

EU BALTIC SEA STRATEGY



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ABBREVIATIONS

AC	Arctic Council
AEPS	Arctic Environmental Protection Strategy
ALDE	Alliance of Liberals and Democrats for Europe
BaltMet	Baltic Metropolises
BCCA	Baltic Sea Chambers of Commerce Association
BDF	Baltic Development Forum
BEAC	Barents Euro-Arctic Council
BEAR	Council of the Barents Euro-Arctic Region
BENELUX	Economic Union of Belgium, The Netherlands and Luxembourg
BFTA	The Baltic Free Trade Area
BSCE	Black Sea Economic Cooperation Pact
BSPC	The Baltic Sea Parliamentary Conference
BSR	Baltic Sea Region
BSSSC	Baltic Sea States Subregional Cooperation
CBSS	The Council for Baltic Sea States
CFSP	Common Foreign and Security Policy
CEFTA	Central European Free Trade Agreement
CIS	The Commonwealth of Independent States
COMECON	Council for Mutual Economic Assistance
CPMR	Conference of Peripheral Maritime Regions of Europe
EBRD	European Bank for Reconstruction and Development
EEA	European Economic Area
EEC	European Economic Community
EFTA	European Free Trade Agreement
EGP	European Green Party
ENP	European Neighbourhood Policy
EP	European Parliament
EPP	The European People's Party
ERDF	European Regional Development Fund
EU	European Union
ESDP	European Security and Defence Policy
ESDP	European Spatial Development Perspective
GUE	European United Left
HELCOM	Helsinki Commission
INTERREG	Community Program aiming to stimulate inter-regional cooperation within the EU
NATO	North Atlantic Treaty Organization
NC	Nordic Council
NCM	Nordic Council of Ministers
ND	Northern Dimension
NDAP	Northern Dimension Action Plan
NDEP	Northern Dimension Environmental Partnership

NDPHS	Northern Dimension Partnership in Health and Social Wellbeing
NDI	Northern Dimension Initiative
NEFCO	Nordic Environment Finance Corporation
NGO	Non-Governmental Organisation
NIB	Nordic Investment Bank
OECD	Organization for Economic Cooperation and Development
OSCE	Organization for Security and Cooperation in Europe
PCA	Partnership and Cooperation Agreement
PHARE	Assistance for Restructuring the Economies of Poland and Hungary
PSE	Party of European Socialists
UBC	Union of Baltic Cities
UEN	Union for Europe of the Nations
TACIS	Technical Assistance program for the Commonwealth of Independent States
VASAB	Visions and Strategies in the Baltic Sea Region

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Political Challenges for the Baltic Sea Region

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1. Towards the Strategy

The effort towards the EU Baltic Sea Strategy was set off in December 2007. The mandate given by the European Council to the European Commission reads:

“Without prejudice to the integrated maritime policy, the European Council invites the Commission to present an EU strategy for the Baltic Sea region at the latest by June 2009. This strategy should inter alia help to address the urgent environmental challenges related to the Baltic Sea. The Northern Dimension framework provides the basis for the external aspects of cooperation in the Baltic Sea Region. (Brussels European Council, December 14, 2007, Presidency Conclusions).

The mandate draws attention to three issues. The first notion is that the preparation of the strategy must take place “without prejudice to the integrated maritime policy”. The statement refers to the preparation of the integrated maritime policy that has received the status of an Action Plan (2007).

The maritime policy development may well lend the philosophical foundation for the Baltic Sea Strategy as well. The official wording in the Communication of the Commission reads:

“New integrated maritime policy will truly encompass all aspects of the oceans and seas in a holistic, integrated approach: we will no longer look only at compartmentalised maritime activities, but we will tackle all economic and sustainable development aspects of the oceans and seas, including the marine environment, in and overarching fashion”. (Communication from the Commission to the European Parliament, Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Conclusions from the Consultation on a European Maritime Policy (COM(2007) 574 final, COM(2007) 575 final))

It seems logical that the Baltic Sea Strategy should also “encompass all aspects”, should provide a “holistic, integrated approach” and “tackle all economic and sustainable development aspects” of the Baltic Sea Region. Of course the Baltic Sea Strategy shall be a global policy area that has implications to the Integrated Maritime Policy.

For the second, the mandate gives a priority “to urgent environmental challenges related to the Baltic Sea”. The priority reflects the factual situation. Expert reports after another highlight the alarming environmental deterioration of the region. The public consciousness is high and increasingly anxious of the situation. Pressures to take actions by the authorities are mounting. The notion “Urgent environmental challenges related to the Baltic Sea” stems both from the actual environmental state of affairs in the region and from public pressure.

The concern is reflected in first policy documents of the member states' governments on the strategy. The environmental concern shall undoubtedly dominate the preparations of the Strategy as well as public hearings to be organised. "Urgent environmental challenges" are main motivation for the strategy and much of its contents shall be built on them.

As the third element of the mandate is the reference to the external dimension of the strategy in reference to the Northern Dimension. No doubt, the position of Russia as an adjacent area to the Baltic Sea Region is in question here. But equally relevant are the regions covered by the Neighbourhood Policy of the EU in the Baltic Sea neighbourhood, Belorussia and Ukraine in particular. Events in summer 2008 suggest that the external dimension shall become a focal issue by the time of the adoption of the strategy in 2009.

The initiative for a Baltic Sea Strategy was taken by the European Parliament years before the European Council mandate. The Parliament adopted a resolution on the Baltic Sea Strategy for the Northern Dimension already in 2006. (European Parliament resolution on a Baltic Sea Region Strategy for the Northern Dimension (2006/2171(INI)). The resolution makes, *inter alia*, the following notion:

The parliament ... "Urges the Commission to come up with a proposal for an EU Baltic Sea Strategy in order to reinforce the internal pillar of the Northern Dimension, cover horizontally different aspects of regional cooperation, promote synergies and avoid overlapping between different regional bodies and organisations; invites the Commission and the member states to adjust the responsibilities of their administrations in order for them to be able to employ a horizontal approach when devising and implementing the Northern Dimension policy."

The approach of the European Parliament is considerably wider than the mandate given by the European Council. The Parliament Resolution sees the Strategy reinforcing "the internal pillar of the Northern Dimension". This suggests that the Northern Dimension is the framework and the Strategy its internal pillar. The Council mandate sees the Strategy as an autonomous internal strategy and the Northern Dimension as its external dimension. Differences reflect a major difference in argumentation.

The Parliament refers to the horizontal dimension of the Baltic Sea Strategy and points to a highly relevant but sensitive issue: the lack of synergy and the existing overlapping between different regional bodies and organisations. It also refers to the adjustments of responsibilities of the member states in the region to make them able to apply horizontal measures. This element does not appear in the European Council mandate, which is very short and general.

Actors in the Baltic Sea Region have pointed also to wider perspectives and needs of the Baltic Sea issues. Such is for instance the Declaration of the Council of the Baltic Sea States (CBSS) in Malmö on 13 June 2007 on a Renewed Baltic Sea States Cooperation. The Declaration inter alia notes:

“The Council also acknowledges the new challenges for the Baltic Sea Region in an increasingly competitive global environment and thus the demand for reconsideration of the content and forms of cooperation, and the need to further develop coordination with other regional councils in Northern Europe, taking into account the implementation of the new Northern Dimension policy”. (Declaration of the Council of the Baltic Sea States on 13 June 2007 on a Renewed Baltic Sea States Cooperation)

The Malmö declaration refers to the need for reconsideration of the existing content and forms of cooperation. The Declaration also points to the need to further coordinate activities with other regional Councils in Northern Europe. This is a reference to the fact the Baltic Sea already has wide range of coordination activities and institutions whose reform needs attention as well. The CBSS Declaration is a voice from the region.

The preparatory work for the strategy is assigned to the DG Regio. The first draft of the Strategy shall be presented in the last trimester of 2008 and the stakeholders consulted during several events to be organised in the Baltic Sea Region. According to the information from the Commission, the aim of the Strategy will be to coordinate the efforts of various actors in the region (member states, regions, financing institutions, the EU, pan-Baltic organizations, non-governmental bodies etc.) so that by working together they would promote a more balanced development of the region.

Furthermore the Commission lists four main objectives to the Strategy: to improve the environmental state of the Baltic Sea Region and especially of the Sea; to make the Baltic Sea Region a more prosperous place by supporting balanced economic development across the region; to make the Baltic Sea Region a more accessible and attractive place for both its inhabitants, for competent labour force and for tourists and to make the Baltic Sea Region a safer and more secure place.

