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EU STRATEGY FOR THE BALTIC SEA REGION (BSR) IN TIME OF CRISIS

1. Description of the Baltic and the BSR¹

The Baltic, an inland, shelf sea of northern Europe – landlocked by the continent – is like a keystone of northern, eastern, central and western Europe. With narrow and relatively shallow straits, Baltic is like a lake connected with the North Sea. Such natural conditions hamper the accessibility of the Baltic Sea, also in technological terms, e.g. for maritime transport.

The Baltic is 420,000 km² in area, whereas its catchment area is 1,721,238 km². This disparity has significant, direct environmental implications. The Baltic is the smallest and the most shallow of the seas, with the average depth of 52.3 m and the maximum depth of 459 m.

The actual shoreline of the Baltic is 22,000 km long, while its general coastline amounts to 8,000 km. The diversity of shore types in the Baltic makes economic diversity possible, both on and off shore (fisheries, maritime transport and forwarding, ports, shipbuilding).

Offshore industries (oil and gas mining from under the sea) have developed strongly in the Baltic. BSR countries make a significant contribution to the development of IT technologies for the maritime economy. When it comes to renewable energy from the sea and the wind, Europe accounts for 55% of global total, 30% of which comes from the BSR.

For the BSR, especially for the coastal regions, seashore-related tourism and recreation are of vital importance, making coastal locations flourish and creating

¹ According to a broader definition by VASAB, the BSR is composed of the countries with (some of) their coastline bordering on the Baltic: Denmark, Germany, Poland, Lithuania, Latvia, Estonia, Russia, Finland, Sweden, Norway [Kisiel-Łowczyc 2000].

many jobs in the service sector. Of the 5 million jobs in maritime businesses in the EU, 3 million are in maritime and especially, coastal tourism. This sector of “soft,” i.e. more environmentally friendly exploitation of the sea does not pose a threat to the Baltic ecosystems. The threat to this sector may be the rapid growth of the “harder” exploitation of the sea (maritime transport, ports, shipyards and offshore), which pollute marine environment and may harm the fisheries and the tourism.

Of the 200 ports in the Baltic, 24 are major ports (4 of them in Poland), where the annual volume of cargo handled exceeds 1 million tonnes; there are universal (different cargoes) and specialist (mostly bulk, e.g. raw materials for energy) ports in this group.

The Baltic is still one of the most heavily polluted seas in the world. The effectiveness of the conventions of Gdańsk (1973) and Helsinki (1974)² has been relatively low, even though they were signed by nearly all the Baltic countries. The factors responsible for this condition of the Baltic waters are directly and indirectly determined by the high level of activity of the Baltic societies, not coupled with the same level of awareness that (economic) development should go hand-in-hand with environmental protection (sustainable development). Baltic waters are adversely affected by:

- high level of industrial development,
- eutrophication – caused, among others, by chemicals used in agriculture,
- rapid urban development – the growth of towns and cities, both old and new,
- transport of energy supplies (oil and gas pipelines) by sea and offshore industries.

There are 9 industrialised countries inhabited by 80 million people in the catchment area of the Baltic – with well-developed agriculture and with different environmental standards. Nearly 250 rivers flow into the Baltic and most of the water comes from rivers of south-eastern Baltic: the Vistula, the Neva, the Neman, the Oder, the Daugava and the Narva. The basins in the estuaries of these rivers are among “the dirtiest,” while the countries of the respective catchment areas are the greatest “suppliers” of industrial, agricultural and municipal wastes. Nearly 60% of Baltic biogenic pollution comes from Poland, Lithuania, Latvia, Estonia and Russia (62% of nitrogen and 69% of phosphorus). Poland is, unfortunately, the leader in this respect, responsible for about 30% of the discharge of either of the substances, which show high concentration in the Gulf of Gdańsk. The hazards related to the construction and operation of underwater pipelines, as well as offshore installations, are difficult to tackle, due to their nature and the specific interests of the countries involved. The sector of the fast-growing “hard” exploitation of the Baltic is responsible for pollution with petroleum derivatives – an indirect consequence of

² On Fishing and Conservation of the Living Resources in the Baltic Sea and the Belts (Gdańsk, 1973), and On the Protection of the Marine Environment of the Baltic Sea Area (Helsinki 1974), with its governing body HELCOM.

the fact that seaborne trade is responsible for 90% of external and 40% of internal trade of the EU.

