



OFFICE OF THE COMMITTEE FOR EUROPEAN INTEGRATION

Cohesion and competitiveness of the Baltic Sea Region

Contribution from the Government of the Republic of Poland

into works on

the EU Strategy for the Baltic Sea Region

Warsaw, June 2008

Due to its location, the Baltic Sea basin is a natural link integrating economies of individual countries of the region. Its peculiar character is also determined by the fact that after the 2004 enlargement of the European Union, **the Baltic Sea has become nearly an internal EU sea.**

In geographic terms, **the Baltic Sea Region should be understood very broadly.** Its competitiveness ensues not only from the standing of regions located directly on the Baltic Sea, but also indirectly from the situation of regions frequently located up the mainland. In this context one should not forget that the Baltic Sea basin area covers also such states as Belarus or Ukraine.

The Baltic Sea region has enormous economic and innovative potential. It is one of the leading regions in the EU in terms of development dynamics. Undisputable strengths of the Baltic Sea region include high quality of human resources education, high spending on R&D, presence of widely recognised scientific and technological centres and a dense sea transport network. For the aforementioned reasons this whole area ranks first in many competitiveness ratings.

Cooperation of the states in the Baltic Sea Region has a long-standing tradition. It suffices to mention two existing cooperation forums – the Council of the Baltic Sea States, Visions and Strategies around the Baltic Sea – VASAB, the Baltic Sea Parliamentary Conference, the Helsinki Commission or the Union of Baltic Cities. Much has already been done in the scope of reinforcing cooperation in such areas as environment protection, combating organised crime, including human trafficking, promotion of democracy and human rights, or reducing barriers to trade and investments.

Building on those experiences, it is worthwhile **systemizing** actions undertaken so far at various levels. In this respect it is desirable and reasonable to involve the European Commission. Development of a list of binding and already deployed initiatives in the region will be a good starting point for formulation of assumptions for a Strategy for the Baltic Sea Region. In this era of globalisation the states of the Baltic Sea basin are facing new challenges in the scope of improving region's competitiveness. Initiation of relevant actions and tightening of cooperation will determine whether the region continues to develop dynamically and whether it manages to remain competitive in the European and global market.

The Strategy for the Baltic Sea Region should contribute, by **improving effectiveness of the existing cooperation instruments**, to reinforcement of cohesion and competitiveness. It should also include references to such important issues as energy security, sustainable development or cooperation with neighbouring states. We should also facilitate movement of technologies, goods, capital, ideas and persons, expand and reconstruct transport connections arrangements, border crossings, ferry and airplane connections, create a modern telecommunication network. We should develop cooperation among universities, undertake common actions for the benefit of natural environment protection, development of tourism services and cooperation in the area of culture. In order to implement those tasks, we will need a holistic approach, which, on the one hand, will help improve efficiency of the existing cooperation instruments, and on the other, it will focus the undertaken efforts on two key issues – social and economic cohesion and competitiveness.

Improving effectiveness of the existing cooperation instruments

- The Baltic Sea basin is characterized by a very large number of various cooperation forms (at the local, regional, parliamentary, intergovernmental level), as well as by a very large number of actions co-financed in the frames of various Community policies (cohesion policy, TENs, maritime policy, environment protection). The numerous actions **are frequently not adequately coordinated.**

- Poland attaches great importance to application in the Strategy for the Baltic Sea Region **of an integrated approach**, which will take a well-balanced account of economic, as well as social, spatial, geopolitical, environmental and cultural issues. The Strategy for the Baltic Sea Region should aim at **setting out common and coherent frameworks** for the existing cooperation forms, instead of **creating new instruments**.