The purpose of the present endeavour is to make a contribution to the building of the Baltic Sea Strategy from a perspective of political framework into which the drafting of the strategy and the strategy itself could be placed. The intention is to observe the existing political and institutional setup in the region. The report also pays attention to the external dimension of the strategy.

The adaptation of the strategy shall take place in a turn of a political cycle of the European Union. The new Parliament, elected in June 2009, shall reflect the political landscape in the Union. The new Parliament shall accept the new

Commission. Its composition as well as definition its portfolios shall reflect the result of the Parliamentary election.

The Committee for Regions, relevant for the strategy implementation, shall have a new combination of representatives as well The Strategy shall be made operational in a new political environment. How the Presidency is organised and how the external relations administration in the Commission are going to be organised, may well be open questions due to the uncertainty concerning the future of the Lisbon Treaty. This all brings an element of uncertainty to the implementation phase of the strategy.

2. The Framework: Europe of Olympic Circles

Regionalisation had its first wave in connection to the fall of the Cold War. Numerous initiatives for regional arrangements among the transition countries were proposed and realised in the early years of the 1990's. The Baltic Free Trade Area (BFTA) was signed in 1993. Central European Initiative (CEI) and the Central European Free Trade Agreement (CEFTA) reflect the first wave of new regionalisation in Central and Eastern Europe. The Commonwealth of Independent States (CIS) and the Black Sea Economic Cooperation Pact (BSCE) belong to the same genre with different motivation. South-East Europe experienced the same trend few years later.

The enlargements of 2004 and 2007 gave a boost to regionalisation. Enlargements made Membership to grow from 15 to 27, widened the Union territory but at the same time contributed to the EU to diverse. Conditions and challenges in various parts of the Union are increasingly diverse. The increasing heterogeneity and the sheer number of Member States with diverging national interests have pushed the Union towards differentiation.

A long-lasting political impasse in institutional reform efforts has contributed to the emergence of differentiated integration model. Idea of differentiated integration or subgroup cooperation or Europe of many speeds has been on the agenda of debates for years. It is also recognised in Treaty reforms since the Amsterdam Treaty as a concept of enhanced integration.

The overall idea if differentiation is that member states consider closer cooperation between like-minded partners as a viable option. They practise it either in the Treaty framework (EMU, early Schengen) or as intergovernmental cooperation that may be transformed into Community policies by time (Schengen, Prüm Convention, Common Foreign and Security Policy).

Regionalisation is a version of differentiation on a territorial base. Regionalisation as a form of differentiation stems from the simple fact that member states geographically close to each other share common history, common values and common interests in a variety of issues. Communalities encourage regionalisation. Member states geographically close to each other find common interests in a variety of issues.

The way from a relatively homogeneous EEC 6 to EU 27 and beyond deeply affects the integration process as such. Geographical homogeneity has been lost, physical, political and economic diversity has been amplified and the geographical proximity has got a new meaning. An example of diversity is that the four seas of the Union (The Mediterranean, the Atlantic, the Baltic Sea and the Black Sea) cannot be ruled by identical rules and norms. The conditions fluctuate between the regions. This is seen concretely in the EU Maritime policy field.

Figure 1: Europe of Olympic Circles



Furthering regionalisation takes Europe towards Europe of Olympic Circles. Five mega-regions are emerging. The Mediterranean region has been seen as a

region since the third enlargement of 1987 which made the Northern part of the region a part of the EU. The Accession of Malta and Cyprus in 2004 strengthened the Mediterranean dimension in the EU.

The Mediterranean Olympic Circle is a part of a wider Mediterranean dimension established by the Barcelona Process. The Barcelona Process was set up in 1995 and has gradually developed into a Euro-Mediterranean partnership. The Partnership consists of 39 countries and 750 million people. The proposal by France for the establishment of the Mediterranean Union takes the dimension, or the Olympic Circle, further.

Visegrad cooperation was initiated in the 1991 between Poland, Czech Republic, Hungary and Slovakia. The Visegrad Group, or V4, declares in its homepage: "they (i.e. member states) have always been part of a single civilization sharing cultural and intellectual values and common roots in diverse religious traditions, which they wish to preserve and further strengthen". (<http://www.visegradgroup.eu/>). The statement aims at furnishing the Visegrad circle with an idea of a common identity.

The formation of the Visegrad Group is an element in the post Cold-War reconstruction of Europe. Its main motivations were linked to the elimination of the remnants of the socialist bloc in Central Europe. It was also part of overcoming historic animosities between Central European countries although by the same token the Founding Fathers stressed the historical links between the nations. Participation into the European integration process and cooperation to achieve that aim was a central motivation.

Visegrad cooperation gained new impetus after the 2004 enlargement. It was originally initiated as a part of the accession process, was later practically put on hold but has been re-vitalised after the accession of the Visegrad countries to the EU and NATO. The volatile adjacent region has been a motivation for re-vitalisation as well.

Of the five Olympic Circles in Europe the *Danube Region* is in the early stages of regionalisation. The Danube Commission (<http://www.danubecom-intern.org>) has been in place since 1948. It was initially established for the coordination of the use of river Danube. The post Cold War period has motivated for new regional bodies such as for instance The International Commission for the Protection of the Danube River. The Commission covers currently 13 countries of the region. The unifying factors for the Commission is the river Danube and of course the Membership in the European Union. Among the new steps is the establishment of Donauhans Project in 2003 (<http://icp.donauhans.net/>). Its name refers to the "Hanse", the alliance of Northern German cities.

The Danube Region shall draw main attention of European economic and political development in coming years. The likely accession process of Western Balkans shall be a European priority. Europeanization shall integrate the region internally and link it to the European Union as well.

The circle of Western Europe has the traditional Franco-German cooperation as its core. It is hard to predict whether the “powerhouse” of Europe shall turn into mega-region of its own. Critical element of the Circle of Western Europe is the future of the Benelux coordination. (<http://www.benelux.be/>) Benelux has lost its traditional cohesion and may in the future be seen increasingly as part of a wider Western Europe. An idea of a North Sea Dimension has also been echoed.

The Olympic circles have integrating and diverging elements. A strong common feature is that they all emerge and operate within the European Union. European integration is in many ways a driving force towards regionalisation. Regional cooperation brings added value in advocating national interests and setting the national agendas.

Inevitably regionalisation has an external dimension as well. Adjacent regions outside the European Union neighbourhood are affected by regionalisation. The advance of Olympic Circles shall attract the interest of bordering actors. The Mediterranean Circle covers initially a wide area of non-EU Members. The regions of Baltic Sea, Visegrad and Danube all are bordering regions of the European Union and are bound to have an external dimension of high importance.

The Olympic Circle system is flexible. Historical experiences as well as economic and social conditions vary from region to region. The circles are not exclusive either. Individual countries may belong to more than one circle. Germany, for instance, belongs to the Baltic Sea circle, is a core country in the Western European circle and must be included also into the Visegrad circle. Poland belongs to the Visegrad circle being an important actor in the Baltic Sea circle at the same time.

Regionalisation is far from being a universal concept. The dominant scholarly debate analyses region building from a constructivist perspective. Constructivism emphasises common ties from history, cultural communalities of the nations participating in regionalisation, shared knowledge and social and normative institutions. It has a strong element of a self-defined community of interests. Constructivist approach thus pays attention to processes how regions are socially constructed and consolidated. An often cited concept reflecting constructivist accounts is the reference to the Hanseatic tradition.

The emergence of the “Olympic Circles” is a direct consequence of “new regionalism” in Europe. “New regionalism” refers to the background of the phenomenon: it is a part of globalization as well as an element in re-organising

Europe after the collapse of the Cold War system. The emergence of globalism calls for new governance. As a part of that strengthened role of regions and regional institutions are needed.

“New regionalism” extends regionalism beyond trade relations which established the regional arrangements based on free trade. “New regionalism” includes elements of harmonising of market regulations, legal regulation, liberalising movements of labour and investments and setting up institutional structures needed for governance and coordination. At its best “New regionalism” creates identity and common commitments to the outside world. The European Union is the most advanced product of “New regionalism”.

In Central and Eastern Europe “New regionalism” was pushed forward by an almost complete reorientation and restructuring of international trade of the former socialist countries and the fall of the regional trading block, the COMECON. In the Baltic Sea Region three Baltic Countries and Poland returned to the regional system where they previously were parts of.

