal with the strategy on a regular basis. Nordic ministers, as well as the NCM secretary-general, should develop and consequently express a clear and active stance on the strategy.

As outlined, the Baltic countries are close partners for the Nordic countries. Nordic and Baltic co-operation are strongly interlinked, and Nordic-Baltic co-operation has an impact on BSR affairs. Even Russia plays a role in Nordic co-operation programmes. Less obvious, however, are the specific connections of Nordic co-operation to the two remaining countries of the BSR, Germany and Poland. Officially and institutionally, the links are rather scarce. Nonetheless, the NCM has recently undertaken increasing efforts, mainly on informal levels, to strengthen the ties to these two important players, at the European as well as the BSR level. For some Nordic stakeholders, it became more important to show presence in Berlin than in the Baltic countries. Poland did become a more active regional actor in the BSR recently and has a strong interest in co-operation with the Nordic countries and Nordic co-operation structures, which should be reciprocated. Jointly with Germany, the Nordic countries have a potential to play a frontrunner role in regional co-operation efforts. Efficient co-ordination of activities among the Nordic countries and between the Nordic countries and Germany seems to be crucial in order to advance BSR co-operation, to achieve tangible results and to contribute to regional stability, safety and growth. The NCM might be able to play a role in bringing the Nordic countries as a group, and Germany, closer together and strengthen their joint role in BSR affairs.

Overall, the NCM has a fair chance to remain

an important implementation partner in wider Baltic Sea co-operation in general and in the ND and EUSBSR in particular, owing to its expertise and resources. Concerning parliamentary co-operation in the region, this also applies to the Nordic Council. In order to strengthen this role and impact, as well as to create synergies, establishing a closer link between general and regional NCM activities and existing regional EU policies

could be a way forward. An important question to answer is how the EU's activities could better complement the regional activities and vice versa. In this context, it seems relevant to clarify as well as to emphasise the added value of Nordic activities in the BSR. For promoting effective regional co-operation, it is essential that the different approaches be better harmonised and co-ordinated with each other.

Dimensions of educational and research co-operation in the Baltic Sea Region

Paula Lindroos & Kazimierz Musiał



It may appear to be a scholarly truism that education and research co-operation, practiced at a regional level, leads

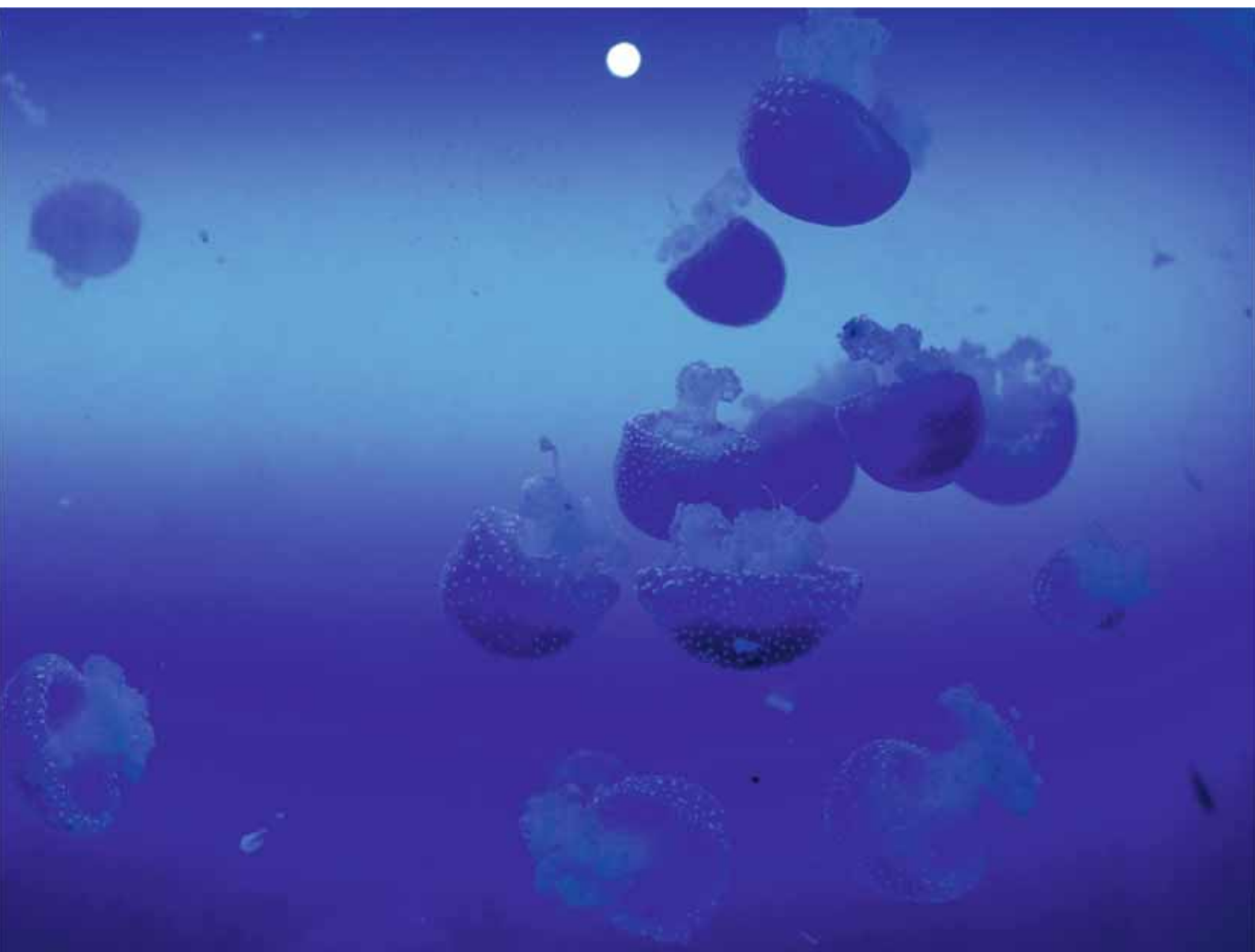
to increasing prosperity in said region. However, this conviction has arguably provided a point of departure for the politicians and decision-makers who have made education and research, under the umbrella term 'innovation', a priority area for the EU Strategy for the Baltic Sea Region (EUSBSR). The decision was right and timely. In this chapter we argue that the advantages of employing education and research for increasing prosperity and cohesion of the Baltic Sea Region (BSR) are tangible, and many universities and research centres are well aware of it. At the same time, there is still a lot of unused potential of regional scholarship, researchers, educators and academics in making education and research work for increasing regional cohesion. This would support the three objectives of the EUSBSR: Saving the sea, Connecting the region, and Increasing prosperity.

In this chapter, we concentrate mainly on regional higher education and research (HE&R) and their potential for supporting the development and sustainability of the BSR. We have decided to look at these phenomena through the perspective of the 'Learning Region'. This concept offers a reasonable framework for describing how institutions and people act, or should act, in the increasingly post-industrial economies of the Baltic Sea littoral states. The term was coined by Richard Florida (1995) and refers to regions that function as collectors and repositories of knowledge and ideas. They also act as

providers of a type of infrastructure that can facilitate the flow of immaterial resources, which are increasingly important for national or indeed regional economies in a globalised world. The 'Learning Region' concept provides us with a framework to describe and analyse different dimensions of HE&R in the BSR.

We will refer to three dimensions identified by Baumfeld (2005). The first dimension comprises comprehensive activities in favour of the continuing education of the region's inhabitants. The second dimension denotes activities for empowering and networking the educational capacities of the region (e.g. schools, universities, vocational training services). These institutions upgrade the educational infrastructure and enlarge the knowledge base of the region. Finally, the third dimension refers to ongoing investments to integrate all the regional subsystems and institutions into a sustainable process of mutual learning and innovation.

Furthermore, we will also pay attention to the regional 'triple helix', which denotes a constellation of HE&R institutions co-operating with industry actors and state administrations. In most of the BSR countries there is a growing realisation that the application of HE&R output by the private sector, and flexible assistance from the administration, is critically essential for the success of the region. This fourth dimension of the 'Learning Region' positions the HE&R institutions not only as nodal points in the network of the BS regional fabric but also as potential co-creators of the region (region builders), both in the material and ideational sense. In the following, a selection of examples, contemporary developments, and future challenges are portrayed for each of the four dimensions.



