

A stylized map of the Baltic Sea region, showing the coastlines of the Nordic countries and the Baltic states. The map is rendered in various shades of blue, with the sea area being a lighter blue and the landmasses in darker shades. The map is positioned in the upper right quadrant of the cover.

Political State of the Region Report

2012

Dilemmas and Coherence in the Baltic Sea Region



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Nordic Council of Ministers



Baltic Development Forum

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Political State of the Region Report

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Deeper Regional Integration Needed

I would like to congratulate the think tank for the Baltic Sea Region on their second thought-provoking Political State of the Region Report.

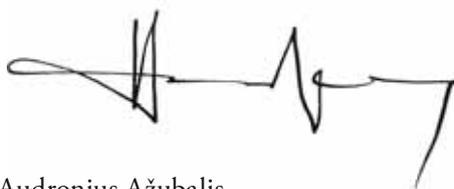
Our region is marked by constant dynamics, in terms of political developments, economic growth, and increasing networking. It has been widely acknowledged that the Baltic Sea Region today is one of the most integrated and dynamically developing regions in Europe, which showed considerable economic stability even in these recent times of economic and financial crisis.

It is my strong belief that only deeper European integration and intensive regional co-operation can keep the region on the top of global ratings as the most environmentally sustainable, economically stable, industrially innovative, advanced, dynamic, and society friendly part of the world. In my mind, our primary target should be deeper regional integration on all levels, be it culture or infrastructure. We have to enhance regional markets, especially in the energy sector, to develop in-

novative ideas to enable businesses in the region to compete within and outside the region, producing high-value added products. We have to nurture an entrepreneurial climate, while at the same time guaranteeing the necessary environmental protection of the sea and the whole region.

I therefore welcome progress on the European macro-regional strategy for the Baltic Sea Region, a method of European co-operation which may, in fact, help to tackle acute environmental problems more effectively, to enhance prosperity of this part of the EU, and to speed up important strategic energy projects to end this region's isolation. In order to address cross-border challenges, primarily environmental ones, we should continue to employ numerous regional organisations to their fullest capacity, such as Northern Dimension, or Council of the Baltic Sea States, chaired now by Germany, to increase co-operation with our neighbouring non-EU countries.

June 2012



Audronius Ažubalis
Minister of Foreign Affairs of Lithuania

Editors' Foreword

For some time, recognised experts in the newly established DeepWater think tank have been dealing with questions concerning the Baltic Sea Region, preparing to give advice and to initiate, develop and follow up on political processes. Expert knowledge is there; steady scientific observation and judgement on the region's developments is necessary. In October 2011, we launched the first Political State of the Baltic Sea Region Report in Gdansk. We are glad to be able to present the second Report of this kind only nine months later.

We are convinced, as we wrote in our first report, that the exemplary political, economic, and cultural transformation of the region since 1989-90 was a necessary condition for this concentration on and selection of the Baltic Sea Region (BSR): since then, it has again become possible to view the BSR, separated for over 40 years by the Iron Curtain, as an undivided entity. The region's doings and dealings have, since then, come under practically no restrictions. Mobility over the sea has achieved previously undreamed-of levels, and political and cultural co-operation have led to the Baltic Sea being called the 'Sea of Possibilities'. The BSR has become a 'laboratory of modernity', could be a European example for other, to some extent not yet defined, regions. The regionalisation of Europe will thus continue.

The structure of this report differs from that of the first report. This time, we are dealing more extensively with three countries, namely Russia, Iceland and Norway – the latter two having not been dealt with in our first report – with special focus on these countries' policies towards the BSR. The region of Kaliningrad also receives special attention. Besides these country and region reports,

the report contains assessments of coherence in BSR co-operation and of right-wing populism with certain regards to Northern Europe. The end of the reporting period was May 2012. The chapters of this report primarily reflect the views of the individual authors, and not necessarily those of the editors and sponsors.

We would like to thank the authors of the chapters of this report for their valuable contributions, input and efforts. We are indebted to Peter Dowdy for the language editing and Nelli Nokkala and Peer Krumrey for their help. In the name of everyone who has contributed to this report, we would also like to express our gratitude for the support of the Baltic Development Forum, especially Malgorzata Dzieza and Hans Brask, the Nordic Council of Ministers, the Konrad Adenauer Foundation (Riga/Berlin), especially Andreas Klein, and the Department of Northern European Studies at Humboldt University (Berlin). We hope that this report proves persuasive to responsible persons and decision makers, and creates the possibility of future work.

Berlin, in June 2012



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

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

Bernd Henningsen and Tobias Etzold

Sponsors' Foreword

These years, co-operation in the Baltic Sea Region is changing in many ways. The EU Strategy for the Baltic Sea Region is introducing new forms of co-operation and many new projects. The EU and the European Commission are becoming much more strongly involved in the region. As the Council of the Baltic Sea Region (CBSS) is celebrating its 20th anniversary in 2012 during the German CBSS Presidency, it makes good sense to take stock.

It is important that stakeholders, on all levels, be part of the exercise and should take active part in the debates about these new dynamics and the priorities for the region's next 20 years. The many civil society networks that have characterised the Baltic Sea Region co-operation and cross-border contacts throughout the last 20 years must be included.

The *Political State of the Region Report* and the research network behind it can play an important role in reaching out to all parts of the region by stimulating debate and presenting articles and views on different subject matters. We need researchers and experts to provide new information, as well as to evaluate, challenge and even provoke our understanding of the region and the social-economic conditions in its member countries.

Baltic Development Forum (BDF) is very proud to be working together with the Nordic Council of Ministers (NCM) – the biggest and strongest regional organisation in the Baltic Sea area – as the main sponsor of the 2nd edition

of the report. Over the years, BDF has worked together with NCM on the older sister report, the *State of the Region Report*, which Baltic Development Forum publishes mainly on economic issues together with Dr. Christian Ketels. We appreciate that NCM is now sponsoring this new initiative, which hopefully will achieve a similar high status. We are also very pleased that Secretary General Halldór Ásgrímsson will participate when this report is launched at the 14th BDF Summit in Copenhagen.

BDF is also very thankful to Konrad Adenauer Stiftung for continuously sponsoring the meetings of the research network that made the report – the *DeepWater* think tank. These meetings are very important for establishing the network and introducing new researchers.

We are equally grateful to the many institutions which have supported our work and acted as hosts for conferences on the report and regional affairs. This year they include, in particular, the Polish Institute of International Affairs, University of Vilnius, the German Institute for International and Security Affairs (SWP), University of Latvia, Humboldt University, Berlin, and the Danish Institute of International Studies.

Last but not least, we appreciate the contributions from the different authors, and especially the hard work of Dr. Tobias Etzold, the co-ordinator of this report, and Prof. Bernd Henningsen, who is chairing the *DeepWater* think tank.

Copenhagen

June 2012



Hans Brask

Director, Baltic Development Forum

Grußwort der Staatsministerin im Auswärtigen Amt

In den beiden zurückliegenden Jahrzehnten sind die Länder um die Ostsee weiter zusammengewachsen. Damit prägen nahezu 20 Jahre erfolgreiche Zusammenarbeit das politische und gesellschaftliche Leben in der Ostseeregion. Geistiger und historischer Vorläufer dieser beispielhaften Kooperation ist die Hanse. Die Prinzipien einer guten Nachbarschaft werden in einer Vielzahl von Vereinigungen und Kooperationen von unten her gelebt, sind selbstbestimmt und selbstgestaltet. Die Ostseeregion ist heute eine der am stärksten entwickelten und integrierten Regionen Europas. Das bestehende Netzwerk der unterschiedlichen Akteure ist beispielhaft und einmalig in Europa. Der Ostseerat, dessen 20-jähriges Jubiläum wir im Rahmen der deutschen Präsidentschaft mit einem außerordentlichen Außenministertreffen auf Schloss Plön gefeiert haben, hat einen unverzichtbaren Beitrag für das Zusammenwachsen der Ostseeregion geleistet. Er ist das verbindende Gremium auf Regierungsebene auch zu den Nicht-EU-Mitgliedstaaten Norwegen, Island und Russland. Eine neue, tragende Säule in der Ostseekooperation ist seit 2009 die EU-Ostseestrategie, die als erste makroregionale Strategie von der EU ins Leben gerufen wurde. Mit ihr werden zahlreichen Kooperationen im Ostseeraum gestärkt und die Zusammenarbeit von nationalstaatlichen, regionalen und lokalen Kräften optimiert. Es ist erfreulich, dass es über den Ostseerat zunehmend gelingt, auch die regionale Zusammenarbeit der EU mit Drittstaaten wie Russland voranzubringen.

Ein Musterbeispiel dafür ist die Modernisierungsinitiative für den südöstlichen Ostseeraum, deren Schwerpunkt zunächst der Region Kaliningrad und seiner Nachbarschaft gilt. Sie ist einerseits Priorität der bisherigen deutschen und künftigen russischen Ostseerats-Präsidentschaft. Sie wird darüber hinaus auch im Rahmen der EU-Ostseestrategie unterstützt werden. Damit ist eine nachhaltige Entwicklung dieser Initiative gewährleistet. Gemeinsam gilt es, für große

Herausforderungen wie beispielweise die Energiesicherheit, den demografischen Wandel und die Verschmutzung der Ostsee Lösungen zu finden. Dazu müssen alle Ostseeanrainer wirkungsvoll und eng zusammenarbeiten. Ihr Bericht mit Empfehlungen und Hinweisen für politisches Handeln leistet hierzu einen wertvollen und unverzichtbaren Beitrag.



A handwritten signature in black ink that reads "Cornelia Pieper". The signature is fluid and cursive.

Cornelia Pieper
Minister of State of the Foreign Federal Office of
Germany

List of Acronyms

AC	Arctic Council	NDEP	Northern Dimension Environmental Partnership
BALREPA	Baltic Sea Region Rotating Energy Planning Academy	NDI	Northern Dimension Initiative
BASREC	Baltic Sea Region Energy Cooperation	NDPHS	Northern Dimension Partnership for Health and Social Wellbeing
BDF	Baltic Development Forum	NDPTL	Northern Dimension Partnership on Transport and Logistics
BEAC	Barents-Euro-Arctic Council	NEFCO	Nordic Environment Finance Corporation
BSAP	Baltic Sea Action Plan	NGO	Non-Governmental Organization
BSC	Baltic Sea Cooperation	OMC	Open Method of Coordination
BSPC	Baltic Sea Parliamentary Conference	PfM	Partnership for Modernization
BSR	Baltic Sea Region	SEBA	South Eastern Baltic
BSSSC	Baltic Sea States Subregional Cooperation	SEC	Special Economic Zone
CBSS	Council of the Baltic Sea States	SEK	Swedish Kronor
CFSP	Common Foreign and Security Policy	SOGC	Senior Officials Group for Culture
EBRD	European Bank for Reconstruction and Development	UBC	Union of Baltic Cities
EEA	European Economic Area	WTO	World Trade Organization
EEC	European Energy Charter		
EGNRS	Expert Group on Nuclear and Radiation Safety		
ENP	European Neighbourhood Policy		
EU	European Union		
EUSBSR	European Union Strategy for the Baltic Sea Region		
FDI	Foreign Direct Investment		
GDP	Gross Domestic Product		
HELCOM	Helsinki Commission		
KR	Kaliningrad Region		
LNG	Liquefied Natural Gas		
MEP	Member of the European Parliament		
MFA	Ministry of Foreign Affairs		
MP	Member of Parliament		
NATO	North Atlantic Treaty Organisation		
NB6	Nordic-Baltic 6		
NB8	Nordic-Baltic 8		
NC	Nordic Council		
NCM	Nordic Council of Ministers		
ND	Northern Dimension		
NDCP	Northern Dimension Cultural Partnership		
NDDC	Northern Dimension Development Center		

Executive Summary, Introduction and Overview of Regional Developments



Hans Brask, Tobias Etzold, Bernd Henningsen, Peer Krumrey

Executive Summary and Introduction to Report

In what state is the Baltic Sea Region (BSR) in 2012? What are the current priorities of its countries? What are the main challenges for the region, and what are the sensitivities? Since 2012 marks the anniversaries of several of the main structures of regional co-operation, most notably the 20th anniversary of the Council of the Baltic Sea States (CBSS), one should also ask what has been achieved in the last 20 years of regional co-operation in the Baltic Sea area, and what still needs to be done and achieved in the years to come.

The outline of the second Political State of the Region Report is different from the first one that was launched at the 13th Baltic Development Forum Summit in Gdansk in October 2011. While the scope of that report was rather broad and covered current political developments in all the littoral states of the Baltic Sea Region (BSR) and a considerable number of issue areas mainly connected to the EU Strategy for the Baltic Sea Region (EUSBSR), this year's report contains a smaller number of articles. It should be seen as

a follow-up and supplement to last year's report. The idea is to cover topics, which had not been a primary focus in the previous report.

The 2012 Political State of the Region Report focuses on Russian Baltic Sea region policies, the development of the Russian Baltic Sea exclave Kaliningrad, and two countries outside the core region that were not covered in the first report – Norway and Iceland – and their relationship to the BSR and BSR policies. The article on Russia deals with the involvement of the country in regional co-operation, the attempts of the other countries of the region and the EU to involve Russia, and related difficulties. The chapter on the Kaliningrad area draws an up-to-date sketch of the situation of this Russian Baltic Sea exclave, providing an overview of progress, relevant issue areas and remaining challenges, risks and difficulties. Norway and Iceland have a special relationship with the BSR, as they are geographically not part of the region, but participate in most of the regional co-operation arrangements. As for these countries, the most interesting questions are whether they are still real outsiders in the region or have become a kind of insider or semi-insider. If they are considered to be in, the next question is whether they are in for real, whether they have a genuine interest in the region or whether the interest and engagement is rather half-hearted and symbolic only.

The report also analyses the possibilities for creating a coherent framework of regional co-operation in the BSR, which has been one of the priorities of the 2011/12 German CBSS Presidency. The chapter therefore provides an up-to-date overview of institutions and structures of regional

co-operation, institutional developments, and the relevant issue areas of regional co-operation, focusing on coherence. Right-wing populism is a wide-spread phenomenon in all the countries of the BSR. Therefore, the report deals with current developments in this regard, especially post-Utøya/Oslo, with a particular emphasis on the Nordic countries. Strengthening the democratic systems and citizens' participation in the political process in all the countries of the region, perhaps involving some form of dialogue on this and co-operation between the countries, could be a possible way forward dealing with this phenomenon.

Although this report deals with a smaller number of issues and countries, it still reflects a number of general developments the entire region is facing, including issues that have a wider impact on the region. The involvement of Russia, including the Kaliningrad area, is crucial for the development of the region as a whole, and for settling still ongoing challenges and problems. In order to make progress in tackling regional challenges as well as to utilise the opportunities and chances the region has to offer, creating an effective, efficient and coherent framework for regional co-operation seems greatly important.

Currently, the overall interest in the BSR of most of its countries' central governments does not seem particularly intense (in contrast to a fairly strong interest at lower levels). The trend is obviously the issues and political processes that are currently perceived, by the central governments, as more relevant from a wider European/EU perspective currently prevailing over regional issues. A certain misbalance between the EU and regional levels, for example in terms of funding, political commitment and prioritisation, becomes obvious. Nonetheless, from a broader European point of view, the EU countries in the BSR, in fact, have a lot to offer and have a chance to position themselves as the Top of Europe, revitalising a slogan of a few years ago. The challenge for those that really care about the BSR will thus be to preserve the interest of all relevant actors in the region and to reverse the trend of creating a certain misbalance. It might be dangerous to neglect the political, environmental and economic developments of a key European region such as the BSR, which could offer some solutions to Europe's general problems.

Overview of major domestic and regional developments in the BSR

This introductory chapter provides a brief overview of a selection of major events and developments in the BSR and its countries and, together with the report's concluding remarks and outlook, an evaluation of the current situation of the BSR. The second Political State of the Region Report covers the period following the 2011 report, from August 2011 to May 2012.¹

1. Domestic developments

This executive overview of domestic political developments in the BSR focuses on those countries that held national elections within the applicable time frame. This report's chapters on Norwegian and Icelandic Baltic Sea policies by Lidia Puka and Christian Rebhan also reflect some of the domestic developments in Norway and Iceland.

Denmark

On 15 September 2011, approximately four million Danish voters were called to general elections. In a fairly close run, the incumbent centre-right coalition, which had governed the country in a minority government tolerated by the populist *Danish People's Party* for the last ten years, was forced to resign. Prime Minister Lars Løkke Rasmussen was replaced by Helle Thorning-Schmidt, Denmark's first female Prime Minister, and her centre-left government. Although the centre-left opposition had enjoyed continuing majorities in opinion polls since late 2009, the final result was somewhat fuzzy. While the biggest party in the incumbent centre-right coalition, Rasmussen's *Liberal Party*, managed to gain slightly in votes, the leading party in the oppositional group, Thorning-Schmidt's Social Democrats, lost ground relative to 2007, thus having the party's worst outcome ever. The change in government was therefore caused by the smaller partners' particularly severe losses of the *Conservative People's Party* and gains of the *Social Liberal Party* respec-

¹ We are grateful to Joakim Ekman (regional developments), Kari Liuhto and Hanna Mäkinen (energy) and Lidia Puka (Poland and regional developments) for their input.

tively. Worth mentioning is the comparatively stable support for the *Danish People's Party*, which theoretically could have suffered more significantly from a desire for change and the incidents of Oslo and Utøya in neighbouring Norway two months earlier. Obviously, there was not a clear link between this incident and the elections.

Finland

After two terms in office, Finnish president Tarja Halonen was ineligible for re-election. Instead, conservative candidate Sauli Niinistö, who had already been Halonen's opponent in the second round of 2006 presidential election, was elected, ending a 30 year era of social democratic presidents in Finland. While Niinistö's win was widely expected, fierce competition between Pekka Haavisto (*Green Party*) and Paavo Väyrynen (*Centre Party*) developed over who was going to take the second spot in a run-off. Sidelining both Social democratic former Prime Minister Paavo Lipponen and populist *True Finn* Timo Soini, all three candidates indicated, with their rather civic background towards EU attitudes and social issues, a watershed for the election campaign.

Germany

After being heavily criticised for his demeanour in office, German president Christian Wulff decided to resign on 17 February 2012. Although the accusation of corruption during his prior service as Prime Minister of Lower Saxony hung in the air, Wulff primarily lost support due to his public crisis management. After the resignation of Horst Köhler in May 2010, Germany lost its second president prior to the end of a presidential term within only two years. On 18 March 2012, Rostock-born Joachim Gauck, a protestant vicar and independent civil-rights activist who had been Wulff's main contender in 2010, was elected to become the first East German president by an informal unique four party coalition (*CDU/CSU, SPD, FDP and Green Party*).

Latvia

Only two days after the Danes, the Latvians had to vote for a new parliament after a referendum

for the dissolution of the Saeima won sufficient popular support in July. For the first time, the *Harmony Centre*, a party, which gets most of its support from the Russian speaking minority, came in first, but was unable to form a government coalition. Instead, centre-right Prime Minister Valdis Dombrovskis remained in power in spite of his party losing severely at the polls. His third cabinet rests mainly upon the *Reform Party* of former President Valdis Zatlers, who had, as then-president, called for the dissolution referendum and whose newcomer party came in second in the elections.

Poland

The parliamentary elections of 9 October 2012 resulted in a second term for the government coalition of the centre-right *Civic Platform* with the centrist, agrarian *Polish People's Party*. For the first time in the country's post cold-war history, although with a narrow margin, the government was re-elected, providing prospects for greater stability for financial markets. The turnout was below 50%. Surprisingly, a new party, the social-liberal *Palikot's Movement of Support*, gained 10% of the votes and came in third place, largely at the expense of the left-wing *Democratic Left Alliance*. Based on anti-clerical and populist argumentation, the success of *Palikot's Movement of Support* has indicated the social changes in the society moving to a more liberal and secular direction. Since re-election, the government has introduced various measures aiming at increasing the country's competitiveness, such as a pension reform.

Russia

On 4 December 2011, parliamentary elections were held in Russia. Despite losing a fourth of its 2007 share of votes, the governing party *United Russia* managed to secure an absolute majority, but had to give up its former constitutional majority of two-thirds of the seats in the State Duma. Many voters switched to the established *Communist Party, Just Russia*, and Vladimir Zhirinovskiy's *Liberal Democratic Party*. The elections have provoked varying assessments abroad. Looking inwards, Moscow has seen the biggest protest since 1990s in the aftermath of the election, and

opponents' of the government began denouncing Vladimir Putin and his government and what they believed were flawed elections. This, however, did not have a perceptible effect on the presidential elections on 4 March 2012. Prime Minister Vladimir Putin, who had already been in office two terms between 2000 and 2008, won almost two thirds of the valid votes, thereby outpacing communist opponent Gennady Zyuganov by almost 50%. He thus successfully switched offices with former President Dmitry Medvedev, who assumed Putin's office as Prime Minister, which he had been in charge of before. In this report, two articles deal with Russia's BSR, EU and foreign policies, by Kimmo Elo and Tapani Kaakkuriniemi, and the current situation of the Russian Baltic Sea exclave Kaliningrad, by Pertti Joenniemi and Alexander Sergunin. These articles also reflect some domestic political developments in Russia.

2. Regional developments

A number of issues have been raised in 2011/2012 within the region, concerning the BSR as a whole. The overview given here is far from complete and exhaustive. Yet it attempts to provide information on a selection of events and developments.

A) Institutional developments and major regional events

On 1 July 2011, Germany assumed the Presidency of the Council of the Baltic Sea States (CBSS) for the second time since 2000/2001. Simultaneously, the CBSS celebrated its 20th anniversary in spring 2012. In a series of special festive events and meetings, its inauguration on 6 March 1992 was commemorated. Germany was fairly active and (co-)organised an impressive number of conferences, meetings and workshops on all sorts of themes relevant for the BSR.

The priorities of the German Presidency covered the five long-term priority areas of the CBSS, as decided during the CBSS reform summit in Riga in 2008: economic development, environment and sustainability; energy; education and culture; and civil security and the human dimension. Additionally, Germany put an emphasis on the southeastern Baltic Sea region, including

Kaliningrad, striving for modernisation through co-operation. Also, the ability of the CBSS and its secretariat to design and implement concrete projects was to be further developed. Germany intended to make the CBSS strong and fit for the future so that it will be able to remain "a pioneer of regional co-operation" and a "symbol of the regional identity". Another priority of the German CBSS Presidency was the creation of a "coherent framework for co-operation" in the region, linking the various structures of Baltic Sea co-operation more closely together. Tobias Etzold and Stefan Gänzle deal with this issue in detail in this report.

The first highlight of the German Presidency was a festive get-together, celebrating CBSS's 20th anniversary, linked with an extra-ordinary meeting of CBSS foreign ministers at Plön Castle in Schleswig-Holstein on 5 February 2012. The German Foreign Minister, Dr. Guido Westerwelle, hosted the event. The foreign ministers from most BSR countries and even the former foreign ministers of Germany and Denmark, and founding fathers of the CBSS, Hans-Dietrich Genscher and Uffe Ellemann-Jensen, were present. In September 2011, Baltic Sea cultural co-operation within the framework of *Ars Baltica* also celebrated its 20th anniversary at Plön Castle in Schleswig-Holstein.

Another highlight were the Baltic Sea Days in Berlin on 23-25 April 2012, organised by the German Presidency. The Baltic Sea Days entailed an impressive number of meetings and conferences; among them were the Baltic Sea NGO Forum, a BSR business forum, a climate change adaptation policy forum, the Baltic Sea Youth Session, and several high-level meetings of the various BSR co-operation structures, attracting hundreds of stakeholders from the entire BSR and even high-level participation. The Baltic Sea Days were a strong manifestation of the fact that many Germans are engaged in regional affairs. They also proved the existence of the potential to increase the awareness of the region among the German public and media. More than 1,000 guests attended a festivity in the Federal Foreign Office, in which the speech of the newly elected President Joachim Gauck was the undisputed highlight. President Gauck praised Baltic Sea regional co-operation, drawing also from his personal experiences from his childhood and youth in Rostock. This was followed by the Baltic Sea States Summit of Heads of government

in Stralsund on 30 and 31 May 2012). The Summit discussed primarily energy (see below) and the vital topic of demographic development.