European integration as such contributes to the emergence of “new regionalism”. In the early stages of transformation the EU pushed for regional arrangements. This by and large gave birth to the Visegrad cooperation. Accession instruments encouraged the same development. The accession dimension is seen in the regional cooperation of the three Baltic Countries as well.

The experiences of the enlargement process of the early 1990’s demonstrated that the accession was greatly helped and the adaptation of new Members settled down by the experiences that the acceding nations had from regional cooperation in Efta. The European Union therefore urged the Accession Countries to enter into regional cooperation.

3. The Baltic Sea as an Olympic Circle

The Baltic Sea hosts eight member states of the European Union. It is thus a “one third” of the EU and an emerging mega-region of Europe. Challenges for the Baltic Sea area are diverse and manifested. The region was for almost 45 years divided by the Cold War. Regionalisation was not possible comprehending the region as a whole. Neither was regional identity able to develop. The Cold War divide never materialised in an open military confrontation which obviously is a positive element for the future regionalisation.

The Baltic Sea Region constitutes a core of historical “North-eastern Europe”. “North-eastern Europe” covers the Baltic Sea Region plus Germany, North Sea,

Arctic, Russian and East Central European peripheries. For centuries the concept was applied to medieval Scandinavian Kingdoms, the Polish-Lithuanian Commonwealth and Lord Novgorod the Great and Muscovy. In recent history concepts “Fennoscandia”, the entity consisting of Scandinavia and Finland as well as “Baltoscandia” encompassing “Norden” and Estonia and Latvia, are attached to the conceptualisation of the European North as well.

“Baltic Sea as a Sea of Peace” was often echoed during the Cold War Years. In reality the region was an area of negative peace: the absence of war or violence in inter-state relations but the lack of positive cooperation. Finnish-Soviet relations marked an exception. The Soviet propaganda often referred to this relationship as an example of the possibility to create of a fruitful relationship between “countries with different social systems”.

Identifying existing challenges requires awareness and innovative attitudes as well as new visions and methods for the actors of the region. The Baltic Sea Region hosts a variety of different participants and contributors at various levels. Therefore more coherence and focus is needed. The Baltic Sea Region needs actions to fully exploit existing instruments and policies but also to develop new forums of cooperation that will better fit in needs and challenges. It also calls for new forms of authority and patterns of collaboration. In its best, the Baltic Sea Strategy might be of a great value in this respect.

Historical institutionalism rather than the constructivist approach is applied here as a framework of analysis. Regionalisation is understood to be path dependent. Original policy choices and commitments lead to institutionalisation. Institutionalisation is a wide concept meaning not only formal or treaty-based institutions but also referring to regularised forms of conduct of behaviour and governance.

Path dependency means also that history and regularized forms of conduct are more important than individual public policy decisions. Politicians are more gardeners than builders. Regions do not necessarily have natural geographical borders, but politically set boundaries.

Important choices in region-building are the questions who and what belongs to the region, who are the actors of a certain region and which are the policy issues that should be included to the spectre of regional cooperation. Political decisions and political actors define and then nurture regions, deciding who and what belongs to a certain region and who or what is left outside. Regions are produced through path dependent political projects that aim at region building.

Region building unavoidably has a *realpolitik* –dimension. States enter into cooperation with other states in the region in order to achieve mutual gains and benefits that they would not gain by operating unilaterally. Mutual cooperation

needs coordination which often leads to common institutions and reciprocity as conduct of mutual relations.

Path dependency works in coordination of policies as well. States geographically close to each other find mutual interests and enter into coordination and cooperation on a pragmatic base. Mutually satisfying experiences from coordination in one sector encourage same states to engage in cooperation in other issues as well. This is seen as a spill-over effect.

Enhancing functional spill over was for decades the foundation of European integration. Experiences from the functional period of European integration teach that institutionalisation follows spill over in order to maintain the achievements and to secure the advance of the process. Regionalisation as a path dependent process calls for institutionalisation to secure the achievements.

The Baltic Sea Region meets the basic requirements for further regionalisation. States in the region share common norms, similar policy-making processes and comparable economic structures. These necessary requirements are met by the eight member states of the European Union through the EU membership. The only state fully outside the EU, Russian Federation, does not, however, meet the criteria and thus possesses a particular challenge.

As a region in the European Union the Baltic Sea constituency is divided by a great number of cleavages. The small states – large states divide is obvious. It manifests itself in concrete decision-making situations only in rare occasions. But the large states often exploit their position in terms of steering power. They enjoy prestige that gives natural weight to their argumentation. This is everyday phenomenon in the EU framework at large.

In the Economic and Monetary Union the region is divided as well. In welfare issues the divide still exists. In security policy domain the eight EU Member States have different solutions. And first of all, history constructs dividing lines that somehow should be recognized if not settled. In a number policy issues divides appear and disappear.

3.1. Path Dependency at work - "Norden" meets Baltic

In the Baltic Sea Region "Norden" has been the key provider of path dependency. The only element of regionalization in the area during the Cold War period was the emergence of "Norden" as a decisive unity in the world scene with a Nordic identity. "Norden" is a complexity of common identities and a shared mental map but also of a high density of institutionalised interaction, at state level as well as at the level of civil societies.

As a result of the fall of the Cold War period the Nordic states were faced with challenges of a new environment. They were offered a window of opportunity to become more engaged in their adjacent region. Seizing the opportunity led to new dialogue and co-operation between the Nordic and Baltic states. The needs of assistance and support were recognized. This expanded the path dependency of regionalization to cover the Baltic Countries.

The new role fitted well to the traditional policies of the Nordic Countries. The motives and driving forces governing the Nordic states' foreign policies towards the Baltic States did not differ much from their traditional commitments to peace, order and reduction in economic underdevelopment. One could argue that the Baltic dimension was a new element of traditional Nordic internationalism that expresses itself since the 1960's in various development aid activities and in promotion of solidarity.

Initially the Nordic States offered traditional forms of cooperation and assistance for economic reforms and democratisation. The opening of the accession process of the Baltic Countries marked a shift in the Nordic approach. Socialisation for the accession countries became central. Socialisation was a necessity for the adaptation to the *acquis* of the Union. European Union pre-accession instruments played a vital role in the socialisation process. Civil society organisations as well were instrumental in the "return to Europe" of the former socialist societies.

The existing Nordic institutions served as instruments of socialization. However, the deliberate will to keep the Nordic institutions as "Nordic" marked that a kind of a "godfather phenomenon" was present. The Nordic governments initiated a good number of programs and projects in a number of fields but kept the partners at distance in institutional terms.

Wider European institutions played a role in socialization as well by providing a setup for the entrance of the new EU Member States to Western European social and political realm. Key institutions were the OSCE and the Council of Europe. NATO stood out as an equally important platform. Yet membership in the EU was the last and most demanding step in socialisation, albeit entrance by no means signalled an end to socialisation. Adaptation both to the institutions and to the culture of collective decision-making in the European Union is a learning process.

The Nordic internationalism in the Baltic Sea Region rests on soft power. Three observations need to be made. First, a tense cooperation between sub-national actors across the borders is a particular Nordic dimension. In "Norden" local authorities (cities and municipalities) enjoy a high level of autonomy and sovereignty. This encouraged the establishment of a wide twin city networks in the region.

Secondly, spatial planning became an important tool in transmitting the values and best practises of “Norden” in the region. Spatial planning is undoubtedly a common ingredient of the ideology of “Norden” and the Nordic welfare society. The key instrument in spreading social innovations of “Norden” was VASAB (Visions and Strategies in the Baltic Sea Region). The process was initiated by the Swedish Government in 1992 (Karlskrona Conference).

WASAB developed into an established institutional framework. It is also linked to the European Spatial Development Perspective (ESDP) and is thus part of transforming the wider European spatial dimension. Throughout the 1990’s VASAB provided an important framework for transformation of the region in a framework of spatial planning.

Thirdly, the Nordic Intergovernmental organisations took an active role as well. The Nordic Council of Ministers introduced a special project with Adjacent Areas. The Adjacent Areas Programme promotes democracy and stability in areas adjacent to the Nordic Countries. Following this idea Nordic Information Offices were established in the Baltic capitals in 1991. The program was expanded to cover North-West Russia in 1994 and an information office was opened in St. Petersburg in 1995.