1. Lifelong learning is an important factor in the emergence of the knowledge society and implies a major change in knowledge production. It recognises that other actors are involved with universities. This forces universities to engage in a dialogue with the society that surrounds them. In this context, academic research continues to play an important role in validating methods used to co-create knowledge, and in articulating and structuring fragmented knowledge into a language that is understood by all.

Activities in favour of continuing education and lifelong learning (LLL) are moving higher up on universities' strategic agendas as external pressures, such as unemployment, skills-upgrading

needs and broadening participation, become more pronounced. In these situations, the challenge for HE&R institutions lies in their capacity to offer attractive study programmes and improve the methods used to deliver them. The individual and collective market needs are often specific and at the same time require a quick response from the HE&R institutions, which asks for flexibility and innovation potential. This is why there is a need for structured partnerships in the area of LLL in the BSR, as well as at the more local level. The HE&R need the support of other educational institutions, employers, trade unions and other stakeholders.

Currently in the BSR, the main funding schemes for LLL are those elaborated in the Nor-

dic region, such as NordPlus Adult and Nordplus Higher Education. The EU programme 'Erasmus for all', starting in 2014, considerably increases the support for educational mobility, and in so doing creates possibilities for enhanced opportunities and internationalisation. Yet at the current stage, it would be a far-fetched exaggeration to speak of the BSR as a region in which region-wide networks or partnerships use LLL and thereby contribute to making it a learning region. What we can witness is usually a very narrow definition of the given institution's environment, usually focused on national setting. This leads to limited outreach and wasted potential for regional LLL activities. A clear strategy for the promotion of LLL at the BSR level is still missing, which for instance could be propagated and co-ordinated by the Council of the Baltic States (CBSS). The first step in this direction could be taken by admitting all BSR countries to participate in Nordplus. This way, the best practices and experience of the ongoing Nordic and Nordic-Baltic co-operation could serve as a foundation for a truly unifying regional LLL strategy.

2. Activities for empowering and networking BSR educational capacities seem to be quite advanced, as the regional stakeholders have seen them in the context of individual and collective gains. They have recognised, among other things, that in order to act as an important and competitive actor in both the EU and in the global arena, a region needs to become rich in human capital. This includes not only well-educated inhabitants but also competent region-builders who guarantee proper framing of the regionalisation process. Such an epistemic community, as envisaged by Haas (1992), is created by professionals and academics who weave the regional fabric tighter in their specific disciplinary way. However, that community also needs the region to possess institutional capacities based on well-networked regional HE&R actors.

In recent years the most important and influential initiative in this regard has been the EUSBSR. The need to match commercial expectations for well-trained graduates and to prove the almost immediate applicability of research results have been decisive for the regional stakeholders and decision-makers in framing and implement-

ing the strategy. Clearly, functional priorities and their focus on applicable results have given precedence to some disciplines (mostly natural sciences and technology), while social sciences and humanities have been implicitly disregarded. In the future this bias of providing insufficient funding for less tangible and marketable research may worsen the potential for innovation in the BSR economies. Conversely, their competitive advantage could be based on an ability to integrate humanistic and artistic components into the service economy in a post-industrial setting, but these components have not been explicitly present or sufficiently supported so far.

At the same time, the strategy has expressed support for the free movement of knowledge that has been launched as a fifth freedom in the EU, in addition to the established free movement of people, capital, goods and services. Under the keyword 'competitiveness', the free movement of knowledge is based on effective sharing, well-co-ordinated research programmes, mobility of students and researchers, as well as a high-class research infrastructure. The proposed actions include cross-border mobility and research co-operation as prerequisites for developing truly knowledge-based societies. Although there are many good examples of bilateral or trilateral arrangements, we will henceforth pay greater attention to multilateral scientific and academic networking in the BSR.

The most promising agendas promote information and communication technology (ICT) in research and education. The Nordic countries seem to serve as trailblazers in this domain, as they have elaborated a Nordic eScience strategy and action plan for research, which is enabled through the use of advanced ICT. One example is the Nordic eScience Globalisation Initiative, as part of NordForsk. Its focus is on eScience research in relation to the areas of environment and climate change, as well as health and the social preconditions for health. Other key activities are eScience techniques, researcher training and eInfrastructure. Another successful example is the PhD thesis databases. The database covers theses from the Nordic and Baltic countries and provide a foundation for a community of scholars. Thanks to this, an epistemic community is just about to take shape based on young schol-

ars operating in the region and familiar with the achievements of their peers.

A proposed next step is to widen the Nordic into a Nordic-Baltic Sea eScience strategy. This would increase the potential for leading research on great challenges with additional groups of researchers. The establishment of a Nordic-Baltic educational area by means of common projects, exchanges, and mobility programmes between Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden is supported by Nordplus of the Nordic Council of Ministers (NCM). Additional examples are the NCM instruments for co-operation with Russia, which include the Knowledge and Networking Programme and participation in the Northern Dimension Partnership. During 2012-2014, the NCM has also supported the establishment of networks among Nordic institutions of higher education, called Nordic knowledge triangle networks. These aim to enhance synergies between society, commercialisation and innovation. Projects are ongoing in the areas of culture (Culture Kick), technology (Nordtek), and welfare (NordRoad-NeRo).

A well-functioning infrastructure in the Nordic countries, as well as in the whole BSR, also creates opportunities for students to co-operate within the BSR domain. One such initiative is the Kalmar2 project, which has the aim of creating a cross-Nordic authentication system for HE&R in order to ease the use of web resources in the other countries. The membership of this co-operation is growing, as Estonia joined as a new member this Kalmar Union of modern times in June 2013. This provides an option for other countries to join in the future.

E-learning has been part of higher education offers for several years, as programmes and courses complement on-campus courses. A new trend has been introduced by Massive On-line Open Courses (MOOCs), which open one more avenue for virtual mobility and a widened educational offer.

While some spectacular examples of ICT use to overcome traditional national barriers, networking the academic and research-based region into existence also requires increased real-life mobility. Patterns of physical mobility in the region are still not optimally aligned with patterns in improving human capital and co-operation.

Graduate students and academic researchers often choose an institution on the basis of excellence in research rather than geographical proximity. In several cases, it has been highlighted that students and researchers prefer to connect with universities farther away in order to benefit from better research opportunities throughout their career.

Mobility and joint higher education programmes have shown both successes and disappointments. In several cases, differences in funding schemes for studies drive students' choices in a direction that works against enrolment in the BSR. This is a challenge for mobility, as well as for joint programmes. However, arrangements that focus on specific areas of complementary expertise or cross-border study programmes seem to be easier to implement and should be explicitly encouraged. A successful way to accomplish this has been developed by the Nordplus mobility grants for students, which are awarded for full-time studies or work placements in the Nordic and Baltic countries.

Nordplus has been superior to Erasmus in the BSR, but it does not anticipate co-operation on equal terms with Germany, Poland or Russia. Although this means that Nordplus hardly represents a regional system at the moment, it may well be regarded as a future role model for developing a region-wide scope. It would be promising to expand the successful Nordplus programme to include Germany, Poland or Russia, or at least their sub-regions in the Baltic Sea Region. In the meantime, a possible remedy could be to develop the new EU programme, 'Erasmus for all', to be, at least partly, geared towards the European regions. At this stage it is important to note that only sustainable funding instruments, programmes and schemes guarantee regional co-operation in the long run. The past record of short-term projects that have withered away after their funding came to an end should be seen as a warning for efforts to network the educational capacities of the region.

3. Integrating regional subsystems and institutions into a sustainable process of mutual learning and innovation appears to be quite challenging. It requires arriving at a consensus between understanding the region as a unified

regional system and the multipolar and multi-modal legacy of past co-operation patterns in the BSR. Conventional views on the 'Learning Region' concept referred to a hierarchical relationship among the region's actors, where ideas were diffused from the centre to the peripheries. Since the BSR does not possess a single centre, its multidimensional character provides a challenge.