From 1 July 2011 to 31 December 2012, Poland has been in charge of the Presidency of the Council for the EU of the very first time. Its agenda was largely shaped by external conditions, e.g. like the financial debt crisis of some of the Eurozone countries, which caused a necessity for a rapid response. Nonetheless, the Presidency has also conducted the first revision of the EU Strategy of the Baltic Sea Region and co-hosted the 2nd Annual Forum for the EUSBSR, jointly with the Baltic Development Forum Summit in Gdansk in October 2011. The review has focused on technical improvements of the strategy and has been continued by the consecutive Danish Presidency. The review was adopted in the form of conclusions of the Council of the EU. The conclusion acknowledged “the need to make the strategy more effective and result oriented for further attaining the Strategy objectives” (Council of the EU: 2).

Internally, the revision resulted in improving regional networking, better communication between the Polish local and central government actors, and a definition of Poland’s national interests in the region. It has also triggered increased development of the long-neglected northern dimension of Polish foreign policy. To give another example of a Baltic Sea littoral country’s interest in the EUSBSR, the Swedish government confirmed its commitment to the EUSBSR, focussing on protecting the environment, promoting integration, and increasing wealth in the region. The first results of the Swedish government’s involvement in the EUSBSR were, for example, *Mona Lisa*, a “Motorways of the Sea” project, aiming at making a concrete contribution to efficient, safe and environmentally friendly maritime transport.

The European Commission issued a Commission Staff Working Paper on the implementation of the strategy in September 2011, and a Communication to the European Parliament, the Council, the European Economic and Social Committee, and the Committee of the Regions on 23 March 2012. The latter stressed that the results of the strategy need to be clearer and more visible both at the national and the EU level in order to maintain high-level political commitment (European Commission 2012: 3). The Commission Commu-

nication was issued at the encouragement of the Danish Presidency of the EU Council in the first half of 2012, reflecting that Denmark was conscious of its responsibility to create momentum for the strategy. The Danish Presidency intends to adopt fresh Council conclusions on the strategy in June 2012.

Thus, overall it seems that the European institutions and the Baltic Sea EU member states are still dealing with the strategy and issuing papers and reports. On the other hand, two and a half years into its implementation, its outcomes are still not too obvious or tangible. In some areas within the strategy, at least, concrete project-based activities seem to be evolving. A concrete achievement, at least on the organisational side, is that in all the states of the BSR, national contact points have been established that assist the implementation of the strategy at the national level by autumn 2011 (European Commission 2011: 5).

B) Developments in issue areas: energy

Energy is probably one of those issue areas in the BSR that attracts most attention and therefore could be seen as a kind of driving force in the BSR and its regional co-operation. The energy sector in the BSR has seen a number of recent relevant developments. The first line of the Nord Stream pipeline became operational in November 2011, and the construction of the second line progressed, scheduled to pick up steam in late 2012. Poland is currently building a LNG terminal in Świnoujście, which is planned to be ready in 2014. Lithuania has ordered a LNG floating storage and re-gasification unit in Klaipeda, which is planned to be operational in 2014. Latvia has similar ambitions to build a LNG terminal. This issue has become a bone of contention because the different projects are competing, since, from an economic point of view, there does not seem to be room for two. The Ust-Luga oil terminal has opened, and the first oil tanker was loaded in March 2012. Plans to build a nuclear power plant in Visaginas, Lithuania, are progressing a concession agreement between the Lithuanian government and Hitachi Ltd. was concluded in March 2012. The extension of the underwater electricity transmission cable between Finland and Sweden, Fenno-Skan 2, became operational. It reinforces the integra-

tion of the Nordic electricity market. On both the national and the regional political agendas, energy, especially energy security and efficiency, occupies a prominent position. The chapters on coherence, Kaliningrad, and Norway in this report give proof of that. The foreign ministers of the CBSS member states adopted a declaration on energy security and even the heads of government discussed energy during the Baltic Sea States Summit in Stralsund on 30 and 31 May 2012. They believe that the CBSS could still play an important political role in this for all the countries of the region's area.

C) The problem of right-wing populism

The most horrible incident in Northern Europe since World War II occurred on 22 July 2011, when more than 70 people in Oslo and the small island of Utøya, where the youth movement of the Social Democratic party held its annual summer camp, were massacred. In many countries, the appearance of right-wing radicals and right-wing populists and their effects on politics and society has been seen as an executive problem – laws become harsher, the police and security forces receive strengthened search and seizure powers. The reaction of the Norwegian Prime Minister Jens Stoltenberg to the bombing in Oslo and the Massacre on Utøya on 22 July 2011 was rather

different. Norwegian politics and society were encouraged to remain open, transparent and liberal. There has been no debate on the merits of strengthening the executive. Jens Stoltenberg showed with his reaction that, in that society, the values of democracy and human dignity could be expressed through emotions. In extreme situations, a society sustains itself not only through words but also through its traditions. The boundless sadness of the nation found a home in the person of the head of government, who, by collecting this despair, very literally stabilised the situation. In this report, Bernd Henningsen will focus on the issue of right-wing populism in some of the countries of the BSR.

3. Final Remark

Obviously, the 2012 Political State of the Region Report is not able to address every issue, country, and current development of the Baltic Sea Region, but has to focus on a subset of those. Nonetheless, the report tries to reflect at least a part of the current reality of the BSR. The final remarks and conclusions of this report will take up some of the issues and questions mentioned here and will provide a brief outlook on the future development of the BSR.

Russia's Baltic Sea Policies and the EU's Strategy for the Baltic Sea Region: Squaring the Circle?



Kimmo Elo & Tapani Kaakkuriniemi

1 Introduction

On 1 July 2012, Russia will assume the Presidency of the Council of the Baltic Sea States (CBSS). The Russian CBSS presidency is of importance for the future of co-operation in the Baltic Sea Region because it is the first presidency of the most important non-EU actor in the region since the adoption of the European Union Strategy for the Baltic Sea Region (EUSBSR) in 2009. Thus, the Russian presidency of the CBSS could provide useful information about the EUSBSR's capabilities to steer and foster cross-border co-operation in a macro-region consisting of EU and non-EU member states.

The EUSBSR should be considered to be one step on the long path toward sustainable political co-operation and co-ordination in the Baltic Sea Region. One of the most important aims of the EUSBSR is to strengthen the EU's voice in the region by defining objectives for future co-operation. Since the EUSBSR creates no new institutions, the strategy should be carried out by the existing ones and is, consequently, dependent on commitment from the different Baltic Sea actors to the strategy. As an intergovernmental organisation, the CBSS in the Baltic Sea Region

brings together the Baltic Sea EU member states and Russia, thus offering a possible forum for cross-border political co-operation. Additionally, the rotating CBSS presidency offers each member state the possibility for agenda-setting.

Against this background, it will be interesting to see whether Russia is seeking to exploit its CBSS presidency for pushing its own Baltic Sea agenda or for promoting (also) objectives and interests manifested in the EUSBSR. Moreover, due to its complex federal structure, it might be possible that alongside Moscow, the northwest federal district may also emphasise interests of its own. Understanding Russia's agenda for its CBSS presidency might help understand Russia's perception of Baltic Sea Region co-operation in general, but also its attitude toward the EUSBSR in particular. Such an analysis could also help grasping the possibilities and challenges the EU is facing when trying to promote macro-regional frameworks and strategies requiring Russia's involvement and commitment.

The general focus of this article lies on the question of how Russia's foreign political priorities are manifested in Russia's policy for the Baltic Sea Region in general, and in Russia's agenda for its upcoming Presidency of the CBSS in particular. This analysis will be embedded into a macro-regional framework of the EUSBSR on the one hand, and of the Northern Dimension (ND) initiative on the other, both of them seeking to establish a framework for fostering co-operation in the Baltic Sea Region. Russian stances towards these two programmatic frameworks, and Russian goal-setting in its foreign policy in general are portrayed from the point of view of Putin's third

term as the President. The article argues that fostering co-operation with Russia mainly by exploiting the EU's own frameworks and policies might, as Hiski Haukkala recently pointed out, increase "the Union's regional normative hegemony" and, thus, result in a growing rejection of the EU's policies in the Baltic Sea Region (Haukkala 2010, 171). From this perspective, Russia's Presidency of the CBSS might provide valuable information about Russia's ideas that could challenge the EU's power in the Baltic Sea Region.

2 The Baltic Sea Region as an EU inland Sea, and the Problem of Getting Russia Involved

For centuries, the Baltic Sea Region has been a place of geopolitical, political, economic and cultural clashes between Europe and Russia (see e.g. Bengtsson, 2000, 372; Musiał, 2009, 287). The end of the Cold War and the developments thereafter have widened the definition of the European North, step by step, to revolve (geo-) politically, economically, and culturally around the Baltic Sea (Labarre, 2001; Smith & Timmins, 2001; Vandever & Dabelko, 2001; Steinbock, 2008). Additionally, the Nord Stream gas pipeline project has also caused quite severe distortions in the Baltic Sea Region, mainly along the historico-political fault lines between the East and West, as well as between large and small states (e.g. Timmis, 2006; Bengtsson, 2010, 113ff.).

However, the Baltic Sea Region has changed its status not only due to the EU enlargements of 1995, when Finland and Sweden joined the EU, and 2004, when the Baltic southern rim states joined the EU, but also due to the development of a dense network of sub-regional, regional and macro-regional institutions that are more or less "European" in nature. The past two decades have, first and foremost, supported the idea of the Baltic Sea as an imagined EU inland sea (see also Larsen, 2008).

Today, the Baltic Sea Region is conceptualised as a region covering an area from Northern Germany to Northwest Russia. Although not formally being part of the EU's neighbourhood policy (ENP), by focusing e.g. on security, economy and co-operation, the EUSBSR shares several stated

goal-settings of the ENP (Whitman & Wolff 2010, 3). However, the ENP is also an attempt to strengthen the Union's influence by applying conditionality more strongly also to EU-Russia relations. In order to benefit from closer economic and political co-operation with the EU, Russia should agree on shared values defined by the EU. Russia views this demand as an encroachment on Russia's sovereignty, not only making Russia the EU's junior partner in Europe, but also degrading Russia to the same level of the other ENP countries, like Morocco, Moldova or the Caucasus states. (Haukkala 2010, 165ff.)

In order to reduce the risk of conflicts of interest with Russia in the Baltic Sea Region caused by the very concept of the ENP, the EU launched two new concepts tailored to the Baltic Sea Region. The first one, the renewed ND policy, was launched in 2006, and is now carried out by the EU's External Action Service. It serves as an instrument for promoting the EU's (global) values and norms (Haglund-Morrissey, 2008, 203; cf. Browning and Joenniemi, 2004, 237). Once again, Russia is expected to adapt itself or, like in the ENP, "resist that adaptation without being able to affect the essential content of these norms in any significant way" (Haukkala 2010, 172).

The second framework tailored to fostering co-operation in the Baltic Sea Region is the EUSBSR. This strategy was initiated in 2006, adopted in 2009 and has been implemented since 2010. Geographically speaking, the EUSBSR bringing together all eight Baltic rim countries – Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland and Sweden – widely overlaps with the renewed ND. The notable exception is that Russia is excluded from the EUSBSR as a non-EU state. Conceptually, the underlying idea of creating a steering framework for a more sustainable, deeper and closer co-operation in the Baltic Sea Region links the EUSBSR both with the ENP and the renewed ND (Roggeri, 2012).

For two obvious reasons, the EUSBSR has notable, yet virtual linkages with the wider framework of the ENP. First, by admitting "that some of the problems cannot be solved on [a] national level and, thus, have to be addressed on a regional level" (Rostoks, 2010, 9), the strategy is clearly intended to strengthen, steer and develop existing regional co-operation in the Baltic Sea Region

(Roggeri 2012). Similar objectives can be found in the ENP as well. The second point is that the EUSBSR is an internal EU project, thus reflecting and promoting the EU's norms and values as the basis for co-operation. It is a bit confusing that the EUSBSR is promoted as a *macro-regional* strategy for the Baltic Sea Region but excludes one regional player, Russia. In the EUSBSR, the Baltic Sea is understood roughly as an inland sea of the EU, while the existence and interests of Russia are neglected. This might increase the risk of being rejected by Russia (Rostoks, 2010, 33; Bengtsson, 2012).

The existence of two at least partly overlapping concepts in the Baltic Sea Region raises the question of their interdependence. The renewed ND is included in the EUSBSR as its external arm (Rostoks, 2010, 30). On the one hand, this arrangement seems reasonable, since it links the ND with the EUSBSR and, thus, might help the EU to achieve better co-ordination of its Baltic Sea Region policies, as both frameworks should work for the same goals. On the other hand, however, making the agenda of the renewed ND dependent on the EUSBSR might increase Russia's unwillingness for future co-operation. This is because the EUSBSR as an internal EU strategy might arouse Russia's suspicions that the EU is seeking to dilute Russia's power in the Baltic Sea Region. Since the EU-Russian interface in the Baltic Sea Region is, as Bengtsson (2010, 129) has recently pointed out, characterised by "a fundamental, and growing, gap in perspectives and values", implementing unilateral projects bears the risk of creating new dividing lines (See also Haukkala, 2010, 172; Rostoks, 2010, 32-33).

In sum, reflected against the ENP as the general policy framework for co-operation between the EU and non-EU states, the renewed ND and the EUSBSR as the most important regional and cross-border frameworks, and with the dense network of regional and sub-regional actors, the EU-Russian interface in the Baltic Sea Region is well institutionalised and the co-operation relatively well formalised (see also Bengtsson, 2010, 108). This institutional arrangement also underlines and strengthens the EU's dominant role in shaping Baltic Sea policies. Taking Russia's antipathy, even hostility towards the EU's (or any other actor's) dominance vis-à-vis Russia

into account, the future success of the EU's Baltic Sea policies to some extent depend on Russia's willingness to co-operate. If the main reason for Russia to reject co-operation in the Baltic Sea Region is the external pressure on Russia to adapt its policies to suit the EU's policies that Russia has no or only limited possibilities to influence, granting Russia possibilities to co-shape the Baltic Sea agenda could diminish Russia's willingness to reject co-operation. However, joint EU-Russian policies in the Baltic Sea Region are only possible when grounds for common policies exist. Thus, we will next turn to the question of what grounds Russian foreign policy offers for common Baltic Sea Region policies.

3 The Baltic Sea Region and Russia's Foreign Policy

As the political system of Russia is highly presidential, the changes of presidential power from Vladimir Putin to Dmitri Medvedev, and again back to Putin, have also brought about changes in the foreign policy attitudes. While Medvedev as the President activated Russia's participation in multilateral international co-operation, it is very probable that Putin, in his third term, will continue the great power building process and abstain from constructive multilateral action.

Boris Yeltsin, at the end of his first term, challenged Russian intelligentsia to formulate a new national "grand strategy" that would make Russia a great power (See e.g. Pastukhov 1996). This project failed mainly due to the deteriorating economy and unstable power structures. The goal of the policy was and still is to return Russia to the negotiating table, where other great pow-



ers adopt decisions in political, economic and military issues. Russia has seemingly been embarrassed by the fact that contemporary strong states are negotiating over its head without offering it a decent opportunity to come along. Vladimir Putin, in his last day as Prime Minister, presented a strategic programme for the development of the country (Putin 1999). He posed a question: “What place can Russia occupy in the international community in the 21st century?” He actually did not provide an answer for it. He did not even mention the EU.

Since then, Russia has regarded the EU as too diffuse a negotiation partner, and so it has favoured bilateral relations and agreements. Here, Germany has enjoyed a role as the closest and most important co-operation partner in different times.

As well, the EU has changed its preferences concerning co-operation with Russia, and the Union has turned its overcoat inside out, when current trends seem to foster it. After 2006, the EU adopted a positive view of the development of its eastern relations, but as Russia did not reformulate its basic assumptions, the Union remained cautious in developing new forms of co-operation. Now that Russia is a member of the WTO, the Union could have a new opportunity for a more profound co-operation.

Russia and the EU have mostly negotiated about practical issues, such as lifting the visa regime or guaranteeing the supply of natural gas to Central European countries. At large, the EUSBSR would be an appropriate apparatus for this kind of practical issues, which by no means touches issues that would challenge or threaten their vital interests or principal values.

Basis of Russia – EU relations

The Partnership and Co-operation Agreement (PCA) of the EU and Russia entered into force in 1997 (see Agreement 1997). Its idea was similar to the “Europe agreements”, which the EU concluded with the newly independent Central and Eastern European states. The agreements listed general principles of the EU, such as respect for democracy, the principles of international law and human rights, as well as the establishment of an arena for bilateral political dialogue between the

partners. This is why Russia still has a lukewarm attitude towards acting with the EU and why it prefers bilateral co-operation over multilateral. In the 1990s, the Union behaved like the 19th century colonial powers toward their colonies, saying they would bring democracy and market economy to the CIS countries, even without their consent (European Commission’s Tacis Programme 1991–2006, p. 5). Besides, Russia felt it would somehow be degraded to the category of the small ex-socialist countries through a similar agreement, and this of course has hurt Russia’s sensitive national self-esteem.

One answer of the EU to the reluctance of Russia has been the regionalist approach. Instead of bilateral or sectoral action programmes, regional policies have been introduced, such as the ENP and the ND. But, as mentioned above, the problem with these programmes is that the EU demands participating states to follow its meticulous norms. Flenley (2008, 194) notes that Russia first delayed signing the agreement and thus rejected involvement in the ENP largely because of the need to accept conditions laid down by the EU as the price for engagement. Flenley suggests that regionalism would offer co-operation on an equal basis.

In June 2008, negotiations on a new EU-Russia agreement were launched at the Khanty-Mansyisk Summit, but after it, negotiations have been frustratingly slow, even for Russia. The EU would like to draw up a rather detailed, sectoral document like the existing one. It should include not only general principles, but also a detailed programme for co-operation in different spheres. Unlike the EU, Russia sees that too detailed an agreement would be difficult to negotiate in a reasonable time-frame, and that this kind of an agreement would soon become outdated. Thus, the ideal for Russia would be a compact document that on the one hand would list new facts and be aimed at deepening the partnership, and on the other hand would give partners sufficient flexibility in its practical realisation (Danilov 2008).

According to Fraser Cameron (2011), the director of the EU-Russia Centre in Brussels, major differences deal with some issues concerning trade policy, energy, investments and visas. One pretext, expressed by Cameron, was Russian indecisiveness on WTO accession. However, the delay was

surely mainly caused by the WTO itself, when it let Russia wait for 18 years until it was accepted as a full member, after other countries, like Vietnam, Tonga, and Ukraine.

In the manner of great powers, Russia defines its policies through officially declared “doctrines” and “concepts”. Having entered the office of the President, Dmitry Medvedev renewed the Foreign Policy Concept (2008) and the Military and Nuclear Doctrines (2010). The final clause of the Foreign Policy Concept has been formulated in the spirit of the EU, as it states: “The consistent execution of Russia’s foreign policy is called upon to create favourable conditions for the realisation of the historic choice of the peoples of the Russian Federation in favour of rule of law, a democratic society and socially-oriented market economy” (The Foreign Policy Concept, 2008, chapter V).

On the day of his inauguration, 7 May 2012, Putin enacted a Presidential Decree on the Measures to Implement the Course of the Foreign Policy of Russia. It stresses the importance of the global rule of law through the UN, emphasizes the role of the BRIC, G-20 and G-8 as well as of the Shanghai Co-operation Organisation, moving to the problems of the CIS countries, and expressing a will to develop the statehood of Abkhazia and South Ossetia. Only after that come relations with the EU, the Asian-Pacific Region and the US. The Baltic Sea Region is too small to even be mentioned in this kind of a normative act. (Ukaz 2012, Chapter 1, paragraphs b to k.)

Pragmatic and de-ideologised foreign policy

While there was no progress toward a new co-operation agreement between the EU and Russia to be seen, Russia developed bilateral relations, primarily with Germany, in the field of energy. Thus, the political sphere of co-operation withdrew to the background and foreign policy adopted a pragmatist and de-ideologised style (Putin 2007). Approximately in 2005-2011, the Nord Stream project occupied the lion’s share of Russia’s attention in the Baltic Sea Region. Suddenly, all Baltic Sea policy was at the same time energy policy, and very few activities in the Baltic Sea Region that did not have a connection to energy transfer. Besides, Russia in some contexts emphasised that the

question was now of energy or ecology only, not of politics. The Minister of Foreign Affairs, Sergei Lavrov, warned not to mix ecology with politics, and said to eliminate double standards. Therefore, ‘we’ should refrain from using ecology for political goals (Voropaev 2009). The message was aimed at Estonia and Latvia, who could not condone a gas pipeline being drawn near their coastal waters. In Russian programmes, the Baltic Sea Region almost disappeared, giving way to the Baltic Sea basin itself, and very often the government spokesmen referred to concrete details related to the building of the gas pipeline.

In May 2010, the foreign ministers of Germany and Russia published an article that was humming with the satisfaction of a fruitful mutual co-operation. The Russian version was entitled with the proverb, “what is good for us, is good for Germans, too” (Westerwelle & Lawrow 2010). The clue of the article was the joint decision to establish a German-Russian development programme “Partnership for Modernisation”. According to the ministers, Germany and Russia run a close co-operation in the sphere of global security. The common goal was said to be extensive, indivisible and co-operative security, stability and welfare. Nord Stream created a favourable atmosphere for a new, deeper co-operation programme, and the Partnership of Modernisation was to serve this function.

This partnership programme did not bring about pomp, although Russia officially confirmed it in several contexts. Still, the EU was praised, too. The representative of Russia in the EU, V. A. Chizhov (2010) stated that the EU is their “most important commercial contractor, nearest neighbour, the powerful centre of science and technologies, and an ever more serious player on the world political scene”. He was also convinced that the EU was a source of modernisation due to its highly developed working life and the benefits granted to employees (Chizhov, 2010).

However, despite its “pragmatic and de-ideologised” policy, Russia was not idle: in 2011 it adopted a conciliatory policy towards Poland and signed a protocol with Ukraine, extending the right of Russia’s Black Sea Fleet to use Sevastopol as a base. Moreover, Russia signed an agreement with Norway on the division of the gas- and oil-rich seabed of the Barents Sea.

Russia's eye on the Baltic Sea Region

The first visit to the west by President Medvedev was a visit to Berlin. He followed the rule of law in both domestic and international affairs, "and ... having all countries, above all the big powers, respect international law" (Medvedev 2008). He also stated that Russia was willing to establish a regional pact "based, naturally, on the principles of the UN Charter and clearly defining the importance of force as [a] factor in relations within the Euro-Atlantic community".

A new pact has not been on the agenda for the EU and Germany. Perhaps the hidden message of the President was that, when speaking about a new pact, he ignored the EUSBSR. When preparing the EUSBSR, the EU did not ask Russia to participate in the process, but it is probable that Russia did not intrude, either. However, it did not react negatively to the EUSBSR: the Russian media, loyal to the authorities, proved that Russia takes the challenge seriously, committing to the challenges that are to be faced.

As the EUSBSR focuses on environment, economy, accessibility and security and aims at the co-ordination of regional authorities and at regional development, Russia surely shares these interests. The policy paper of the St. Petersburg-based Northern Dimension Development Center (NDDC) definitely takes a positive stance on the willingness of Russia in promoting these goals and emphasises the importance of joining the exertions of both Russia and the EU for solving the common problems of the region. It leans on the regional development strategy of the northwestern federal district, adopted by the government of Russia in November 2011 for the period up to the year 2020.