The Adjacent Areas Program strengthens the presence of “Norden” in the region. Nordic influence relies on soft elements of presence such as place of “Norden” in the perceptions and expectation of other actors. The “Nordic Model” as such is often seen as an attractive model in the eyes of many actors in the region and elsewhere in Europe as well. The Nordic model seems even to offer the “holy grail” to EU decision-makers: “highly competitive, world-beating economies with none of the brutal social inequalities of the classic American model of economic reform”.

The Nordic model of regionalism has had and still has important implications in the region. Soft methods of influence, disseminating best practises (if not models) and attention to adjacent regions still are relevant elements of the Baltic Sea cooperation. The major handicap, however, is that the path only covers the three Baltics, modestly Poland but does not touch Germany.

The 1990’s marked, however, a disintegration of Norden. Finland and Sweden joined the European Union in 1995 while Norway in a referendum stayed outside being, however closely tied to the internal market of the Union through the EEA – solution. Later the three Nordic member states became divided by the joining of Finland to the European Monetary Union and euro. Finland and Sweden have taken a full commitment to the EDSP while Denmark employs an opt-out but is a full Member of NATO. In spite of common values and converging interests in many areas they do not constitute a Nordic Block inside the European Union.

There was no natural border that kept the Baltic States away from Europe. A much cited axiom in the Baltic Sea Region therefore has been that by joining the European Union, the new member states “returned to Europe” and that after the years of Cold War division of Europe the Baltic Sea Region returned to its historical roots.

The re-independence of the Baltic States and their “return to Europe” shaped the region’s political environment. The unwillingness of the Norden to open its institutions for the re-independent Baltic Countries forced them towards regionalisation of their own. The Baltic Countries created two main common institutions: the Baltic Assembly (BA) and the Baltic Council of Ministers (BCM). The first is inter-parliamentary assembly; the second represents the executive power.

The Baltic trilateral cooperation is association between three small Nation States which share similar challenges. The priorities of the trilateral cooperation are set by the Baltic Assembly for the year 2008 in three main challenges: A common Baltic energy strategy (strengthening the reliability of energy production and supply, energy efficiency, energy saving), parliamentary contribution forming democratic relations with European Union neighbours and cooperation in fighting cyber crimes; security of information space.

The main value of the Baltic Assembly lies in the opportunity for parliamentarians of the Baltic States to come together and to discuss problems and issues of mutual interest. Although decisions made by the Baltic Assembly are only advisory, they urge national parliaments and the Baltic Council of Ministers to coordinate actions and to solve the problems on parliamentary and governmental levels. The Baltic Assembly plays an important role as a mediator between the states in finding solutions to problems of common interest.

The respective intergovernmental body, the Baltic Council, has had a more European oriented approach. The memberships in the EU and NATO have dominated the intergovernmental dimension of the Baltic cooperation. The European dimension seems to remain in the forefront of the Baltic intergovernmental cooperation. Finding the balance between inter-regional cooperation and the European dimension is sometimes difficult to achieve. The primary function of the Baltic Council may well be to create added value for the three countries in the wider European cooperation.

For both the Baltic Assembly and the Baltic Council the Nordic as well as the Benelux experiences are important references. Cooperation among the Baltic Assembly, the Nordic Council and Benelux countries has strengthened particularly in recent years. For the Baltic Council intensive cooperation with Nordic countries has been thorough and meaningful. In a same way the frameworks of the NB8 (Nordic-Baltic 8) and 3+3 serve as platforms for

cooperation. Self evidently the Council of the Baltic Sea States is an important reference for the Baltic Countries.

No matter how important the path dependent model of Norden was for regional cooperation between the Baltic States, the single most important unifying factor in the end was prospective NATO Membership. Membership in NATO was a clear priority for the Baltic States. NATO insisted the three countries to practise regional cooperation to fulfil the Membership criteria. A number of joint military projects were established from the mid-1990's.

The Baltic Sea Region is now entering the third wave of regionalisation as an internal sea of the European Union. The Baltic Sea Identity and the common idea of the Baltic Sea community need to be strengthened and actors motivated. Baltic Sea Region therefore deserves special attention and indeed, a common vision or at least more than an action plan.

3.2. The Region of Small States needs commitment of larger member states

The pattern of powers in the Baltic Sea Region is a miniature of the European Union at large. Medium-size nations comprise the majority of the EU 27 (15) of the Member States of the European Union. Large and small states share the other half with equal fractions (six each) in the EU-27. Of eight EU members in the region six belong to the two groups equally representing medium powers and small states (3 each).

Measuring size is a complex issue. Traditional measures are based solely on quantitative and measurable criteria such as territorial size, population criteria, economic power and military capability. But in modern world these factors do not solely determine the success and power of nations. Cultural factors, ability to focus policy aims and aptitude to exercise influence by using the available political and economic institutions are instruments of power as well. Small states often are able to combine external unity and internal cohesion, to speak with one voice easier than larger states.

Small states emphasise coalition-building and co-operation. Cooperative and technical capabilities often make them successful in diplomatic actions. These capabilities can be specified as a mixture of entrepreneurship, diplomatic knowledge and the ability to manage the knowledge of functional issues that are the objects of international co-operation.

This encourages small states to take roles beyond their measurable capabilities. They take the initiative in drafting action plans and proposals for co-operation. In the Baltic Sea Region the Finnish initiative for the Northern Dimension is a good example. Instead of power-related instruments, they have to rely on diplomatic behaviour, co-operation and friendliness. Their diplomacy is often issue-specific and mission-oriented, crossing the ideological and regional boundaries. These countries are free from hegemony baggage, and therefore are less limited in their actions and able to seek more creative solutions.

Functions of small and middle powers are threefold: to conciliate, to interconnect and to integrate, in other words, to mediate and moderate. This can take place within the institutions, between the institutions or entirely outside them. Because of their more limited resources, they usually calculate which topics are important enough to act upon. The Baltic Sea Region offers a good platform to practise these roles and practises. As an indication of this is the practise of 3 + 3 cooperation (Nordic States + Baltic States).

A major challenge of the Baltic Sea Region strategy is to draw the attention of Poland and Germany as Baltic Sea Countries to the region: to help them to see their "Baltic Seanness". The geographical orientation of the leading country, Germany, as well as the other large member state, Poland, is more to central Europe than to the Baltic region.

The Baltic Sea Region does not have a similar priority for Germany and Poland than it is for small and medium-sized member states. They see the Baltic Sea in a wider framework of pursuing their national interests depending on the issues. They have a multidimensional territorial agenda where the Baltic Sea is one element. They evaluate their Baltic Seanness from a perspective of interests and define their commitment by the added value that the Baltic Sea can bring to them.

Germany addresses her greatest attention to Franco-German collaboration. It seems that Poland, for her part, looks for common interests with larger member states as well. However, both have important interests in other Olympic Circles as well.

The power and voice of the region in the European Union is largely based on the weight of Germany. Germany is the largest country in the Union, population wise and in economic power. It stands for more than one fifth of the GNP of the Union and has the highest number of seats in the European Parliament. It also has the highest number of votes in the Council. In addition the German participation is needed for the realisation of the 62 per cent criterion of population for a blocking minority as defined in the Treaty of Nice.

Therefore enhancing the Baltic Sea attraction in Poland and Germany are key issues for the other actors of the Baltic Sea Region. This can be done by

increasing political cooperation and communication of Baltic and Nordic States with the Northern States of Germany and the Northern Provinces of Poland. This already happens in cooperation between local authorities in the region. An element of lobbying on the Baltic Sea issues should be employed from Northern Germany and Poland to Berlin and Warsaw.

The accession of Estonia, Latvia, Lithuania and Poland to the European Union has opened the debate of the distinct nature of the Baltic Sea Region and indeed the question of the Baltic Sea Region identity. The conceptualisation of the Baltic Sea is a part of an ongoing process of identifying historical regions in Europe. Stefan Troebst sees a historical region as ..” construction of a meso-region which over a long period of time is characterised by an individual cluster of social, economic, cultural and political structures and which is larger than a single state yet smaller than a continent—‘Scandinavia’ or ‘the Balkans’ being classical examples.”

4. The Baltic Sea Governance

The emerging division of labour between the central Governments, local authorities, the market, and indeed the European Union, is a future challenge for the Baltic Sea Region. No common model for the division of labour exists. On the contrary, differences in history and tradition as well as in law furnish diversity in the region.

The European Union is conventionally seen as a system of multi-level governance. Authority is not concentrated but dispersed across various levels of government as well as between actors. Multi-level governance illustrates the complexity as the main feature of the European system by putting an emphasis on variability, unpredictability and the ‘multi-actor’ feature.