An interesting example of meeting this challenge is given by the Baltic University Programme. This represents an epistemic community based on sustainable development with respect to nature and society. For more than 20 years, it has been offering a framework for research-based teaching within, as well as beyond, the BSR's borders. This network is an informally-structured collaboration co-ordinated by a secretariat at Uppsala University and national nodes to create cross-border governance. The structure leaves room for many kinds of collaboration, although its main activities support the internationalisation of higher education and capacity development in the area of sustainable development. This long-term co-operation with a geographically wide and numerically large membership has developed into a solid platform, through which bi- or multilateral projects are elevated. Co-operation with other networks is foreseen as a developing trend. One such example is the co-operation with VASAB and HELCOM in a recent course. This activity called for a temporally co-ordinated international co-operation among professionals, because neither the identified academic expertise nor the target group were large enough for one country alone to take responsibility. Creating meta-networks of this type may be a sign of the coming times and should be particularly encouraged.

There are several existing thematic academic networks, such as Novabova (agriculture), Nordtech (technology), and ScanBalt (biotechnology and bioeconomy). In combination with geographically more restricted forms of co-operation (Øresund Academy, Bothnian Arc area), they all contribute to the internationalisation of the academic society in the BSR. Two examples for enhancing the cooperation and internationalisation of university administration are the Nordic Association of University Administrators (NUAS) and the Baltic Sea Regional University Network

(BSRUN). The first example aims to strengthen co-operation between the Nordic universities at all administrative levels, the latter to enhance co-operation among administrators, mainly on the eastern and southern side of the Baltic Sea: Finland, Russia, the Baltic States, Poland and Belarus.

An additional example of mutual learning with a great potential to link East and West in the BSR is the renewed Eurofaculty project now operating in Pskov, Russia. Trying to build on the experience of its successful predecessor in the Baltic republics between 1993 and 2005, the current project attempts to link Russian academia with the HE&R structures on the European side of the BSR. However, despite its ambitious plans the project has not been able to meet expectations so far. It is highly dependent on the eventual outcome of the internationalisation struggle in Russian higher education (cf. Jokisipilä, 2014).

Several of these organisations started as projects, and are often still dependent on project funding for their activities. Funding is often a common dilemma during the transition from a pure project-funded organisation towards a permanent entity. This change in the financing structure is crucial for the survival of these organisations, and calls for continued support from participating countries or from higher education institutions. So far no pan-regional funding mechanism has been created, which limits the contribution of the HE&R sector to more proactive shaping for the benefit of the BSR.

4. Regional triple helix structures are understood as co-operation between academia, governments and businesses. Perhaps the best manifestation of a triple helix structure is found in the Øresund Model. This is a unique example of a double triple helix for growth based on knowledge in a cross-border region. It brings together universities, industry stakeholders and regional authorities from Denmark and Sweden. The Øresund region is characterised by a concentration of research-intensive multinational companies, innovative enterprises, and leading HE&R institutions, specialised in life science and ICT. Large infrastructure projects contribute to the scientific potential and high-tech image of the region: two large scientific facilities for materials

science research are being built: MAX IV and the European Spallation Source (ESS). Their reach extends much further than the cross-border region, but efforts are devoted to stimulate spillover effects from the new infrastructure to regional companies.

Another initiative was Øresund University, which played a key role in developing cross-border projects, notably in the form of cluster platforms. However, it formally closed down in 2010. This was partially rooted in problems with national regulations regarding higher education, although certain areas of co-operation continue through a variety of projects. This points to the difficulties in widening triple helix structures across national borders. One solution seems to be comprehensive bilateral agreements between the universities involved on both sides of the Øresund. In this case, it is significant that although the trademark of the Øresund University has disappeared, the co-operation it established continues, as it has also generated significant symbolic capital. For example, with respect to knowledge and innovation, evidence in the life science sector shows an increased intra-Øresund scientific co-operation over time. In fact, research co-operation is more pronounced than ever before in terms of research publications and projects. This has been further manifested in the new European Spallation Source research centre in Lund, and the cross-border cluster Medicon Valley Alliance.

Looking into the future of possible triple helix initiatives in the BSR, green growth and innovation seem to have the greatest potential. A recent study on co-operation in this area identified only a few research projects with participation from several Nordic countries. This underscored the need to create competence centres in the area,

as well as to provide funding (Nordic Council of Ministers, 2011). The issue of green growth can be interpreted and facilitated as a continuation of the typical Nordic focus on fostering innovation in the domain of environment and resource efficiency. Another promising area is connected with maritime safety and cleaning the waters of the Baltic Sea. Being a common resource, it will surely yield great potential for co-operation in a region-wide and institutionally interwoven network of concerned HE&R institutions, local and regional authorities, and companies.

Can educational and research co-operation provide a competitive edge for the BSR towards becoming a learning region?

There is widespread consensus that education and research have the potential to provide the region with a learning environment that enable all stakeholders to co-operate. However, the negotiation of interests and priorities between the nationally anchored institutions and the regional horizon of expectations still remain difficult issues. A Baltic Sea Region community of scholars is, thus, progressing but still at the formative stages. It will remain an unfinished project as long as pan-regional initiatives in the domain of research, science, and education are not supplied with a sustainable, region-wide institutional framework. This is unlikely to develop without a strategically allocated financial basis. The EUSBSR provides a possible instrument to push forward the institutionalisation of such a pan-regional funding scheme. But it requires more focused attention on only a few agendas where the contributing countries, dictated by their national interests, could see an added value to their national efforts.

Demographic Development in the Baltic Sea Region

Peteris Zvidriņš and Atis Berziņš



The purpose of this paper is to characterise the major demographic changes that have been occurring in the Baltic

Sea Region (BSR) over the last two decades. Five former Soviet bloc countries (Estonia, Latvia, Lithuania, Poland, and Russia), Germany and the Nordic countries (including Norway) on the Baltic Sea are treated as the BSR countries. According to the Union of Baltic Cities (UBC) Charter, these ten Baltic coastal countries are members of the UBC, and eight out of ten states are members of the EU.

This research is based on national and international official statistical data, including the UN and Eurostat publications. It should be taken into consideration that we will use data on every country as a whole, while across coastal regions some demographic patterns might be different.

Total population change

The total population in the countries of the BSR decreased slightly between 1990 and 2013. In the last decade of the 20th century, the BSR's population actually increased slightly, most strongly in Germany (see Table 1). At the beginning of this century, the population of the BSR was esti-

**Table 1. Population and its change in the 10 BSR countries, 1990-2013
(in thousands on 1 January)**

	1990	2000	2013	Changes 2013/1990, in %
Russia	147 650	146 890	143 347	-2.9
North - West Federal district		14 324	13 717	
Leningrad oblast		1 687	1 751	
St. Petersburg		4 742	5 028	
Kaliningrad oblast		959	955	
Germany	79 113	82 163	80 500	1.8
Lower-Saxony		7 956	7 917	
Bremen		660	664	
Hamburg		1 726	1 815	
Schleswig-Holstein		2 804	2 841	
Mecklenburg-Vorpommern		1 760	1 628	
Poland	38 038	38 654	38 533	1.3
Western Pomerania		1 697	1 721	
Szczecin		415	409	
Pomerania		2 184	2 290	
Gdansk		463	461	
Varmia -Masuria		1 428	1 451	
Sweden	8 527	8 861	9 556	12.1
Denmark	5 135	5 330	5 603	9.1
Finland	4 974	5 171	5 427	9.1
Norway	4 233	4 484	5 051	19.3
Lithuania	3 694	3 512	2 972	-19.5
Latvia	2 668	2 382	2 024	-24.1
Estonia	1 571	1 372	1 320	-16.0
Total in the BSR	295 603	298 818	294 333	-0.4

Source: Eurostat; Rosstat 2013; Statistisches Bundesamt Deutschland; Key figures on Europe 2013.

mated to be 298.8 million. From 2000 to 2012, it decreased by 4.5 million, or 1.5%. The level of depopulation is very high in Latvia, Lithuania, and in some regions of Russia.