In the transport sector, Russia's major concerns are its underdeveloped international transport corridors and the low quality of the road network. In the sphere of ecology and environment, the main problem is the growth of human-based strain on the eco-system and the unsustainable use of natural resources (NDDC 2012).

The role of the Baltic Sea Region would be to serve as one end of several transportation routes. A conference on the future of Russian ports, held in 2010, discussed the international transport corridors in different regions of Russia. In its final resolution, the conference mentions six

to seven corridors (Itogovaya resolucija 2010, 1). The conference paid attention to the increasing volume of sea transportation in the Baltic Sea. The foundations of this growth, according to the final resolution, are the growing global economy accompanied by deepening worldwide specialisation, co-operation and integration of production, but also increasing consumption of energy resources, especially hydrocarbons.

According to Liuhto (2007, 7), the growth of the foreign direct investments stock in Kaliningrad was notably faster than elsewhere in the Baltic Sea Region by 2004, but still, the FDI stock per capita in Kaliningrad is nonexistent when compared to nearby countries, and even modest when compared to other Russian regions. The development of the tourism branch must take place together with a strong presence for the military. From the Soviet period, the city inherited the main headquarters of the Baltic Sea navy. In fact, Russia's naval doctrine (2001) does not even mention the Baltic Sea Region nor its navy. In sum, 'Europe' is mentioned only once, and only in a secondary context. The main emphasis lies on the oceans (Morskaya doktrina 2001).

Before 2008, the Baltic Sea Region was interesting for Moscow mainly because of the Kaliningrad enclave, with its problems and success factors, and because of the Russophone minorities in Estonia and Latvia (See e.g. Steen 2010, 205–206). Due to the special economic area, Kaliningrad has been a unique area for Russia: Western investments there have been successful. This specificity is not limited into economy and business, as Kaliningrad has also been able to create a more Western academic image, since it was the first region of Russia where the CBSS ran its Eurofaculty project in 2001–2007 (For the goals of the project, see Gromadzki & Wilk 2001. For the outcomes, see Askeland 2009.)

A development on a far larger scale takes place in St. Petersburg and in the Leningrad oblast. The recently built oil harbour in Primorsk and another brand new harbour in Ust-Luga prove that the oil transport is a branch that tempts investments. The same can be said about the Nord Stream gas pipeline, the beginning of which is near Vyborg. In Russian administrative practice, these, however, are the crown jewels of the federation and there-

fore do not produce much in the local budgets, except through work places.

The interest of Russia in the Baltic Sea Region gained more vitality in 2010-2011. Politicians spoke about the Baltic factor in EU-Russian relations, referring no more to the three Baltic States, as the case had been after they joined the EU in 2004, but now principally to the Baltic Sea Region (Galbreath & Lašas 2011). When Germany, in turn, received the presidency of the CBSS on 1 July 2011, Russia seemingly started to prepare its own turn in the same role. The first act in April 2012 was that the media all over the country, especially the media that could address youth, was ordered to proclaim a contest to design the logo of Russian presidency in the CBSS. Social media has been used effectively in the campaign (Polozhenie 2012).

A few weeks earlier, Russian priorities for its CBSS presidency were published during a small conference in St. Petersburg. The main goals are the modernisation of the state/private partnership, co-operation in the field of anti-terrorist activities, and interregional and sectoral co-operation (ITAR-TASS 2012). The Deputy Minister of regional development, Aleksandr Viktorov, emphasised that the presidency will “open new opportunities for the intensification of relations in the region”, and that this co-operation must lead to “an improvement in the quality of the life of the population of the member nations of the Council” (ibid.).

An interesting thread of discussion that has recently awoken concerns Russian interests in the Baltic Sea Region from a conceptual point of view, emphasising security aspects as well. The concept of the ‘New North’, *Novyi Sever*, has been promoted, especially by Natalia Markushina (2011). In her view, a partnership is fair if it is awaited by the partners of the Arctic, Barents and Baltic Sea Regions. Secondly, the value orientations of the North European countries are based on the issues of “soft security” and concerns of humanity. Thus, politics is constructed in the search of a common opinion in questions concerning ecology, culture, and the support of health care. These instruments could bring the Sea region Perspectives and the Northern Dimension partnership more closely together. However, Markushina notes that ‘hard security’ still preserves its actuality in the North,

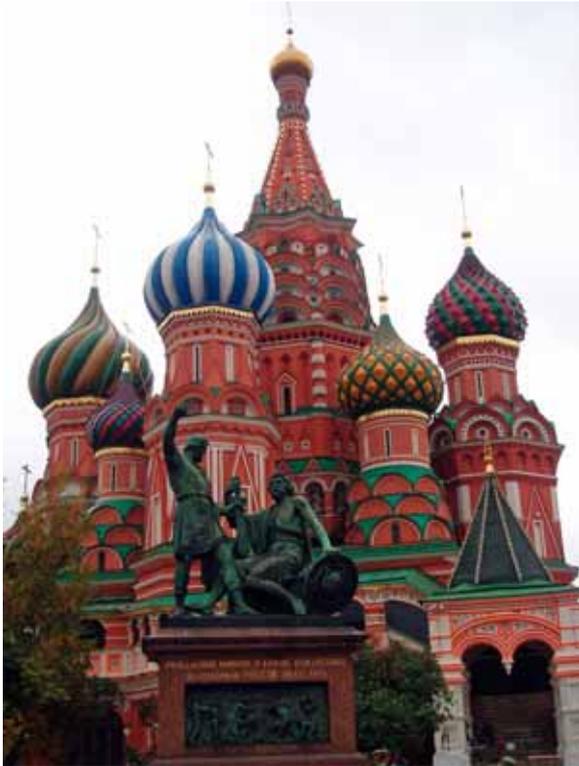
and here the dividing line between the NATO and Russia must be organised in a civilised way (ibid.).

4 Concluding remarks

This article has examined the question of the EU-Russian interface in the Baltic Sea Region by analysing how Russia’s foreign political priorities are manifested in Russia’s policy towards the Baltic Sea Region in general, and in Russia’s agenda for its upcoming CBSS Presidency in particular. Since Baltic Sea Region cooperation has been institutionalised by the EU with a set of different frameworks (ENP, ND, EUSBSR), Russia’s Baltic Sea Region policies should also be read as reactions to these policy frameworks and initiatives. As was pointed above, Russia will not prioritise the Baltic Sea Region in its foreign policy under Putin’s third term. It sets its sights on three different fields: global policy and international rule of law, the CIS countries, and EU-Russian relations in general, without mentioning closer details in each field.

In general, the core problem of the EU-Russia interface in the Baltic Sea Region is its asymmetry. The salience of the EU, both in constructing the institutional framework and in setting the agenda, has resulted in a dominant EU in the Baltic Sea Region. Although Russia has quite effectively rejected any co-operation requiring commitment to these European policies, it has not challenged the EU’s dominance with its own set of competing Russian policies. Since almost all of the more important issues – environment, energy, soft and hard security – in the Baltic Sea Region require cooperation between the EU and Russia, Russia’s commitment to co-operation is needed in order to prevent the EU from being left alone within its own institutional framework.

However, the fact that Russia has not seen any reason to present a competing set of Russian ideas indicates that Russia is quite satisfied with the current state of affairs in the Baltic Sea Region. On the one hand, Russia’s sovereignty is not threatened by the EU’s policies. On the other, the possibility of withdrawing from any co-operation offers Russia an easy, but effective, way of applying pressure to the EU. The fact that a Russian



rejection is enough to freeze projects indicates that the real gap between expectations and capabilities lies on the EU's side. One central reason for this might be found in the 'Nos' of the EUSBSR, making its implementation dependent on third party resources.

We already referred to the way that Russia delayed and hampered the ENP program by delaying its signature. This is one way to react to the demand to behave in a 'European' way, and these kinds of actions are possible, but indeed not probable, now that Putin has been again elected President of Russia. For Russia, it would be valuable to show the face of a benevolent actor who wants to promote the human dimension, which is actually one important cornerstone of the CBSS.

The CBSS should pursue economic development, and under it promote competitiveness, foster entrepreneurship and logistics. Other declared priorities are environment, energy issues, education and culture, civil security and the human dimension. (Etzold 2010, 130-131). Logistics are an extremely important sphere in Russia, and even Putin has emphasised the importance of competitiveness in his country. On the other hand, entrepreneurship has not been a high-ranked issue in Russian administration. Energy issues will surely

be negotiated from the point of energy security and transportation, but energy saving and renewable energy have been systematically neglected by Russia, and the Russian incentive to foster these issues in the CBSS will be next to nil.

Soft security issues have always been secondary for Russia, and the traditional hard security is the standard way of thought. The CBSS and the EUSBSR are not appropriate forums for discussing hard security issues, but the human dimension, such as facilitating the formalities of travelling, might well be pushed further. The CBSS is not competent to handle the visa regime issues, since they touch the EU's external relations. However, it could at least launch some proposals to substantially facilitate visa formalities. So far, Poland and Russia have agreed on a visa-free entry between Kaliningrad oblast and Poland. Cruise ferry passengers from Finland have the unilateral right to stay visa-free up to 72 hours in St. Petersburg. In March 2012, the analogous proposal concerning train passengers was rejected by Russia. Although the Governor of St. Petersburg has tried to compromise, it is not likely that rapid progress will occur in this respect. Some promises are in the air, but they will not be fulfilled quickly.

How about globalisation? This theme was put on the agenda of the CBSS by Germany in 2011, but Russia has always been quite reluctant to discuss the threats and opportunities of globalisation. Phenomena like global warming, and measures to slow it down, have not been very welcome on the Russian agenda.

It will be interesting to see if northwestern Russia can raise issues that Moscow does not regard as important. If so, these issues are different from, but do not contradict, Moscow's preferences. The question might be of border crossing procedures and cross-border co-operation, as well as transportation and investment, but in any case, northwest Russian authorities must sell their ideas first to Moscow before they can be put on the agenda.

It is very likely that the Partnership of Modernisation (PoM) will be buried in Putin's third term as President. Actually, the number of organisations is quite high, and their duties are often overlapping: ENP, CBSS and its energy co-operation BASREC, ND, and now the EUSBSR, are all multilateral co-ordination councils or pro-

grammes. The PoM may only survive as a bilateral Russo-German project as it now is.

Considering, finally, the future of the EU-Russia interface in the Baltic Sea Region, the current institutional framework remains vulnerable to the same problems as the general ENP. Since the core idea of all these frameworks also present in the Baltic Sea Region is to promote and support the EU's interests and policy priorities, discrepancies and conflicts occur along this line. One might question whether *all* issues in the Baltic Sea Region require a commitment to the EU's interests, initiatives or policies, and whether they can be solved only along guidelines defined by the EU alone.

From the point of view of this article, the biggest problem, however, is an exhaustively institutionalised and EU-centric environment, leaving different actors with rather small room of manoeuvring. No doubt, institutions formalise the interaction between different actors and, thus, reduce the risk of arbitrariness. However, in a cross-border situation like the Baltic Sea Region, where EU 'insiders' and 'outsiders' should co-operate, the EU's institutional framework creates asymmetries by excluding the "outsiders" from agenda-setting. Another point is that the EU's institutions are designed to support European integration – an objective Russia vehemently resists.

Today, the Baltic Sea Region is well networked and regional co-operation functions quite well. However, encouraging and winning Russia to become involved in closer co-operation requires improvements and new methods supporting the development of common policies and mutual learning, and preventing too large of asymmetries from emerging. One solution worth considering could be an 'open method of coordination' (OMC)-like mechanism, which tries to accomplish a convergence of policies through a process of benchmarking and policy learning. The OMC has proven to be effective, especially in areas where the EU's member states have been reluctant to accept binding decisions (See further Lelieveldt & Princen, 2011, 100).

Considering the Baltic Sea Region, an OMC-based mechanism could offer a relatively easy mechanism for functioning macro-regional co-operation. The most important point is that the process would be driven by the Baltic Sea

Region states themselves. Additionally, a common organisation for determining the objectives to be achieved in the Baltic Sea Region and for establishing indicators for measuring the attainment of these objectives is needed. The renewed ND or the CBSS could serve as such a platform, since Russia is member in both of them. After formulating the objectives, each state formulates an action plan. Finally, based on the indicators, the performance of each state is benchmarked, compared to other states and discussed in the steering organisation. The learning process occurs when worse performing states learn from better performing states how to effectively achieve the stated objectives. Such a model could also be politically appetising for Russia, since the outcome of such an OMC-based mechanism is non-binding and the states can freely decide what to do with their benchmarking experience. No doubt, such an OMC-based model would not be the magic formula creating problem-free co-operation in the Baltic Sea Region. However, if it offers possibilities to create a win-win situation at the EU-Russia interface in the Baltic Sea Region by supporting the mutual transfer of knowledge and experiences, it might be worth trying.

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Kaliningrad: Less of an Outpost, More of a Bridge



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Abstract

Kaliningrad, a relatively small Russian region wedged between Lithuania, Poland and the Baltic Sea, attracted a considerable amount of attention after the demise of the Soviet Union. It gave rise to some rather optimistic, but also a considerable number of pessimistic, expectations. The past few decades have brought a considerable dose of normalisation, and with the past uncertainty and openness radically reduced, it may now be possible to portray Kaliningrad's status in far more precise terms than was previously the case. Major problems have been settled, although some still remain to be tackled, and in some cases the region's increasing integration and interaction with its environment has also opened up some new areas of contestation.

1. No Longer an Outpost

Initially, the region's future was seen as uncertain, above all due to its detached location in being spatially separated from the rest of Russia. It was

feared that the relative isolation could contribute to a gap in development in relation to Russia at large as well as in regards to the region's rapidly developing neighbours. Overall, Kaliningrad found itself increasingly encircled by the EU, with both Lithuania and Poland moving towards EU membership. Issues pertaining to transit, terms of trade, crime, health, environmental degradation as well as security dominated the rather intense debate.

On the more optimistic side, there was talk about the region as a 'test case' and 'experimental area', bringing Russia and the EU closer to each other, or a 'pilot region', inviting Russia to develop policies more in tune with European regionalisation. However, Kaliningrad was, in some interventions, instead depicted as a 'puzzle' – difficult to settle and even viewed in some cases as a 'black hole' with a quite dim future. In general, the question was whether the region would turn into an isolated outpost or if it instead could become a bridge, facilitating the development of relations with its neighbours, as well as the broader international environment.

Today, it is evident that most of the initial uncertainty felt in Kaliningrad, in Russian politics at large, neighbouring countries, and the international environment more generally, has by and large vanished. Rather than being in some sense experimental in character, Kaliningrad has in general gained a rather established position within Russia as well as in the sphere of EU-Russia relations, including relations with Lithuania and Poland as well.

The EU enlargement has no doubt posed challenges to Russia, as well as opened up new ho-

rizons for its integration with Europe. The bright side of the current situation is that Kaliningrad is an obvious partner for the EU to co-operate with in areas such as economics, trade, transit of people and goods, transportation, environmental protection, research and education. In fact, numerous collaborative projects have been implemented over the past two decades. Flexibility in the sphere of visa policies has enabled the region and the Kaliningraders to shed off feelings of being discriminated against and becoming overly isolated. An institutional framework for such co-operation has been established, and positive experiences have been obtained. It may therefore be noted that Kaliningrad indeed enjoys the reputation of a 'pilot region' and figures as a 'frontrunner' in the sphere of EU-Russia relations.

Nonetheless, it also seems that numerous barriers to a more intensive EU-Russia co-operation on Kaliningrad remain in place. Among the most compelling needs, problems such as constraints on the mobility of persons, hindrances to investment, as well as obstacles to cross-border trade in goods and services (including high customs and transit tariffs, non-tariff discriminatory practices, differences in standards, incompatibility of trade, bank, audit and book-keeping regulations, bureaucratic formalities, corruption) are still to be fixed. Moreover, the region's transport system and border infrastructure still require further development and a considerable number of institutional as well as societal problems remain to be settled. The list of issues to be tackled also includes the lack of a modern public administration and civil service. This applies to both the federal and the regional levels. Still another issue-area to be sorted out consists of various administrative reforms proceeding at a slow pace, an erosion of human capital, and various civil society institutions remaining undeveloped.

2. The Socio-Economic Situation

Kaliningrad has, rather than remaining detached and isolated, been integrated with its environs. It is not just well-connected with the rest of Russia, but has also been linked up with international economic developments at large. Notably, this has had a considerable number of positive, but

also some negative, effects. Whereas the region's economy has in general developed quite favourably, preventing the emergence of any clearly discernible gap in development, it has also become vulnerable to various fluctuations. It has, as an indication of increasing connectedness, suffered from an economic decline since the start of the global financial-economic crisis in 2008 (similar to other Russian regions). Production declined by 15% in 2009 (as compared with the previous year) (<http://www.kaliningrad-cci.ru/news//9054/>). In fact, Kaliningrad was particularly strongly affected by the crisis because of its dependence on foreign trade, and in particular imports.

However, by 2010 the radical socio-economic measures undertaken by the regional and federal governments eventually yielded some favourable effect and the regional economy entered a phase of relative stabilisation and even displayed signs of growth. The rate of growth in the regional GDP has ranged from 6.5% in 2010 to 6.7% in 2011 (Ministry of Economics of the Kaliningrad Region, 2012). The increase of foreign direct investment and foreign trade turnover was 50% in 2010 and 35% in the year to follow. Overall, Kaliningrad is economically far ahead in comparison to the other parts of the Northwestern Federal District in terms of industrial growth.

Three special economic zones (SEZs) – related to industrial development, tourism and recreational activities as well as gambling – constitute the core of the region's economy. The gambling zone remains in an embryonic form, but the Kaliningrad SEZs have developed quite dynamically, even in the years marred by crisis. They have actually proved to be rather efficient in solving Kaliningrad's problems. It is to be noted, however, that Russia's forthcoming World Trade Organization (WTO) accession may undermine the very existence of these zones, as the logic of equality and standardisation underlying the WTO is at odds with the concept of privileged zones. Therefore, the Russian government notified the industrial SEZs in 2010 that their tax and customs privileges may be abolished by 2016.

However, the outcome remains uncertain, as indicated by the announcement of Vladimir Putin, then Prime Minister, that the special legal status and tax exemptions of the existing SEZs should actually remain. They ought to be

extended, he argued in March 2010, from the current twenty years to some 35 to 40 years. Russia's Government has, in a similar vein, aspired for a simplification of the registration process for residents of technological and innovation-type SEZs, as well as a liberalisation of the tax regime. This is done in order to attract more residents to special areas. However, a more reserved and critical view has been expressed by a number of experts, believing that the prospects of the tourist/recreation zones located in the national nature reserve of the Kuronian Spit actually remain rather bleak. The construction of such areas is not in the cards, primarily for ecological reasons. They point out that preservation of the quite vulnerable ecosystem in that area calls for rather cautious policies. Moreover, progress is bound to be hampered by various technical regulations, as well as a variety of bureaucratic obstacles (see in particular, Tkachenko & Tkachenko, 2011: 68-69). Whereas the region's in general rather favourable economic development lends credence to the more optimistic scenarios, it must nonetheless be noted that, in some cases, access to subsidies and various grants seems to have distorted the functioning of normal market mechanisms. This has been the

case, particularly in the energy sector, owing to access to rather cheap gas and oil. Arguably, the construction of a nuclear station in Kaliningrad might further exacerbate this issue.

A further problem consists of inconsistencies present in local and federal policies. They are not merely economic in nature, but have also resulted in some socio-political tensions in the region, as well as some issues turning contentious in regard to neighbours. For example, the former governor Georgy Boos's socio-economic policies were perceived by the Kaliningraders as inefficient and led to a series of mass protests in early 2010. A rally, basically displaying dissatisfaction vis-à-vis the policies pursued by the regional authorities, had nation-wide implications, as protests were also raised against the federal government's anti-crisis strategy. The strategy was seen as inefficient, leading to demands for the resignation of premier Putin. In general, analysts found reasons to blame the policies pursued by Governor Boos for the dissatisfaction, but on a more general level, the case also highlighted the political risks that the system of appointed governors created for the central government amidst a deteriorating economic situation. In other words, an initially internal regional



contest may also amount to expressions of dissatisfaction directed towards Russia's centre, and thereby bring about demonstrations of distrust levelled against the federal government's policies in general (Rogov, 2011).

3. EU-Russia Co-operation on Kaliningrad: Partnership for Modernisation

The issue of Kaliningrad has in general facilitated co-operation between Russia and the European Union. This has taken quite a number of forms, for example, a recent agreement on Partnership for Modernisation (PfM). The PfM was initiated by the EU-Russia Rostov-on-Don summit in June 2010 to help Russia modernise its economy, develop various socio-political institutions, and bolster the legal system. A work plan was adopted in December 2010 and is regularly updated.

In June 2011, the Council of the Baltic States (CBSS) decided to provide the PfM with a 'Baltic Sea flavour' by establishing a program of modernisation for the South Eastern Baltic Area (SEBA), with a special focus on the Kaliningrad region and its neighbourhood. Project development, the dialogue with stakeholders, as well as improved communication, will constitute central parts of this regional partnership. It has a two-year time-frame and focuses on sustainable development, public-private partnerships, tourism, and university co-operation as its priority areas. SEBA will conclude with a conference in Kaliningrad in 2013 (see SEBA, 2011).

Although the SEBA-related programs of modernisation have in general been regarded as positive, they could in some instances also constitute a source of future tensions between Moscow and its European partners. This is because the conceptual approaches to modernisation applied by the parties actually differ from each other. Whereas Russia has mostly opted for European investments and high-tech transfer, the European side endeavours to develop a more general vision of modernisation (including the implementation of profound legal and socio-political reforms) in the context of these programmes. Russia's quite specific interpretation is not fully in line with the broader views held by the European partners.

3.1 Issues Pertaining to Energy

Unsurprisingly, the energy sector stands out as a crucial area of PfM-related co-operation. For example, the EU–Russia Energy Efficiency Initiative supports EU–Russia co-operation in the area of sustainable energy, including energy efficiency, primary energy savings, sustainable use of energy and renewable energy. The annual work programs of the joint EU–Russia Thematic Group on Energy are to be implemented jointly by the EU and the Russian side. Under the Northern Dimension Environmental Partnership, the ongoing project on rehabilitation of district heating in Kaliningrad is in turn supported by the European Bank for Reconstruction and Development (EBRD) (Commission of the European Union, 2011: 35). Still another project on energy efficiency is implemented under the auspices of the NDEP, with the objective of transferring knowledge to neighbouring municipalities. The Baltic Development Forum plays, along with some other partners, a significant role in the implementation of the project.

The Kaliningrad office of the Nordic Council of Ministers, opened in 2010, has in many ways contributed to the regional energy efficiency dialogue. One of the outcomes of the NCM's work consists of the creation of a network of energy managers from 11 regions of north-western Russia and municipalities of the Kaliningrad Region (KR), including also energy experts from the participating regions (Grove, 2011: 19). Rotating summer schools on energy planning and energy efficiency take place regularly in co-operation with the CBSS. The Kaliningrad part of the 'Rotating summer schools' project was completed in May 2011 by arranging a Baltic Sea Region Rotating Energy Planning Academy (BALREPA) (see Council of the Baltic Sea States, 2011: 54).

At large, the energy-related activities seem to have facilitated a better understanding of the policies pursued by the various parties and contributed, in particular, to increasing energy efficiency in north-western Russia. Moreover, they have paved the way for additional projects funded locally, by federal authorities or by the NCM, EU and the Nordic Environment Financial Corporation (NEFCO). According to some reports, three projects developed by some of involved municipalities

are approved, and ten more projects are planned (Grove, 2011: 19).