But States do not govern in isolation and with exclusive powers. The process of governing encompasses a multiplicity of political, legal, social and executive actors that operate along and across various levels of authority (regional, national and supranational). Multidimensionality is an essential feature of the European Union governance.

The dynamism of European governance stems primarily from the fact that the competencies and functions of the various levels have not been finally laid down and perhaps never will be. Adherents of the multi-level governance approach concede that they do not have particular expectations of the dynamics of the European system beyond the notion that the boundaries between various levels of governance will become increasingly less clear cut.

4.1. Sub-Regions as Entrants of the 1990's

The significance of sub-regions and local authorities is emphasised by their proximity to the citizens and markets. They produce density that helps to provide intensifying learning, reflected in universities and other higher learning institutions. The variety of possibilities and openness associated with urban areas makes them important places of innovation and produce assets that attract businesses. They are also natural nodes for transportation and logistics.

Local and regional authorities in the Baltic Sea Region have become aware of their strategic importance. They have entered into actions that improve their possibilities to advance the competitiveness of regional economies and the well-being of residents. Public policy making has become increasingly complex by the entry of new actors. Civil society organisations and recently increasingly also private economic actors shape the public policy making. Regions have become poles of attraction of private economic actors who often see the regional level more important than national economies for their activities.

The Baltic Sea is not, however, a unified region in organising the national governance. The Nordic Countries have enjoyed a long and stable evolution of a unitarian nation-state model. Germany has a federal structure while the Baltic States have experienced dramatic changes in their nation-building process. Poland as well has experienced deep changes although maintaining her national sovereignty. Independently from their political history sub-national actors now face a similar dilemma albeit with national differences.

Regions and cities occupy a central role in the Baltic Sea governance. The role and weight of regions and urban areas is prominent. Foundations for cooperation at the levels of cities and regions are partly based through various European Union programs. In particular Structural Funds in their various forms have pushed them for trans-boundary cooperation. Sub-regions work through the Baltic Sea States Sub-regional Cooperation (BSSC) established in 1993.

Cities have established active regional institutions for their cooperation as well.. The Union of Baltic Cities (UBC) and Baltic Metropolises (BaltMet) are examples of intensive cooperation. The region also hosts an intense network of twin cities. City networks at national level also serve important functions. City networks in many ways constitute a key structure in the Baltic Sea Region.

Sub-regional actors, in particular cities and city regions, perform activities that provide links to comparable actors across borders. They look for help and exchange of experiences, often also best practises in how to adapt to economic integration. They also look increasingly cooperation in adaptation to new political structures. A key element in this is their aim to establish links to supra-national political centres at the European Union level.

The sub-national entities try to defend or to expand their political domestic preferences or interests in policymaking by lobbying and advancing their interests in collaboration with each other. The Baltic Sea Regions have contributed to the advance of paradiplomacy: foreign policy actions and capacities of sub-state entities, their participation to international relations independently from their state authorities and their will and ability to pursue their own interests. Paradiplomacy means that sub-state entities practise foreign relations independently of their metropolitan state in pursuit of their own specific interests.

No doubt paradiplomacy, as a method of sub-national entities to promote their interests, shall have prominent role in the coming Baltic Sea governance. It shall not be limited only to cover relations between regions and cities in the region. It is often seen also as an instrument to adapt to globalisation. Local and global are not antitheses but supporting each other. Paradiplomacy in the Baltic Sea Region so far has been an instrument for representation of interests at the European level. Its value is to be seen increasingly in managing the external dimension of the Baltic Sea Strategy with the adjacent regions.

But there is a structural problem to incorporate regions more deeply into the Baltic Sea Governance. Constitutionally and also *de facto* the regions have different status and different legal ramifications to be part of the governance. Where the *Länder* have legislative powers in Germany, the regions in the Baltic Countries hardly exist in any meaningful way. The Nordic Countries are in between. Incorporating the regions, as important as this would be, is going to be a cumbersome task and issues of competence are obvious.

German *Länder* enjoy strong constitutional rights to conduct their foreign relations autonomously. The German constitution gives the German *Länder* the right to conclude treaties with foreign states with the consent of the federal government in areas that they have. The Constitution also allows the *Länder* to transfer sovereign powers to trans-border institutions in neighbouring regions.

4.2 Towards Fused Governance

New patterns actors in the management of the Baltic Sea constituency have weakened but not replaced the key role that Nation States play in the regional governance. Models of governance rest on the authority of states. First of all, states constitute the highest level of political authority and employ it for instance in the European Union. States provide the network of international treaties that give the basic framework for non-state actors as well. Institutions like the Council of Baltic Sea States or Helsinki Convention are intergovernmental by nature.

At the other end of the continuum of governance are transnational networks and institutions where the states are not directly involved through formal membership. Transnational networks in the region began to mushroom in the early 1990's. Many of the networks were short-lived or at least have lost much of their purpose and have been declined to oblivion. A kind of Darwinism is evident. Some networks have ceased to exist or live passive life while new entrants show up. It is important to realise, however, that transnational networks performed very important functions in the period of transition and socialisation.

New forms of governance have emerged. They fuse the traditional governance through states –models and transnational structures into a new Baltic Sea Governance. Traditional civil society participation networks and the activities of sub-national entities have been followed by an increasing participation of private interest actors.

An obvious explanation to the entry of private interests into the new governance is that the enlargement of 2004 made the Baltic Sea area an economic region. Internal market regulations cover the region and the prerequisites for internationalisation of business activities became manifest. Private companies and business organisations have contributed to the region-building considerably.

As a newest element the Baltic Sea meets corporate philanthropy, or “Al Goreanism”. Corporate philanthropy projects address environmental issues with substantial contributions. Corporate philanthropy is likely to address social and political issues that are relevant to the business, to be collaborative and to meet at the same time business goals of the companies.

As a concept “philantrocipitalism” is associated both with the emergence of the market economy and the system of civil liberties and the rule of law as the founding principle of the modern state. A new rise of the concept is linked to the emergence of globalisation and paradoxically, the weakening of the state authority.

“Philantrocipitalism” provides substantial sums of money and other resources to projects that private actors consider relevant. Corporate philanthropy offers also new working methods drawn from business life to solve social problems. The new governance in the region means that the multilevel governance model: *EU institutions – governments – regions is complemented by a horizontal dimension: private actors – Nation States – civil society organisations*. The fused governance, combining the multilevel dimension and the horizontal element, is a new challenge for the region. It brings to the scene new actors and new methods of coordination, or platforms.

The actors of the horizontal governance possess resources that furnish them with assets to shape the agenda. The private sector contributes money resources and is able to provide links and sources of additional financing. Civil

society often has information and accurate analyses of the priorities and preferences. Civil society organisations also add to the picture the closeness to citizens, which in the future shall become an ever more important asset.

Environmental policy is a good example. Civil society organisations have for many years influenced the agenda and largely set it. Now philanthrocapitalism enters the picture. They both are flexible and able to attract media attention. The horizontal governance in many ways and in many issues/sectors brings new blood into the governance and pushes the multi-level dimension to take actions.

Fused governance shall inevitably produce new institutions. A category of mixed agencies is likely to emerge: agencies that are basically intergovernmental by nature but allow the participation of non-governmental actors in various capacities. Mixed agencies make possible the interaction between states and civil societies in a single framework. This is a vital element of the vision of the Baltic Sea Region.

Greater coordination between policy fields, networks and actors involved is needed. There is a greater call for coordination and synchronising. The mixture of multilevel and horizontal governance provides instruments and views for improving regional competitiveness as well. This will bring added value to the European Union as a whole.

The Baltic Sea Region has been for years one of the fastest growing economic regions in Europe but its economic potential is not fully in use. The region hosts in the first years of the millennium the fastest growing economies in Europe (the Baltic Countries and Western Russia) and on other hand, some of the wealthiest economies in Europe (Nordic Countries and Northern Germany).

As an economic region the Baltic Sea has a tension that is visible between "catching-up" economies that seek for welfare through growth and "keeping-up" economies that focus on retaining their well-being. The biggest challenge for the Baltic Sea economic region is how to ensure that the different emphases of "catchers" and "keepers" contribute to the development of the "Baltic Sea engine of growth". The world financial crisis in the Autumn 2008 demonstrates how fragile the fast economic growth in the region has been. Economic growth figures as well as figures for industrial production in Estonia and Latvia in particular show rapid fall. (*Baltic Rim Economies*, 5/2008. www.tse.fi/pei). This speaks for an intensified coordination of policies in the region.