According to the latest data of the Russian Federal State Statistics Service (Rosstat), the population of Russia at the beginning of 2013 (at about 143 million) was almost five million less than it was at the beginning of 2000. However, Russia's population exhibited an upward trend for the first few years of this decade.

In Germany, net migration contributed to population growth in the first decade of the 21st century. However, it was offset by negative natural change resulting from the number of deaths exceeding the number of births. As seen in the data in Table 1, the population of Germany was 1.7 million people smaller in 2013 than at the beginning of the century. A very high decrease was observed in Mecklenburg-Vorpommern, as well as an insignificant decrease in Lower Saxony, mainly due to low fertility and very high level of ageing (relatively high mortality rate).

According to the results of the population census in 2011, Latvia had a population of 2.07 million. Compared to the previous census (2000), that number is 309,000, or 13%, lower. A similar situation can also be observed in Lithuania. The demographic situation in Estonia and, to some extent, in Poland, is better. However, population decline in Poland, excluding the northern voivodships, has been a typical feature of the Baltic Sea Region's demographic trends. A natural increase, albeit minimal, was observed in Estonia in only one year (2010).

The trends in Nordic population growth have been unbroken for many decades. A very high increase was observed in Norway and Sweden, mostly due to immigration. Thus, the proportion of the Nordic population in the BSR is increasing (by 7.7% and 8.7% in 1990 and 2013, respectively).

In some of the larger cities of the BSR, we observe a population decline, or a no growth situation (for example St. Petersburg, Riga, Kaliningrad, Gdansk and Szczecin). However, in the Nordic countries and in the larger cities of northern Germany, populations are increasing (Stockholm, Helsinki, Oslo, Gothenborg, Copenhagen, Hamburg, and others).

Fertility

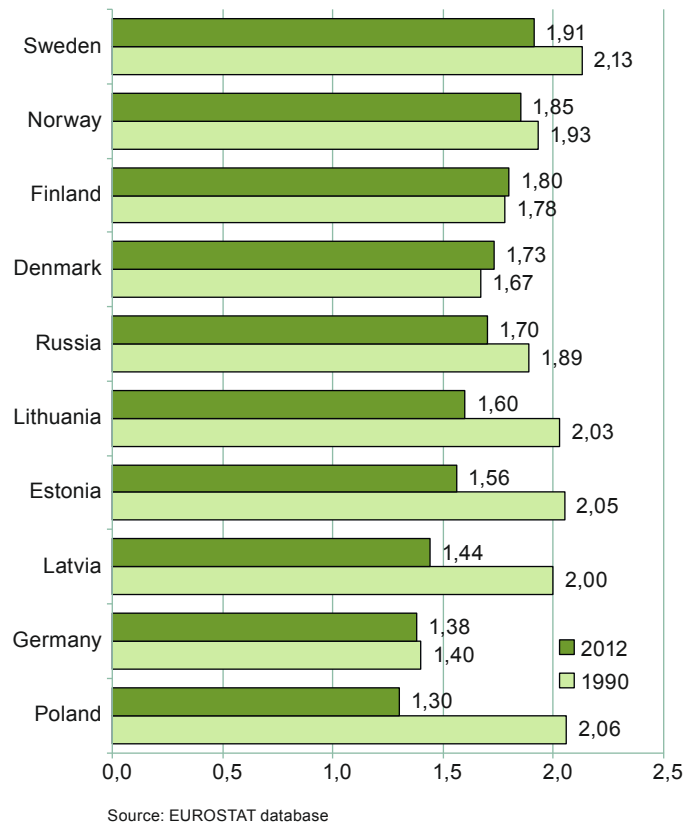
The existing fertility level does not ensure simple generational replacement in all countries of the BSR. However, the disparity between the highest rates (in the Nordic countries) and the lowest rates (in Germany or Poland) remain large (Figure 1).

Since 1990, fertility has declined steeply in seven countries. Only in Denmark has it increased, and then only slightly (Figure 1). However, in the first decade of this century, fertility increased in all countries. The increase in fertility may be partially explained by a catching-up process, following the postponement of childbearing. The mean number of children born alive to a woman during her childbearing period conforming to the age-specific fertility rates (total fertility rate, or TFR) are the highest in Sweden and Norway (at about 1.9). A TFR below 1.3-1.4 children per woman is defined as 'lowest-low fertility'. Currently Poland, Germany and Latvia all display such a level.

The mean age of women at childbirth has risen in all countries. In Denmark, Germany, Finland, and Sweden, women tend to have children at the age of 30 years or later. However, women are still postponing motherhood. When women give birth later, the TFR first decreases, then recovers. The adjusted TFR (free from the so-called tempo effect) is higher. By contrast, calculated by the Vienna Institute of Demography, the actual fertility (tempo-adjusted TFR) in the eastern BSR could be 0.2-0.4 children per woman higher than the unadjusted figures. For example, data from the Human Fertility Database show, that in Lithuania, the total fertility rate in 2010 (1.50) was 0.27 children per woman lower than the tempo-adjusted value (1.77) (Human Fertility Database, 2014). The situation in Estonia and Russia was similar. In Sweden and Finland, the adjustment was smaller (0.08). In general, the adjustment for Nordic countries is smaller than for other countries of the BSR, indicating that the postponement process seems to be coming to an end.

An estimate of 1.5-1.9 children per woman does not result in a sustainable (generational replacement) level. We agree with the Eurostat experts that the current level of fertility might rise above the aforementioned values if socio-economic development and a more active

Figure 1. Total fertility rate 1990 and 2012



population policy in the Eastern BSR succeeds at playing a positive role in increasing fertility over the coming years. Nevertheless, it seems unlikely that the increase will approach the similar replacement level of 2.1-2.2 (European Commission, 2011).

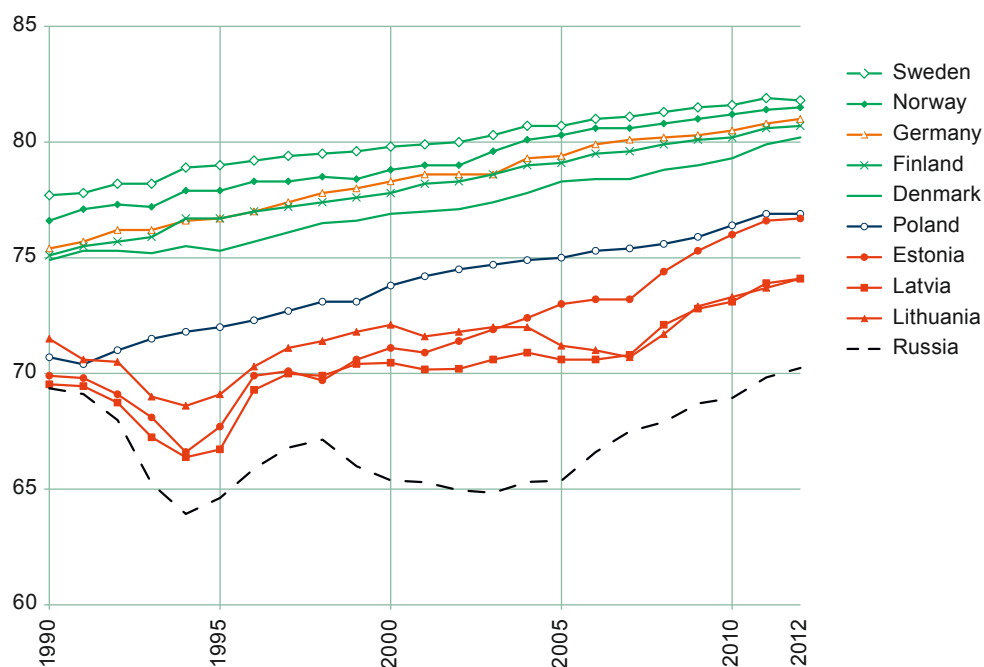
One of the most important points to emerge from our analysis of fertility is that the current level of fertility in the former Soviet bloc countries and Germany is too low to prevent depopulation in the long run. On the other hand, the Scandinavian countries, with a higher level of human development, have higher fertility and demographic potential on the whole. The Scandinavian experience, especially the Norwegian one, shows that institutional adjustments can reduce the conflict between work and family responsibilities, leading to increased fertility. Norway has adopted a number of parental leave policies, involving fathers in child-rearing. That includes parent-friendly workplace policies, as well as subsidies for public and private day-care centres by the government and local municipalities (Rindfuss et al., 2010).