The unique nature of the BSR and the Baltic countries is rooted in the high and lasting competitiveness globally of this group of countries. Their share in the global GDP amounted to 9.17% in 2004 (the respective share of the enlarged EU stands at 21%). In 2007, the respective figures were 9.3% for the BSR and 24.4% for the EU of 27. The share of BSR in global exports was 16.8% (EU – 12.6%) in 2004, and 16.5% and 11% in 2007. The share in global imports for 2004 and 2007 respectively was 13.3% and 13% (BSR) and 12.8% and 12% (EU). 30% of EU population live in BSR countries, which generate one-third of the Community's GDP.

Table 1. BSR countries – area and population in 2007

Item	Country									
	Germany	Russia	Poland	Norway	Sweden	Finland	Denmark	Estonia	Lithuania	Latvia
Area (000 square kilometres)	356.9 (Baltic part – 70.3)	17075.0 (Baltic part – 102)	312.7 (Baltic part – 39.4)	232.9	450.0	339.7	42.4	45.2	65.3	64.6
Population (million)	82.4 (Baltic part – 12.3)	140 (Baltic part – 7.4)	38.5 (Baltic part – 3.8)	4.6	9.1	5.2	5.4	1.3	3.5	2.2
Age pattern (%):										
0-14	14	14.6	15.2	18.8	16.0	19.0	18.0	15.0	14.5	13.4
15-64	66	71.0	71.4	66.2	65.6	67.0	66.0	67.0	69.5	69.7
65 plus	20	14.4	13.4	15.0	18.3	20.0	16.0	18.0	16.0	16.9

Source: EUROSTAT 2007.

Table 2. GDP *per capita* – growth dynamics in BSR countries – 1997 (in brackets) and 2007

Country	GDP in current prices USD m.		GDP <i>per capita</i> (USD) based on PPP		GDP growth rate %	
Germany	2833.0	(2115)	34 00	(22570)	2.6	(2.5)
Denmark	205.0	(163)	37400	(23909)	1.7	(3.0)
Norway	257.0	(155)	55600	(25880)	4.9	(3.3)
Sweden	333.0	(230)	36900	(20187)	3.4	(2.0)
Finland	186.0	9118)	35500	(9839)	3.9	(4.5)
Russia	2076.0	(473)	14600	(4200)	7.4	(2.0)
Estonia	28.7	(5)	21800	(5000)	7.9	(10.0)
Latvia	40.0	(5)	17700	(3820)	10.3	(5.0)
Lithuania	60.0	(9)	16700	(4600)	8.0	(5.0)
Poland	625.0	(137)	16200	(6300)	6.5	(7.0)

Source: OECD Economic Outlook.

Economic growth of the last decade in the BSR (Table 2), measured by GDP in absolute and relative values, shows great dynamics for the Baltic economies in transition, but at the same time substantial differences of the GDP *per capita* between countries of the western Baltic on the one hand, and the south-eastern Baltic on the other. Increased mutual dependences and interactions between BSR countries, owing to the mechanisms of economic, institutional and spatial integration, have created a unique – in European and global terms – region.

