

The Baltic Sea Region: Challenges and Game Changers

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Overview– A region full of challenges

Merely five years ago all Baltic Sea states shared the optimistic vision that their region “has the potential to become one of the most prosperous, innovative and competitive regions in the world” by 2020.¹ Today, this conviction rings rather hollow given the plentitude of pressing problems. First, the majority of the economies around the Baltic Sea are faltering because of domestic and/or external factors, challenging the region’s competitiveness. Finland, once the envied model student of stability in Europe, is forced to implement harsh budget cuts in light of high production costs. Norway, on the other side, is suffering from the low international oil price, leading to an economic downturn which was all but conceivable until very recently. Second, social and demographic developments may play their role in deepening economic worries. Poland and the Baltic states are exemplary for a rapidly aging society which will shrink because of low birth rates and a continued emigration, mainly of the highly qualified workforce. The Swedish population, in turn, is growing not least thanks to the influx of unprecedented numbers of refugees, but maybe at the cost of threatening its social cohesion.

The ongoing refugee crisis generally exposes completely different national approaches and strategies in the Baltic Sea region. A related dialogue and cooperation among its countries does hardly take place. Instead, the otherwise so close Nordic countries in particular seem to have succumbed to a blame game over the refugee issue. Furthermore, energy and energy security in particular remains a major concern for most countries. Finally, the ecological troubles of the Baltic Sea itself might be the most telling indicator yet. Its waters continue to suffer massively from overfishing, marine litter and excessive over-fertilization.

Nonetheless, even given all these concerns, arguably the biggest problem is of political nature. Economic, social and ecological issues could be discussed, and managed, through an inter-regional approach. In fact, this is the very idea on which cooperation around the Baltic Sea has rested in the past when a broad range of challenges have been tackled and some even successfully resolved together. But fruitful cooperation essentially requires political will rooted in a critical level of mutual trust. At the moment, however, it seems that trust is the scarcest resource between the EU littoral states, on the one hand, and Russia, on the other, hampering this cooperation. The rhetoric voiced by some politicians on both sides suggests at the very least a worrying, and growing, degree of alienation. But it is not only words. We are stunned that a region which had been for the last decades regarded as calm, even boring, is now alarmed by watchfully patrolling military units at sea and in the air. The renewed militarization in and of the region is an especially painful and radical change for a region that has been marked by mostly peaceful transformation and cooperation since the early 1990s. This discussion paper² intends to provoke deeper reflections on the current state of cooperation around

¹ Vilnius Declaration: *A Vision for the Baltic Sea Region by 2020*, 2 June 2010.

² Parts of this paper derive from: Tobias Etzold and Stefan Steinicke “Regional Security and Cooperation in the Arctic and Baltic”, *SWP-Comments* 44, September 2015.

the Baltic Sea. It particularly deals with the question if, and how, Russia can be (re-) engaged in a meaningful regional cooperation.

The Russian challenge

While the ongoing and upcoming challenges for the Baltic Sea region are not few, the biggest contemporary challenge for the Baltic Sea region is finding new ways of dealing with Russia since the ongoing conflict around Ukraine has complicated matters to a decisive extent. The current crisis in Western-Russian relations is deeper and more extensive than previous tensions among Russia and Western states. Although the cease fire seems to hold and the situation in Eastern Ukraine to have calmed down for now, a durable solution for the conflicts in Ukraine and even more a thaw of the chilly relations between the EU states and Russia appears far away. What concretely does this imply for the Baltic Sea region and for the various forms of regional cooperation?

This broader crisis of trust effectively means that business as usual in Baltic Sea regional cooperation is out of the question. As a consequence, the political dialogue that has only been revitalized fairly recently during the German CBSS Presidency in 2011/2012 has been largely put on ice. As it then has been welcomed by all stakeholders despite a clear focus on functional and technical cooperation and projects as an important part of regional interactions its current suspension is particularly regrettable. The clearest and significant indication for this is the cancellation of the CBSS Summits and Ministerial Meetings since spring 2014. At least, some low-level regional cooperation with Russia could be maintained. CBSS senior officials still meet on a regular basis. The cooperation is still largely functioning in projects carried out by the CBSS and its expert groups such as the one on nuclear and radiation safety, the Helsinki Commission (HELCOM), and in the Northern Dimension (ND) and its partnerships, where the European Union, Russia, Norway and Iceland are partners. While ministerial meetings are on hold also within the ND and HELCOM, both continue to bring together senior officials from Russia and the European Commission.

For a realistic picture it is important to account for the Russian perspective and see in which areas it has an interest in region-wide cooperation, and in which not. Environmental issues, for instance, were never really of its concern and often overshadowed by economic priorities. Needless to say that the current circumstances have not helped to encourage Russia to engage more in regional cooperation. But overlapping interests still remain. Russia has long been active in the field of nuclear security in the Baltic Sea region and it currently chairs the pertaining CBSS expert group. It aims at strengthening the protection against illicit trafficking of radioactive materials and increasing emergency preparedness. A second Russian priority is combating organized crime, where the country presides over a Baltic Sea Task Force. Here it wishes to facilitate cooperation between police and prosecutor's offices to fight illegal immigration, drugs and trafficking.

In general, however, Baltic Sea cooperation for Russia has from the beginning been mainly economically defined. The CBSS in particular was regarded by Russia as a useful forum for political exchange and debate, and tangible cooperation in the fields of business, energy and transport infrastructure. But traditional obstacles (e.g. state protectionism, lack of legal guarantees, corruption) have now been further exacerbated by mutual economic sanctions. Partly driven by this deadlock is a Russian approach to pursue economic interests bilaterally rather than relying upon the institutional framework of the CBSS. The most prominent example can be seen in the energy realm. Instead of joining region-wide efforts on promoting energy efficiency and renewable energy, plans to double the capacity of the German-Russian Nord Stream pipeline are well under way. Having been a

contentious issue from the outset especially for the Baltic countries, this development may in their eyes put a serious question mark on European unity.

