

## **The EU Strategy for the Baltic Sea Region: High Expectations for a New European Model of Regional Co-operation**

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Is the EU Strategy for the Baltic Sea region just another piece of paper or a real instrument to achieve positive changes? My answer to this question is clear: I have very *high expectations* of the EU Strategy. The EU Strategy is a new model for regional co-operation that has a very real potential for creating positive change.

We have a good reason to believe that the Strategy will produce many positive results in terms of further regional integration, which can help solve common problems and improve the economic competitiveness of the region. First of all, it is an impressive Strategy with a very ambitious and comprehensive Action Plan. It touches on relevant problems and challenges that all the countries are faced with. Secondly, we need to have high expectations and ambitions because it contributes to creating real results. Over the past 20 years, one of the successes of the Baltic Sea co-operation has been the continuous high ambitions and the political will to do better. It puts pressure on the process and underlines that we do expect clear visible changes and improvements in different policy areas.

From the very beginning, Baltic Development Forum has been an ardent supporter of both the EU and the Baltic Sea Region. A wider European integration – in particular the enlargement of the EU – has all along been an integral part of the rebuilding of the Baltic Sea Region. With the adoption of the EU Strategy for the region, the European and regional integration has explicitly come together in a novel way. As chairman of Baltic Development Forum, it has always been my guiding principle to see the two processes through the same prism. For the same reason, the EU strategy has been a top issue at the BDF summits over the last four years.

Already in 2006 in Helsinki, we did our best to highlight the proposal for an EU macro-regional strategy, following the European Parliament's Baltic Intergroup report on "*A Baltic Sea Strategy for the Northern Dimension*", which was presented in Helsinki by MEP Christopher Beazley. At the BDF Summit in 2007 in Tallinn, Swedish Prime Minister Fredrik Reinfeldt stressed the importance of making the Strategy a reality, advocating the need for the Strategy to be a concrete action-oriented instrument intended to help the EU and its Member States in the BSR. The then EU Commissioner for Regional Policy, Danuta Hübner, attending the 2008 Summit in Copenhagen-Malmö as a part of the Commission's consultation process on the Strategy, emphasized that the BSR states should improve what they are already good at – ideas, innovation, design, research and technology, and should integrate their markets even further. The then President of the European Council,

Prime Minister Reinfeldt opened the 11<sup>th</sup> BDF Summit in 2009 in Stockholm together with his Baltic colleagues Andrus Ansip of Estonia, Andrius Kubilius of Lithuania and Valdis Dombrovskis of Latvia, announcing that the Strategy would be approved by the European Council. And finally, at the 12<sup>th</sup> BDF Summit held in Vilnius in June 2010, President Barosso was invited – together with the Nordic and Baltic Prime Ministers – to establish a close link between the EU Strategy for the BSR and the Europe 2020 agenda, reiterating that the BSR could become a beacon for the rest of Europe by showing how to implement EU's sustainable growth policies.

The Strategy has continuously been backed by the region's political leadership. It is crucial that this support is just as strong during the implementation phase. The moment when the political leadership starts resting on the laurels, believing that success is ensured by leaving this great responsibility solely to the Commission, DG Regio, there is a real danger of a disappointing outcome. This is in no sense criticism of the DG region. On the contrary, I admire the approach that has been taken but the strategy has to be a shared responsibility. At the next BDF Summit in Poland in 2011, new high-level political support will be sought and the Polish EU Presidency provides an excellent scene in Gdansk to do it.

Besides political leadership, another success story of the Baltic Sea Region is the wide participation of civil society groups. Foreign observers are looking curiously at the Baltic Sea Region precisely because the civil society has been actively involved in cross border cooperation at all levels and has been able to keep up pressure on political leaders. "How have you managed to involve the civil societies?" they are asking with an aim to copy the cooperation structures to their own regions. I am very glad to note that the Commission is conscious of the fact that civil society participation needs to be preserved. Baltic Development Forum will work closely together with the European Commission in organizing the 2<sup>nd</sup> Annual Forum of the Strategy in 2011. Success requires a good mixture of top-down guidance and bottom-up enthusiasm and input. Experience will show if we have found the right structures and balance between the roles of the Commission, Member States, sub-regions and civil society.

