

The many challenges of the Baltic Sea Region

By Kari Liuhto

External economic relations take on a central role in the Finnish economy, and the value of our foreign trade is almost three-fourths of our GDP. Approximately 80 per cent of the flow of our foreign trade goods proceeds by sea, so examined economically, Finland is an island in the Baltic Sea.

Of Finland's foreign trade, 40 per cent is engaged in with other states surrounding the Baltic Sea. Roughly the same share of foreign investments by Finnish firms ends up in this area. With regard to the foreign investments coming to Finland, the significance of the Baltic Sea region is even greater than this. Approximately 70 per cent of the investments directed to Finland have their origin in some other Baltic Sea nation.

The economic dependency of the Baltic States respective to the Baltic region is even larger than Finland's, whilst the dependency respective to Germany and Russia is smaller than ours. Although Germany is the world's largest foreign trader, one-tenth of its trade goes on with other Baltic Sea countries. The Baltic Sea is also important for Russia. The EU makes up about half of Russia's foreign trade, and a lion's share of the foreign trade of the European Union and Russia proceeds through the Baltic Sea.

The Baltic Sea has risen during this decade to become Russia's most important export route for crude oil. Via the ports of the Gulf of Finland, over 140 million tonnes of oil from the east are transported each year. By the middle of the next decade, oil export is anticipated to total over 200 million tonnes. The increasing oil deliveries, intersecting traffic between Helsinki and Tallinn and the narrow shipping lanes concerned all add to the risk of an oil disaster in the Gulf of Finland.

Although the Gulf of Finland has developed a control system to prevent collision of ships, the system does not prevent them from running aground. The running aground of single-bottom oil tankers would more probably result in an oil disaster than those with a double-bottom, so the faster only double-hull tankers are permitted at Baltic Sea ports the better. At least one oil disaster was prevented due to the fact that a vessel which had run aground in the vicinity of Helsinki was double-hull.

According to the research performed by VTT Technical Research Centre of Finland, 50 – 60 ship collisions or accidents occurred annually during the period of 1989-2003 on the Baltic Sea. Of these, three vessels had been carrying dangerous chemicals. Despite the low number of accidents related to chemical shipments, I would venture that shipments of dangerous chemicals pose as significant a danger to the population of the Baltic Sea as oil transport. With respect to dangerous substances, the probability of personal injuries is considerable, even if the likelihood of an accident itself is smaller.

In examining environmental threats to the Baltic Sea, one should also not forget the daily nutrient loading caused by agriculture and residence. In the Gulf of Finland, the largest single polluter is St Petersburg, and for the Baltic as a whole Poland's agriculture applies. It seems that the Nord Stream gas pipeline planned for the base of the Baltic Sea may release nutrients from the sea bottom and even toxins which have been recessed there since the end of World War II. The alignment of the gas pipeline through the Baltic States and Poland would be, both from the

environmental and most apparently the economic perspective, considerably more rational than a pipe built along the sea-bottom. Extending 1,200 kilometres, Nord Stream can hardly be constructed for five billion euros when we consider that the cost estimate for the 900-kilometre South Stream pipeline, intended for the base of the Black Sea, is ten billion euros.

Regardless of the fact that relations between the Baltic States and Poland with Russia are not the best possible, it is highly unlikely that the EU states concerned would cause the sorts of transit delivery problems as those incurred by Belarus or Ukraine.

The construction of a natural gas pipeline across the Baltic States and Poland would bring four EU nations into the project in addition to one Dutch and two German enterprises. This would make the gas pipeline a real pan-European project, and would most evidently improve the attitude towards Russia on the part of the Baltic Sea region's former socialist states.

A gas pipeline proceeding above ground would also be an example of how the Baltic Sea region is able to integrate Russia more closely into the European Union. This gas line could be an indication of the fact that, with Russia, we are different enough to be able to learn from each other, but similar enough to be capable of engaging in cooperation.

A functional Baltic Sea region requires cooperation with Russia, but above all it requires uniformity amongst the EU countries surrounding the Baltic Sea. The Baltic Sea requires one agenda and a uniform voice so that the matters important to the Baltic Sea countries are taken into consideration within the Union.

The European Parliament has given the Commission the task to prepare a Baltic Sea Strategy by the year 2009 which may well act as a road map for the future. On the other hand, not even a good strategy can eliminate insufficient coordination in the Baltic Sea area.

One proposal is that the Nordic Council would strengthen their role by taking the Baltic States into membership, in addition to engaging Poland and Germany more closely in their operations. Whether the solution is enlarging the Nordic Council or something else, it would be important that the jungle of overlapping institutions plaguing the Baltic Sea region could be eliminated. Without a united body, the voice of the Baltic Sea region within the Union will remain weak and disjointed, regardless of the Baltic Sea Strategy.

The uniformity of the Baltic Sea region would also contribute to the systematic building of a common identity for the region. Aside from configuring a common identity, the position of the Baltic Sea Chamber of Commerce Association (BCCA) is also worth strengthening. I also regard the establishment of a common Baltic Sea region investment agency as absolutely important. It would attract investments from outside the Baltic Sea region. The problem at the moment is that national investment offices tend to compete with each other rather than see the benefits of synergy in the Baltic Sea region. It is a rare national investment office that has observed that, due to the interdependency of economies, the accumulated impacts of outside investments are reflected throughout the economic region as a whole, rather than just one individual country.

The Baltic Sea region has, in addition to many old challenges, new phenomena to deal with ahead. Most of these new phenomena are connected with Russia. Examples include the flow of Russian investments to other Baltic Sea nations, the automotive industry boom in St Petersburg's surroundings, the transfer of Russian companies' headquarters from Moscow to St Petersburg, and the special economic zones of Kaliningrad. These phenomena are bringing Russia's economic growth closer to the Baltic Sea region and are thereby consolidating the entire region's economy. On the other hand, the invigoration of Russia's superpower rhetoric may lead to a situation in which, rather than a bridge being constructed between the EU and Russia, an advance guard of the Cold Peace is built.

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