Improving competitiveness is in the heart of the Lisbon Strategy. This makes European Union a partner in the new governance. The EU aims through the Lisbon Strategy to improve its competitiveness and to become the world's leading knowledge-based economy. There is diversity in the potentials of different areas, cities and regions such as the Baltic Sea area. Fresh ideas how to turn diversity into a source of strength are needed and should be developed.

Results of the statistical monitoring show that in the dimension of innovation dynamics the “old” member states belong to the most advanced group of “innovation leaders” while the “new member states” are placed into the groups “trailing” or “catching up”. (*European Innovation Scoreboard, 2006*). A question is how to make the “innovation leaders” and “catching up” economies to combine their strengths to enhance the competitiveness of the region? The two dimensional governance model can offer answers to the question.

In welfare models the region is not united either. The Nordic model with a strong element of public contributions to welfare has its characteristic features. Germany on the other hand follows its own model with elements of the Nordic system. The system is, however, more corporatist and rests on a high level of co-ordination of collective bargaining. The neo-liberal economic model of the Baltic Countries has its distinct features as well.

5. External Governance: Incorporating Adjoining Regions to the Baltic Sea

The European Union has established policies covering adjoining areas of the Baltic Sea area (Strategy to Russia and the PCA, Neighbourhood Policy, Northern Dimension Action Plan and programs for the Arctic Region). External dimension of the Baltic Sea Strategy is recognised in the mandate reference to Northern Dimension. There is an increasing demand for a more adequate consideration of the external dimension in the Baltic Sea Strategy..

Politically the most challenging issue is the relationship to Russia. Kaliningrad Oblast, for instance, is in physical terms inside the European Union yet outside the Baltic Sea Strategy. Is the Baltic Sea Strategy drawing a new line of demarcation or shall it offer a role for Russia as well is an inevitable question that the Region faces? On the other hand, Russia faces a similar challenge: is the Baltic Sea just a transit route for important exports (oil and gas in particular), or should it be seen as a region where Russia has a regional interest and where it sees herself as a participant?

Russia sees the Baltic Sea in a global perspective. Its interests are in relations with the European Union, the United States, increasingly in China and India. In this framework the Baltic Sea is of a minor importance in the Russia overall foreign policy. However, for regions harbouring the Baltic Sea (St Petersburg, Kaliningrad, North-West-Russia) the region is of great importance. The role of Russia in the region therefore much depends on the one hand on autonomy the regions have in foreign relations and on the other hand on the willingness of the adjacent regions to promote a Baltic Sea agenda.

The external dimension should cover adjacent regions of Russia, Ukraine and Belarus, the drainage area of the Baltic Sea. A joint Swedish-Polish declaration in 2008 calls for an “Eastern dimension” of the Baltic Sea. The idea was exploited further after the events in Georgia in August 2008.

5.1. The Challenge of Great Power Russia

Since the founding of St. Petersburg the Baltic Sea has served Russia as a link to Europe. The Europeanisation of Russia has in various periods of history taken largely place through the Baltic Sea. The European roots of Russia draw their power from the Region, which is today as well in the heart Europeanisation of Russia.

Europeanisation was in the core of the reform policy of Boris Yeltsin. After the attempted coup in 1991 liberalisation in Russia along the Western models was the core idea. It coincided with the fall of the Soviet Union. The main impact in the region was the re-independence of the Baltic Countries. Their independence opened a new phase in the Baltic Sea Region.

During the period of Yevgeni Primakov as Foreign Minister in late 1990's the Eurasian dimension of the Russian identity gradually begun to re-emerge. “Russia is both Europe and Asia” became the foundation of Russian foreign policy. This marked a return to the traditional foreign policy concept where the balance between the two elements is a foreign policy aim. In 1997 the National Security Concept named Russia as an influential European and Asian power.

The concrete expression of the emergence of Eurasia as a priority was highlighted by establishment of the new “Russian Commonwealth”, the CIS. During the Putin years the Janus Face of Russian identity is further strengthened. According to the Putin Doctrine Russia is moving towards European values and European democracy but with its own pace and own models.

The Baltic Sea Strategy of the European Union shall define the borders of the Baltic Sea. This is a political choice that the strategy has to make. Should the strategy be seen strictly as an internal strategy of the European Union as the mandate of 2007 implies or should it be modified into a policy framework with a build-in mechanism of external dimension? And if, how far the external dimension reaches? Territory-based definitions of the scope of the Baltic Sea Region often refer to the drainage area of rivers falling to Baltic Sea.

The EU – Russia relationship is a strategic partnership as formulated in 2003. The concept itself reflects the priority that the EU gives to its relations with

Russia. Strategic Partnership gives Russia a special status and differentiates the relationship from the European Neighbourhood Policy (ENP). It thus is an answer to Russian demands to be treated differently from the rest of the EU neighbourhood.

The Baltic Sea Countries are not, however, united in seeing Russia as a partner. For historical reasons the Baltic Sea is divided in its approach to Russia. Germany and Finland prefer bilateral relations with Russia on sectorised basis. Finland and Germany have arrived at the bilateral approach for different reasons. Germany has a great power approach to another Great Power. Common interests lay foundation to Russia-German cooperation. Germany is a key market for Russian energy export while in the German energy mix Russia is a key contributor. The Gas pipeline NordStream is an example of this approach.

Finland follows the approach for reasons of history and geography. The Finnish approach also encounters the burden of the Cold War. Bilateral and sector-based approach works for Germany but much less for Finland. Finns have kept negotiating with Russia for instance on the transit problems for years but with no practical results. Same with timber import duties.

Lacking of a common policy invites Finland and Germany to justify bilateral relations. But emphasis on bilateral relations in general opens Russia the possibility to play divide and rule –strategy. Divide and rule policy is an overall principle in the European policy of Russia. Russia prefers to employ bilateral relationship with major European powers rather than acting through collective arrangements. The European Trio (Germany, France, UK)/Quartet (including Italy) is willing to give positive responses to that will.

This is seen concretely in the energy strategy of Russia which aims to make Europe increasingly dependent on Russian energy export. Russia's aim is to lock in Western Europe into dependency on herself. She prefers to sign long-term energy contracts preferably bilaterally. In the network of bilateral, long term contracts Russia also preserves the possibility to tailor the price by customer. Dependency works for both directions but evidently it is much more challenging for Western Europe to find alternative sources of energy than it is for Russia to find alternative markets.

The divide and rule has provoked discussion on the need to assume a strategy of acting through the EU. Russia - Baltic Sea Region relationship is part of a wider EU-Russia connection. This in theory could provide a foundation for the relationship. But the EU has no real common policy towards Russia. Member states are divided through geography and history. This is seen concretely in the Baltic Sea Region. Negotiations for a new treaty framework (the PCA) have been deadlocked for years. The political atmosphere for an advance of negotiations has been unfavourable and remains to be so after the events in Georgia in August 2008.

The three Baltic States emphasise disengagement rather than engagement of Russia. The 2004 entrants to the EU and NATO want to disengage themselves from the Russian sphere, not to get Russia engaged with the EU. This approach has its foundations in recent history. Disengagement runs contrary to the commitment argument which reads that in a longer run Russia should be engaged rather than disengaged in the Baltic Sea. Russia should be committed.

Experiences of the three Baltic Countries are twofold. Lessons in areas where the EU has competence are generally positive: the Membership has brought added-value to them. But on the other hand, the Intergovernmental part of the EU, in particular common foreign and security policy, is of less value. The kind of soft power that the EU offers is not convincing enough.

The commitment argument can be named as a “persuade and lock” –strategy. “Persuade and lock” –strategy means identifying issues that are mutually interesting and relevant for parties. Once Russia gets interested and involved, the aim should be to institutionalise the involvement. Locking in Russia to the Baltic Sea is a complex issue.

The strategy of “persuade and lock” rests on the assumption that economic interdependence and mutually beneficial economic ties would increase her commitment to the reciprocal nature of the relationship. This would increase the integration of Russia to the world economy and in turn would strengthen the positions of European-oriented business elites in Russia. The argument is that common interests work in favour of adaptation.

There are concrete areas where the presence of Russia would help to address common Baltic Sea issues: (maritime policy, environmental policy issues, energy matters and transport issues). Russia’s self reflection of herself as a Great Power makes very difficult to expect Russia taking unilateral actions of adaptation. Persuading Russia is therefore a highly difficult policy task.