An obstacle to further progress consists of Moscow's unwillingness to ratify the European Energy Charter (EEC), signed by Russia under President Yeltsin, but later viewed as discriminatory in character. The separation between production, reprocessing, and transportation of gas, as called for by the EEC, is not acceptable for Russia. A ratification of the Charter would in practice also necessitate the reorganisation of a number of rather monopolistic energy giants, such as Gazprom, Rosneft, Transneft, and would also provide foreign companies with a far better access to the energy sector part of Russia's economy. When viewed from a Russian perspective, these are problematic and challenging issues.

Still another obstacle to further co-operation pertains to the fact that Russia's European neighbours are frustrated by Moscow's plan to build a nuclear plant in the Kaliningrad oblast by 2016. This intention runs against the dominant anti-nuclear attitudes that are especially strong in countries like Germany and Italy, which are among the key Russian partners in Europe.

3.2 Transport-related Issues

As to transport, the EU Strategy for the Baltic Sea Region (EUSBSR) foresees the KR's involvement in the modernisation of the regional transport infrastructure. For example, there are plans to include the KR into the Baltic Functional Air-space Block Initiative, an initiative launched by Poland and Lithuania in 2004. This may radically improve the quality of air traffic management in the region (European Union Strategy for the Baltic Sea Region, 2010: 71-72).

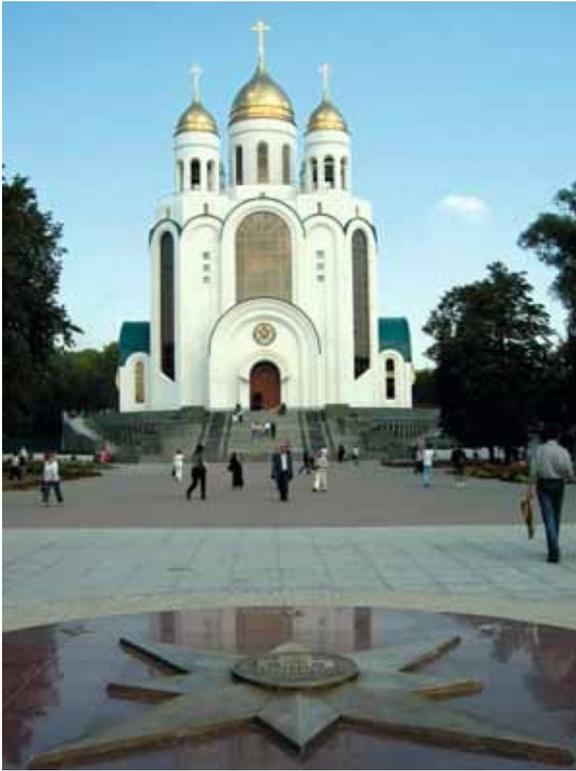
Notably, the EUSBSR also outlines a priority area with the title "Co-operate for smarter transport". The aim is to improve safety, freight logistics efficiency, and facilitate the shifting of freight from road to rail and sea, as well as improve the environmental impact of transport in the region (e.g. the Green Corridor project from ports of Sweden, Denmark and Germany to ports of Lithuania and Kaliningrad) (see European Union Strategy for the Baltic Sea Region, 2010: 73).

3.3 The Dialogue on Environment

The Helsinki Commission (HELCOM) is the leading institution in this sphere of the European-Russian co-operation on KR. For example, HELCOM's BALTHAZAR project in the oblast is aimed at implementing on-farm pilot projects in order to ease pollution and reduce negative environmental effects impacting the Baltic Sea (Commission of the European Union, 2011: 10). However, a lack of proper facilities and a slow pace in constructing the infrastructure needed has, in a number of cases, constrained the region's relations with its neighbours and Baltic Sea countries in general.

Two joint HELCOM/EU projects titled "Sub-regional risk of spill of oil and hazardous substances in the Baltic Sea" (BRISK and its Russian 'branch') aim at increasing preparedness on the part of all Baltic Sea countries to respond to major spills of oil and hazardous substances in the Baltic Sea. The work has included overall risk assessments of pollution caused by shipping accidents (including the impact of oil, environmental vulnerability, effects of different investigated scenarios for each sub-region and effects of existing response measures for each sub-region), covering the whole Baltic Sea area. Similarly, it entails identification of various gaps in the existing emergency plans, also including as well the creation of a list of further resources required in this area. The various measures advocated also entail sub-regions and aim, furthermore, at facilitating the development and conclusion of sub-regional agreements between neighbouring countries to ensure efficient joint response operations (Grove, 2011: 19).

It is also to be noted that EU countries pay considerable attention to the development of eco-tourism in the KR. For instance, in 2009-2010 the Swedish Ministry of Environment granted SEK 200,000 for a research study on possibilities for eco-tourism development in the KR, focusing on a pilot district of the Russian part of the Vistula and Kuronian lagoons, and for a survey on visitor perception of their expectation and their stay on the Kuronian Spit of the KR (Council of the Baltic Sea States, 2010: 30-31).



3.4 Education and Youth

The CBSS is the main venue for co-operation in this area. For example, EuroFaculties serve as an education project launched by the CBSS with the aim of adapting university education in the Baltic Sea States and Russia to up-to-date standards in the spheres of research and teaching. Successful projects have been run in Kaliningrad (2000-2007). The Kant University in Kaliningrad suggested establishing a Baltic Network Institute of Law as a follow-up of the EuroFaculty project.

In December 2009, the Administration of the KR introduced the concept of the “Baltic Artek” youth camp. In autumn 2010, the CBSS started a process on its end in order to add an international aspect to the newly established Baltic Artek Youth Camp in the KR. In August 2011, representatives of the CBSS travelled to Kaliningrad in order to explore further possibilities for co-operation on youth issues in the BSR and in relation to the Baltic Artek Youth Camp. In fact, the CBSS is currently developing a project proposal in order to conduct an international workshop session at the Baltic Artek Youth Camp, focusing on issues pertaining to regional identity, democracy, and sustainable lifestyles (July-August 2012).

3.5 Measures of Visa Regime Liberalisation

With the management of the Kaliningrad borders having been a key issue discussed between Russia and the EU impacting openness and access to the region, the question of visas has frequently been a priority question. Development has clearly pointed towards increased openness, and this trend seems to continue. Notably, an agreement was signed in December 2011 between Poland and Russia on a visa-free regime for the residents of the Kaliningrad *oblast* and two Polish border regions (Warmian-Masurian and Pomeranian *voivodeships*). The initial plan was to establish such a regime only within the 30-kilometer area from both sides of the border, but Moscow and Warsaw managed to extend this practice to the entire Kaliningrad *oblast* and the two Polish *voivodeships* (http://www.mid.ru/brp_4.nsf/0/2FDAD0A770B410DD442579660051BC9D/). Interestingly, this agreement is seen by Russian and European experts as a model – with Kaliningrad indeed serving as an experimental region and a pilot case in this issue area – to be replicated in other border regions.

In addition, the EU and Russia finalised a document titled “Common Steps towards Visa-Free Short-Term Travel” and a roadmap was subsequently launched at the Brussels EU-Russia summit held in December 2011. According to this document, the EU and Russia have to co-ordinate their efforts in four specific areas: providing Russian citizens with so-called biometric passports, fighting illegal migration, developing a common approach to border controls, as well as fighting trans-border organised crime – including money laundering, arms and drug trafficking. The parties are also obliged to ensure freedom of movement of people in the country of residence by abolishing or changing the existing administrative procedures of registration and work permits for foreigners. The EU leaders emphasise that a full implementation of the agreed common steps can lead to the opening of visa-waiver negotiations.

However, Moscow regards the list of common steps for visa-free short-term travel and the Russian-Polish agreement on local border traffic as insufficient. The concessions provided by Brussels should go further, causing Russia to appear

to be the party advocating increased openness. Kaliningrad could function as a test case and a forerunner. Furthermore, the Kremlin insists on the intensification of the EU-Russia dialogue in this area, with the aim of promptly signing a full-fledged visa waiver agreement. In order to account for the somewhat more reserved attitude, the European side refers primarily to residual technical problems related to the process of implementation. For example, the EU notes that it is difficult for Russia to quickly provide its citizens with technically updated biometric passports. Brussels also emphasises that dialogue with Russia should be in tune with the visa facilitation process, which concerns various countries included in the Eastern Partnership.

This is clearly a bone of contention, as Russia finds this stance not only unreasonable, but also unrelated to the EU-Russia efforts of settling the visa issue. Moreover, the EU insists that Russia must cease issuing passports to residents of South Ossetia and Abkhazia, as the Union views these two regions as occupied provinces of Georgia. It also emphasises the necessity to intensify co-operation on illegal immigration, improvement of controls at cross-border checkpoints, as well as an exchange of information on terrorism and organised crime. In contrast to Russian expectations, Brussels considers the introduction of the visa-free regime with Russia to be a long term, rather than a short term, prospect.

4. Conclusions and Outlook

Out of the various potential outcomes for Kaliningrad after the demise of the Soviet Union, the worst expectations have clearly not materialised. The region is far from isolated, and there has been considerable socio-economic development that has reduced the gap between Kaliningrad and the neighbouring countries. In addition, Russia has been gradually able to coin policies that have normalised the position of Kaliningrad amongst various Russian regions, and it would indeed be erroneous to employ labels such as a 'black hole' in depicting the current state of affairs in Kaliningrad. Even the concepts of a 'puzzle' or an 'anomaly' seem out of place, given that most of the issues creating doubt and bringing about

uncertainty have been sorted out. They have been settled either by designing particular Russian policies, through a dialogue and in co-operation with the EU, the countries of the Baltic Sea region and oftentimes also the neighbouring countries.

Security remains undoubtedly an issue area to be settled. The acute fears part of the transition period have been alleviated, and the attitudes both in Russia as well as the neighbouring countries are far more relaxed than initially after the demise of the Soviet Union. However, on occasions the debate has taken a negative turn. This has in particular been the case once issues pertaining to missile defence have been debated with Russia, then as a response to NATO plans threatening to deploy surface-to-air missiles in the region. These debates are clear signs that, on a more general level, some of the initial duality pertaining to Kaliningrad both as a problem and an opportunity has not fully vanished.

However, many signs point to a positive trend dominating, either in the sense that Kaliningrad has turned into a rather normal entity located in northern Europe, or by representing it as an 'experimental area' or 'pilot region' in the sphere of EU-Russia relations. This is not to argue, however, that the agenda would just be dominated by various issues on their way towards being gradually settled. Many of the more traditional ones actually remain, and they do not always display progress. This applies, for example, to some questions pertaining to crime, corruption, smuggling and environmental degradation. Lack of progress may in turn impede the implementation of democratic reforms in the region, and on some occasions also destabilise the internal situation within and around the KR.

The perception of Kaliningrad as an exceptional region, warranting special attention and immediate measures, may in some cases have facilitated the settlement of its problems. However, also the opposite impact has occasionally been discernible, with progress having slowed down as the region has unavoidably been linked with issues of a more general importance. This is to say that, rather than settling issues on their own merits and in a pragmatic manner, progress has been hampered because of various broader symbolic and political concerns. It is, in this latter perspective, a sign of progress that Kaliningrad has, over

time, increasingly gained connotations of being a relatively ordinary part of Russia and the Baltic Sea area. This enhances the pursuance of politics-as-usual and allows local issues to be increasingly settled on their own merits.

This normalisation also adds to the prospects for further sub-regional co-operation. Much of the dialogue related to Kaliningrad has taken place in the context of Baltic Sea co-operation, the Nordic Council of Ministers, and the CBBS. These forums will quite probably remain important in this respect in the years to come. Regional contacts also offer opportunities for developing Russian democracy and civil society, and will presumably serve as an important catalyst for additional reforms and intensified integration. Such developments will link Kaliningrad even more closely to the nearby areas as well as Europe at large. Sub-regional co-operation facilitates the rise of a mechanism of interdependence in Northern Europe and promotes mutual trust and understanding among the actors of the region. This type of sub-regionalism might in some ways be conducive to a settlement of various economic, social, political and transition issues, but increase in relevance with respect to addressing issues of more recent origin. This is important, as the region's agenda will, owing to normalisation, be increasingly geared towards the latter type of issues.

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Norway: a Pragmatic Outsider in the Baltic Sea Region



Lidia Puka

Abstract

Norway is a Baltic Sea Region (BSR) outsider, but a pragmatic one. The country selectively uses regional modes of co-operation to promote its interests. Although it does not have a Baltic Sea coastline, the influence of the Baltic Sea environment on the coasts of southern Norway makes it actively participate in regional environmental co-operation. Moreover, the Nordic and Baltic Sea co-operation forums are used to attract the attention of the Baltic Rim states to Norway's priority region, the High North, covering the Arctic and Barents Sea areas. In terms of economic bonds, Norway is closely interlinked with northwestern Europe, with which it has a well-developed oil and gas export, and electricity transmission infrastructure. At the same time, the BSR serves as a platform for the promotion of the Norwegian private sector further east, enabling Norwegian exploration of the markets of the southern Baltic Sea littoral states. At the same time, countries of the BSR remain an important source of human capital for Norway. This article maps out the interests of Norway in the BSR. It offers an analysis of the role that the Region has in Norway's foreign policy, the country's performance in the

BSR organisations, and the economic and energy bonds between Norway and the Baltic Rim states. With such a map at hand, it is easier to determine the current position of the Norwegian ship on the *Østersjøen*. Where does it go? What does it carry on board?

1. The Baltic Sea Region in the Policy of Norway

Despite from not being a part of the BSR in a strictly geographical sense, Norway has developed trade and shipping links, and people-to-people contacts in the region since Viking times. Nonetheless, the country is far from being recognised as a driver of regional co-operation at present. In contrast to Norway's coherent long-term High North policy, no official document describes the interests of Norway in the BSR. The Arctic and the Nordic dimensions are the priorities of the country's regional policies, as they enable the exchange of ideas with like-minded countries, and project-based co-operation with Russia (Bailes 1998: 21). The main BSR intergovernmental forum – the Council of the Baltic Sea States (CBSS) – is one of four regional councils in Northern Europe, namely the Nordic Council of Ministers (NCM), the Barents Euro-Arctic Council (BEAC) and the Arctic Council (AC). These four councils overlap in membership and partly in activities, and are to some extent linked and co-operate with each other, for instance within the framework of the Northern Dimension (ND) of the European Union (EU), Russia, Iceland and Norway. Moreover, Norway's involvement in the EU Strategy for

the Baltic Sea Region (EUSBSR), increasingly considered by some to be the currently most important instrument of regional co-operation, is very limited, as the country is not an EU member.

The relationship between Norway and the countries of the Region is multi-layered. The country has the strongest political linkages with the other Nordic countries, due to the historic, political, lingual, and economic bonds. Germany is seen as a crucial trade partner for Norway and, since the inauguration of the European Economic Area (EEA) in 1994, of which Norway is a member, also the powerhouse of EU/EEA co-operation. Norway also tries to manage good relations with neighbouring Russia, especially in the fields of resource management, environment, and strengthening people-to-people contacts. It leads joint projects with Russia in the High North area, thus extending the scope of the BSR fora. The policy of Norway towards Russia aims at 'normalisation' of neighbourly relations (Stoere 2011). Balancing of the inherent disproportion of potentials between the states is a precondition for the country's security. The biggest challenge to the latter is posed by Russian unwillingness to reduce its large arsenals of short-range nuclear weapons. As a response, Norway seeks to eliminate all weapons of this kind in Europe, while also seeking allies among the Baltic Sea states (Stoere 2012).

With regard to Estonia, Latvia, Lithuania and Poland, Norway's interest increased during the collapse of the Soviet Union: Norway was one of the first countries to recognise the independence of the Baltic States. Not surprisingly, from a legal point of view, Norway has never recognised Soviet authority in the region (Hodges 1998: 1). After the Baltic States regained their independence in 1991, Norway assisted in democratic institution-building and market liberalisation processes in Estonia, Latvia, and Lithuania, although efforts to develop trade relations with the countries were rather limited.

An increase in both security and trade came with the NATO and EU accessions of 2004. NATO enlargement was perceived by Norway, as a founder of the organisation, as an opportunity to solidify peace and security in the region. At the same time, the country feared that the European Security and Defence Policy would compete

with the country's engagement in NATO. At the same time, to secure the national labour market, Norway introduced transit regulations for labour migrants from the new EU countries (Europautredningen 2012: 16.1).

Moreover, to address the political, economic, and security challenges properly, Norway created targeted policies towards Estonia, Latvia, Lithuania, and Poland (Europautredningen 2012: 16.6.3). The country's interests in the BSR were also defined in 2004, comprised of ensuring stability and security in the region; the promotion of sustainable economic and social development; promoting the Norwegian private sector, economy, and welfare state, and closing the welfare gap between old and new EU/EEA member states. For the purpose of the latter, 60% of the EEA financial mechanisms were prescribed for the Baltic States and Poland.

Eight years later, the country's interests are still similar, as despite the fact that the BSR is considered to be much more economically and politically stable, the engagement of Norway in the BSR has been rather limited. Poland is an exception to this rule. It is perceived as the European country with which Norway has developed the strongest links since the 1990s. The reasons for that are the positive prognosis for economic growth, the EEA funds, out of which Poland receives almost EUR 100mln annually, the post-2004 labour immigration flow to Norway, and the finalisation of the offset agreement with Kongsberg Defence Systems. Moreover, after the Presidency in the Council of the EU in 2011, Poland is perceived as an important partner within the EU. In Estonia, Latvia, and Lithuania, Norway is respectively the fourth, sixth, and eighth largest investor. The country emphasises that the economic crisis makes it harder for the countries to bridge the economic gap in the BSR. This argumentation is also raised in the internal political debate in Norway as a justification for the deployment of EEA grants (Stoere 2012a).

2. Norway's Interests in the Council of the Baltic Sea States

Although Norway is definitely not a driver of BSR co-operation, it displays a pragmatic approach,

using the Presidencies of regional organisations, such as the Council of the Baltic Sea States (CBSS) and the Nordic Council of the Ministers (NCM), to promote its interests. The performance of Norway in the main BSR intergovernmental forum, the CBSS, has been moderate. The country was present at the establishment of the organisation in March 1992, and signed the Copenhagen Declaration. Nonetheless, it was reluctant to ascribe a larger political significance to the organisation, fearing that it could threaten Nordic co-operation (Government of Norway 2004). At the same time, through the CBSS, Norway has actively contributed to supporting the post-Cold War democratisation and modernisation process of the former Soviet states, and to the protection of health and the environment in the BSR.

In the past two decades, the political engagement of Norway in the CBSS has varied; not all Ministerial meetings have been attended by the Norwegian Minister of Foreign Affairs (Etzold 2010: 113-114), although the intensity of political representation did increase during the country's CBSS Presidencies. The priorities that Norway selected reflect the country's interests in the BSR. During its first Presidency, from 1 July 1999 to 30 June 2000, two priorities were singled out: economic growth and civil security. As underlined by the Heads of Government and the President of the European Commission at the Baltic Sea States Summit in Kolding in 2000, EU enlargement was seen as a chance to boost economic growth in the BSR through, for example, promotion of employment and increased standards of living, fighting against corruption, and reducing trade barriers (Baltic Sea States Summit 2000). For the latter, an Action Plan was prepared by the Ministers for Trade and Economic Co-operation, which helped to improve border crossing procedures for goods (3rd CBSS Ministerial Conference on Trade and Economy 2000).

The most tangible results, however, were achieved in the civil security field, in particular by the *Task Force on Organised Crime* and the Working Group *Children at Risk*, labour-market policy, and education. Additionally, during the 9th Ministerial Session of the CBSS in Bergen, the mandate of the Commissioner for Democratic Institutions was prolonged until 2003, and a call for raising the efficiency of the regional sustain-

able development programme Baltic 21 was raised by Norway (9th Ministerial Session 2000).

Apart from these priorities, the Presidency also made efforts to develop the energy field, trying to attract the attention of the CBSS to the High North. Norway has worked to improve the safety of nuclear power plants, the availability of data, and to develop early warning mechanisms. With the support of the members of the Barents Euro-Arctic Council and the European Commission, a renewed agreement for the Multilateral Nuclear Environmental Programme for Russia was negotiated. Moreover, the Ministers for Energy of the Baltic Sea Region, at their meeting



in Helsinki in October 1999, adopted a regional co-operation initiative that included non-discriminatory delivery of energy and the integration of gas and electricity markets (2nd Meeting of the CBSS Energy Ministers 1999). However, progress towards the fulfilment of the latter initiative has been far from satisfactory.

The second CBSS Presidency of Norway took place from 1 July 2010 to 30 June 2011, now in a different regional political setting. After EU enlargement in 2004, the CBSS started to reform its structures and activities in 2007/2008. The Norwegian Presidency followed up on the reform process. The goal was to increase the CBSS's efficiency through transformation and specialisation, from a political forum into a high-expertise, project-oriented forum. At the same time, the Presidency did not make an effort to secure additional funding for CBSS projects. Maritime policy was chosen as one of the Presidency's priorities, on the grounds that shipping and maritime activities were vital for the economic development of the BSR (Lahnstein 2010). The sustainable development of these sectors triggered consultations within the CBSS Expert Group on Maritime Policy. The Presidency tried to evaluate cost-efficient alternatives for ship fuelling, such as LNG, to prepare for the switch to the use of low-sulphur content marine fuels in the Baltic Sea from 2015 onwards (International Maritime Organisation 2005). The findings of the research had also relevance for North Sea trading, as the same provisions apply to the North Sea routes.

Norway's second priority, combating trafficking in human beings, was linked with the fight against forced labour. Following the Declaration of the 15th CBSS Ministerial Session (15th CBSS Ministerial Session, 2009), the Norwegian Presidency has monitored and evaluated the implementation of the Council of Europe Convention against trafficking in the BSR, also in the field of labour trafficking. For this purpose, the CBSS Task Force against Trafficking in Human Beings worked jointly with the International Organisation for Migration and the United Nations Office on Drugs and Crime on a comprehensive report and best practices guidelines for state authorities in order to more effectively identify victims of forced labour and labour market trafficking. These topics also had rising significance for Norway,

due to the additional post-2004 flow of EU/EEA immigration, which exceeded 100,000 people in 2012 (Statistics Norway 2012).

3. The Baltic Sea Dimension of the Nordic Cooperation

Norway has also been involved in the Baltic Sea dimension of Nordic co-operation. The flexible mechanisms of the latter have enabled this co-operation to involve the Baltic States, northwest Russia, and Kaliningrad in the mechanisms of the Nordic Council (NC) and the Nordic Council of Ministers (NCM).

From Norway's point of view, the possibility of keeping touch with those Nordic countries that have joined the EU, and to keep informed on, and indirectly influence EU decision-making, constitute an important element of Nordic co-operation. The latest example of this is the growth and employment agenda. It is one of the priorities of the Norwegian NCM Presidency in 2012 to preserve the Nordic welfare state model. It aims at generating growth and promoting welfare during the European debt crisis. An antidote could be, for example, developed through efforts to generate green growth, to promote the sustainable use of natural resources, and to overcome the social challenges of the labour market by securing gender equality (Nordic Council of Ministers, 2011). The similar growth and jobs agenda has been promoted by the Danish Presidency in the EU Council that commenced in January 2012 (Thorning-Schmidt, 2011).

For the internal policy of Norway, the preservation of the so-called 'Nordic values' of democracy, openness, and distribution of welfare has gained importance after the anti-immigration terrorist attacks in Oslo and Utøya on 22 July 2011. The political reactions after the attacks have shown the solidarity and the will to preserve openness and democracy in the Nordic countries. Even the right-wing Nordic parties, which often used anti-immigrant rhetoric (like Danish People's Party or the Norwegian Progress Party), called for moderation in the debate on immigration, and tried to distance themselves from the views of the terrorist. They were also critical toward opinions that suggested using the tragedy to understand the danger of a multicultural society.