Changes in health and mortality

The past quarter-century has seen significant changes in health and the intensity of mortality. By 1990, the post-Second World War epidemiological transition – shifts in health and disease patterns as a result of which the level of mortality decreases – had decelerated, but most of the BSR countries recorded increased trends in life expectancy. The last two decades saw unique patterns in the former Soviet republics, especially in Russia.

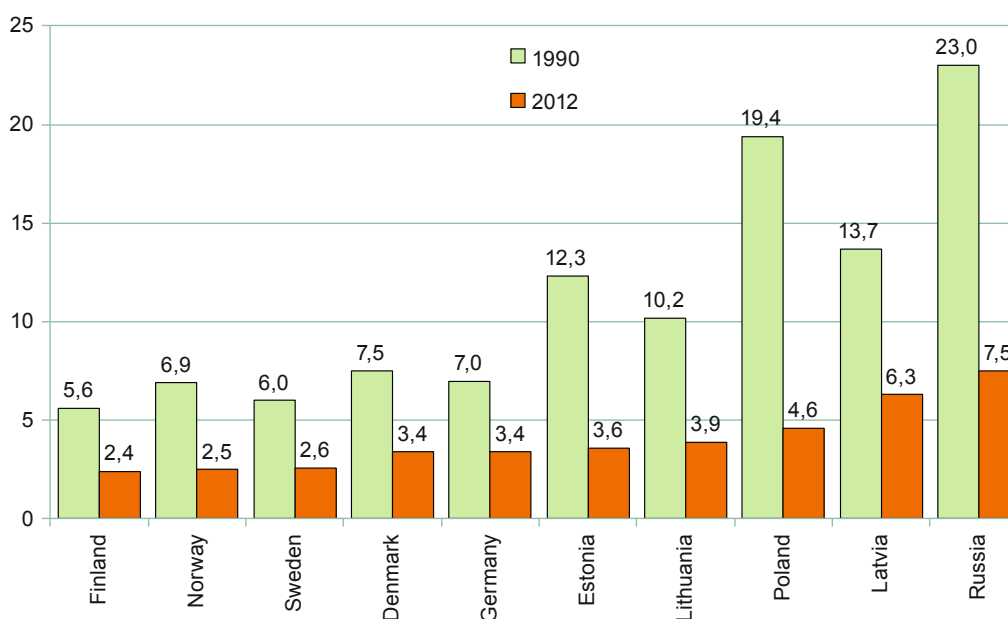
As shown in Figure 2, the intensity of mortality in the three Baltic countries and Russia increased significantly in the first few years after the collapse of the Soviet Union. This was largely due to reduced medical care and the inability of many people to adapt to the new economic situation. The average life expectancy in the mid-1990s was considerably lower than at the end of the Soviet period, especially for men. In deteriorating economic circumstances and mass unemployment, men's behaviour appeared to be more strongly influenced than women's. The level of deaths through unnatural causes was three

Figure 2. Life expectancy at birth in the BSR countries, 1990-2012 (in years)



Source: Eurostat; Rosstat 2013.

Figure 3. Infant mortality, 1990 and 2012



Source: EUROSTAT database

times higher in the newly independent Baltic States than in economically developed countries of Europe. Since the second part of the 1990s, life expectancy has been rising in Estonia, Latvia, and Lithuania. In Russia, the socio-demographic decline was much longer and changes appeared only about ten years later. In contrast, life expect-

tancy for both sexes has been rising steadily in the Nordic countries, Germany, and Poland.

Differences in life expectancy at birth across the BSR remain significant. For men, the difference between the highest life expectancy in the Nordic countries and the lowest in Russia exceeded even 14-17 years (2013). In terms of inter-

nal disparity, the difference in life expectancy among the BSR countries for women is smaller than for men. The largest gaps in gender differences are in Russia (12 years) and in the three Baltic States; the smallest are in the Nordic countries.

Substantial improvements have been achieved in lowering infant mortality between 1990 and 2012 (see Figure 3). The fall, in absolute terms, was greater in the Eastern BSR, where infant mortality rates halved or decreased even more. Although there has been some catching up, the gap compared to the Northern BSR countries remains large. Finland, Norway and Sweden have one of the lowest rates within the EU-28 and in the world. One can observe a similar situation regarding the morality rates of children under five, and people of working age.

An integrated measure of health and mortality is the disability-adjusted life expectancy or healthy life expectancy (HLE). This is based on constructed life tables, special surveys assessing physical and cognitive disability, and people's health status. Indicators related to a healthy life introduce the concept of the quality of life, by focusing on the period that may be enjoyed by individuals free from the limitation of disability or illness. The latest available data shows that healthy life expectancies, almost in a synchronous way, follow trends of conventional life expectancies

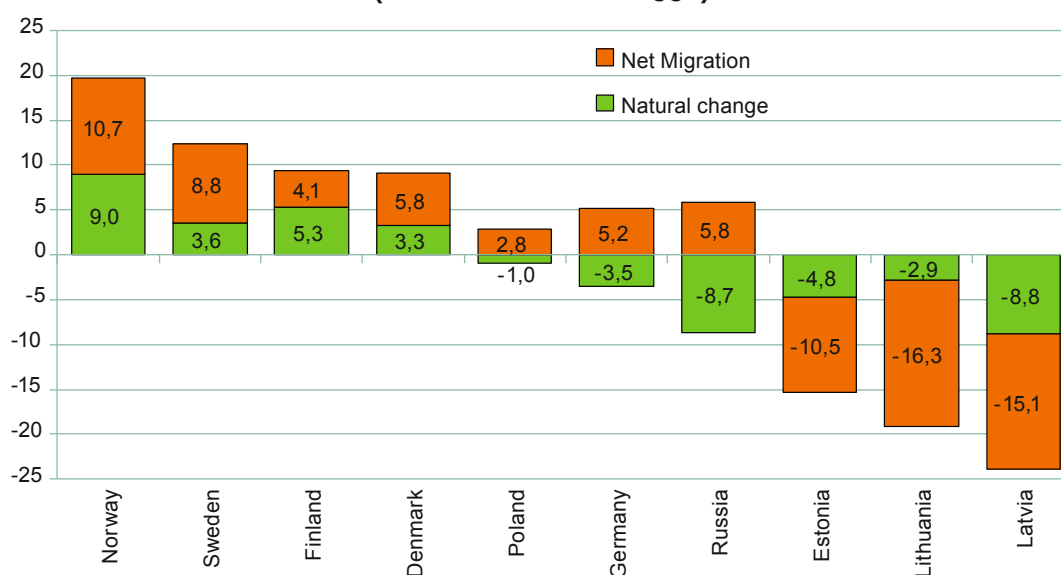
displayed in the ranking list. The average value of HLE at birth in all Nordic countries is higher than 70 years, in the three Baltic States between 63 and 66 years and in Russia only 60 years (Krumins, 2011).

Migration

Migration is the main driver of population growth or decrease in most parts of the BSR. Figure 4 shows a change of the components of the populations of the ten countries. The role of migratory movements (net migration) has been stronger than that of natural movements. Only in Russia, Finland and Poland has natural change played the main role in their population dynamics. The highest share of positive net migration in population growth has been observed in Norway and Sweden. In Germany and Russia, inflows have outweighed outflows, while the total population in Russia has decreased due to substantial negative natural change. In 2013, Russia demonstrated a small natural increase (23,000), the first increase in 21 years, although net migration has been the main determinant of population growth.