### **High but realistic expectations**

We need high expectations but at the same time we need to be *realistic* about our starting-point. First of all, the EU Strategy represents a unique model for regional cooperation without introducing any new institutions, new financial or legislative instruments (the three noes) as flanking measures. The three noes is an understandable starting point since it was a part of the deal made with the EU Member States outside the region in order to get their acceptance. But the three noes need not be carved in stone. If the experience gained during the implementation tells us that changes need to be introduced, we need to say it loud

and clear. It is a part of the responsibility of being a laboratory in Europe for the new concept of macro-regions.

A well-functioning Baltic Sea macro region – comprising some of the most dynamic EU economies – can positively impact on ways the EU should work in a world of globalised competition. Maybe the Baltic Sea Region could inspire the design of policies that allow for certain differences due to the circumstances on the ground without disrespecting the community law. Macro regions have to work *with* the EU in setting the agenda and in no way *against* the EU's fundamental achievements, such as the Single Market.

Secondly, when talking about taking a realistic view of the Strategy, we should remember that the Strategy was adopted at a time when national budgets were under severe pressure due to the economic crisis. Funds available for regional cooperation are limited, making EU funds and other multilateral funds the most likely source of project financing. Hopefully, this will change as we leave the recession years behind us. Until then, EU funds need to be flexible and easy-to-use; otherwise rigid rules might hamper their utilization to the detriment of regional cooperation. Already today, some find the structural funds too complicated and bureaucratic to make use of.

Thirdly, the Strategy is a mixture of EU competences, shared competences and Member State competences. The so-called open method of coordination is mainly applied in policy areas of national competence, for example in the field of education. Here we know that progress is slow since it is built on the exchange of best practices. Traditional inter-governmental cooperation is not easy and major achievements are not made over-night. We have become so used to an efficient EU cooperation that it is often forgotten that international cooperation requires steady and hard work.

Let us take the work of the Helsinki Commission (HELCOM) as an example. For many years, HELCOM has done a lot of very useful work in order to improve the marine environment of the Baltic Sea. HELCOM has existed for more than three decades, with its origins dating back to the 1974 Convention, which was signed by the then seven Baltic coastal countries. Without the supranational enforcement competences of the EU, it has been difficult for HELCOM to implement the adopted resolutions. Progress has been very slow. Now the EU Strategy is trying to give new strength to the work of HELCOM by integrating HELCOM action plans into the EU framework and by providing help through EU funds, programmes and projects. This gives higher hopes for real changes. There is still no quick-fix to clean up the Baltic Sea, but I have no doubts that the EU Strategy will help to address this major problem more effectively.

## **Continuous debate required**

Although I have high expectations, it is necessary to constantly assess, debate and evaluate the Strategy and ask whether the right priorities have been identified. Flexibility and pragmatism need to be virtues of EU Strategy's further development. A continuous debate is important in order to avoid that the Strategy becomes just another piece of paper and not a real instrument of change. The first mid-term review of the EU Strategy is in sight (Summer 2011), and it is understandable that questions are raised as to how the Strategy will face up to it.

Baltic Development Forum has contributed to the debate through its publications and at the 2010 Summit relevant questions were raised without casting doubts on the Strategy as such. First of all, the *State of the Region Report* highlighted that any strategy has to be flexible and adjustable to the changing economic environment and the specific conditions that characterize each country. There is no "one-size-fits-all" EU-policy in upgrading micro-economic competitiveness. The Baltic countries should not implement the exact same EU guidelines as the Nordic countries.