Reinforcing region's cohesion

- The Baltic Sea Region is **highly diversified**. The Baltic Sea is surrounded with one of the richest and one of the poorest EU regions. There are also significant differences in terms density of population, incomes and living standards, as well as economic structure. Not all countries of the region are well connected in terms of transport infrastructure. The main corridors in the region are still inadequately developed. At the same time the region has a potential to become an exemplary region of integrated spatial planning on land and sea.
- Bearing in mind the sustaining differences in the living standards among region's inhabitants, and with a view to ensuring a further dynamic development of the region and enhancing its internal cohesion, it is necessary to **use the traditional instruments of EU cohesion policy**.
- Ensuring region's cohesion requires also an urgent development of the **crossborder sections of the Trans-European Transport Network (TEN-T)** constituting multimodal routes at the meeting points between the land and the sea in seaports and land transit routes crossing state border, which in many cases constitute bottlenecks restricting competitiveness of the Baltic Sea Region.
- **Maritime planning and management should be harmonized with adjacent land areas**. One should aim at coordination of the actions of the member states in the scope of maritime planning and integrated management of coastal areas.
- A **common maritime area** should be created to replace the existing maritime policy of sectoral and geographically limited character with a more integrated policy encompassing all issues related to use of the Baltic and its resources. Administrative and customs formalities for intra-Community maritime services would be simplified in the frames of the common maritime area. The resulting system would be similar to the one in place for car and railway transport or inland navigation within the internal market.

Enhancing region's competitiveness

- Despite the high level of competitiveness of the economies of constituent countries, the Baltic Sea Region as a whole comes against many barriers limiting its further growth and hampering maintenance thereby of a competitive position in the world and EU marketplace. Major of the include:
 - (1) diversification of the economic development level,
 - (2) inadequate utilisation of the innovative potential,
 - (3) disadvantageous structure and inadequate utilisation of the clusters' potential,
 - (4) barriers hampering development of entrepreneurship.

Actions aimed at elimination of those barriers should be accompanied by **initiatives stimulating region's development**, based on cooperation in the area of entrepreneurship and innovativeness.

- Innovativeness has great impact on region's competitiveness. In this context the Strategy should take due account of such issues as:
 - (1) development of cooperation in the scope of innovative policy – initiation of common projects for the benefit of improving innovativeness of the Baltic Sea Region countries;
 - (2) intensification of scientific and R&D cooperation,
 - (3) development of crossborder cooperation between economic and research entities in the region, e.g. based on cluster initiatives, which is particularly important in the context of the leading role of the Scandinavian countries in the area of information and communication technologies (ICT) in the entire EU,
 - (4) expansion of the practical application of innovation and providing countries displaying a growing demand for new technologies with opportunities to draw from experiences and best practices of the countries that are technologically better developed.
- **Crossborder, transnational and interregional** cooperation supported in the frames of EU cohesion policy programs is characterized by very high value added for the entire Baltic Sea region. Actions targeted at exchange of best practices and establishment of cooperation networks are also very important for the region. Each state located in the Baltic Sea area has positive experiences to share with other countries of the region.
- One of the platforms for fruitful cooperation may be constituted the area of social security and employment policy (including *flexicurity policy*), where Nordic states have many achievements. Countries of North Europe are also the place where social dialogue was born, which serves the purpose of balanced solving of conflicts between employees and employers.
- Moreover Nordic states, such as Denmark, for a long time have considered high level of education and vocational qualifications as their priority, successfully maintaining almost full employability. New member states, on the other hand, are characterised by dynamism, reflected not only in indicators of economic growth, scholarisation or improvement of living conditions, but also in crossborder mobility of students and workers. In one word drawing from those various experiences, **the states of the region may learn a lot from each other.**
- Moreover, bearing in mind **significance of mobility** for development of research and innovation in the Baltic Sea Region, Poland supports cooperation of the states of this area in the following fields:
 - (1) promoting mobility of students and researchers with particular stress on exchange between old and new member states,
 - (2) tightening of international cooperation among higher education institutions.
- The development of the region is also fostered by activities in the field of culture. The cooperation aimed at protection of cultural heritage contributes to increase of the region's attractiveness, whereby it has a positive impact on enhancing the competitiveness of the local market.

Interdependence of economic, social and environmental development

- Three aspects – economic, social and environmental – are currently considered jointly. Each of them is important, but **economic development must be deemed as the central one.** Development of economic cooperation should be perceived, on the one hand, as an

important factor for intensification of cooperation among the states of the Baltic Sea region, and on the other, for maintenance of the growth dynamics and attractiveness of the entire region. A vision for development of the Baltic Sea region as a leading area on the continent requires (1) full implementation of internal market principles and (2) creation in the region of an integrated economic area, which is conducive for effective development convergence.