With respect to collaborative projects in the areas adjacent to the Nordic countries – in northwest Russia and in the Baltic States – Norway shares the broad consensus that Nordic co-operation must continue, both increasing regional security and stability, and promoting economic development. In relation to collaborations with Russia, Norway engages in cross-border projects with Murmansk, rather than with Kaliningrad (Nordic Council of Ministers 2008; 2010a). The other area of co-operation concerns the protection of the environment. Norway participates in initiatives that the Nordic forums support with additional expertise, like evaluation of the cost-efficient ways to restore the Baltic Sea as part of “Cleaner Nordic Seas” (Nordic Council of Ministers, 2010), or in the Northern Dimension Partnership for Environment (NDEP). However, in spite of its financial capabilities, Norway does not push for progress in environmental protection. The financial contribution to the 2012 NDEP Support Fund of EUR 15.3mln places Norway below the average contribution of EUR 25.7mln (Northern Dimension 2012).

Despite the fact that the issues of hard security have been left outside of the scope of Nordic co-operation, in 2009 Norway tried to increase co-operation on defence between the Nordic countries, partially as a reaction to the increased military activities of Russia in the High North. The former Norwegian Minister of Foreign Affairs and Defence, Thorvald Stoltenberg, elaborated a set of concrete measures for development of Nordic foreign and security policy. The proposal included the provision of collective responsibility for the country’s security (Stoltenberg, 2009). Nonetheless, despite having signed the Declaration of Solidarity on 5 April 2011, the Nordic states remain split on issues of conventional security, and represent different capabilities.

4. Economic Bonds of Norway in the Baltic Sea Region

From an economic point of view, the BSR has medium importance for Norway, generating approximately 20% of total exports, mostly of seafood, energy, and metal products. In 2011, the value of export to the BSR totaled NOK 227.4bln,

with imports totalling NOK 207.3bln. At the same time, the region offers a vast potential for development, recognised by the governmental pro-export organisations, Innovation Norway, and the Norwegian Seafood Council. The former has offices in all of the countries of the region, and two in Russia: in Moscow as well as in St. Petersburg (Innovasjon Norge website 2012). The latter has offices in Russia, Sweden and Germany to promote the export of seafood (Norges sjoemaatraad website 2012).

After the end of the Cold War, Norway, unlike Germany, did not redefine its export markets. Despite political declarations (Stoere 2006), Norway has also not used the economic potential resulting from the 2004 EU/EEA enlargement. As a consequence, trade with the southeastern Baltic Rim states (Poland, the Baltic States, and Russia) remains largely underdeveloped. One of the reasons for that is that the limited export of Norwegian energy products to the BSR, as only northern Germany has gas pipeline connections with the Norwegian continental shelf. The effects of the 2008 recession can still be felt in the BSR, as despite the slow recovery, the trade balance in 2011 has decreased by a third, totalling some NOK 10bln, in comparison to the trade balance in 2008. The major regional trade partners of Norway remain Germany (where 10% of the total, and 45% of regional exports of Norway are directed), and Sweden. They are also the main importing countries to Norway (Statistics Norway, 2012a).

However, Norway’s regional trade relations are undergoing three general changes. First, Norway wants to restore the pre-recession trade balance with Germany. Second, it aims to develop trade with Russia, which is also the main importer of Norwegian seafood. Third, it is trying to develop trade with Poland. Decrease in trade exchange with Germany is probably the most significant result of the 2008 recession in the BSR. Exports from Norway to Germany in 2011 reached NOK 99bln, from NOK 118.5bln in 2008. With the other countries of the region, the situation looks better, however. In 2011, import and export with Sweden returned to the pre-crisis level, with a positive trade balance to Finland and to Poland (*ibidem*).

Export and import between Norway and the BSR in 2008 and in 2011

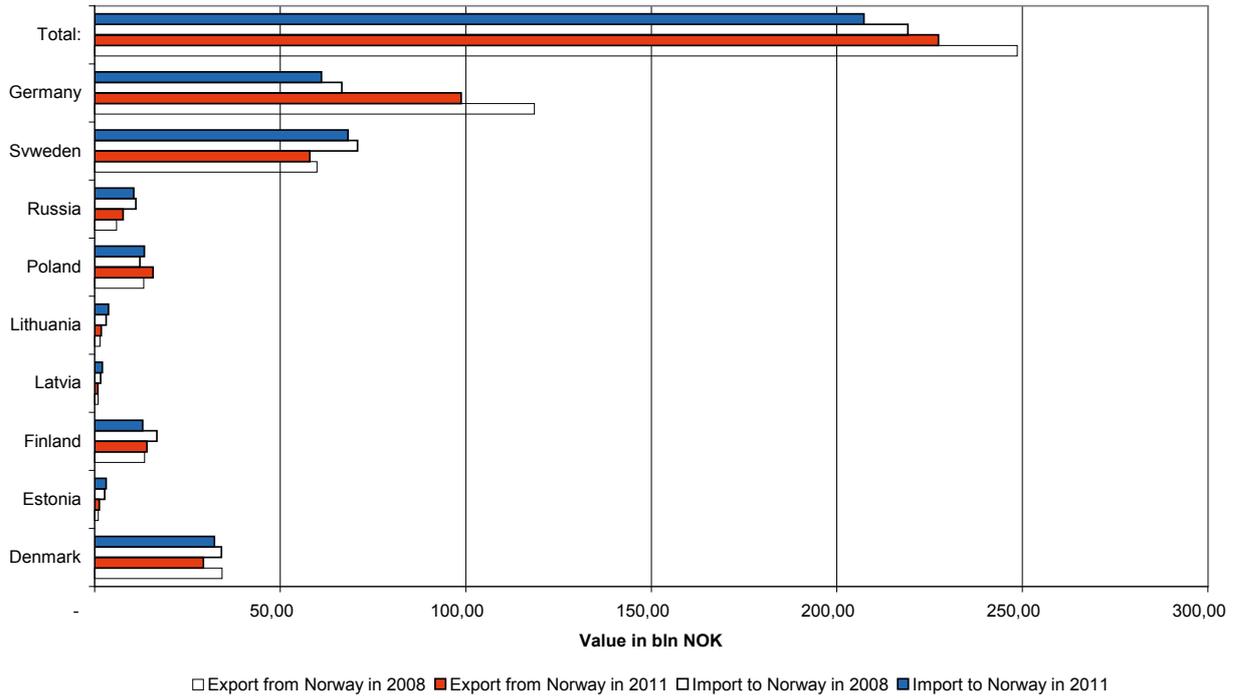


Table 1. Export and import between Norway and the BSR countries in 2008 and in 2011. Author's work based on data from Statistics Norway (ssb.no).

Trade balance between Norway and the BSR

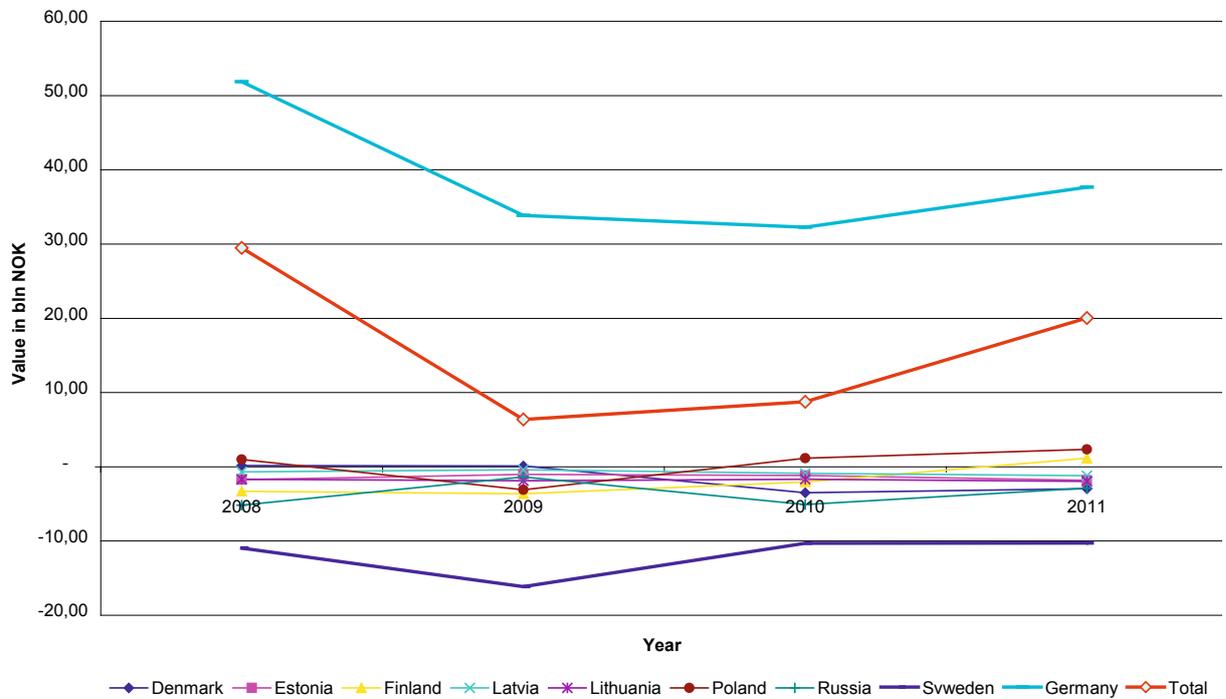


Table 2. Trade balance between Norway and the BSR countries in 2008-2011. Author's work based on data from Statistics Norway (ssb.no).

To counterbalance the relatively negative economic trend with Germany, Norway has tried to strengthen economic bonds via political channels. In a February 2012 speech in Hamburg, the Minister of Foreign Affairs of Norway, Jonas Gahr Støre, emphasised Norway's desire to strengthen bilateral co-operation between the two countries during the European sovereign debt crisis, and Norwegian support for strengthening an effective internal market in Europe. The completion of the Fehmarn Belt Fixed Link project between Rødby in Denmark and Puttgarten in Germany is seen as one of the means to reach this goal. Norway supports the project politically, but not financially. Norway has also shown an interest in co-financing a project of a high-speed railway connecting Swedish Trelleborg and Germany, which would enable a high-speed railway link between Oslo and Berlin (Oldberg, 2011). More importantly, it is the northern city of Hamburg, and not Berlin, that hosts the Innovation Norway office, which promotes Norwegian exports and industry. The office of the Norwegian Seafood Council is also based in Hamburg, as Germany is a significant importer of Norwegian herring. At the same time, the Norwegian Consulate General in Hamburg is due to be transformed into an Honorary Consulate General in 2012 (Støre 2012b).

Considering that there are 140 million customers in Russia, the fact that Norwegian exports there amount to half of the amount of exports to Finland, and 1/14 of exports to Germany, comes as a surprise. Russia is one of the most significant importers of Norwegian seafood, mostly salmon, fjord trout, herring and mackerel (Norges sjoematraad website 2012). Although both of the countries are non-complimentary exporters of the energy products, Russia could offer a market for the Norwegian health equipment, pro-environmental solutions for energy, maritime and offshore technologies for oil and gas industries and fisheries, and for the tourist services for Russian customers. Similarly Poland, currently a significant importer of Norwegian salmon, is a prospective market for Norwegian armaments, green technology, seafood and tourism (Innovasjon Norge website 2012).

5. Energy Relations Between Norway and the BSR Countries

Norway is one of the leading petroleum exporters in the world, second-highest in terms of gas export (100 bcm in 2009) and seventh largest in terms of oil (2.1 mb/d). The country has planned to increase gas production to 110-130 bcm by 2020. With a view to petroleum discoveries, Norway increased spending on fossil fuels exploration and production, and research and development, from NOK 75bln to NOK 110bln in the first decade of 2000. This policy has already borne fruit. The proven oil reserves of Norway have been estimated at 7.1 billion barrels in 2010, although oil production has been decreasing since 2001. However, this negative trend can be offset the production of oil from the recent discoveries of Aldous/Avaldsnes on the North Sea, and Skrugard and Havis on the Barents Sea. They are estimated to add from 15% to 30% to the current proven oil reserves of Norway (Statoil, 2012).

Despite the abundant resources and the geographical proximity to the BSR, Norwegian export of petroleum products to the countries of the Region is rather limited. During the Cold War, Norwegian resources were directed from the continental shelf on the North and Norwegian Sea to the Western European markets: Great Britain, Netherlands, RFN and France (gas pipelines) and the United Kingdom (oil pipelines). Currently, the main trends that shape energy co-operation between Norway and the BSR countries are development and further integration of the Nordic electricity market, preservation of the gas export to Germany, balancing relations with Russia, and the absence of diversification alternatives to Poland and the Baltic States.

First of all, in the electricity sector, Norway is a part of the Nordic electricity market, NordPool. It has electricity connections with the Nordic states, Russia, and indirectly with Estonia and Poland. The most important capacities link Norway with Sweden and Denmark, however those with Finland and Russia help balance the Norwegian grid in times of low hydropower production. The current projects aim to double the transmission capacity. Although some of them are still in the conceptual stage, they can result in better integration of Norway with Germany (NorGer, and

Nord Link), Sweden (Sydvestlinken), and Denmark (Skagerrak 4). Moreover, their completion will supplement the regional projects of offshore wind generation on the North Sea and in the Baltic Sea. As a member of the North Sea Countries' Offshore Grid Initiative since 2010, Norway has participated in the joint works on the regulatory adjustments, and grid configuration, together with i.e. Denmark, Germany and Sweden. However, as indicated by the International Energy Agency, the scope of the investments, including the development of offshore wind capacity in the proximity of Norway through 2020, will depend on the growth in domestic demand, electrification of the petroleum industry and transport, international trade potential, and the deployment of renewable energy sources (International Energy Agency, 2011).

To develop the latter, and decrease the costs of the deployment of renewables, Norway cooperates closely with Sweden. The development of the joint renewable electricity certificate system, launched in 2012, will hopefully result in decreasing the costs of reaching renewable energy targets, due to the development of additional 26.4 TWh within the next eight years, for example, by expanding the capacity of the Norwegian hydro-power and Swedish biomass (*ibidem*). If proved successful, the system could be used as a best practices example to be implemented in the Baltic Rim EU States.

Second, Norway invests in continuing the stable export of petroleum products to Germany – the only BSR country to have gas pipeline connections with Norway (none of the BSR countries have oil pipelines connections). In 2009, Norpipe to Emben and Europipe I and II to Dornum transported 43.8 bcm of Norwegian gas. The gas terminal in Ebmen is currently being upgraded and modernised to prolong its operation for the next 30 years (Gassco website 2012). Germany also imports half of Norwegian coal, although the coal production from the two mines situated in Spitsbergen is rather minor (0.8 Mtoe in 2008, with some coal also being exported to Denmark and Poland). At the same time, the production helps to justify Norway's claims to Svalbard.

Third, Norway strives for improvement of relations with Russia. The interests of the two countries meet in the High North, believed to be the prospective region for the development of

minerals, gas and oil. Despite the tensions between the countries in 2007, the effort to 'normalise' the relations has already born fruit in the form of the *Treaty concerning Maritime Delimitation and Co-operation in the Barents Sea and the Arctic Ocean* between Russia and Norway, which entered into force on 7 July 2011. Theoretically, it has enabled the countries to proceed with energy exploration and production on the formerly disputed area in the High North. The Norwegian and Russian companies plan to start developing the Shtockman field (Gazprom, Statoil, and Total), and exploring the Perseevsky license (Rosneft and Statoil). Either the development of the fields or lack of progress will influence the High North policy of Norway. At the same time, the development of the new fields in the region could increase the energy security of supplies of the Baltic Sea littoral states.

With regard to the latter, Norway could be an alternative provider of gas to Poland, Finland and to the Baltic States, which note a high import dependence on Russian gas. Also, ever since the Skanled project was halted, there has been no pipeline project to directly connect gas from Norway to these countries. The reason for this state of affairs is insufficient economic viability, but also insufficient political will. However, due to the plans to construct LNG terminals in Poland, Finland, and in one of the Baltic States, gas from Norway could be sold on the South Baltic markets from 2014 onwards. If commissioned in due time, by 2018 the LNG terminals in the BSR will have a capacity between 7.5 to 10 bcm (5 bcm in Świnoujście, 1.2 to 2.5 bcm in Inkoo, and similarly in the terminals in Riga, Klaipeda, or Paldiski). At the same time, the potential for increased LNG exports requires an investment in additional gasification capacities on the side of Norway, as the main LNG terminal, Snoehvit, produced only 3.4 bcm in 2010 (from a total export capacity of 5.75 bcm), as the majority of current LNG exports are directed to Asian markets. Alternatively, an increase in the gas interconnectors between the BSR countries could give Norwegian gas, which already reaches Germany and the Czech Republic, access to the southeastern Baltic Rim states.



6. Conclusions and Outlook

As a non-Baltic Sea state, global energy supplier, and global exporter of investments, Norway shows a limited interest in the Baltic Sea Region. In this respect, it is similar to the biggest regional players: Russia, Germany and Poland. The Baltic Sea dimension plays a secondary role even in the regional foreign policies of the country which focuses primarily on the High North. This state of affairs is a consequence of a pragmatic calculation. From the point of view of Norway, BSR co-operation brings little added value to already established bilateral and multilateral Nordic relations.

At the same time, Norway shows responsibility in the BSR forums. The country's presidencies in the Council of the Baltic Sea States and the Nordic Council of Ministers shed a light on the country's interests in the BSR: marine trade, combating human trafficking and forced labour (CBSS), environment, security, economic co-operation, preservation of the Nordic welfare state model, and promotion of democracy and openness (Nordic co-operation, and projects with Russia). The significance of the promotion of these

values has increased after 22 July 2011, the most tragic peacetime atrocity in the history of Norway.

The BSR forums are also used as tools for political discussion. Since the EU enlargements of 1995 and 2004, they have offered a possibility to indirectly promote Norwegian interests in the EU, and to extend the country's sphere of influence eastwards. In the foreseeable future, the trend of a moderate involvement and step-by-step co-operation is likely to continue. However, the limited development of the Stoltenberg report on increasing the foreign and security policies of the Nordic states shows that, even between the Nordics, the path of co-operation has yet farther to go.

The analysis of economic and energy relations of Norway and the states in the BSR shows that the importance of the region (approx. 20% of total Norwegian exports), and a positive trade balance, result predominantly from trade relations with Germany, and (although to a lesser extent) with Sweden. At the same time, southern Baltic Sea Region markets have yet to be explored for Norwegian industry and products. It is likely that Norway will focus on restoration of the trade balance with Germany to the pre-recession level, and on developing trade with Russia and Poland.

The former is a prospective market for Norwegian health equipment, maritime and offshore technologies for oil and gas industries and fisheries; the latter, for Norwegian armaments and seafood. Both countries could also potentially import Norwegian pro-environmental energy solutions and tourist services.

For Germany and the Nordic states, Norway remains an important energy supplier. Due to numerous projects, and financial credibility, it is also a country with a strong say in the development of the regional electricity market and supplies. Norway could also enhance energy security in the BSR, by offering an option for the diversification of gas supply sources, mostly to the southern Baltic Sea states and Finland. Bearing in mind that the infrastructure investment project of a gas pipeline connection to Poland failed on the grounds of lack of economic feasibility, an alternative is needed. With the completion of the construction of the LNG terminal in Poland, Finland, and one of the Baltic States (to be selected by the European Commission), the export of LNG from Norway will become technically possible. Whether or not it happens will depend on the economic feasibility of investments, political interest and, last but not least, the relationships between Norway and regional gas exporters. With all likelihood, while taking such decisions, the country will, once again, remain pragmatic, calculating the costs and benefits of its BSR engagement carefully.

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The Odd One Out? Iceland's Foreign Policy Commitment to the Baltic Sea Region



Christian Rebhan

Abstract and Introduction

Iceland dedicates a considerable part of its foreign policy activity to the Baltic Sea Region (BSR). It was the driving force behind the recognition of the independence of the three Baltic States, Estonia, Latvia and Lithuania, at the beginning of the 1990s. It actively campaigned for a speedy integration of Poland and the Baltic States into the institutional framework of the West in the 1990s and 2000s. Iceland also joined regional organisations such as the Council of the Baltic Sea States (CBSS). Not least because of these commitments, Iceland is conventionally considered to be a member of the BSR itself and an integral part of its political, economic and cultural dynamics (Bengtsson 2011: 11). Of course, co-operation with the states of the BSR is not Iceland's top foreign policy priority. Iceland's governments have traditionally focused on Iceland's relationship with the United States, the other Nordic states and the European Union (EU). Due to its traditional dependence on fisheries, Iceland also has a lot more in common with its more immediate neighbours in the North Atlantic than with the coastal states of the Baltic Sea. Moreover, its geographical location will make Iceland increasingly

preoccupied with Arctic politics in the future. Yet, it remains striking that a small state such as Iceland, for which prioritisation is a prerequisite in its foreign policy, has focused on the BSR at all. At times, it tends to be overlooked that Iceland's role in BSR politics is everything but obvious, as Iceland is a small state with only 320,000 inhabitants and a distance of 2,000 km from its capital to the outermost border of the BSR. What explains Iceland's foreign policy commitment to the BSR?

Historical legacies

For Halldór Ásgrímsson (2012), Secretary General of the Nordic Council of Ministers and former Prime Minister (2004-6) and Foreign Minister (1995-2004) of Iceland, history is the key to understanding Iceland's interest in the BSR. He claims that one should not underestimate the fact that "most Icelanders love their history and consequently have read the descriptions of the Vikings who travelled along these paths in the early Middle Ages". Iceland also became part of the Kalmar Union, and Icelandic villages became part of the Hanseatic League. In 1918, Iceland's history and the history of the BSR intertwined once again, as it was the year in which Iceland regained its sovereignty from Denmark, while Estonia, Latvia and Lithuania declared their independence from the emerging Soviet Union. Even if there is no direct link between these two events, there is no doubt that this common history created some sort of belongingness, a feeling of shared fate between Iceland and the Baltic States, which laid the basis for the special relationship to be established later.

Ásgrímsson (2012) believes that the fact that Iceland and the three Baltic States gained their independence in the same year has lived for a long time in the minds of the Icelandic people, so that Icelanders always had a lot of sympathy for the fate of these nations throughout the 20th century. Iceland never recognised their occupation through the Soviet Union and formally upheld its recognition of the independence of the Baltic States from January 1922 *de jure*, although *de facto* Iceland accepted Soviet occupation (Jóhannesson 1997: 9-15). Nevertheless, when the tides were turning in Europe in the late 1980s, Iceland became the most ardent advocate for Baltic independence.

Support for Baltic independence 1990-91

When Lithuania declared its independence on 11 March 1990, the vivid memory that Iceland's political leaders still had of their own protracted and difficult struggle for independence made them particularly sensitive to the increasing Lithuanian requests for international recognition (Ólafsdóttir 2012). Broad political consensus soon emerged among all political parties to assist Lithuania and the other Baltic States as much as possible. From the summer of 1990 onward, Iceland's then-Foreign Minister Jón Baldvin Hannibalsson emerged as the main spokesperson for the unequivocal right of the Baltic States to independence in various international forums (Jóhannesson 1997: 41-43). In October 1990, Lithuania's Head of State, Vytautas Landsbergis, visited Iceland and called on the Icelandic politicians to reconfirm their recognition of Lithuanian independence and to re-establish diplomatic relations. Despite Soviet threats, the Icelandic parliament subsequently reconfirmed its recognition of Lithuanian independence of 1922 on 11 February 1991. After the Soviet coup d'état attempt, which started on 19 August and provoked the declarations of independence of Estonia on 20 August and of Latvia on 21 August, Iceland also reconfirmed its recognition of the independence of the two other Baltic States. On 26 August 1991, Iceland became the first state in the world to re-establish diplomatic relations with all three Baltic States. In only a couple of days, many Western states followed suit.