2. EU regional policies in the BSR

As the European Communities/EU enlarged, the differences between regions within the Communities grew. When the 6 founding members of the EEC established an international community 50 years ago, they differed from one another in terms of culture, tradition and historical heritage, but were relatively homogenous in economic terms. Regional disparities widened after the 1973 enlargement of the European Community – GDP *per capita* of Ireland was about 60% of the Community average. The accession of Greece, Portugal and Spain raised Community population by 22%, but its total GDP only by 10% (on accession, Greek GDP *per capita* was 59% of the Community average, Portuguese – 55% and Spanish – 70%).

The Community/EU enlargement was accompanied by deeper economic integration (common market, customs union), stimulating free movement of capital and people. The latter moved from less developed regions to more developed ones, causing further concentration of business activity and faster growth there and widening the regional disparities within the Community.

The 1995 accession of Austria, Finland and Sweden did not boost the disparities, since GDP *per capita* in the new member states did not differ much from the EU average. An unprecedented increase in regional disparities within the EU was caused by the 2004 (2006) enlargement – the accession of transition economies of Central and Eastern Europe. With the new members, the EU *per capita* GDP sank by 13% in comparison with the EU-15 figure. The new members brought in 10 least-developed regions of the EU-27 and not a single most developed one. The most developed regions are those inhabited by 10% of EU population and with a GDP *per capita* 5 times bigger than in the weakest regions.

The origins of EU regional policies, designed to increase economic and social cohesion (in other words, to narrow the gaps in economic growth and living standards between EU regions) date back to the 1st enlargement of the Communities in 1973 (European Regional Development Fund – ERDF). In 1986, ERDF merged with other existing instruments, including the European Social Fund (ESF), into a common regional policy, which is an important element of the EU common structural

policy. Regional policy objectives are modified in subsequent perspectives, as is the funding assigned to their implementation in pan-European scale.³

Parallel to the Baltic enlargement of the EU, a comprehensive approach to the BSR was reflected in the documents of the Commission, developing the framework of future cooperation in the region [“Orientations for a Union...” 1994].

The special significance of the BSR for the European Union and its future relations with the north-eastern neighbourhood is reflected in the Northern Dimension (ND) – a political platform of cooperation introduced in 1997, with significant Finnish involvement. The parties to the ND are the EU, its member states and partnership countries: Iceland, Greenland, Norway and Russia. ND priorities are as follows:

- economic cooperation,
- freedom, security and justice,
- external security,
- research, education, culture,
- environment, nuclear safety and natural resources,
- social welfare and health.

Since the beginning of 2007, the ND has been defined by two documents⁴ of a lasting nature. An important, new, future-oriented feature of the Northern Dimension is its close connection with EU-Russia cooperation, expressed through the regional creation of four common spaces for EU and Russia:

- 1) Common Economic Space,
- 2) Common Space of Freedom, Security and Justice,
- 3) Common Space on External Security,
- 4) Common Space of Research, Education and Culture.

The Northern Dimension has become a genuine and lasting element of the EU northern and eastern neighbourhood policy, supported by the mechanism of three-tier management of cooperation, regular meetings of ministers from countries-parties to ND and the Steering Committee.

Northern Dimension activities have been joined by regional councils of the North, international financial institutions⁵ and, within the framework of transatlantic cooperation, the USA and Canada as observers. There are now two partnerships within the ND:

³ In the 1988-1992 perspective there were 5 objectives, in 1994-1999 – 5+1 (after Finnish and Swedish accession), in 2000-2006 – 3 and in 2006-2013 – 3.

⁴ Adopted on 24th of November, 2006 in the Helsinki Summit: Political Declaration on the Northern Dimension Policy; Northern Dimension Policy Framework, and Implementation of the Northern Dimension Action Plan (SEC 92006) 0729.

⁵ Barents Euro-Arctic Council (BEAC), Council of the Baltic Sea States (CBSS), Nordic Council of Ministers (NCM), Arctic Council (AC) as well as European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Nordic Investment Bank (NIB), and World Bank (WB).

- Northern Dimension Environmental Partnership (NDEP), and
- Northern Dimension Partnership in Public Health and Social Well-being (NDPHS).