A typical convention in support of common interest argument is that mutual economic interests shall persuade Russia for cooperative actions. The argument also claims that the power of market shall work as a method for affiliation. The argument is problematic since in key sectors of economic cooperation (energy as the best example) the normal market reciprocity does not work. Russian energy exporters are not private companies proper but state controlled entities that are not directly subject to market mechanism and rules as known in Western Europe.

Locking Russia in calls for institutional solutions of some kind. Currently Russia is a full Member of the Council of the Baltic Sea States, Helcom and a few other intergovernmental bodies in the Region. Should the Baltic Sea Strategy lead to further institutionalisation means that Russia cannot be incorporated directly – or

is not willing to do so. The starting point is that Russia as a non-EU state cannot become a Member of internal EU regimes but special arrangements are needed.

Institutional solutions could, however, follow the logic of informal institutions. Informal institutions, according to the OECD –definition, imply behavioural regularity which is based on shared rules that are created, "habits of thought", communicated and enforced by the partners and outside officially sanctioned and enforced institutions. They include mechanisms of obligations and are regarded legitimate by the partners. Informal institutionalisation rather than formal, if elaborated as an idea, could open the way locking Russia into the Baltic Sea arrangements.

Adoption of the “persuade and lock” –strategy may call for new institutions. The existing institutions where Russia is a member must continue their work and facilitate the “persuade” –part of the strategy. On the other hand, the “lock” –part of the strategy through informal institutions undoubtedly requires of mechanism of surveillance and enforcement. They should be of a type of tribunals or appeal court type of bodies. Obviously “habits of thought” require the acceptance of the existence of a certain level of common values and mental models. The relationship needs instruments of confidence building measures.

Adjacent regions go beyond Russia as well. Both the immediate neighbourhood of the Baltic Sea (Belarus, Ukraine) as well as a more distant neighbourhood (Caucasus, Black Sea) are on the agenda of the external relations of the Baltic Sea Countries. In particular the three Baltic States have active policies in the Post-Soviet region. Moldova, Georgia and Ukraine have a special focus. One of the future challenges of the Baltic Sea Strategy shall undoubtedly be its relation both to the Northern Dimension and the emerging Eastern Dimension of the EU.

Recently a new dimension, “Eastern Partnership”, was suggested by the Polish-Swedish initiative. The Polish-Swedish proposal for Eastern Partnership covers Armenia, Azerbaijan, Georgia, Moldova and Ukraine. The initiators argue that the proposal is designed to strengthen the existing neighbourhood policy of the EU towards countries that eventually may become accession countries.

The Arctic Area is another example of adjacent areas that interests the region. One should not forget the Northern Dimension policy of the European Union either. It is a Union policy which specifically is mentioned in the European Council Declaration concerning the Baltic Sea Strategy as the external dimension of the strategy.

5.2. Baltic Sea Security Space

The fundamental feature of the Baltic Sea is that NATO and Russia confront in the region directly. This shapes the security space. The three Baltic Countries constitute a sub-space whose recent history makes them cautious on the security interests of Russia. Finland in particular and Sweden to some extent base the policy of non-alignment on the Russian dimension. Germany sees Russia from a cooperative perspective rather in terms of military threat. Poland places herself in between the German and Baltic views. Russia, on the one hand, feels being surrounded by NATO.

But in the name of realism evaluation of the regionalisation in the Baltic Sea should pay attention to hard security dimension as well. It surfaced to the agenda during the turn of the Millennium. The accession of first Poland and later the Baltic Countries to NATO marked a change in the security policy landscape.

The Baltic Sea became divided into six Members of NATO and two militarily non-aligned countries (Finland and Sweden). The divide is less dramatic in practice than it is on paper. Finland and Sweden are active Partners to NATO and are engaged in very close coordination with the Alliance. Finland and Sweden, together with Norway, have entered into close mutual cooperation as well.

The Baltic Sea Region is a highly complex security space. It consists of several “sub-spaces”. In institutional terms the security space is dominated by six NATO Members. With the exception of Finland and Sweden all the EU Member States are also Members to NATO. It is to a great extent an internal sea of both EU and NATO. The presence of NATO is enhanced through the Membership of Finland and Sweden to the NATO Partnership Program. They are, by NATO definition, “advanced partners”. In a similar way Denmark is a deviant case in the space being a Member of NATO and EU does not participate to the European Security and Defence policy (ESDP).

A particular dimension of the international activities of the Baltic Countries was their visible role in the framework of “New Europe”. The concept emerged as a political slogan during the process of building the coalition for the Iraq operation in 2003. The “New Europe” is closely associated with the Baltic Countries even by the name of the group of countries that constitute the “New Europe”, i.e. the Vilnius Group. The Vilnius Group issued a strong support to the American actions and leadership soon after the 911 events. The divide between New Europe and Old Europe became evident in the aftermath of the confrontation in Iran.

In terms of *realpolitik* the countries of “New Europe” aimed to secure the support of the United States for their membership in NATO. In this, the strategy was successful. Obviously the political elite of the countries of “New Europe” saw, and

still sees, the United States as the ultimate guarantor of their security. Elites of the “New Europe” are grateful to the U.S. for its strong support for their bid to enter NATO and its backing during the years of communist rule.

An element in the orientation of the Baltic States towards “New Europe” was the fact that they understood themselves to be invited to a set table in the field of the ESDP. By their entry to the European Union the foundations of the ESDP were already in place. This made the Baltic Sea Countries to calculate that their security interests were not fully taken into consideration. Their security challenges were and are of a peculiar nature because of their history as socialist republics of the Soviet Union. The Baltic Countries have emphasized that the ESDP should pay more attention to the security interest of the new Member States instead of having focus on peace operations in other parts of the world.

The “New Europe-Old Europe” divide lost much of its actuality through the Membership of the Baltic Countries in NATO. But it has re-emerged through events that highlight the new Russian behaviour. The Bronze Soldier case brought it up. In particular the conflict in Caucasus in August 2008 triggered off the security dimension.

The argumentation of political leaderships of the Baltic Countries was harsher than in most member states of NATO. The leaders showed remarkable political commitment by visiting Georgia, together with the President of Poland, as an expression of solidarity. The delicate position of the three Baltic Countries as member states of NATO was recognised by plans to foster the military preparedness of the organisation the Baltic Countries

The growing great power presence of Russia is evident in the region. The aspiration to be seen and recognised as a Great Power has been one of the most dominant features of Russian foreign policy during the Putin regime. Russia has consequently become increasingly self-confident in international relations.

This is true in the Baltic Sea Region as well. The increasing dependency of Russia on the energy transport through the Baltic Sea has put Russia to begin to strengthen her military presence. New military installations are under construction and modernisation of the Baltic Sea fleet has started. The confrontation in Caucasus has further complicated the relationship. Energy and security combined as a notion of energy security stimulate the security debate and is likely to securitize the Baltic Sea area.

It seems evitable that the external dimension of the Baltic Sea Regionalisation, if not external policy of the region, surfaces to the agenda. The coordination of external activities requires special attention of the actors. The building of the external dimension does not need to start from nothing. Regions and cities for instance provide a basis for the dimension. Paradiplomacy should deserve an

adequate attention in building the external dimension. The private sector provides a working foundation to external actions as well.

6. The political challenge: Reaching beyond the current agenda

Political forces in the region constitute a largely unexploited element of the Baltic Sea governance. The region has 228 Members in the European Parliament (29% of the seats). The strongest representation from the Baltic Sea Region is in the group of the Union Europe of the Nations (UEN). 60 per cent of its membership comes from the Baltic Sea Region due to the large Polish delegation (19/26). One should note, however, that the UEN is not in the core of political power in the European Parliament.

The Baltic Sea representation is also strong in the group of the Alliance for Democrats and Liberals in Europe ALDE. The delegations from the Baltic Sea Region constitute 35 per cent of its members. In the biggest parliamentary group, the EPP representatives from the Baltic Sea constitute less than 30 percent. In the Green Party (GP) 40 per cent of the MEPs come from the region although the strong German share (13/17) dominates the group. The Baltic share in the left groups is low if compared to the traditionally strong role of the social democratic parties in the region. Lacking, however, is the collaboration and a Baltic Sea agenda setting through the Parliamentary Groups. Nationally defined election agendas are present in European Parliament elections as well.