Iceland's far-reaching support for Baltic independence occurred at the same time as Iceland was renegotiating an important bilateral trade agreement with the Soviet Union (cf. Jóhannesson 1997: 101-116). The Soviet Union also threatened to cancel diplomatic relations with Iceland. Moreover, Iceland faced the risk of potential alienation from the other Western states. In early 1991, the Icelandic Prime Minister Davíð Oddsson even received an informal warning from the United States and other Nordic states not to proceed any further (Ibid.: 112). Of course, Iceland profited from the "unique freedom of small nations" and was less bound by *realpolitik* as other Western states, which felt that they had their hands tied (Ibid.: 135-137). Lennart Meri, then Estonian Foreign Minister, maintained that its distance from Russia meant that Iceland simply did not have to fear Russia as much as other states (Thomson 1992: 222) and a US delegate mentioned to Foreign Minister Hannibalsson how truly a privilege it would be "to represent a small country and be able to speak one's mind" (*Alþýðublaðið* 1995). Yet, it was also not clear that Iceland would use this "unique freedom of small nations" to further the case of the Baltic States.

Consequently, Iceland's role is not forgotten in the Baltic States, but remembered with respect and admiration. Emanuelis Zingeris, Chairman of the Foreign Affairs Committee of the Lithuanian Parliament at the time, revered Hannibalsson's courage and support (Jóhannesson 1997: 68f.). The city of Vilnius showed its gratitude to Iceland by renaming a street in the city centre "Iceland Street" (*Íslandijos gatvė*) in February 1991. Even today, Iceland's role during the independence struggle of the Baltic States from 1990-91 is fervently remembered. In 2011, Iceland's Foreign Minister Össur Skarphéðinsson met with the foreign ministers of the three Baltic States to celebrate the 20th anniversary of Baltic independence (Icelandic MFA 2012: 18). Estonia organised an "Iceland Day" on 22 August 2011 in order to show its "gratitude to the Republic of Iceland for its bravery in being the first country to recognise Estonia re-gaining its independence in 1991" (City of Tallinn 2011). On the same day, the city of Riga inaugurated a memorial stone on a public place to be named "Iceland Square", commemo-

rating Iceland's role in its struggle for independence (Icelandic MFA 2011).

Political interests in co-operation with the countries of the BSR

Iceland's leading role in the Baltic struggle for independence laid the ground for its later involvement in the politics of the Baltic Sea region. Owing to its desire to avoid isolation and to foster continued Nordic co-operation, it was only logical for Iceland to increase its activities in the BSR as part of a necessary readjustment of its foreign policy. By 1992, it had become clear that Iceland's main foreign policy pillars would face significant changes in the years ahead. On the one hand, Iceland lost its strategic relevance as part of the NATO defence alliance with the end of the Cold War (Ingimundarson 2008). The United States were increasingly less interested in shouldering the responsibility and financial burden of Iceland's defence. Although the future structure of bilateral co-operation between Iceland and the US was uncertain, Iceland's political elite always had a "subconscious feeling" that bilateral relations would eventually weaken and Iceland would be forced to reorient its foreign and security policy (Ásgrímsson 2012). This happened in gradual steps up until autumn 2006, when the last American soldiers left Iceland. On the other hand, the end of the Cold War and the emergence of the Central and Eastern European states as new co-operation partners in the international community moved the focal point in Europe towards the East – further away from Iceland. Enlargement of the European Union (EU) posed yet another challenge for Iceland as it increased the danger of isolation from its Nordic neighbours who – in contrast to Iceland – had applied for EU membership in 1992.

Nowhere did this fear of isolation become clearer than in the initial rejection of Icelandic membership in the Council of the Baltic Sea States (CBSS). From the perspective of the Baltic independence struggle, it would have seemed strange had Iceland not been included in the regional organisations that mushroomed after the end of the Cold War and formalised co-operation in the BSR. Yet, exactly this is what happened in

March 1992, when Iceland was denied membership in the CBSS for geographical reasons. While Iceland's membership was strongly supported by Norway, the other doubtful case, the two initiators of the Council, Danish Foreign Minister Uffe Ellemann-Jensen and German Foreign Minister Hans-Dietrich Genscher, looked at the planned co-operation predominantly in geographical terms. On the one hand, Ellemann-Jensen explained that this view was not directed against Iceland, but arose from the necessity of drawing a geographical line, considering that Belarus, Czechoslovakia and Ukraine had announced their interest in membership as well (*Morgunblaðið* 1992a). On the other hand, the Icelandic government argued that a lot of other matters were more important than geography, for example, historical connections and the future of the Nordic Council, of which Iceland would become the only country not represented in the CBSS. Foreign Minister Hannibalsson painted a gloomy picture of Iceland's future:

One quickly becomes aware that [...] the Nordic countries first and foremost will be busy dealing with their agreements with the European Union, their subsequent co-operation as a sub-region within the European Union and with the regional co-operation around the Baltic Sea. This could mean that the Nordic Council and Nordic co-operation as we have known it has come to its end, that it is replaced by the Council of the Baltic Sea States and EU membership [...] so that the paths of the Nordic countries and Iceland diverge and Iceland becomes isolated from [Nordic] co-operation (*Morgunblaðið* 1992b).

Thus, it was a huge boost for Iceland when its continued lobbying efforts for membership of the CBSS were rewarded by the Polish presidency in 1995. Judging from its desire to avoid isolation and to foster continued Nordic co-operation, it was not a surprise either that Iceland also showed a keen interest in membership in other regional organisations in Northern Europe. In 1993, it became a founding member of the Barents Euro-Arctic Council, and in 1996, of the Arctic Council. Iceland also continued its role as a spokesperson for the integration of Poland and the Baltic States into the western institutional framework



throughout the 1990s and 2000s. It was an active proponent of NATO's open door policy and campaigned for the early accession of Poland and the Baltic States into NATO (Ásgrímsson 2012).

Economic interests in co-operation with the countries of the BSR

The end of the Cold War did not only lead to political changes, but also opened up new markets for Icelandic exporters, not only in the BSR. Many Icelandic companies took an active interest in investing in the Baltic Sea region and contributed to a dramatic increase in trade between Iceland and the countries of the BSR (Gísladóttir 2007). In the early 1990s, economic reasons were therefore part of the Icelandic government's motivation to lobby intensively for CBSS membership. By acceding to the CBSS, the Icelandic Ministry for Foreign Affairs (MFA) wanted to follow up on these new possibilities for Icelandic export businesses (Ólafsdóttir 2012). Icelandic Foreign Ministers repeatedly emphasised the importance of the CBSS as an instrument for facilitating economic co-operation and enhancing sustainable

growth. At the beginning of the 2000s, the great extent to which the economies of Iceland and of the countries of the BSR had become intertwined became obvious (cf. Gísladóttir 2007). Trade in manufactured goods between Iceland and the three Baltic States and Poland had increased by almost 350% between 2001 and 2007, amounting to about 270 million Euros in 2006. During the 2000s, both Iceland and the Baltic States were among the world's top economic performers, with economic growth rates of 6-7% per year.

This is why, in 2007, then-Foreign Minister Ingibjörg Sólrún Gísladóttir (2007) praised the economic relationship between Iceland and the countries of the BSR. The presence of Icelandic companies in the BSR had grown "both in terms of volume and value, expanding into diverse and non-traditional sectors that would have been unimaginable just a decade ago". All kinds of Icelandic companies were active in the BSR, in particular in the Baltic States. Byko, a construction and do-it-yourself store, and Hnit Baltic, an engineering consulting firm, had already established presences in the early years of Baltic independence. Later on, they were joined by the highly esteemed Icelandic clothing and fashion house 66° North,

which manufactured its products in two facilities in Latvia, by the Hampiðjan Group, one of the largest fishing gear and super ropes manufacturers of the world, which moved all its production of rope and netting to a new factory in Lithuania in 2004, by Icelandair, which acquired a majority stake in the Latvian SmartLynx Airlines in 2006, and by the pharmaceutical company Lyfja, which soon operated 45 pharmacies under the name Farma in Lithuania. Meanwhile, the transport companies Eimskip and Samskip supplied a great volume of Baltic goods to Iceland, Europe and beyond. For Gísladóttir, this highly successful economic co-operation would have been unthinkable without the aforementioned special relationship between Iceland and the Baltic States, which had proven Iceland's "long-term commitment and

solidarity with the region". Moreover, Gísladóttir believed that Iceland and the Baltic States were natural partners, who shared "many of the same economic values and characteristics such as open and vibrant markets, dynamic and well-educated labour forces and the desire to meet proactively the challenges and opportunities of the 21st Century".

The financial crisis clearly dampened her optimistic outlook to some extent. Yet, even today, more than one quarter of Icelandic goods are exported to the countries of the BSR (cf. Statistics Iceland 2011). Therefore, the BSR will remain important for Iceland from an economic perspective (see table 1). Despite the financial crisis, the total number of Icelandic exports to the BSR has continuously increased since 2007 (see table 2).

Table 1: Iceland's exports to the BSR as percentage of its total exports

	2007		2008		2009		2010	
	%	+/- %	%	+/- %	%	+/- %	%	+/- %
BSR (total)	24.5	-3.4	23.3	-1.2	24.3	+1.0	26.5	+1.8
Estonia	0.0	0.0	0.0	0.0	0.1	+0.1	0.2	+0.1
Germany	13.4	-1.6	11.3	-2.1	11.3	0.0	14.0	+2.7
Latvia	0.0	-0.1	0.1	+0.1	0.0	-0.1	0.0	0.0
Lithuania	0.9	-0.5	1.3	+0.4	1.1	-0.2	1.5	+0.4
Poland	0.6	-0.2	0.8	+0.2	1.1	+0.3	1.1	0.0
Russia	1.4	-0.5	1.3	-0.1	1.2	-0.1	2.1	+0.9
Nordic (total)	8.2	-0.5	8.5	+0.3	9.5	+1.0	7.6	-1.9
Denmark	3.3	-0.2	3.1	-0.2	2.7	-0.4	2.7	0.0
Finland	0.4	+0.1	0.2	-0.2	0.2	0.0	0.2	0.0
Norway	3.8	-0.2	4.4	+0.6	5.8	+1.4	4.2	-1.6
Sweden	0.7	-0.2	0.8	+0.1	0.8	0.0	0.5	-0.3

Table 2: Iceland's exports to the BSR in absolute numbers

	2007		2008		2009		2010	
	Mio. ISK	+/- %	Mio. ISK	+/- %	Mio. ISK	+/- %	Mio. ISK	+/- %
BSR (total)	74733.9	+10.5	108698.4	+45.4	121701.5	+12.0	148394.8	+21.9
Estonia	51.7	-53.7	163.6	+216.4	324.2	+98.2	1020.0	+214.6
Germany	40815.0	+12.3	52777.4	+29.3	56403.2	+6.9	78320.7	+38.6
Latvia	68.3	-70.0	155.4	+127.5	131.0	-15.7	191.4	+46.1
Lithuania	2763.9	-16.2	5956.7	+115.5	5733.1	-3.8	8352.6	+45.7
Poland	1909.4	+0.0	3545.2	+85.7	5321.2	+50.1	6306.7	+18.5
Russia	4185.6	-10.1	6201.2	+48.2	6093.0	-1.7	11593.3	+90.3
Nordic (total)	24940.0	+18.1	39898.9	+60.0	47695.8	+20.0	42610.1	-10.7
Denmark	10080.3	+18.6	14642.5	+45.3	13512.3	-7.7	14.869.0	+10.0
Finland	1080.3	+37.3	998.9	-7.5	1116.0	+11.7	1172.7	+5.1
Norway	11565.0	+20.1	20344.8	+75.9	29066.7	+42.9	23787.4	-18.2
Sweden	2214.4	+0.1	3912.7	+76.7	4000.8	+2.3	2781.0	-30.5

Moreover, the most recent export statistics show that an increase in Icelandic exports to Estonia, Germany, Latvia, Lithuania, Poland and Russia even compensated for a significant decrease in exports to the other Nordic states in 2010. Germany in particular has regained significance as Iceland's 2nd largest export country, coming in behind the Netherlands, largely due to increased exports of Icelandic aluminium. In 2008, the aluminium sector for the first time replaced fisheries as Iceland's leading economic sector. In 2010, it already accounted for 76.5% of all exports to Germany.

Iceland's policy objectives in the CBSS

Within the CBSS Iceland has put great emphasis on regional co-operation in Northern Europe as a whole, linking the work in the CBSS with the work of the Nordic Council of Ministers (NCM), the Barents Euro-Arctic Council (BEAC), the Arctic Council (AC) and EU policies such as the EU's Northern Dimension (ND) and the EU Strategy for the Baltic Sea region (EUSBSR) (Icelandic MFA 2005a). Thus, Iceland actively promoted the implementation of the new guidelines for the NCM's co-operation with Estonia, Latvia, and Lithuania 2013 during its NCM Presidency in 2009 (Nordic Council of Ministers 2008). It also emphasised co-operation in the border regions of the BSR in order to explore new opportunities for cross-border co-operation and to avoid political, economic and social disparities at the new external borders of the EU after the 2004 enlargement (Icelandic MFA 2004). The Icelandic MFA (2007) believed that the CBSS would have the greatest value if it constituted a forum, which facilitated co-operation between the various stakeholders in the area, governmental agencies, local governments, business institutions, academic institutions and NGOs, in order to exchange views, best practices, know-how and insights.

Iceland focused particularly on the inclusion of North West Russia and the Kaliningrad region in the process of further economic integration. It considered the Kaliningrad region to be a central and important part of the BSR, not least because it remained one of the few sub-regions in the BSR outside of the internal market established by the Agreement on the European Economic

Area (EEA) (Icelandic MFA 2002). Due to its advanced economic modernisation and growth rates (if compared with the Russian mainland) and its exemptions from tax and custom tariffs, the region was particularly attractive for Icelandic exporters. In 2002, then-Foreign Minister Ásgrímsson called on Icelandic enterprises to look into trade and investment possibilities in Kaliningrad. Iceland subsequently also showed a keen interest in the programme for modernisation and economic development of the South Eastern Baltic Area (SEBA), which is currently implemented by the CBSS (Ólafsdóttir 2012).

Chairing the CBSS in 2005-2006 (for the only time so far), the Icelandic MFA (2005a) also stressed the protection of the maritime environment in the Baltic Sea. As a country dependent on fisheries, Iceland was particularly aware of the tremendous importance of the state of the ocean in a global sense. Then-Finance Minister Geir H. Haarde asserted that Iceland would therefore take any potential threat to the living resources of the sea very seriously (Icelandic MFA 2005b). He stressed that the protection of the Baltic Sea would be an even more difficult endeavour as – in contrast to the North Atlantic – it is an enclosed sea with a lot of sea traffic. The main objective should be to reduce pollution and to prevent oil spills in the face of increasing oil transportation in the region.

Other priorities of the Icelandic Presidency included the promotion of renewable energy sources and the sustainable use of energy in the region. The Icelandic Presidency believed that it could share Iceland's valuable knowledge and experience in this area with other CBSS member states. Moreover, the Icelandic MFA (2005a) also emphasised co-operation on nuclear and radiation safety and the consolidation of the Baltic Sea Parliamentary Conference, the focus on the latter arising due to Iceland's strong tradition of parliamentary democracy.

Among the current activities of the CBSS that Iceland supports financially and organisationally are the Task Force against Trafficking in Human Beings, the Expert Group on Sustainable Development, Baltic 21, and the Expert Group for Co-operation on Children at Risk (Ólafsdóttir 2012). In this respect, Iceland's commitment to combat trafficking in human beings, especially

in women and children, deserves special mention. Then-Foreign Minister Gísladóttir emphasised in 2007 that this was the field in which the CBSS could accomplish “the most in improving the lives of those living in the Baltic Sea Region” (Icelandic MFA 2007). Gísladóttir stressed that the fight against trafficking in human beings should not only result in better policing, but also address the economic and social roots of the problem: gender inequality and poverty.

Long-term benefits of Iceland's commitment to the BSR

Icelandic politicians have always been aware that their co-operation within the CBSS might have beneficial effects for Iceland's long-term interests. As a small state, Iceland lacked the financial and administrative means to build up a strong bilateral presence in the Baltic Sea region on its own, by, for example, establishing embassies in each of the countries of the region. However, Iceland was able to rely on the institutional framework of regional institutions such as the NCM or the CBSS in order to assist it in its bilateral efforts (Ásgrímsson

2012). The Nordic-Baltic Eight's (NB8) Memorandum of Understanding on the placement of diplomats in embassies of other Nordic or Baltic States provided another boost for Iceland. The agreement will make it possible for one NB8 state to place its diplomats in the embassy of another NB8 state when it does not have its own embassy in that particular country (Icelandic MFA 2012: 110). Co-operation with the countries of the BSR has thus provided to be an excellent opportunity for Iceland, which only had embassies and permanent missions in 19 different countries in 2012, to maintain a diplomatic presence worldwide on flexible and cost-effective terms.

Moreover, due to its outspoken support for an early integration of the Baltic States and Poland into the western institutional framework, Iceland has also won valuable allies in the EU. In 1998, a leader in Iceland's largest newspaper, *Morgunblaðið* (1998), praised Iceland's efforts in defending the interests of the Baltic States, but also pointed out that it might be the other way around soon:

It might not be too long until Iceland will look to the Baltic States itself for support in international cooperation. All three Baltic



States are prospective candidate states of the EU [...] and Iceland is in very close relations with the European Union because of its membership in the European Economic Area and will greatly need to have its interests represented among the member states of the Union.

The article also quoted Halldór Ásgrímsson, then Iceland's Foreign Minister, who believed that it was therefore of utmost importance for Iceland to continue to cultivate its relationship with the Baltic States. Ásgrímsson argued that they would soon be included in the decision-making process concerning the possibilities for Iceland to participate in future EU projects. It would be certain that they would become good allies of Iceland within the EU and in other international organisations. When asked about this statement today, Ásgrímsson (2012) is convinced that Iceland's close involvement in co-operation around the Baltic Sea has strengthened its position vis-à-vis the EU. He maintains that its Nordic and Baltic partners in the EU have succeeded in involving Iceland in a number of EU projects, for example as an equal partner in the new Northern Dimension since 2007. Close co-operation with its Baltic partners has thus become a loophole for Iceland to participate in EU projects without having to join the EU first.

Its Baltic partners have also supported Iceland in important foreign policy matters. Only one week after Iceland applied for EU membership on 16 July 2009, the Lithuanian parliament declared its support for Iceland's application, "remembering and highly appreciating the support offered by the Republic of Iceland to the Lithuanian nation and the State of Lithuania when the Republic of Iceland was the first to recognise the re-established independence of Lithuania" (Seimas 2009). The Parliament also declared that Lithuania was prepared to share its own experiences from EU accession negotiations with Iceland. Lithuania's then Foreign Minister Vygaudas Usackas even travelled to Iceland on 25 July 2009 where he stated that Iceland had been the first state to recognise the independence of Lithuania so that Lithuania would now want to be the first state to declare its support for Icelandic EU membership (*Morgunblaðið* 2009a). In 2011, Foreign Minister Skarphéðinsson was also offered expert assistance in the EU ac-

cession negotiations by the Estonian government, in particular with regard to agriculture, regional policy and monetary affairs (*Morgunblaðið* 2011). Moreover, Estonia has invited Iceland to participate in joint actions against computer crime within the framework of NATO's cyber-defence centre situated in Tallinn.

According to Skarphéðinsson (2011), the Baltic States also proved to be valuable allies of Iceland in the on-going Icesave dispute. Lithuania supported Iceland's cause within the International Monetary Fund (IMF) when the dispute threatened to halt continued IMF assistance to Iceland. Its moral support was valued even higher by the Icelandic authorities, as many politicians in Iceland felt betrayed in the dispute by its closest allies in the Nordic states (*Morgunblaðið* 2009b). Poland also made the EU's accession negotiations with Iceland one of its top priorities during its EU Presidency in the second half of 2011. The Polish government declared that it wanted to accelerate Iceland's accession negotiations and that it wanted not only to open more, but also more controversial chapters than the EU had been willing to so far, mentioning fisheries and agriculture in particular (*Vísir* 2011). However, due to the increasing escalation of the mackerel dispute between the EU and Norway on the one hand, and Iceland and the Faroe Islands on the other, such acceleration of the accession negotiations did not ultimately take place.

Conclusion and outlook

Historical legacies, political circumstances as well as concrete economic interests all explain in part why Iceland has dedicated a considerable part of its foreign policy activity to the Baltic Sea region (BSR). Its feeling that its fortunes are intertwined with those of the Baltic States created sincere sympathy in Iceland for the Baltic struggle for independence and made Iceland the most ardent advocate for their independence. However, Iceland's later involvement in the BSR was also motivated by the political desire to avoid isolation and to foster continued Nordic co-operation after the end of the Cold War. Moreover, Icelandic companies invested heavily in the BSR and made it an important export market for Icelandic

products. Iceland's commitment proved very beneficial in the long run. Its membership in regional organisations in the BSR strengthened Iceland's diplomatic presence and countries of the BSR also supported Iceland in important foreign policy matters such as EU membership and the Icesave dispute. Iceland's foreign policy commitment to the BSR might therefore not be self-evident from an overly literal reading of the map, but hardly surprising in light of recent history.

Membership of the EU would bind Iceland even closer to its partners in the BSR. Iceland would be included in the EUSBSR and be able to take part in its decision-making and implementation processes. However, recent polls indicate that the prospects for membership are quite uncertain. Only 27% of the Icelandic people supported EU membership in April 2012, while 54% rejected it and 18% did not take a position (*Morgunblaðið* 2012). This must be considered an exceptionally negative result as negotiations on the most controversial matters for Iceland, fisheries and agriculture, have not even started. However, Iceland's commitment to the BSR guarantees that Iceland will not be left alone – irrespective of whether it joins the EU or continues to remain outside.

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Creating a Coherent Framework for Baltic Sea Co-operation



Tobias Etzold & Stefan Gänzle

Executive summary

'Coherence' is a term often used rather ambiguously. As it is procedural in character, coherence not only refers to bringing about consistent results, but also to the ways other actors are being integrated into policy-making processes. This article explores several of the main institutions and policy frameworks in the context of Baltic Sea Co-operation (BSC) – the Council of the Baltic Sea States (CBSS), the Northern Dimension (ND), the EU Strategy for the Baltic Sea Region (EUSBSR), and the Nordic Council of Ministers (NCM) – and assesses the potential for promoting coherence in a set of important policy areas, including energy, environmental and cultural co-operation. The article encourages the EU and its partner countries to draw regional actors closer to the decision-making process and to utilise their potentials as platforms within a coherent system of regional co-operation.¹

¹ This article has first been written as a *Stiftung Wissenschaft und Politik (SWP)* Briefing Paper for the 2011/12 German Presidency of the Council of the Baltic Sea States and has been presented at an informal meeting of Baltic Sea stakeholders discussing the issue of coherence during the Baltic Sea Days in Berlin on 24 April 2012. The paper has been produced inside the framework of the project "The Council of the Baltic Sea States and the creation of a coherent framework of regional co-operation in the Baltic

1. Baltic Sea Co-operation (BSC) and the challenge of coherence

Baltic Sea Co-operation (BSC) has grown tremendously over the past few decades, in particular in the aftermath of the Cold War. Today, it spans multiple policy sectors, involves a wide range of private and public actors from the European, national, sub-national and local levels, encompassing both state and non-state actors. Some political observers have called BSC an 'institutional nightmare', whereas others have labelled it a 'positive mess'. Owing to institutional and policy overlap and co-ordination problems, all actors face the challenge of creating an effective and efficient system of BSC which can yield tangible, efficient and sustainable results, as well as effectively deal with the problems and challenges that the region is facing. It was with this in mind that the German Presidency of the Council of the Baltic Sea States (CBSS) for the year 2011/12 proposed as one of its priorities to foster "a coherent framework" (Foreign Ministry of Germany 2011: 3 and 9) for co-operation among the various forums in the Baltic Sea Region (BSR).