A challenge within the overall challenge of finding new ways of dealing with Russia for the region's EU members, is to develop a unified position. Their approaches as to how to react to Russian actions and how to handle the regional cooperation under these circumstances showed several significant differences, weakening their position as a group. While Germany and the Nordic countries on average take a more conciliatory and pragmatic stance, the Baltic states and Poland pursue a hard line approach towards Russia. While, as an example, some of the former were in favor of holding a CBSS ministerial meeting this year in order to maintain the high-level political dialogue, the latter were strictly against it. Critics point out that this dissent provides Russia with the chance to drive a wedge between the EU partners. However, multi-track processes of negotiation both within the EU group and with Russia may on the other side ease a rapprochement compared to rigid block politics.

Possible future development paths and game changers

Out of this analysis of the current state of cooperation in the Baltic Sea region, several questions arise: How can the region avoid a stalemate despite the complex and complicated situation? How could the cooperation on local, sub-regional and technical/project levels including civil society actors and businesses be kept going and possibly even pave the way for a renewed political dialogue and cooperation?

Out of the four future development paths for regional cooperation we have outlined in the 2014 Political State of the Region Report³ – business as usual, becoming obsolete respectively continuing without Russia, low-key, and taking the crisis as a chance for better and deeper cooperation – only two remain and appear plausible currently. Even more than the business-as-usual scenario, the original option to utilize the crisis as an opportunity to create even better and deeper cooperation seems to be wishful thinking only, detached from current reality. In the first of the two remaining more realistic development paths, future regional cooperation with Russia will continue primarily on the functional and technical level, while the political dialogue remains very restricted or non-existent. This scenario matches current reality and is likely to continue for an undetermined period of time unless the tensions between Russia and the Baltic Sea states escalate politically and in the worst case militarily. In the course of this second, and one might add not totally unlikely, development path, all cooperation with Russia would become impossible. In order to prevent this true game changer, the regional actors must explore how and where cooperation can be maintained or even intensified to mutual benefit.

The regional stakeholders should therefore continue utilizing all their energy and capacities to maintain at the least a minimum of regional cooperation with Russia wherever possible and necessary, tackling primarily the region's aforementioned challenges and problems jointly. To this end, establishing a **positive list** could help change the currently grim game, defining a number of policy/issue areas of common concern and interest. This would include, for instance, environmental challenges, infrastructure, trafficking, cross-border crime, facilitating people-to-people contacts and building a civic constituency for good neighborly relations. In these areas functional low-key cooperation needs to be maintained by any means. At stake here are concrete regional challenges that

³ “Conclusions and Outlook“ in *Political State of the Region Report 2014: Baltic Sea Neighbourhoods – A Mega-Region in Progress?* May 2014.

cannot be resolved and opportunities that cannot be grasped unless all the states in the region cooperate constructively and trustingly.

To some extent, it seems possible to detach these regional issue areas from high-political interests that go beyond the region. By doing so, islands of cooperation could be created or existing ones consolidated. As indicated previously, Russia has a strong interest of its own in continuing cooperation in certain areas, because it benefits if the shared challenges are tackled successfully together. It is thus a telling, and positive, sign that Russian representatives generally continue to participate constructively in the technical organs. However, in case of ongoing tensions it is doubtful whether the mere existence of this cooperation will be able to prevent a further military build-up and even military action in the region.

It is of particular importance to maintain people-to-people as well as despite the sanctions business-to-business contacts (as for example facilitated by the Baltic Development Forum) and the activities of non-governmental/civil society organizations including Russian stakeholders. At the least a serious attempt should be done to avoid that the political squabbles affect civil society levels and hamper those relations. However, it is hard to imagine a vibrant people-to-people as well as business-to-business cooperation without a minimum degree of political backing. Therefore, in a medium and long term perspective also the high-level political dialogue needs to be re-established step-by-step.

Outlook - Meeting the challenge(s)

Thus, overall a possible way forward is a *step-by-step approach*. This would entail, firstly, to maintain and stabilize the existing functional cooperation and its structures and to reinforce the mutual trust. Hereby, making effective and efficient use of all regional bodies in terms of creating stronger coherence and synergies, especially in involving Russia, and a “smart” division of labor is also still at stake. Once this has been achieved and the overall political situation has improved one should think of revitalizing the political dialogue and possibly even establishing new areas of cooperation and new objectives if feasible and agreeable for all countries of the region. Engaging more closely in the area of security in the form of shaping confidence-building measures such as exchange of information, direct communication and military transparency would be one important step forward in the future.

We remain positive that a meaningful cooperation in the Baltic Sea region is still possible in the future. In times of crisis it is often helpful to look elsewhere for optimism and inspiration. Perhaps we could take the neighboring Barents cooperation as an example. In the Barents Euro-Arctic Council (BEAC) the Nordic countries and Russia still work together relatively smoothly as Moscow is currently taking over the presidency. In October, even the regular BEAC ministerial meeting of foreign ministers took place. Despite the cold political climate in broader Europe, general regional cooperation, as the Baltic Sea region at least partly proves, seems indeed to be possible as long as interests overlap and political will is strong. Understanding why political cooperation is working elsewhere might yield a lesson or two for the Baltic Sea region. After all, learning from other contexts and internalizing positive experiences is certainly nothing new to us. The Baltic Sea cooperation has indeed all the potential to turn high-flying visions into reality – but only if it will, once again, reinvent itself.