Centre-right domination in the region is strong by the political colour of Governments and the political background of the Prime Ministers. ALDE and EPP both have four Prime Ministers. The Centre-Right coalition is made even stronger by the fact Schleswig-Holstein and Hamburg are governed by Prime Ministers with an EPP background.

The European political space consisting of national political systems and the EU political system would offer a good platform for the Baltic Sea Region to exercise political influence and to set the political agenda for the region. But political consultation mechanism is still missing – and urgently needed. The one voice – argument loses much of its relevance if political coordination at the level of political forces is nonexistent. A vision of the Baltic Sea Region must include the shaping of a Baltic Sea Region European Agenda at the earliest convenience by the region itself.

An interesting and unexploited possibility for strengthening of the voice of the region and improving the agenda-setting could be intensified cooperation between the parties across the borders. It is logical to assume that parties that collaborate at the level of European Parliament would find it reasonable to collaborate at the level of the Baltic Sea Region as well. Party cooperation takes

place at the level of Norden to some extent and bilateral contacts between the national parties exist. But common Baltic Sea agenda of parties does not exist.

There exists a platform for political agenda making. The Baltic Sea Parliamentary Conference (BSPC) has existed since 1991. The BSPC has not, however, been able to develop into a politically meaningful body of political debates. Its main objective is to strengthen the common identity of the Baltic Sea Region by close co-operation between national and regional parliaments. The BSPC also declares its aim to be to initiate and guide political activities in the region and further regional co-operation especially towards the Council of Baltic Sea States. Its practical results as well as the interests of its Members are far beyond the aims.

The Baltic Sea Region needs actions to fully exploit existing instruments and policies. But there is a particular need for an instrument of strengthening of the political commitment of the Governments to common aims and setting the agenda. An idea might be to establish a summit method between the Head of States discuss the common agenda. The real Baltic Sea voice can be based only on understanding that the Region needs “own” agenda. Now the agenda is dominated either by the EU or by national actors.

It has been suggested that more political coordination and political commitment might be practised through regular meetings at the level of the Head of States as adjacent to European Council meetings. This solution would neither considerably add the workload of the leaders nor be time consuming. It would, however, allow exchange of views on the issues and the agenda of the Baltic Sea at the highest political level. The Baltic Sea Strategy further increases the need for political commitment through consultation.

The Baltic Sea area it seldom speaks with one voice. One is used to listen to the “Mediterraneans” but very seldom, if ever, the Baltic Sea area voices a common interest. A key explanatory fact is that the two large EU Members of the Region are only for one-third Baltic Sea oriented.

The one voice –doctrine works to two directions: to the outside world, in particular to the adjacent regions and other Olympic Circles and to European institutions. In the Union, in future consisting of perhaps over 30 member states, the power of the region depends on its ability to speak with one voice, in particular in issues which are important enough to be addressed as common issues.

As the first step the region must be seen and understood as a political entity. The priorities must be decided in the region. Obviously the whole range of EU-policy and legislative steps affect the region. But as obviously not all the issues are equally meaningful for all eight Members. Setting the priorities is needed.

Currently setting the priorities is not realised or is done inadequately because there is no suitable institutional framework designed for that. The Baltic Sea Region hosts a great number of institutions, too many perhaps. The 1990's saw a mushrooming of organisations and networks, public and private with the main purpose of socialisation of the new market economies into the Western European structures and indeed, to the EU Membership.

But the existing institution in the Baltic Sea cooperation has largely lost its relevance and indeed its purpose as well. A comprehensive assessment of the existing institutional setup is needed. For the intergovernmental collaboration with a view to speak with one voice no adequate institution is available.

The Council for Baltic Sea States (CBSS) was established in 1990 for the purpose of intergovernmental cooperation. It has 11 states + the European Commission as members. Because of its membership base (incl. Russia, Norway, Iceland and the European Commission) it has never been an instrument for discussion between the eight EU Member States. The Baltic Sea coordination now takes shape in 3+3+2 –formula. The two “threes” (Nordic Countries and Baltic Countries) consult at the level of cabinet ministers and even between the two threes but key countries Poland and Germany are out of the political consultation. 3+3+2 discussions take place at the level of European directors.

The time has come to open deliberations at the level of Government representatives on strengthening of the coordination instruments. It is needed not only for improving the combined voice and influence in the EU decision-making but also and perhaps in particular in contacts with Russia and other adjacent regions.

7. Proposals –Seven Steps

The foregoing analysis of the Baltic Sea regionalisation gives foundations for a number of political conclusions. They are presented here as seven steps for Baltic Sea regionalisation.

Step 1: Making the Baltic Sea a Political Space

The Baltic Sea Region should be seen as a political space furnishing the solving of many challenges that the region faces. It is obvious that the Baltic Sea Strategy as it is seen to emerge cannot reach its aims without a strong political commitment by the governments in the region. The Baltic Sea Political Space would help to increase the commitment of the governments and political forces to the Baltic Sea issues. Securing the commitment of the political actors to the strategy is the crucial issue.

The environmental deterioration is a good example of the lack of political commitment. The governments have agreed on a great number of recommendations and strategies but very few of them have been implemented by the Governments.

Political space –concept would invite the political forces of the region to enhance trans-boundary cooperation. This would help to set a common political agenda for the region. At the top of coordination should summit meetings between the Head of States be organised in conjunction of the European Council meetings.

Step 2: Instituting New Governance

The new governance in the region means that the traditional vertical multilevel governance model: EU institutions – governments – regions is added by a horizontal dimension: private actors – governments – civil society organisations. The two dimensional, or fused, governance is a challenge to the region and in particular to Governments.

The emergence of horizontal governance challenges the existing governance patterns by providing new resources, adding flexibility and publicity but at the same time demanding participation and influence. There is a need for incorporating new actors into the Baltic Sea Governance.

A new governance is a necessary instrument in implementation of the strategy. Implementation must be accompanied by measures of accountability and transparency. Taking into consideration the multiplicity of actors involved

implementation must ensure the flow of information, predictability and guarantee neutral enforcement.

Step 3: Reforming the existing institutions

The advance of regionalisation and spill-over effects calls attention to institutionalisation. Although the region hosts a considerable number of institutions, many of them are lacking a clear mission. The Region should aim at constantly evaluating the existing network of institutions and consider establishing instruments that would allow the eight EU Member States to use their combined weight and voice in policy-making.

Step 4: Setting the Common Agenda

Environmental deterioration, energy policy issues and climate change as well as ageing population require new approaches and new types of action as well. Security issues shall have a prominent profile and deserve much more attention than what they have today. As a challenge of its own significance is Russia as a Baltic Sea actor.

No doubt the Baltic Sea Strategy shall provide an agenda. But it most likely ends up as a Christmas Tree Strategy that covers a maximum number of issues. It is the task of the Region to focus the strategy and shape it into an agenda, which should be followed and monitored.

Setting the common agenda calls for leadership. Among the key challenges of the region is who or which institutions shall assume the role of leadership and is able to provide it. Leadership and Commitment go hand in hand – both are needed to get things done.

Step 5: Devoting more attention to the external governance of the region

It seems inevitable that the external dimension of the Baltic Sea regionalisation, if not external policy of the region, surfaces to the agenda. The coordination of external activities requires special attention of the actors. There is a need for speaking with one voice in external issues and to focus attention and actions in adjacent regions.

A particular challenge for the region is incorporating Russia to regional cooperation. The main reason for the Russian involvement is that fact that Russia has growing impact on the use of the Baltic Sea in transportation, in energy transmission and in environmental protection.

Step 6: Getting Germany and Poland Committed

The Baltic Sea Region is a region of small and medium sized countries. The challenges are in drawing the attention of two larger states, Poland and Germany, as Baltic Sea Countries to the region: to convince them to see their “Baltic Seanness”.

The Baltic Sea Identity of these two large member states could not only increase the weight of the region in the European Union and in the neighbourhood but also enhance the possibilities of the Region to speak with one voice in areas of common interests.

Equally important would be to take the next step towards speaking with one voice to maximise the influence of the region in emerging Europe of Olympic Circles.

Step 7: A Baltic Sea Identity Project

Reading recent material on regionalisation as well as discussing with different actors in the region one is tempted to argue that discussion on the identity is a necessary requirement for furthering of regionalisation. The European Parliament has established a working group of eminent historians to consider the possibilities to furnish the debate how to find a consensus of the main lines of European history. Could it be possible to propose something similar for the Baltic Sea?