The Northern Dimension Transport and Logistics Partnership (NDTLP) will begin operations on 1 January, 2010.

Activities within the ND are getting more and more significant in the rapidly changing global environment for EU external relations and its international position.

The role of the Northern Dimension increases in view of the special UN Arctic conference, scheduled for 2020. It will attempt to make a decision on co-ownership of the Arctic, the ices of which lock the last undivided reservoir of natural resources in the world. This is likely to become more easily accessible because of the Arctic melt. Bilateral disputes on the division of this attractive territory are already under way (USA – Canada, Norway – Russia, Denmark – Canada). Russia claims that the Lomonosov Ridge under the North Pole is an extension of their continental shelf. With the crisis involving all the above-mentioned parties, the role of the BSR and especially the Nordic countries is strengthened by their involvement in the Northern Dimension.

Another form of Community/EU activities in the BSR before 2004 was the Community Initiative INTERREG, adopted in 1990 and aimed at the development of the Community without borders. In successive periods, INTERREG II (1994-1999), INTERREG III (2000-2006) and INTERREG IV (2007-2013) gradually changed into complexes of programme objectives and resources for their implementation within the regional policies (Directorate-General for Regional Policy): cross-border and interregional Structural Cooperation and Cohesion. Each of the INTERREG programmes was divided into 3 components as well as priorities and measures within each of them. INTERREG IIIB (BSR) is funded by the ERDF and co-funded by the recipient countries. This Baltic programme supports trans-national cooperation designed to strengthen the harmonious and sustainable development of the European area. 13 programmes of cross-border cooperation (Objective 3) have been scheduled for 2007-2013, and 3 of transnational cooperation, which unlike the former, are aimed at sustainable and coordinated spatial development.

3. Road map to the EU Strategy for the BSR

In November 2005, one year after the last EU enlargement in the Baltic, 7 members of the European Parliament (EP) established the “Baltic Europe” Intergroup⁶ which submitted to EC president J.M. Barroso a document *Europe’s Strategy for the Baltic Sea Region*. The MEPs saw the need for special treatment of the Baltic and

⁶ Group members: Ch. Beazley (UK, the initiator), M. Gahler (Denmark), S. Hassi (Finland), T.H. Ilves (EE, group chair), G.V. Kristivskis (Latvia), L. Henrik (Finland) and A. Stubb (Finland) – less than 1% of total MEP number (728).

the BSR in view of the higher than the EU-27 average competitiveness of BSR countries,⁷ their business dynamics after 2004, the geopolitical change related to the ND cooperation, which made BSR a unique place within the EU. The document specified four priorities which according to the “Baltic Europe” Intergroup will make a better use of the BSR potential possible as well as greater efficiency of EU institutions and other organisations in the BSR. The priorities are:

- the environment,
- the economy,
- culture and education,
- security,

each duly detailed and substantiated.

The Strategy is an internal, grass-roots initiative, yet it should include cooperation with EU neighbours and debate of joint Baltic activities (among the “Baltic players”).

Even though the effects of the work of informal EP groups like “Baltic Europe” do not bind EU statutory bodies to take action, the efficiency of “Baltic Europe” has affected an EP resolution on the future of the Northern Dimension (16 November, 2005) and a resolution on the strategy for the BSR, suggesting the Commission start work on a strategic documents within a specified framework (16 November, 2006).