- Application of the freedom of provision of services and movement of workers leads to improvement of the competitiveness of the economies of the region, and as a consequence – of the entire EU. Therefore Poland is of an opinion that **functioning of the internal market must be reinforced** (e.g. through elimination of redundant legal and administrative requirements imposed on entrepreneurs).
- Presently there is a growing stress on linkage between economy and environment protection issues. This is particularly current for the Baltic Sea region, where cooperation among region's states has focused mainly on this aspect. In our opinion it is important for the strategy's assumptions to (1) take due account of the area's specifics, (2) be based on the existing initiatives and experiences, and (3) focus on a more effective implementation of the prior commitments.
- Strategy's provisions concerning environment protection should not go beyond commitments stipulated by Accession Treaties, nor should they duplicate the existing instruments of international law (Helsinki Convention, Espoo Convention). It is also beyond any doubt that we should promote implementation of the binding legislation and international agreements by all countries of the region. This concerns also, or perhaps first of all, non-EU states.
- **Impact assessment** might be useful in search for an optimum balance between economic, social and environmental development in the Baltic Sea region. Impact assessment is an analytical process allowing for identification of consequences of legal regulations in line with the best professional knowledge. Use of impact assessment allows for an improvement of the quality of regulations and helps avoid introducing redundant regulations or selection of such regulatory solutions that enable attainment of the adopted goals in the most cost-effective manner. Impact assessment should first of all analyse actual need for legislative intervention. We are expecting that any possible regulatory proposals from the European Commission in the scope of improvements to the quality of the Baltic's natural environment in the planned Strategy for the Baltic Sea Region and in the Action Plan, will follow from duly performed impact assessment studies. Proposals for legal acts shall be based on substantive arguments and emerge as a result of an analysis of economic, social and environmental impacts. For legislative proposals it will be also necessary: (1) to assess impact on the competitiveness of the Baltic Sea Region, (2) study impact on region's economic cohesion, and (3) impact on progress of the *catching-up* process within the region.

Security in the region

- **Energy cooperation** is of particular importance for stable development of the Baltic Sea Region. Therefore the strategy should include references to the initiatives supporting reduction of reliance on supplies of energy carriers from a single direction. The problem of isolated energy markets is clearly visible on the example of some Baltic Sea region states. This follows from the fact that the energy system of the Baltic States has limited connectivity to systems of other member states. Therefore, it is necessary to construct a

transmission infrastructure between member states, which will allow for creation of a common energy market and solidary actions between member states in crisis. Energy initiatives include such ventures as gas interconnector *Baltic Pipe*¹, the first Baltic LNG regasification terminal (Świnoujście), electricity bridge Lithuania-Poland-Germany. In the context of the planned review of legal foundations for Trans-European energy networks. It will be justified to give to the *Baltic Pipe* the status of a priority project of Trans-European Networks.

- It must be borne in mind that investments in energy infrastructure deployed in the frames of TENs should comply with environment protection requirements, serve the purpose of diversification of the direction of energy imports and bring benefits to all member states, which follows e.g. from June 2006 EU Council Conclusions. In the context of the plans for *new infrastructure investments, particularly those on unprecedented scale*, it is particularly necessary from Poland's viewpoint to take due account of the environmental aspect, i.e. compliance with ecological standards and studying environmental impacts during construction and operation.. In the light of the provisions of the Espoo Convention, when planning crossborder ventures in the Baltic Sea, one must prepare documentation of the impact assessment of a planned project on the natural environment, basing on detailed requirements specified by parties to the process as set forth in the Espoo Convention. It seems reasonable to set the requirement of presenting more than one option of an investment, allowing for selection of the one that will constitute a lesser threat for the natural environment and ecosystem. Due to particular sensitivity of the Baltic Sea basin, in Poland's opinion preference should be given to infrastructure investments on land, particularly if financial considerations also support such choice.

Cooperation with neighbouring states

- **Programs for cooperation with neighbouring states**, deployed in the frames of the European Neighbourhood and Partnership Instrument (ENPI) work very well. The proposal included in a European Parliament resolution of 2006 for identification of a special budget line under ENPI for financing of the Strategy for the Baltic Sea Region is an interesting one. Nevertheless strengthening of the **northern dimension of ENPI must not be made at the expense of weakening the eastern dimension**.

¹ The gas pipeline from Denmark to Poland (Niechorze) composing jointly with gas pipeline Skanled from Norway to Denmark z corridor for gas supplies to Poland.