Secondly, the report *Going for Green Growth in the Baltic Sea Region* highlighted the need to *focus* on key areas where cross-border cooperation has the highest likelihood of leaving all the countries better off and improving the countries' competitiveness. Transport, energy, ICT and R&D are obvious areas to address as a priority. Fewer priorities than the existing 80 in the EU strategy might also increase the chances of visible success stories. Furthermore, the report also underlined the need to take on board the perspective of the private sector, which so far has not been sufficiently attracted by the Strategy. This has to change in order to ensure a real change in terms of competitiveness upgrading.

Thirdly, the analysis on *Place Branding and Place Promotion Effort in the Baltic Sea Region* highlighted the economic areas where joint efforts would improve the chances of region's countries of better penetrating on a global level: Green tech/Clean tech, ICT, Life science, Logistics and maritime industry etc. At the Expo 2010 in Shanghai, the pavilions of the Nordic countries co-operated and thereby strengthened the visibility, attractiveness and brand of each of the Nordic countries. We have to recognize that on a global scale – as seen from the Chinese perspective – the Nordic and Baltic countries are each a small player. Jointly, however, the picture is quite the opposite. It demands that we dare share our brands. Items/things pertaining to regional identity and joint investment promotion need to be taken up as an integral part of the EU strategy. Much more could be done in this field.

Finally, the report on *Energy Perspectives for the Kaliningrad Region as an Integrated Part of the Baltic Sea Region* highlighted the need to both strengthen Russia's integration into the regional planning processes, as well as to address real political cleavages.

The nuclear power plant that is planned to be constructed in Kaliningrad has the potential of dividing the Baltic Sea Region in ways similar to the Nord Stream gas project. In my view, it seems rather unlikely that there is room for two big nuclear power plants in Kaliningrad and in Lithuania. Therefore, the issues of energy security could entail competing energy infrastructure investments that are inefficient and very expensive. There is an urgent need to take up such matters with Russia and to have a transparent and open dialogue, which is unfortunately completely missing at the moment. Our Lithuanian (and Baltic) friends should receive our assistance in addressing this issue, because it is not a relationship between equal neighbours and the issue has wider consequences.

### **Energy co-operation is a litmus test**

The overall EU-Russia energy dialogue, based on common and strong EU positions, is very important for the BSR, the EU Strategy (and the Baltic Energy Market Interconnection Plan – BEMIP, which is a part of the Strategy) and for the good neighbourly relations in the region.. Energy matters are the most important source of regional conflicts today, and they need to be properly addressed. To my mind, energy is going to be the new major drive for further European integration. In a sense, it is back to basics, since the EU was created on the shared objective of avoiding that energy questions create new conflicts in Europe. The situation is rather similar today. The BSR has a chance to profit greatly from further integration. The narrow national interests have to be turned into greater common policies and advantages.

Over the years, the European and regional integration in the field of economics has demonstrated that it is a highly efficient way of avoiding conflict and creating friendly neighbourly relations. We should expect that the EU Strategy continues along this track and addresses energy issues that have a conflict potential. If the EU Strategy does not produce any real and convincing results in this field, we will have missed a great opportunity. It is a litmus test.

Finally, it is crucial for the Nordic and Baltic countries to ensure strong German and Polish engagement and interest in the EU Strategy. Both Germany and Poland have multiple political and economic considerations to make to the different sub-regions in Europe: Central Europe, Eastern Europe, and Northern Europe etc. Therefore, the smaller BSR countries should work hard to make the region strongly placed in the strategic thinking of the two countries' governments and business communities.

With the Polish EU Presidency in the second half of 2011 and German Presidency of the CBSS in mid-2011 to mid-2012, there is a real chance to have their attention. The six Nordic-Baltic EU countries have to work hard to present themselves as attractive partners able to present innovative solutions.

All in all, the chances are there to create a new European model for regional cooperation. Have high expectations, be ambitious but also realistic, and continue the debate on priorities! Carpe Diem!