The five 'Cs', or defining 'coherence'

The elusive quest for coherence is one of the recurrent themes of political life – at both the domestic and international levels. Moreover, it is one of the most frequently bemoaned shortcomings in international co-operation. This holds

Sea Region", jointly conducted by the SWP and the German Federal Foreign Office / German Presidency of the Council of the Baltic Sea States. The paper and article reflects solely the view of the authors.

particularly true today, in times of economic crisis and scarce financial resources triggered by the European sovereign debt crisis. Yet, with the sole exception of totalitarian regimes, all forms of political pluralism are exposed to the challenge of coherence. In complex systems of international co-operation, such as the one in the BSR, incoherence is almost the natural state of affairs. The term 'coherence', however, has remained rather vague and ambiguous, in particular as it tends to be used interchangeably with other concepts, such as 'co-ordination' or 'consistency'. Moreover, it carries some emotional 'baggage' as, in principle, all policies and actions are envisioned as ideally being coherent. Perhaps it is best conceptualised as actions and actors 'being structurally harmonised'. From that angle, coherence represents a high stage of structural harmonisation, based on 'coordination, comprehensiveness, completeness, continuity and consistency' (five 'C's) in terms of policies and actors. For example, while 'consistency' refers to the character of an outcome [...], which may or may not be logically compatible with another, 'coherence' goes beyond this and specifies the quality of a process, in which ideally the single entities involved join together in a synergetic procedural whole (see Gebhard 2011: 106). In other words, although co-ordination is an important pillar within the overall concept of coherence, coherence itself is more than just co-ordination. In addition, coherence has a more positive connotation than co-ordination, which is sometimes understood as something that 'scares' people, since everyone wants co-ordination, but nobody wants to be 'co-ordinated'.

Coherence: Two types, two dimensions

One can distinguish between two types (thematic/policy versus actor) and two dimensions (horizontal versus vertical) of coherence: first, while thematic/policy coherence refers to structural harmonisation of a policy, actor coherence refers to the degree of unity within an actor or an institution. Second, horizontal coherence refers to coherence between different international policies and actors (and would, in practical terms, translate into a 'coordinator' role for CBSS in BSC, for example) whereas vertical coherence refers to coherence between international and national

policies and actors (the CBSS assuming a 'leadership' role in BSC, to give yet another example). Thus, coherence is a twofold concept, embodying both concrete results and methods for achieving consistent results. Finally, the concept of coherence should not be reduced to its output, but rather be conceived of as a process embracing both the output and input dimensions of a political process. With regards to the latter, coherence also refers to ways other actors and stakeholders are integrated into the policy-making process.

2. The institutional framework for Baltic Sea Co-operation (BSC) and actor coherence

BSC is both institutionally and thematically dense. The institutional framework of the BSR is complex and involves many different layers, formats, constellations and levels. Relevant regional co-operation structures in Northern Europe include the Council of the Baltic Sea States (CBSS), the Northern Dimension (ND) of the EU, Russia, Norway and Iceland, the EU Strategy for the Baltic Sea Region (EUSBSR), Nordic Co-operation – Nordic Council (NC) and Nordic Council of Ministers (NCM), Baltic Co-operation, Nordic-Baltic Co-operation (Nordic-Baltic 8/NB 8), informal co-operation among EU members in the region (Nordic Baltic 6/NB 6 and NB 6 plus Poland and Germany), the Arctic Council (AC) and the Barents-Euro Arctic Council (BEAC). Several bodies operate on parliamentary, trans-governmental (sub-national or local elements cooperating internationally) and trans-national (non-state and non-governmental actors co-operating internationally) levels: for example, the Baltic Sea Parliamentary Conference (BSPC), the Baltic Sea States Sub-regional Co-operation (BSSSC), the Union of Baltic Cities (UBC) and several Baltic Sea NGO networks. Several specialised organisations play roles as well, such as Baltic Sea Region Energy Co-operation (BASREC) and the Helsinki Commission (HELCOM) that promotes co-operation concerning the protection of the maritime environment.

In this context, the focus of this article will be on 1) the CBSS, 2) the ND and 3) the EUSBSR as the main overarching structures of BSC as well

as 4) Nordic co-operation / the Nordic Council of Ministers as a structure that also has a potential for fostering co-operation in the BSR.



1) Since 1992, the **Council of the Baltic Sea States (CBSS)** provides a platform for political multilateral dialogue on common regional issues and for co-ordination among all the states of the region at the highest political levels. Its broad mandate has been re-emphasised by the reform process between 2007 and 2010. Lithuania's then Foreign Minister, Usackas (Balticness Autumn 2009: 4), claimed that "the political dimension of the CBSS should remain strong. Its broad membership, comprising all Baltic Sea countries, is the CBSS's biggest advantage, providing it with a strong position in the region's political landscape" (*ibid.*). He further opined that "the CBSS is still able to create an environment for a better understanding among participating countries and could provide a natural platform for EU relations with Iceland, Norway and Russia" (*ibid.*). The CBSS deals with concrete joint regional challenges, problems, opportunities and interests, with no more emphasis on the high-political side than necessary. Such pragmatic functional regional co-operation could have a positive impact at high political levels, where the co-operation between EU member states and Russia is more difficult. Involving Russia and the EU (European Commission / European External Action Service) as equal members and being involved in the ND and the EUSBSR, the CBSS could provide a platform for co-operation at the intersection of EU internal and external policies. In this respect, the CBSS

has a potential to foster lateral coherence and cohesion. The CBSS plays a particularly important role in integrating Russia in regional co-operation, and provides a relevant link between Russia and the EU. In this respect, the South Eastern Baltic (SEBA) modernisation partnership and the Northwest Strategy of Russia, in which the CBSS is closely involved, also have an important function. Russia itself has called to ensure the independence of the CBSS vis-à-vis the EU (see Makarychev 2012: 9). Russia will assume the one-year CBSS Presidency on 1 July 2012. The country has taken an active approach towards BSC and, in its CBSS Presidency programme, strives for coherence and continuity with previous and future CBSS presidencies (Lanko 2011).

The CBSS has outstanding expertise in issue areas such as civil security (for example, children at risk, trafficking in human beings and radiation and nuclear safety), maritime economy and sustainable development. Therefore, it has good credentials to establish and maintain a leading position among Baltic Sea organisations and co-operation networks within those issue areas and to contribute to related projects within the ND and the EUSBSR. Issues that are not explicitly covered by the EUSBSR, for instance, culture, Baltic Sea identity² and region branding, could also be highlighted and utilised as further trademarks of the CBSS. The German CBSS Presidency of 2011/12 aims to make the CBSS strong and fit for the future, so that it will be able to remain a "pioneer of regional co-operation and a symbol of the regional identity" (Hoyer 2011: 4).

2) The **Northern Dimension (ND)**, in turn, has a (much) wider geographical focus than the BSR, as it also includes the Barents Sea and the Arctic. The ND was restructured in 2006, and has functioned as the Northern Dimen-

² Whether a fully-fledged Baltic Sea identity exists, shared by all its riparian countries, seems to be a rather abstract and philosophical question. Perhaps identity could therefore be understood in a more pragmatic and flexible manner. Challenges and problems that affect more than one country and require a joint solution create a certain notion of identity among states and people and so do the institutions that deal with those issues. A certain notion of a regional identity in terms of jointly recognising and dealing with common problems, challenges and opportunities could contribute to coherent, effective and consistent co-operation.

sion of the EU, Russia, Norway and Iceland since 2007, involving the three non-EU members on an equal footing (see Archer and Etzold 2008). The four regional councils – CBSS, Nordic Council of Ministers (NCM), Arctic Council (AC) and Barents-Euro Arctic Council (BEAC) – act as ND partners (see Alto et al 2011; Herolf 2010). Four ND partnerships, the ND Environmental Partnership (NDEP), the ND Partnership for Public Health and Social Wellbeing (NDPHS), and the fairly recently established ND Partnerships on Transport and Logistics (NDPTL) and Culture (NDCP) are the most visible activities within the ND. Several prospects for employing the ND to create in regional cooperation in the BSR and beyond can be identified, for example in the areas of transport and energy (see below). There is a strong link between the ND and the CBSS, underpinned by a close partnership between the permanent CBSS Secretariat and the Secretariat of the NDPHS, which are located within the same premise. The relationship between the CBSS and NDPHS provides a good example of division of labour, as the CBSS does not have its own working structure in the area of health. Overall, the NDPHS is also a good example of a structure that involves various actors and attempts to create coherence in a specific policy area. Co-operation between other ND partnerships and the CBSS, for example in the cultural field, however, could still be improved.

- 3) In recent years, however, the launch of the macro-regional **EU Strategy for the Baltic Sea Region (EUSBSR)** (see Schymik 2011) has probably been the most significant change in BSC. The EUSBSR focuses on environmental sustainability, economic development, accessibility, and safety, and has identified 15 priority areas along those lines. The strategy can be seen as an expression of the fact that EU membership has shifted from a marginal to a dominant paradigm in the region since the 1990s, providing the opportunity to conduct regional co-operation, at least partially, within an EU context, rendering the co-operation more result-oriented and

legally binding. The launch of the strategy has provided post-enlargement Baltic Sea co-operation with a fresh impetus and incentive. One of the objectives of the strategy is to improve co-ordination of activities and, in a nutshell, coherence. The EUSBSR offers an opportunity for regional organisations and the EU to enhance their co-operation and to create synergies. The European Commission ensures overall co-ordination of the strategy and facilitates the involvement of relevant stakeholders (European Commission 2012: 6). Thus, the EUSBSR provides regional organisations with the opportunity to embed their activities into a wider strategic design and broader institutional framework, while the EU might be able to benefit from the regional experience and expertise that these bodies have accumulated over time. Co-operating more closely “would be a way forward in shaping the political space and would not threaten their identities” (Antola 2009: 11). Hence, the Council of the EU encouraged the member states to further investigate the “synergy effects between the EUSBSR and multilateral co-operation structures and networks within the Baltic Sea Region ... through better co-ordination and effective use of communication channels and fora related to EUSBSR and Baltic Sea Region to provide increased efficiency of intervention within macro region” (Council of the European Union 2011: 5).

Two years into the implementation of the strategy, it is probably too early to judge whether the ambitious goals of increasing co-operation and creating synergies have been achieved, but there are some promising signs. Currently, regional actors such as HELCOM are in the process of becoming important partners and co-ordinators for implementation of parts of the strategy. The CBSS is in a good position of providing a co-operation platform between the strategy and third countries. As the latest EUSBSR implementation report of the European Commission indicated, “the strategy is fostering the development of new inclusive networks, as well as increased cooperation and a better division of labour for existing networks”, and, “provides a common

reference point for the many organisations in the Baltic Sea Region” (European Commission 2011: 3). ‘Reference point’ is indeed a more appropriate term for describing the strategy than ‘framework’, as the latter might be understood too narrowly, due to the fact that there are several frameworks for BSC already. The EUSBSR as a reference point for BSC could also more easily be accepted by non-EU-members, such as Russia, Norway and Iceland, which, owing to its EU-internal character, cannot become fully involved in the strategy but should naturally be included in any major framework of BSC.

- 4) The **Nordic Council of Ministers (NCM)** was established as an intergovernmental organisation in 1971, fostering co-operation between the governments of the five Nordic countries, Denmark, Finland, Iceland, Norway and Sweden. It is one of the oldest regional organisations in Northern Europe. Naturally, Nordic co-operation focuses on the Nordic area (“Norden”) but has opened up and became more ‘international’- and Europe-focused in recent years. The BSR and Norden’s adjacent areas have even become priorities for Nordic co-operation. The NCM plays a strong role in the implementation of the ND and the elaboration and implementation of the EUSBSR, attempting to contribute with its expertise and experience to the strategy’s success, mainly in the areas of research, innovation and energy. According to the European Commission (2012: 6) continued dialogue with the NCM “will ensure a more co-ordinated use of human and financial resources”. Owing to its expertise, experience and financial and human resources, the NCM is in a good position to contribute to the creation of a coherent system of regional co-operation in Northern Europe and the BSR.

3. Creating coherence across policies

Whether the creation of more coherence is required and useful in regional co-operation depends to a great extent on the specific issue area. In some areas of co-operation, a comprehensive

and complementary institutional landscape that, however, is not overly coherent in terms of streamlining and co-ordinating efforts of various actors might do the trick better than an overly coherent and rational one, as some issue areas are so complex that every little contribution could help. Forced coherence could have an artificial character and hamper, rather than foster, co-operation. In other areas, however, there is more need to connect existing structures as there either is a potential risk to create negative overlap and duplicate existing structures, or this has already happened. In other fields of co-operation, the various structures have already established well-functioning co-operation, an effective division of labour, and co-ordination mechanisms.³

- 1) In co-operation within the area of **civil security** (for example, civil protection and nuclear & radiation safety) there was no evidence of any harmful overlaps; the co-ordination level is overall good. The relevant CBSS structures maintain good working relationships with their counterparts on other levels. The CBSS Expert Group on Nuclear and Radiation Safety (EGNRS), for example, co-operates efficiently with other related regional co-operation arrangements, such as HELCOM, and there is a clear division of labour with HELCOM in the area of environmental monitoring. The Baltic Sea Civil Protection Network provides a direct link between the CBSS and Nordic co-operation. The CBSS has a co-ordination function in civil security-related projects within the EUSBSR. If there were problems within this field of co-operation, they were technical in nature, sometimes relating to arrangements with non-regional actors such as the UN or the EU. Shaping the function of an umbrella co-ordinator within or across sectors does not necessarily provide added value.

³ We are drawing on the outcome of workshop sessions on civil security, energy and economic development, environment, and education and cultural co-operation during the conference ‘Baltic Sea Cooperation – A Model for Coherence?’, Stiftung Wissenschaft und Politik and Auswärtiges Amt, Berlin, 1-2 December 2011, on conference papers and on statements of conference participants. We are grateful to Pertti Joenniemi (University of Eastern Finland), Pami Aalto (University of Tampere), Arild Sæther (University of Agder), Kristine Kern (University of Wageningen), Marko Joas (Åbo Akademi University), Hiski Haukkala (University of Tampere), Mia Crawford, Jan Lundin and Christer Pursiainen (CBSS Secretariat), Andrea C. Bayer (Ars Baltica Secretariat) and Elisabeth Johansson-Nogues (IBEI) for their input, in particular on the sections on civil security (Pursiainen), energy (Aalto), environment (Crawford, Kern and Joas) and culture (Sæther and Bayer).

2) Another case in point is **energy**. This is an area in which co-operation and coherence is still underdeveloped. Nonetheless, there is some potential for creating more coherence, especially in 'small' and 'new' energy fields (renewable energies, energy efficiency etc.), to which any effort to improve coherence in BSR energy co-operation could best be directed. In these, the EUSBSR, for example, could have a role in intra-EU coordination. Good chances for co-operation within the 'small' energy field exist through the ND and the NDEP in particular, as a result of their linkages with the wider EU-Russia framework. Work through these bodies could be combined with the sizable NCM research and funding in this field, while BASREC could be brought closer to their actions in order to create more critical mass. Iceland could be taken in through the ND to work on geo-thermal energy, while Norway is capable of helping to develop CCS (Carbon Dioxide and Capture Storage) and LNG (Liquefied Natural Gas) shipping. Utilising the CBSS secretariat to increase policy planning and co-operation capacity could also be considered. A concrete step into this direction could be to re-establish a permanent BASREC secretariat (currently, the rotating BASREC presidency covers the secretariat function) as an independent unit within the permanent CBSS Secretariat. Manned with distinguished experts in the energy field, such a secretariat could help re-establishing BASREC as an important actor within the field of energy co-operation, strengthen its organisational structures, and provide some continuity. The CBSS could exert a political function within energy co-operation, as evidenced when the CBSS foreign ministers adopted a declaration on energy security in the BSR at the extraordinary ministerial session in Plön on 5 February 2012 (see CBSS 2012). This declaration stresses the significance of a political dialogue on energy co-operation and energy security at the highest levels, affirming the need and paving the way for closer political co-operation in this field.

3) In **environmental** BSC, an institutional complex has developed that includes Baltic



21/CBSS, HELCOM, the EUSBSR, BSPC, trans-governmental organisations such as the BSSSC and UBC and various environmental NGO networks. Overall, this institutional overlap does not have any major negative consequences. The current situation is characterised by synergies between HELCOM and the EUSBSR, and by a division of labour between Baltic 21 and HELCOM, for example in the area of climate change adaptation. CBSS/Baltic 21 have a particular responsibility for the latter, while HELCOM mainly focuses on the maritime environment. The environmental focus of the EUSBSR apparently is on biodiversity and eutrophication. CBSS and HELCOM could co-operate even more closely, for example, in the form of establishing a joint environmental maritime working group. Stakeholder participation has improved considerably as well. From an environment and sustainability point of view, the region is much more coherent than it used to be only a few years ago. The launch of the EUSBSR and the HELCOM Baltic Sea Action Plan (BSAP), the CBSS reform with its long-term priorities, and the integration of Baltic 21 into the core structures of the CBSS have served as united forces of co-ordination and coherence among actors. However, the environmental governance of the BSR requires new leadership concepts and styles. Individual leadership is still important, but needs to be complemented by organisational leadership, with one organisation/actor taking the lead more clearly in terms of providing a platform for other

actors and co-ordination of activities, taking initiatives and promoting co-operation when needed. This type of leadership is not to be understood in a hierarchical, but rather in a facilitating sense. Leadership within networks must be based on co-operation and requires additional skills such as coaching, facilitating and mediation. This also applies to other areas of BSC.

- 4) In the field of **cultural co-operation**, there still appears to be a need to create platforms for a) the exchange of information and knowledge, both between project leaders and organisations such as Ars Baltica, NDPC, CBSS, NCM and b) the presentation of projects and the best practices results that the BSR has to offer. In the opinion of cultural stakeholders, it might be useful to organise back-to-back meetings of the steering groups of, for example, NDPC, the CBSS Senior Officials Group for Culture (SOGC) and Ars Baltica. Also common conferences and workshop days could be useful, where project leaders and stakeholders can meet, learn from each other and develop new ideas for co-operation, aiming at better utilising what already exists. According to stakeholders, reducing the number of (co-operation) structures in the cultural field to a manageable size could make sense as they all deal with the same or similar issues and partly involve the same persons and staff. As financial means are limited, they could possibly be more efficiently used with fewer co-operation structures. A concrete step in this direction could be to merge the secretariats (not the institutions as such) of Ars Baltica in Rendsburg and the NDPC (currently located within the NCM Secretariat in Copenhagen). Overall, there is a strong need for improvement in both the flow of information and in the dialogue between the different projects and the political level, as well as between the various stakeholders in the field of cross-cultural co-operation.
- 5) In the field of **science and education** there are some examples in which various actors co-operate with each other. In the EuroFaculty project Pskov, the CBSS takes a lead role, but the project is also supported by the NCM. More projects along those lines could be conducted, as the Eurofaculty concept has been perceived as fairly successful overall. The European Humanities University in Vilnius, a Belorussian university in exile, is a fairly successful joint endeavour of the NCM and the European Commission and also involves various other organisations and foundations.
- 6) Efforts to establish sustainable co-operation in the area of **maritime affairs** are closely related to EU advances to establish an integrated maritime policy for the European Union. This is a fairly new field of co-operation which, from the start, was based on the idea of linking the activities of different actors. In 2009, the CBSS established an Expert Group on Maritime Policy. The group aims at “positioning of the Baltic Sea Region as a European model region for maritime best practice and for a balanced co-existence of a successful maritime economy and adequate protection of the marine ecosystem” (CBSS 2009: 2). The Baltic Sea Parliamentary Conference (BSPC) has been engaged in this field with a working group for integrated maritime policy, operating between 2009 and 2011. A similar working group operates under the Baltic Sea States Sub-regional Co-operation (BSSSC). These groups have different recipients but are co-operating with each other and attempting to develop joint political priorities and guidelines. Therefore, their activities have a complementary effect on each other. The common goal of the maritime working groups of CBSS, BSPC and BSSSC (2011) is “to contribute to the process of turning the Baltic Sea Region into a maritime model region in Europe within which the balance between economic, social and ecologic interest is maintained”. Various concrete projects within this field are carried out by several actors, emphasising this objective. A project such as *Clean Baltic Sea Shipping* “is dedicated to substantiate the goals and strategies of several organisations like HELCOM, CBSS and BSSSC” (Clean Baltic Sea Shipping 2012). Another example is the project *EfficienSea*, a flagship project of the EUSBSR (priority area 13) and funded

by the Baltic Sea Region Programme 2007-2013⁴, fostering transnational co-operation in maritime safety and accident prevention in order to ensure efficient, safe and sustainable traffic at sea.

4. Conclusions, recommendations and summary

In general, creating cohesion and maintaining a variety of co-operation structures do not necessarily have to be contradictory. Creating more coherence does not automatically imply making existing co-operation structures redundant or merging them with each other. In specific cases, the latter might be useful, in others rather not.

- 1) It is possible that different actors to exist alongside each other, as long as their activities complement each other. As long as the individual institutions have a specific enough purpose, are able to contribute to overall co-operation efforts, and are useful for their members, they should maintain a 'right to exist' – even in times of financial hardship. In such a case, creating coherence would primarily imply increasing the exchange of information and the co-ordination of activities, as well as fostering an effective if not "smart" division of labour (= actor coherence). This could lead to comprehensiveness, completeness, continuity and consistency, in particular with an eye on achieving concrete and consistent results. The dissolution of international institutions and frameworks for co-operation, if not supported by all members, may trigger even higher tangible and intangible costs. It is necessary to keep non-EU members, in particular Russia, involved in regional co-operation through as many different platforms on various levels as possible. The more functional and complementary platforms for co-operation with Russia there are, the better and the more fruitful, complementary and comprehensive the exchange and co-operation could become.
- 2) For several BSR countries, merging the CBSS with the ND would be the wrong signal, in particular as the implications of such a move have been and are completely unclear. The CBSS integration into the ND is not a realistic option, as the ND has a wider geographical scope, and some countries of the region do not regard themselves as Northern, in particular Poland and Germany. Moreover, this would compromise these countries' recent efforts to become more actively engaged in BSC. It also speaks against utilising the ND as an overarching framework and co-ordinator for any activity in any area of BSC. It might impede co-operation if the fairly concrete concept of BSC were embedded in a wider and therefore vaguer concept.
- 3) In each area of co-operation, a different structure could be used as the overarching and co-ordinating one, depending on which one is the most appropriate and capable in taking on such a role in the respective field (see above). Coherence can be improved if, for example, the most suited actor provides the platform within a specific field of co-operation and acts as a facilitator of co-operation (such as the European Commission in the case of the EUSBSR). This would also ensure an effective division of labour. It, however, will be important that the various keepers of the platforms and facilitators permanently keep in touch to ensure coherence.
- 4) It is apparent that, in several areas of the regional co-operation, all or most of the various structures of BSR run working groups (for example, environment and maritime policy). This could be interpreted as an unnecessary duplication of structures; some call indeed for joining forces. However, this can also be seen as a contribution to policy coherence and comprehensiveness, as these groups include different stakeholders (national government officials, sub-state officials, Members of Parliament, local representatives, NGO representatives) and have different recipients at various levels, involving an impressive number of different actors in this co-operation. Nonetheless, the interaction and co-ordination of the

⁴ The Baltic Sea Region Programme 2007-2013 also finances projects in other areas of co-operation (science, education and environment) of which a considerable number are EUSBSR flagship projects.

activities of these different structures on the various levels within this multi-level governance system will have to be ensured.