A breakthrough in the timeline of the development of EU strategy for the BSR was 2007, when Sweden, previously not showing much activity in this respect, began to promote it more vigorously. In June 2007, at the parliamentary session of the CBSS, Swedish foreign minister Karl Bildt pointed out that the strategy for the BSR should promote the Baltic region as a priority area of the European Union. Sweden was the first country to present its non-paper on the strategy (September 2007). A very comprehensive, matter-of-fact and powerful address was made at the EP by Swedish minister for EU affairs Cecilia Malmström (12 December, 2007), who declared on behalf of her government: “We need European Baltic Strategy that can serve as a model for strengthening growth and competitiveness while at the same time acting responsibly in the field of environment and climate change [...] my government will do what it can to achieve this, both in the run-up to 2009 and during our presidency.”⁸

On 14 December 2007, the Council agreed the conclusions, which were the mandate for the Commission to begin work on BSR issues, and specified the timetable:

- consultations which will be led by DG for Regional Policy (2008),
- EC shall present the Strategy in the form of Communication for the Council before June 2009,
- in July 2009, the Strategy and the Action Plan will be adopted during the Swedish presidency of the Council.

⁷ According to IMD *World Competitiveness Yearbook*, the 2008 ranking positions were as follows: Denmark – 6 (7), Finland – 15 (8), Sweden – 9 (11), Norway – 11 (15), Poland – 44 (57). Figures in brackets show respective positions in 2004.

⁸ Government Office of Sweden, <http://www.regeringen.se/sb/d/8660/a/94598>.

It has been the first time in the history of European integration that all the stakeholders have been invited to take part in a public consultation (questions were asked to citizens, organisations and authorities through a web created for this purpose Regional Policy – Inforegio) and a deadline has been set – 31 December, 2008. The contents of the consultation correspond to the Strategy for BSR priorities formulated by the “Baltic Europe”.

The Strategy will be built upon four general action-oriented objectives:

- 1) to improve the environmental state of the BSR and especially of the Sea,
- 2) to make BSR a more prosperous place by supporting balanced economic development across the BSR,
- 3) to make the BSR a more accessible and attractive place for both its inhabitants, for competent labour force and for tourists,
- 4) to make the BSR a safe and secure place.

Some key questions were asked about each of the objectives, and about relevant governance issues (actors responsible for action, funding opportunities, policy design, implementation, cooperation). Participation in the public consultation was from:

- governments of Baltic countries of the EU and Russia, Belarus and Norway (8+3),
- regional and local authorities (31),
- NGOs and intergovernmental bodies (48),
- experts and business representatives (10) taking part in numerous meetings, 2 conferences, 4 roundtables and submitting official papers to the Commission,
- 20 Directorates-General of the EU which all contributed in their field of expertise.⁹

The largest number of responses came from Sweden (14) and Finland (9); 7 concerned environmental issues and 8 were expert reports. Conclusions (published on 31 March, 2009) of the public consultation conducted during the deepening crisis concern:

- Governance,
- Priorities.

No new institutions or regulation specific to the implementation of the objectives of the Strategy are provided for, as the existing ones are duly equipped to plan and implement the activities. It has been finally agreed that the foregoing priorities 1-4 of the Strategy are most important for the BSR.

The Strategy will be submitted to the Council, together with the Action Plan. The latter will be flexible and possible additional activities may be introduced. The EU Strategy for the BSR, the Swedish government declares, is going to be the priority of Swedish presidency (starting 1 July, 2009). The strategy is expected to be adopted in late 2009, and implementation will start in 2010. No new financial

⁹ Summary of the results of consultation. EU Strategy for the BSR. Report on public consultation. Regional Policy – Inforegio.

instruments are planned for the EU Strategy for the BSR, only better coordination and more effective use of those already present in the region:

- TENs,
- structural funds,
- 7th Framework Programme,
- LLL,
- CIP.

Many convergence, competitiveness and cooperation programmes in the BSR in 2007-2013 are ERDF co-financed and more consideration should be given to the specific nature of the BSR in project assessment (criteria). Certain problem areas (the environment, transport networks, maritime infrastructure, security, public health) in the BSR will have to be coordinated with objectives and instruments of the ND [Asgrimsson 2008].

The Strategy is an internal EU document (regional policy, social, economic and political cohesion), yet its priorities imply clear external interaction in areas of security, security of energy supplies, protection of the environment, going beyond the BSR and the EU.

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