



TEPSA Brief:

EU's Baltic strategy: realities of the crisis and the vision of a region

May 2009

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ISSUE 2/ 2009

How is the global economic crisis shaping the dynamics of cooperation around the Baltic sea? The region's image of "success story" quickly gave place to worries and doubts as the economies of the Baltic countries plunged into recession. The crisis puts under question various ambitious plans and strategies for the region's development as a role model for global competitiveness, innovation and cooperation. More importantly, the crisis reveals that "region-building", which has been one of the trademarks of EU's policy-making, becomes increasingly problematic for both Brussels and national governments.

The truth is that the Baltic cooperation has not been conceived as the means to face economic crisis. Its primary goal was to help the Baltic countries prepare for the EU membership and keep a channel for interaction with Russia in the region. One of these goals became obsolete when the Baltic countries acceded into the EU in 2004. A new EU strategy for the Baltic region which has been under preparation for the past two years has been initiated in the European Parliament and subsequently found its way into the agenda of the forthcoming Swedish Presidency of the European Union in the second half of 2009. In June 2009, the Baltic Strategy will be presented by the Commission to the European Council for official approval.

However, will the new Baltic Strategy and other strategies, which were based on a much more positive scenario for the region, really work in the face of the long-term recession which the global financial crisis has driven the region into? Furthermore, does the present-day EU have sufficient political will, interest and capacity to seriously push forward the idea of regional cooperation around the Baltic Sea?

Obviously, the economic crisis has not changed the mechanisms and political basis of the Baltic cooperation. Yet it has revealed the trends that have been underway and remained unnoticed until recently. First, the crisis has shown that the region become fully integrated into the EU's political and economic structures to the same extent as other geographical areas within the EU. The concept of "Baltic identity" as a sort of glue for the region is still very vague.

Secondly, the degree of mutual cooperation within the region has turned out to be surprisingly low despite strong economic ties. This became evident during the past few months when the governments of the Baltic countries acknowledged their heavy external debts which included chunky loans given by Nordic banks. The Baltic "credit bubble" burst amidst recession in most of the Eastern EU countries causing fears that the economic and political stability of the EU was at stake. In response to that, Sweden and Finland stated that the economic situation in the Baltic countries should be regarded on a country by country basis as opposed to the idea of creating regional stabilization instruments.

Finally, the crisis revealed stark differences between the countries of the region which are more complex than the conventional divide between the rich Nordics and the less wealthy Baltics. Estonia, Latvia, and Lithuania have been affected by the crisis in different ways, and their economies require different rescue strategies.

Above all, the crisis has shown that the EU at large is extremely sensitive and often loses coherence when several of its members experience economic problems. In such circumstances the idea of a "Europe of the Regions" becomes part of the problem rather than part of the solution – it might further underline regional disparities and lack of coherence than to emphasize the actual rationale to cooperate. At the same time it appears that the capacity and resources to tackle the crisis are located in Brussels at the common EU level, which in its own way challenges the idea of a horizontal regional cooperation.

If the EU's Baltic strategy is to have a future, Brussels and national and regional stakeholders should be able to reconcile the realities of the economic crisis, the limited resources available and a partial

lack of political coherence among EU members with its vision of regional cooperation. This will come as a tall order, among many other challenges, for the upcoming Swedish Presidency of the EU. Most likely, it will take much longer than six months to give the Baltic cooperation both an economic stimulus and a new convincing “brand idea”.

In a broader sense, the development of the Baltic strategy will show what role regions can play in the EU amidst the economic downturn.

Further information:

Information on the Baltic Sea Strategy – website of the European Commission:
http://ec.europa.eu/regional_policy/cooperation/baltic/index_en.htm

Alexander Stubb: Baltic Sea Cooperation towards 2020 - serious challenges but bright. An article published in Baltic Rim Economies, available at
http://www.tse.fi/FI/yksikot/erillislaitokset/pei/Documents/bre2009/BRE_1_2009_Web_Final.pdf

Speech by Cecilia Malmström on the objectives of the strategy and the Swedish Presidency, available at <http://www.conference-rostock.de/download/speeches/Malmstroem.pdf>

Speech by Commissioner Danuta Hubner, available at <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/09/37&format=HTML&aged=0&language=EN&guiLanguage=en>

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