International migratory movements are a critical factor for labour market changes in the BSR. In general, the gradual implementation of the free movement of labour force in the EU

**Figure 4. Population change 1990-2012
(% of the number in 1990)**



Source: EUROSTAT database

has stimulated immigration from less developed (lower wage) countries to wealthier countries. Emigration does not only decrease the total population of less developed regions, but also leads to a much older population. In most cases, it does also negatively affect the sending country's labour markets and the socioeconomic development in general. The key research findings of some experts indicate a clear need for a more active regulation of international migration flows at the EU level. They regard it as necessary to avoid massive international labour emigration from less to more developed and often overpopulated countries (Stiller and Wedemeier, 2011).

Differentiation in human development and population policies

The contents of the UN Human Development Index (HDI) provide a good basis for international comparisons in human development. The HDI is a composite statistic of health (life expectancy), education and living standard (income) indicators in order to rank countries.

According to the 2012 HDI, as in previous years, the position of the Nordic countries and Germany is much higher in the global ranking

than the position of the countries of the Eastern BSR. Norway occupied the 1st place in the list of 169 countries, Germany 5th, Sweden 7th, Denmark 15th, Finland 21st, Estonia 33rd, and Poland 39th place. These countries were classified as having very 'high' human development. Lithuania occupied 41st, Latvia 44th, and Russia 55th place, meaning that they were classified as countries with 'relatively high' human development.

According to the United Nations 12th *Inquiry among Governments on Population and Development* (2013), in six countries (Germany, Poland, Estonia, Latvia, Lithuania, and Russia), the government considered their population growth to be too low and declared intentions to raise it. In contrast, the governments of the Nordic countries were satisfied with their growth rates and did not wish to intervene to change them (see Table 2).

The persistence of low fertility was of concern for seven countries, and only the Finnish, Norwegian and Swedish governments viewed their fertility levels as satisfactory. The most precipitous drop in fertility took place in East Germany, after the German unification in 1990 followed by a gradual recovery last decade. In 1996, the German government had no strict policies to

Table 2. Government views and policies regarding demographic features in 2013

Country	Population size and growth		Fertility		Life expectancy	Immigration		Emigration		Ageing
	View on growth	Policy on growth	View	Policy	View	View	Policy	View	Policy	View
Denmark	Satisfactory	No interv.	Too low	Raise	Acceptable	Too high	Lower	Satisfactory	No interv.	Major concern
Finland	Satisfactory	No interv.	Satisfactory	Maintain	Acceptable	Satisfactory	Raise	Satisfactory	No interv.	Major concern
Norway	Satisfactory	No interv.	Satisfactory	Maintain	Acceptable	Satisfactory	Maintain	Satisfactory	No interv.	Major concern
Sweden	Satisfactory	No interv.	Satisfactory	Raise	Acceptable	Too low	Raise	Satisfactory	No interv.	Major concern
Germany	Too low	Raise	Too low	Raise	Acceptable	Satisfactory	Maintain	Satisfactory	No interv.	Major concern
Poland	Too low	Raise	Too low	Raise	Acceptable	Satisfactory	Raise	Too high	No interv.	Major concern
Estonia	Too low	Raise	Too low	Raise	Unacceptable	Satisfactory	Maintain	Satisfactory	No interv.	Major concern
Latvia	Too low	Raise	Too low	Raise	Unacceptable	Satisfactory	Maintain	Too high	No interv.	Major concern
Lithuania	Too low	Raise	Too low	Raise	Unacceptable	Satisfactory	Maintain	Satisfactory	No interv.	Major concern
Russia	Too low	Raise	Too low	Raise	Unacceptable	Too low	Raise	Too high	No interv.	Major concern

Source: World Population Policies 2013.

increase fertility. However, this has not produced the desired success; Germany's fertility level is still considered to be too low and the government has provided some additional stimulating measures. In terms of life expectancy, the governments of the Baltic States and Russia considered their mortality levels to be unacceptable, while the governments of more developed countries of the BSR regarded them as satisfactory.

There are many views on migration due to the sensitive nature of that topic. Only Denmark wished to reduce immigration, whereas Finland, Sweden, Russia and Poland wished to increase the inflow of people. The Governments in Poland, Russia and Latvia considered their level of emigration to be too high. This is what all of the former Soviet bloc countries have in common, and as a result, they have implemented actions to encourage the return of their citizens in recent years.

The age structure of the BSR population is becoming older. The median age exceeded 40 years, which slightly surpasses even the European average. According to the authors' calculations based on the proportion of old people, the ageing index (ratio of the population aged 65 years or over to that under age 15) and the median age in 2012, Germany, Latvia and Finland are among the oldest societies in the world (see Table 3). Moreover, Sweden, Estonia and Denmark were also ranked among the twenty oldest countries.

The youngest population age structure is observed in Norway (33rd), Poland (35th) and Russia (37th). All governments in the BSR considered population ageing to be a major concern. In this context, governments and all relevant social actors should make every effort to mainstream the needs of ageing populations (older people in particular) in the decision-making process through social protection systems and adequate measures.

Demographic projections

The UN's, Eurostat's and national demographic projections for the period from now until 2050 show that a population increase will occur only in the Nordic countries, whereas it will decrease systematically in the Eastern BSR and in Germany. Over the projected period, net inflows

Table 3. Country ranking by ageing in the world, 2012

World HDI rank*	Country	65+ (%)	Median age	Ageing index	Sum of ranks	World Rank by 3 indicators
10	Japan	1	1	1	3	1
5	Germany	2	2	2	6	2
25	Italy	3	3	3	9	3
44	Latvia	5	11	6	22	6
21	Finland	13	5	19	37	10
7	Sweden	7	16	16	39	13
33	Estonia	11	18	14	43	14
15	Denmark	18	17	25	60	19
41	Lithuania	22	32	21	75	26
1	Norway	27	33	36	96	33
39	Poland	37	39	28	104	35
55	Russia	40	38	30	108	37

Source: calculations based on World Population Prospects: The 2012 Revision; Human Development Report 2013.

Table 4. Population projections in the 10 BSR countries, 2013-2050 (in thousands)

	2013	2025	2050	Change, in %	
				2025/2013	2050/2013
Denmark	5 619	5 894	6 361	4.9	13.2
Estonia	1 287	1 238	1 121	-3.8	-12.9
Finland	5 426	5 607	5 693	3.3	4.9
Germany	82 727	80 869	72 566	-2.2	-12.3
Latvia	2 050	1 912	1 674	-6.7	-18.3
Lithuania	3 017	2 882	2 557	-4.5	-15.2
Norway	5 043	5 627	6 556	11.6	30.0
Poland	38 217	37 924	34 079	-0.8	-10.8
Sweden	9 571	10 378	11 934	8.4	24.7
Russia	142 834	136 967	120 896	-4.1	-15.4

Source: World Population Prospects: The 2012 Revision.

in Germany are assumed to add up to 8 million people that, however, will not compensate for the natural decline as mortality prevails over fertility, resulting in a declining population. According to the UN's latest projection, the population of Germany will shrink by about 10 million.

Based on UN projections, by 2050 the population of Russia will decrease by approximately 22 million. However, recent publications of the Federal State Statistics of Russia (Demography Yearbook 2013) show that the demographic situ-