- 5) Regionalisation, decentralisation and transparency in the decision-making processes should be further promoted and enhanced. In this respect, the European Parliament, national parliaments, regional parliamentary organisations, as well as civil society actors (both national and trans-national) should be more strongly involved and hence play a stronger role in this coherent system of regional co-operation. Regional challenges could be directly tackled where they emerge by those actors that will be most directly affected by them, with the possible support of other actors on different levels. Such an approach has the potential to enhance the subsidiarity of foreign policy and its democratisation. It could facilitate establishing a three-layered democratic system in terms of decision-making and policy implementation (see Jutila and Tikka 2009: 39): European – regional – national. More subsidiarity in foreign and regional policy could provide the still primarily intergovernmental BSC with a stronger democratic backbone. Generally, the BSR, because of its dense institutional network, has a potential to develop the concepts of network governance, multi-level governance (effective vertical interaction among various international actors and among international and national actors) and subsidiarity (see Filtenborg, Gänzle and Johansson 2002: 390) further and make them work in an effective and efficient manner on a regional level.

Figure 1: "The Baltic Sea House"



In summary, the BSR could be regarded as a house, in which general Baltic Sea co-operation, dealing with the joint problems, challenges and opportunities of the region, forms the roof. The various structures and levels of regional co-operation are the pillars that carry and support the roof. The EUSBSR and the ND provide the outer support posts, one representing the EU's internal dimension of BSC, the other standing for the EU's external dimension, including Russia and also forming the touch point of the BSR and BSC with the outside world, i.e. wider Northern Europe and even beyond. The CBSS, including non EU-members and being based at the intersection of EU internal and external policies (see 3.1), forms the support pillar right in the centre of the house. The surrounding, slightly thinner, pillars – Nordic/Baltic/Nordic-Baltic co-operation, HELCOM, parliamentary co-operation (BSPC, NC), trans-governmental and transnational co-operation (for example, BSSSC, UBC, NGO Networks), all also involving non EU-member states or actors from non-EU-member states – complement and stabilise the construct. All these pillars of BSC are needed, perhaps some more and some less: if one breaks away, the whole construction becomes unstable and might collapse. Together, all the pillars form a coherent, comprehensive and stable whole.

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Rightwing Populism in Northern Europe



Bernd Henningsen

Introduction: The right-wing populist European reality

Right-wing populism in Europe is, 67 years after the military defeat of Fascism and National Socialism, again a political reality. In most European countries, right-wing populism has, to varying degrees, become institutionalised in parliaments and governments. It has become the focus of the public sphere, politics, the police, the public prosecutor's offices, and academia. It is part of the political day-to-day life in Central, Northern, Southern, Western, and in Eastern Europe. It also is a political reality in the Baltic Sea Region:

- In Denmark, right-wing populism has dominated governmental politics for more than ten years – without assuming any responsibility – bringing a reactionary cultural and foreign policy to a country that was once an example of liberality; the Norwegian populist movement had a comparable influence on the political climate of the country.
- In Norway, Sweden and Finland, countries which are esteemed in their liberality, right-wing populist movements have seats in Parliament.

- In Poland only a few years ago, populism-(and anti-German sentiment-) dictated politics became popular, and filled the offices of the head of government and chief of state.
- Also in the Baltic States and Russia, right-wing populism and even extremism is a widespread phenomenon. In the Baltic States, SS veterans still march regularly. In all the Baltic States and in Russia, homosexuals, for example, are still not accepted but rather face (legal) restrictions by wide parts of society and the political system, and even have to fear violent physical attacks by radicals.
- Even where an independent right-wing populist movement has not appeared on the scene, previously conservative parties have played that role and adopted right-wing populist rhetoric.
- So far, only Germany stands out from this European pattern, even though populist rhetoric are used by established politicians of the big parties – no 'movement' has gained any influence.

Within this context, the most shocking event was the massacre executed by the Norwegian Anders Behring Breivik on 22 July 2011 in Oslo and on the island of Utøya – this date marks a new epoch in Norwegian and (Northern) European history.¹

¹ Owing to the specialised expertise of the author, this article will mainly focus on developments in the Nordic countries and cannot go into detail regarding other countries of the BSR.

Definition and history

Right-wing populism is a genus. Right-wing radicalism, far-right extremism, and actionism which qualifies as right-wing belong to the same ideological family. One should not be occupied by these kinds of definitions for too long, as they say little about actual relationships and conditions; these terms are interchangeable: in Hungary, Victor Orbán's 'Fidesz' began as a 'leftist' movement. Also the Finnish party of the 'True Finns', although classified as right-wing populist overall, entails some rather left-wing elements, especially as regards social policies. People, groups and factions associated with right-wing populism have committed murders in nearly all European countries and done so for years. They did it in Sweden, in the Netherlands, in France, in Germany and in Norway in 2011. Right-wing populism – even in its criminal and murderous form – has become a part of European normalcy.

Today, European integration politics and Brussels' efforts towards integration have been re-interpreted as a stab-in-the-back legend, aimed at killing off national sovereignty; a persecution complex has been constructed through reactionary national self-aggrandisement, erosion or denigration of the justice system, and the canalisation of emotions through paranoid mechanisms (for example, finding scapegoats, such as *the Jews*, *the Gypsies*, *the Germans*, or Brussels). This goes hand in hand with a strong detachment from reality, whose place is taken by paranoid mechanisms designed to ward off a depression resulting from a reactive (and imaginary) loss of purpose. The Norwegian Anders Breivik is just one example, albeit a very criminal one.

Truly, modern right-wing populism in Europe started in Scandinavia, even before it became popular in Austria. The liberal welfare states of Northern Europe – Denmark and Norway – were the first societies in which right-wing populist movements achieved overwhelming success and representation in Parliament, and even came close to taking over government: Mogens Glistrup in Denmark, and Anders Lange in Norway became, after 1973, gladiators in the political arena and the subsequent 'common sense' tax protest movement.

It really is noteworthy that right-wing populism, anti-culturalistic rhetoric, and its criminal effects in Northern Europe are today publically discussed as questions of freedom of conscience and the press. While in Germany and in France, the appearance of right-wing radicals and right-wing populists and their effects on politics and society has been seen as an executive problem – laws become harsher, the police and security forces receive strengthened search and seizure powers – one can generalise the reaction of the Norwegian Prime Minister Jens Stoltenberg to the bombing in Oslo and the Massacre on Utøya on 22 July 2011. Norwegian politics and society were encouraged to remain open, transparent, and liberal. There has been no debate on the merits of strengthening the executive. Jens Stoltenberg showed with his reaction that, in that society, the values of democracy and human dignity could be expressed through emotions; in extreme situations, a society sustains itself not only through words but also through its traditions. The boundless sadness of the nation found a home in the person of the head of government, who, by collecting this despair, very literally stabilised the situation.

The Myth of 'Nortopia'

The literary and cultural export boom of the end of the 19th and beginning of the 20th centuries (to say nothing of Scandophilia before that, the Scandinavism and the Gothism of early 19th century), and the debates on the 'Scandinavian welfare model' of the 1960s and 1970s led to a wide-spread perception of the Northern European countries as being political, social, and cultural paradises. Contemporary opinion had found its Utopia: Nortopia, an idyll nonetheless notorious for its awful climate.

After the bombing in Oslo and the massacre at Utøya, many commentators wondered if this idyll had come to an end. Responses to this varied by temperament and experience, and indeed, they turned out in many different ways: if nothing else, many Norwegians no longer recognised their country after that day, and a sympathetic world – and those who would not be sympathetic with Norway – wrestled with their own horror.



Against the backdrop of this apostrophised paradigm shift, one must object that Norway in particular, and the North in general, has never been an idyll. Since the middle of the 19th century, the political dreamers and fools of the *völkischen* ideologies have so thoroughly duped us into believing that Scandinavia was a political and cultural paradise that, in the end, even the Scandinavians believed it – not only that they were somehow better, but that evil only came from the outside. The heterostereotype became an autostereotype: Sweden turned itself into a moral Great Power, and Norway became the most peace-loving nation among peace-lovers. Internally, all was good, as the evil was external. For Sweden, this meant the Russians, for the Danes, this meant primarily the Germans, but also the Swedes; and for Norway, this meant Sweden again (and Ger-

many), and for all of them, non-European foreigners. Anti-Jewish pogroms and anti-Semitism has existed throughout nearly all of Europe over the centuries. In Scandinavia, people created anti-Semitism in a place nearly bereft of Jews.

In this respect, one can come to the conclusion that peace-loving, idyllic, democratic, social egalitarian Scandinavia – the phrase ‘Scandinavian Welfare Model’ became *the* modern utopian cliché – was an ingenious branding concept, in today’s marketing terms.

Nothing could destroy the image of a politically and culturally happy Northern Europe: not the knowledge of domestic Scandinavian anti-Semitism, the widely held sympathies for the German Nazi regime, or the not-insignificant collaboration with the occupiers. Nor could the knowledge of Nazi workshops, where Scandinavians published the right-wing German political scene’s materials, banned in Germany, during the 1960s and 1970s, or sent letter bombs, without any success, against judicial or police targets, or even the most recent criminal efforts, which are becoming clear in the light of Iceland’s financial and economic conduct, dim this image. The achievements of the welfare state, its flat social hierarchies and (relative) gender equality were more important components for the construction of this image.

The South has dreamed of an idyllic North and told Scandinavians, who believed it and made it their reality. This dream of a healthy, unalienated world was, as bitter as it sounds, over before Utøya – Norwegians and the world could finally see that they lived in a European normalcy, not just since 22 July 2011.

In 1975, a novel came out in Sweden, where a flower girl shot the head of government in broad daylight. It was the final novel, ‘The Terrorist’, in Maj Sjöwall and Per Wahlöö’s ten-volume ‘Novel about a Crime’. More than ten years later, this exact event transpired in reality when the Swedish Prime Minister, Olof Palme, was shot dead in public in the capital, unprovoked. The fact that reality has nothing to do with novels remains unchanged: in reality, the murderer was never conclusively identified. Nonetheless, 17 years later the Swedish Foreign Minister, Anna Lindh, was also publically murdered, although this time the killer was identified as a mentally disturbed per-

son with a migration background. The knife, and the willingness to use it, are also common stock tales about Finnish society. These cases are by no means exclusive to Sweden or Finland.

Thus, Scandinavian countries in general, and Norway in particular, are completely normal, modern societies, where people murder, whore and drink; every deviance of human existence is not only possible, but happening. To deny this, or claim that it is monocausal – a result of welfare bums, alcohol, Protestantism, a xenophobia particular to some region, or anything else – is nonsense. It is quite noteworthy that a group of artists was very shocked by the writings and actions of Breivik, because they recognised their own imaginary images in his actions: Lars von Trier, Thomas Enger and Henning Mankell. Utøya is not a non-location in Scandinavian literature and film, in which the massacre happened a long time ago, and Nortopia is no ‘nowhere’, as the etymology of ‘utopia’ implies; it rather is a dystopia.

The *longue durée* of Northern European (right-wing) populism

As has already been established, in Europe, particularly in the Northern European countries, political life has been influenced for years, if not centuries, by populist and right-wing populist movements and parties. Denmark and Norway have lead the way since 1972. Right-wing populists have dictated politics and even political discourse for years (and bourgeois conservatives bemoan to this day that leftists hold the high ground in the cultural discourse...). They do this under the banner of ‘people’, ‘freedom’ and ‘progress’, naming themselves the ‘Progress Party’ and ‘People’s Party’; they re-brand themselves as ‘true’ and authentic, as if George Orwell had given these parties names in Newspeak. (Orwell, 241-251; in the world of ‘1984’, the War Office is named ‘Ministry of Peace’, and the Ministry of Information is named ‘Ministry of Truth’.) In the meantime, Sweden and Finland caught up. The Swedish movement has a criminal history; there have been murders. The Danish movement has lead to the establishment of the most xenophobic foreign policy in Europe, receiving the backing even of the Social Democrats. Norwegian Social

Democrats had long lived in the same glass house. One also could come easily to the conclusion that a social environment of accepted xenophobia exists in these countries. This came to the fore in Norwegian society after the events 22 July.

The institutional and political success of the Progress Party in Denmark, and, after its dissolution, its successor party, the Danish People’s Party, under its xenophobic leader, Pia Kjaersgaard, have become model parties on the European stage. It has expanded and has had ideological influences on similar parties in Norway and Denmark. The strategist of the party, Member of the European Parliament, Morten Messerschmidt, was the personal advisor to the Dutch populist Geert Wilders (Koch) and the chairman of a party, which employed Orwellian Newspeak and called itself the ‘Party for Freedom’, a freedom that, above all, means freedom without foreigners and Muslims. In 1997, Mogens Glistrup was the originator of the message that Islam was invading Western countries in order to slay their people. Therefore, one had the obligation to exterminate the Mohammedans. This message found fertile soil among the Danish *völkischen* movement and only became more frenzied in their rhetoric after 9/11.

The belief that the Nordic countries cultivate a friendly nationalism is one of the polite beliefs about Nortopia that foreign observers hold, and domestic apologists may have gotten a sense of their self-deception after the political successes of right-wing populists and the events of 22 July. However, this belief hides, and the European deculturation experience neglects, that nationalism is never friendly, as it declares one’s own nation to be superior and exceptional. It segregates, excludes and despises its neighbours. Scandinavia’s internal humour culture is an example of this.

Public discourse and the challenges of freedom of the press and expression

It would be absurd to make talking about stupid things illegal. If stupidity became socially dominant and there were no sustained public debate on it, and limits were not negotiated, then it would become a danger to public safety. When, as happened on 22 July 2011 in Norway, a mass crime emerges from political, and as discussed

above, absurd normalcy, this is certainly dangerous. In this respect, an imagined idyll has come to an end. The question remains of how this could happen.

In relation to the general, public speechlessness, in the past it is not surprising that it first became clear, with the massacre of summer 2011, that terrorism, fundamentalism and outbreaks of unprovoked violence come from the heart of society. Scandinavians might have to admit now that evil did not come to them from outside, but was their own offspring. Therefore, an open public discourse is a necessity for the survival of democracy and liberty – freedom of the press is situated in the very heart of every society, but the freedom of the press necessarily entails responsibility for the culture of this discourse. ‘Anything goes’ is the opposite of responsibility.

Every society needs a political organisation in order to tame the evil – parliaments, parties, courts, press, you name them. A society that does

not strike a balance with this taming must deal with its victims. More police forces and more restrictive laws can help only little. The Norwegian tragedy shows that this strategy of projecting evil outside can calm people’s minds for a time or could even be used to run a society, but does not suffice for actually solving political, economic and social problems. The culture of xenophobia is not the remedy, but the symptom of the fragility of modern societies.

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Final Remarks, Key Messages, Conclusions and Outlook on 2013



Tobias Etzold

This second Political State of the Region Report has been an attempt to provide an overview of political developments in the Baltic Sea Region (BSR), this time focusing on a somewhat smaller number of countries and issues. In order to achieve this goal, the report identified and analysed important trends within the region. In order to conclude the report, a number of questions need to be addressed. First, what are the key messages of the report? Second, where are we in 2012, and what is the current situation of the region? Third, what has been achieved in the last 20 years of Baltic Sea co-operation, and what still needs to be achieved in order to develop the Region further? Finally, what are the sensitivities and the challenges in this context?

The acting presidencies of the EU and CBSS, held by Denmark and Germany, respectively, reveal some interesting and important information. The German CBSS Presidency celebrated the 20th anniversary of the CBSS, and was therefore looking backwards more than forwards in terms of themes and institutional developments. It has been very active and (co-) organised an impressive number of high-level stakeholder meetings, events and conferences. As mentioned before, the Baltic Sea Days that were organised in Berlin in April

2012 were a strong manifestation of the fact that many Germans are engaged in regional affairs. Still, the German Presidency did not introduce the important European economic agenda to the regional level and did not make much use of the EU strategy for the Baltic Sea Region. The two policy areas were more or less living separate lives. Although Germany made a great and valuable effort, which was much more than one could expect, it perhaps did not accomplish so much in real project terms besides organising a political dialogue, which is obviously also of great importance.

Nonetheless, as one of the largest countries in the region, Germany still has a very important role to play in the development of the region and in regional co-operation. Because of its CBSS Presidency, the region has been more present on Germany's foreign policy agenda in 2011/12 than it usually is. The other countries of the region seem to have appreciated Germany's more active regional stance in this period, although it is quite clear that Germany's main interest is to develop relations with the Russian Baltic Sea Region provinces, including Kaliningrad. The risk is that, once the CBSS presidency has passed on to Russia on 1 July 2012, the region might again vanish from Germany's political agenda. Owing to its close links, it would, however, be in Germany's own interest, as well as in the interest of other countries, to develop a more sustainable and uniform policy towards the region.

For Poland, as the other large country of the region, the BSR has become more interesting in recent years. Undoubtedly, the Polish EU Presidency has played a role in this regard, but more

generally the BSR is increasingly seen as a source of inspiration for the economic direction which Poland could be taking over the next 10-15 years. The Nordic states, which are very strong in innovation and adaptation to global markets, would perhaps be less problematic sparring partners than Germany. With the latter, basic reconciliation is still an issue. The Polish interest for regional co-operation, which is very strong in the Northern voivodeships, provides new opportunities that should be fully explored and utilised by the smaller partner countries in the region.

The Danish EU Presidency showed that Denmark is again becoming a more important European partner. The EU policies of the new social democratic-led government are more EU-friendly and proactive than the ones of the previous liberal-conservative governments. On the regional level, the Danish EU Presidency wished to host the 3rd Annual Forum of the EU Strategy for the Baltic Sea Region, together with Summit Baltic Development Forum is, in Copenhagen in June 2012 in order to keep co-operation on the agenda.

In the first half of 2012, Denmark is responsible – as EU Presidency – for chairing the negotiations on the EU's budget for the next seven years (the Multiannual Financial Framework 2014-2020), which will define the financial instruments that can be employed for regional cooperation in Europe, including the Baltic Sea Region. The negotiations also include a new *Connecting Europe* facility, which will focus on infrastructure development within energy, ICT and transport. The outcome of the negotiations are expected to be finalised end of 2012 and will be very important for the future of the EUSBSR. Not least it will be important that the objectives of the strategy and the funds will be more streamlined than it has been the case till now.

In this regard, Denmark – together with some of the net contributors to the EU's budget – has been advocating the need to cut down on structural funds, which could complicate the elaboration of regional projects. In this, a certain imbalance between the regional and the EU level becomes increasingly apparent, in particular in terms of funding, political commitment, and prioritisation.

That currently the interest in the region and the commitment to joint regional efforts is

not particularly advanced, is not a particularly German and Danish phenomenon. To a similar extent, this also applies to most of the other governments in the region. Only Finland, Sweden and to some extent the Baltic countries endeavour to have coherent national Baltic Sea policies. The BSR, its problems, challenges and opportunities, and regional co-operation are often seen as issues at the margins and perceived by governments as 'nice to have' themes that are not urgent priorities on the political agenda, which in an EU-context tends to be dominated by crisis-management. At the same time, the high participation of representatives at the 'grass-roots' level in regional events and manifestations is an important reminder to national decision-makers that the region has a deep and wide popular foundation, linked with the possibility to exert pressure bottom-up. In contrast to wide EU co-operation and the EU institutions in particular, some of the regional platforms are also open, accessible and understandable. In contrast to other European regions, it also has to be recognised that there is a generally positive attitude towards cross-border co-operation in the BSR.

Thus, the basis for higher ambitions for regional co-operation exist, but currently other topics in European and international relations dominate the overall political debates, especially the European financial, debt and economic crises. The interest in the EUSBSR of most of the countries' central governments seems to have declined again due to the above priorities. Generally, it is still questionable to what extent the mostly positive joint and national official statements on the value of regional cooperation, expressing primarily a 'diplomatic' interest (nice words but little action and few efforts), reflect the countries' 'real' interest, engagement and commitment. Most countries of the region fulfil their duties in Baltic Sea regional co-operation; they do no less but also not much more than that. This is somewhat surprising given the fact that the Baltic Sea Region is currently Europe's only economic growth motor. The countries around the Baltic Sea could play a key role in generating growth and helping the continent return to sustainable growth. At least, appropriate networks and frameworks have been established for playing a more active role in implementing

infrastructure projects that could benefit the competitiveness of Europe more widely.

Baltic Sea co-operation has achieved quite a lot both in real as well as in political terms. The countries cooperate with each other, have close trade relations, and exchange views and experiences. However, there is more to do: overall, huge challenges remain in the region, as the articles of this report have shown. Co-operating effectively with Russia, encouraging the country's interest and commitment in the BSR, and giving the country a sense that its regional involvement is regarded as important by the other countries of the Region, without always giving in to every Russian sensitivity and demand, seems very important. Kaliningrad and its socio-economic development remain a challenge, but also an opportunity for the region. Also, a continued engagement and commitment of the region's outsiders, Norway and Iceland, is due to their, in particular Norway's, resources and experience with regional co-operation – not unimportant for the region. Creating a coherent framework for regional co-operation in order to achieve effective and efficient co-operation, sustainable results, and a 'smart' division of labour, is another task and challenge for the countries of the region and the institutions. A discussion and thinking process on how to create more coherence has been started, some progress has been made, and in some issue areas, more co-operation and co-ordination between stakeholders seemed to evolve fairly smoothly. Overall, concerning the issue of coherence and many other challenges, as mentioned above, the Baltic Sea stakeholders still have quite some work ahead of them. Fighting the challenge of populist movements in all the countries of the region will also remain a major

challenge for them. Perhaps some sort of political co-operation in the form of exchanging views and experiences and jointly trying to strengthen the democratic systems of all the countries could help in this regard.

From a broader European perspective, the EU countries in the BSR have in fact a lot to offer and a chance to position themselves at the *Top of Europe*. This slogan has again become relevant, although it seemed to be abandoned some years ago when the economic and financial crisis in 2008-2011 hit, affecting the Baltic States particularly severely. Today, Estonia, Latvia and Lithuania represent the countries in Europe that have been able to cut back on public spending, introduce wide policy reforms without social unrest, and return to positive growth rates. Estonia and Latvia even had their Prime Ministers re-elected, which is a new phenomenon in the young Baltic democracies. In 2012, the distinction between the unstable (primarily in economic, but to some extent, also in political terms) South and the stable North in Europe became very strong.

This – in some ways favourable – situation has not been conducive for a clearer identity for the EU Strategy for the Baltic Sea Region. It remains to be seen whether the Danish Presidency of the Council of the EU will take new initiatives to push forward the regional dimension of the EU's internal strategy. At the very least, the dual German and Danish presidencies did provide an ideal framework for co-operation in the region. Such a, ideally coherent, framework for co-operation could and even should be used more effectively in the future in order to utilise the region's opportunities, to tackle its problems and challenges and to even offer solutions to Europe's/the EU's general problems.

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About the Baltic Sea Region Think Tank “DeepWater”

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 the 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), we consider it necessary to establish an open and more integrated forum for open discussions on the *state of regional affairs* and to create a *forum of experts*. The idea to establish a (virtual) think tank for the Region emerged a few years ago and has been discussed at different forum, such as the BDF summits. It was intended as an attempt to create a common cross-border platform, aimed at raising awareness, mutual understanding and greater visibility, enhancing the political dialogue 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, the Centre for Baltic and Eastern European Studies (CBEEES) at Södertörn University (Stockholm), and the Department of Northern European Studies at Humboldt University (Berlin), this (virtual) endeavour could be 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 our joint ambitions and endeavours 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. This report is the second of its kind, continuing this endeavour and covering the time period of July 2011 to May 2012. By means of these reports, *DeepWater* has become known to and will gain further recognition from a wider public. We are prepared to continue our endeavours – as a group of experts entirely independent of governments, international organisations and corporate actors. As a means of reaching out to a bigger audience and with hope to further the debate on regional affairs, a special website will be developed during summer 2012.

Baltic Development Forum
The leading high-level network for
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politics, academia and media in
the Baltic Sea Region

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