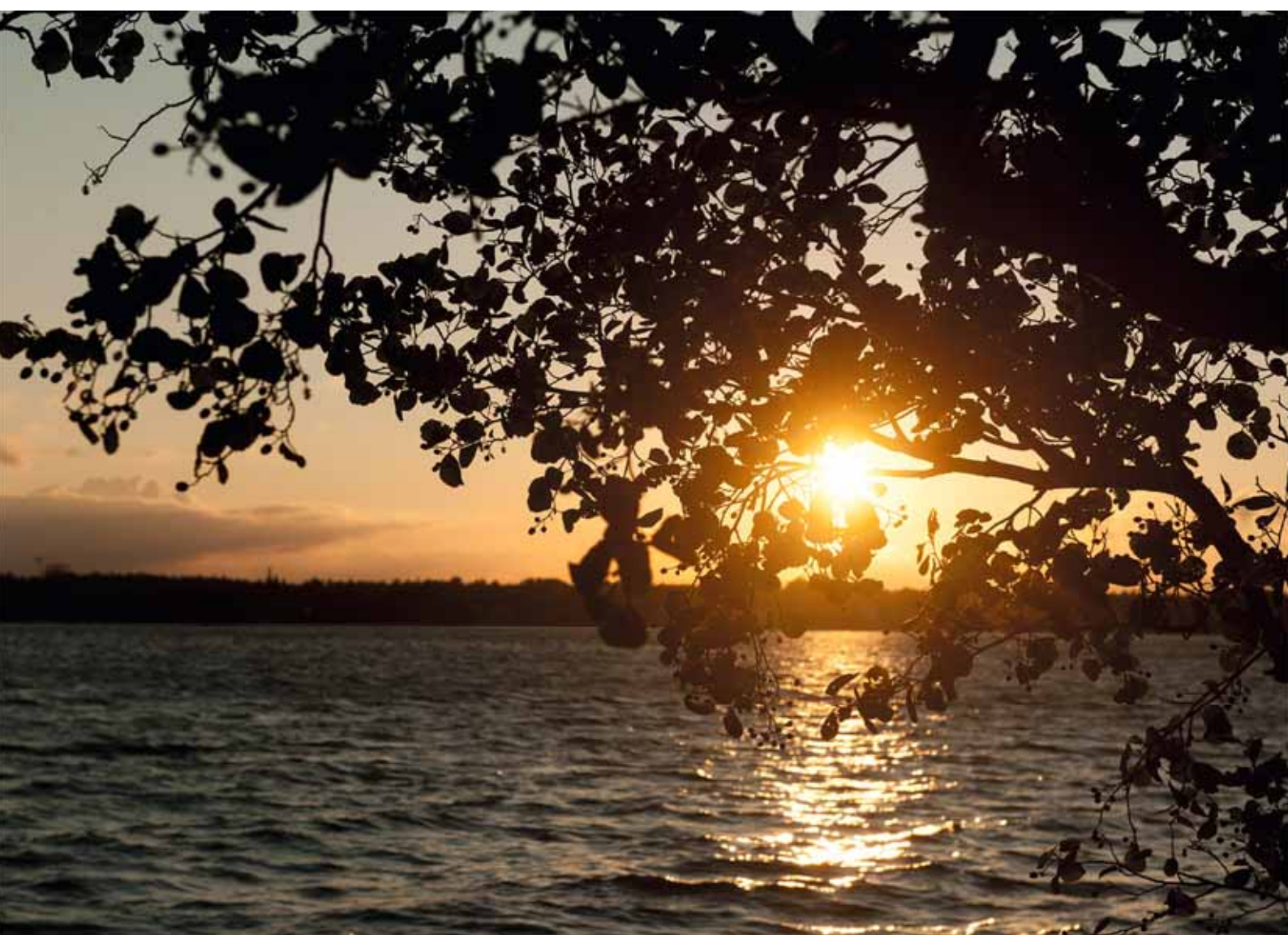
ation in Russia is improving. According to these figures, the increase of fertility and decrease of mortality could provide a weak tendency towards an increase in the population by 2020 (144.5 million) and only a slight decrease by 2030 (143.4 million).

The share of the Nordic countries of the total population in the BSR will also increase in the coming decades. The strongest population growth is projected for Norway and Sweden (30% and 24%, respectively), while Latvia and Lithuania will experience the sharpest declines (-18% and -15%, respectively).

In general, the population of the BSR is anticipated to become older in the short and medium terms. The number of people aged 80 years

and older will increase markedly. For instance, according to Eurostat projections, by 2050 their share in Denmark will increase by 2.6 times, in Germany by 2.4, and in Poland by 2.3. These figures are all higher than the EU average of 2.2.

Generally speaking, the threat of depopulation or overpopulation is not unique in demographic history. However, current trends in fertility, mortality and international migration indicate that many developed countries have to reckon with the possibility of reproduction below the rate of replacement or even population decline. In countries or their regions witnessing such a situation, concerns have also been voiced about the loss of national identity (Zvidrins, 2012).



Conclusions

The results presented here show that the current demographic situation in the BSR is characterised by significant differences. There have been dramatic changes in most countries within the last quarter of this century, particularly in the former Soviet bloc countries. The collapse of the Soviet Union cardinally changed the directions and intensity of international migration and population reproduction in all the former Soviet republics, Poland and the former GDR. They all share a characteristic feature of significant depopulation. It is clear that the process of decline has numerous drawbacks, especially if the decline is fast and protracted.

In contrast, the population of the Nordic countries has increased consistently due to positive natural increase and positive net migration. National experts and international demographic bodies assume that the trend of population growth will continue at least until 2050. Fertility rates at a slightly under-replacement level in more developed countries have focused the attention of demographers on the new prospect of population decline. In this regard, the concept of 'optimum population' has gained prominence. It refers to the best-possible balance between the

number of people and a sustainable standard of living.

The population decrease and ageing trends of today share as a common cause a low fertility rate and the emigration of younger people, which can be seen very clearly in many regions of Russia, Latvia and Lithuania. Therefore, more effective and supportive family policies should be an important priority in the public agenda and debate in order to stabilise fertility and mortality.

Future research on similarities and differences in demographic developments in the countries of the BSR would fruitfully explore specific patterns in every country. Widespread depopulation and major concerns about population ageing will likely have socioeconomic consequences in all countries of the region. Therefore, we believe that governments, together with parliaments, non-governmental organisations and scientists, should work on raising consciousness about demographic realities, as well as formulating and elaborating more active policies regarding family, health, migration and other domains of population policy. This requires, however, greater higher capacity and willingness on the behalf of policy makers to use the findings of the research community in the policy development process.

Conclusions and Outlook

Tobias Etzold & Christian Opitz



This fourth Political State of the Baltic Sea Region Report was guided by the main idea of the Baltic Sea Re-

gion and its neighbourhoods. Tracing this theme over the past year, it provided an overview of political developments in the Baltic Sea Region (BSR) and its proximities, analysed various forms of regional co-operation and identified current patterns and trends. This final chapter draws a few conclusions, addresses several urgent questions and tries to provide an outlook for the near future. In the light of the current major crisis in EU-Russia relations, a seemingly important question for us is whether, and if so, to what extent, the BSR and existing regional co-operation has already been and will be further affected in the near future by the current developments in Russia and Ukraine. As a follow-up to this, are they able to bridge the widening gap between EU-Europe and Russia, and if so, how?

Indeed, the current crisis in Ukraine threatens to overshadow the otherwise overall positive developments in the BSR, as well as the so far fairly pragmatic co-operation involving Russia. Russia's annexation of the Crimea peninsula fuelled suspicion and a feeling of insecurity among many countries of the region. Several countries' governments have considered or already taken actions to increase their military budget. The overall climate in the BSR for co-operation including all riparian states seems to have cooled down considerably. The crisis has created a new political context in which regional co-operation with Russia will (need to) take place.

One can perceive it as a consequence of these developments that the Council of the Baltic Sea States (CBSS) has cancelled the biannual Baltic Sea States Summit of heads of government that was planned to convene during the Baltic Sea days in Turku in early June 2014. Ap-

parently, several CBSS member states have objected to a meeting including representatives of the Russian government, owing to its policies towards Crimea and Ukraine. It seems that the mutual trust has already been damaged.

Some observers are critical of the decision to cancel the summit, as the dialogue remains important even and in particular in difficult times. They perceive this move as an indication of a certain paralysis of the CBSS and of the body's shrinking relevance. On the other hand, one could also ask whether, under the current circumstances, a summit would have been very productive and fruitful. In such a challenging situation, in which dialogue with Russia is not wanted by everyone, perhaps it is better not to force it. That the summit does not take place this year does not automatically have to imply that there will not be another summit in the future, once the situation has somehow cleared up. Right now, it might be more effective to undertake serious attempts to re-establish mutual trust off-stage.

Despite certain indicators, at this very moment it might be too early to tell exactly what kind of concrete implications, if any, the current crisis will have on BSR co-operation. Right now, opinions about what is going to happen vary. Some stakeholders seem to think that nothing will change and that the mainly functional regional co-operation with Russia will not be affected by the current developments in the BSR's wider neighbourhood; in this scenario, co-operation would just continue. Admittedly, this does not seem to be a very likely scenario. Already by now certain changes can be felt: the aforementioned cancellation of the Baltic Sea States Summit is just one example.

Others are thus more pessimistic. Several observers argue that if Russia continues with its current policy towards neighbouring countries and towards the West, Baltic Sea co-operation, at least those parts of it that include Russia, will become obsolete. They argue that if the country does not comply with basic standards of inter-

national law, sooner or later it will not be able to participate in BSR co-operation any longer. Another option is that the regional functional co-operation with Russia will continue but will become more cumbersome and will be reduced to a rather small number of 'soft' issues. Politics will be completely excluded from the co-operation, as dialogue will be reduced to technical discussions at the expert and civil servant level without any major high-level political meetings.

But a fourth option is still possible. Although the situation looks somewhat gloomy at the moment, one perhaps should not be too pessimistic. It is important not to question everything that has been achieved in regional co-operation with Russia in the past. The focus should be on what does work, and not on what does not. There have been problems in Russia-EU relations and also in BSR co-operation before. The short Georgia War in the summer of 2008 is a case in point. The BSR has shown that common problems can be solved in pragmatic ways when there is a will to co-operate and to overcome, without forgetting, the past. Maintaining political dialogue remains im-

portant and will probably become even more so. If needed after a pause, it should be re-established, perhaps not immediately at the highest levels, but on lower ones. That the Baltic Sea States Summit in Turku has been cancelled should not lead to premature conclusions about the CBSS's relevance. The body still has a considerable potential to remain an important platform for Russia's involvement in regional co-operation.

More than ever, a pragmatic approach towards Russia will be required by the other countries of the region. Despite its obvious challenges, perhaps the crisis even offers an opportunity and a chance for a renewal and even deepening of regional co-operation. There certainly is a need to rethink this co-operation. It seems that the rethinking of regional co-operation, already necessary then, has not been done consequently and thoroughly enough after the EU and NATO enlargements in 2004. The political and economic cleavages in the region that have been created by the enlargements are now more obvious than before. Thus an important question is how future regional co-operation can be designed in a way



that at least does attempt to bridge the divide.

The EU Strategy for the Baltic Sea Region and its Action Plan are increasingly defining the priorities for regional co-operation. The decision-making structures have been elaborated in great detail, involving mainly central governments but also organisations at sub-national levels. Still, the governance problems have not been finally solved, both in relation to Russia but also to EU-internal affairs. The right balance in responsibility and ownership between the European Commission and the EU Member States in the BSR has still not been found, it seems. As well, the Structural Funds programmes for the new financial timeframe are being programmed. It, however, is still not clear to what extent the member states have prioritised cross-border projects. This will be an indication of the importance that governments attach to the strategy.

At the moment, talks between the EU and Russia on the question of how to streamline the EU's and Russia's regional priorities, allowing Russia to attach more closely to the EUSBSR, have been put on hold. Whether aligning strategy in that way could become the new and dominant regional platform for co-operation remains to be seen. It could indeed work as a way to bridge the cleavages between the EU and Russia. If this does not work, the EU-Russia conflict over Ukraine could lead to even greater regional cleavages through new EU initiatives. Poland's Prime Minister Donald Tusk has proposed, for example, the creation of an Energy Union, reducing European dependence on Russian energy. If such initiatives and the EUSBSR are designed and implemented exclusively by the EU, the risk of deepening the disintegration of Russia will certainly increase.

Sometimes, co-operation in the BSR seems to be somewhat 'messy' in terms of its many various structures and co-operation arrangements, which is why some call for more coherence and co-ordination. But a 'messy approach', as opposed to regulating and co-ordinating everything, could have advantages. Different platforms could complement each other and render the exchange and co-operation with Russia more comprehensive. If one platform is dysfunctional for the time being, for example at the highest political level, it still would be possible for co-operation with Russia to continue on another/other platform(s), for example

at the grassroots level. As Kimmo Elo claimed in his chapter on growing networks in this report, the status of the BSR as the Northern hub in the network of regions in Europe needs to be enhanced. The big task of politics is to convince all partners of the benefits of closer networking and co-operation.

The Political State of the Region Report in 2013 indicated that the BSR is in possession of an impressive soft power potential. The report claimed that the challenge for the near and medium future is to specify and to use this 'soft power' potential effectively and wisely, not just in the regional but also, and even more importantly, in a wider European context. The question should not be how to impose ideas, experiences and features that perhaps work better in the BSR than in other European countries, but how they could contribute to solving current problems in other neighbourhoods in Europe and beyond.

However, according to Fabrizio Tassinari's assessment in this report, it is doubtful that the successful pattern of dealing with the economic crisis in the BSR countries can be replicated elsewhere. He, however, claimed that at least some lessons from the BSR might be worthwhile to consider: first, a viable road to recovery has to pass through a careful consideration of the structural causes of the crisis, rather than through piecemeal measures now plaguing the recovery in Southern Europe; and secondly, a regional commonality of intentions and purposes is a precondition for reaping the benefits of European integration. Thus, the BSR can still be perceived as the 'Top of Europe' in economic terms, but also for more reasons than that. It is also still recognised as a model for regional and cross-border co-operation. Therefore, the hope remains that the BSR's soft power potential and economic capabilities could spill over to its neighbourhoods. Perhaps this could even help in relation to Russia.

The new dynamics in the neighbourhoods of the BSR call for more research into the political, economic and socio-cultural implications emerging in the region. Many seem to be in need of sound information and analysis in light of the changing circumstances. It is our hope that the Political State of the Region Report 2014 has made a contribution toward this end and will lay the basis for insightful discussions on the future trajectory of a 'Mega-Region'.

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About the Baltic Sea Region Think-tank 'Deep Water'

Since the adoption of the EU Strategy for the Baltic Sea Region in 2009, the debate on the future of the region and the relationship between the countries of the region has attracted renewed and wider interest. Not since the EU enlargement towards Central and Eastern Europe in 2004 has interest in regional and European integration been so vivid, despite the recent economic and financial crises.

In order to maintain the EU strategy and regional integration as a long-term process (and a vision for other European regions), the idea to set up a (virtual) think-tank for the Region emerged some years ago and has been discussed at different forums, such as at the BDF summits. The think-tank was intended as an attempt to create an open common cross-border platform, aimed at raising awareness, mutual understanding and greater visibility, enhancing the political dialogue on the *state of regional affairs* in the Baltic Sea Region, and offering expert advice to politicians, administrations and various stakeholders in the region.

With the support of the Baltic Development Forum, the Konrad Adenauer Foundation (Riga/Berlin), the Nordic Council of Ministers and the

Department of Northern European Studies at Humboldt University (Berlin), this (virtual) endeavour has been realised. Although there is no haptic space or established institution, a vivid collaboration and intellectual exchange of experts around our common sea has materialised since 2010. The first result of these joint ambitions was the Political State of the Region Report 2011. For the first time, the political developments of the Region in 2010-2011 have been evaluated, and domestic developments within the countries of the Region have been put into a wider regional perspective. The second report followed in June 2012, the third in May 2013.

This report is the fourth of its kind, continuing this attempt and covering the time period of June 2013 to May 2014. By means of these reports, *Deep Water* has become known to and will gain further recognition from a wider public. We are prepared to continue our activities – as a group of experts entirely independent of governments, international organisations and corporate actors. As a means of reaching out to a larger audience and with hope to further the debate on regional affairs, a special website has been developed.

About BDF

Baltic Development Forum is the leading think-tank and network for high level decision-makers from business, politics, academia, and media in the Baltic Sea Region.

Our vision is to make the Baltic Sea Region the most dynamic, innovative, and economic growth centre in the world. Our mission is to position the Baltic Sea Region in the EU and on the global map by advancing the growth and competitive potential through partnership between business, government, and academia.

Baltic Development Forum is chaired by Lene Espersen, former Foreign Minister of Denmark. The Baltic Development Forum Honorary and Advisory Board consist of high-level political dignitaries and prominent business executives representing the entire Baltic Sea Region.

sustainable growth
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competitiveness



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