

Reflection Paper on the Vilnius Declaration



A Vision for the Baltic
Sea Region by 2020

collaboration

July 2020



Reflection Paper on The Vilnius Declaration – A Vision For The Baltic Sea Region by 2020

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The report was commissioned after discussions between the Lithuanian CBSS Presidency and the CBSS Secretariat. The aim was to look into the goals set in 2010 by the Vilnius Declaration for the whole of the Baltic Sea Region (not only for CBSS), to assess where progress has been made and which goals set in 2010 have not yet been met, are more difficult to achieve than we thought or, possibly, are no longer relevant or achievable due to certain factors – regional or global.

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Abstract

The Vilnius Declaration – “A Vision for the Baltic Sea Region by 2020” (adopted in 2010) proposed twelve benchmarks for the region. This report examines the commitments by the governments of the CBSS member states in Vilnius in 2010 to “turn into reality” the twelve visionary statements. Analysis of all of them allows the following conclusions:

- Convincing progress has been achieved in strengthening the **institutional framework**, which serves sustainable and successful regional cooperation and assists member states to tackle old and new challenges; the **economic situation** in the BSR has proved to be stable and resilient so far; in the **energy sector** the countries of the BSR have achieved significant results in energy market integration and development of renewable energy production capacities; **people-to-people contacts** in various formats and on different levels form the backbone of regional cooperation.
- Progress has been evident but more actions have to be taken in the following areas: **public-private partnership** serves the purpose of sustainable development across the region, but its full potential has not been utilized so far; regional institutions are supportive of efforts to develop an integrated **maritime policy, a sustainable blue economy and well-interconnected transport networks** but actions of the various institutions and national authorities do not always seem coherent; there are still significant gaps in **socio-economic and public health** related developments between groups of countries in the region; the overall **health of the labour market** in the BSR proves to be stable – with a low level of unemployment, it is inclusive and has enacted inequality-countering policies; weaknesses in education, skills and competences of potential employees still raise concerns under the global competitiveness pressure; the ambitions in the field of **information technology** have been achieved only partially, fragmentation in the region is still existent with an increased need for more political cooperation and expansion of regional collaborative networks involving the ICT industry; the situation in the **civil security sector** has improved as far as human trafficking and organized crime, violence against children and countering terrorism are concerned but new risks and challenges require immediate coordinated actions; cooperation in research, education and culture promotes elements of a regional identity but it seems that achieving a fully-fledged **regional identity** is not realistic and not on the agenda of the member states.

- In the **environmental sector** several achievements have been made but progress has not been sufficient. The ecological status of the Baltic Sea remains far from good. It still is one of the most polluted seas on the globe.

Main recommendations:

- The mere fact that there are still several significant shortcomings and gaps requires an even more coherent framework for continued strong cooperative efforts and actions in all policy areas in the future, strong willingness and continuous commitment by all parties. Recently adopted reforms in various regional institutions need to be put into practice as soon and as effectively as possible.
- The creation of an information hub on the BSR would be beneficial for the countries, regional institutions as well as for the policy and research community.
- For future crises, regional civilian crisis management mechanisms should be discussed and put into place.
- New efforts should be undertaken to close the digital gap across the region and to make all parts of societies in the region profit from digital solutions.
- While personal contacts remain important, it will be a balanced combination of both modes of interaction, digital and personal, that will make the difference in the future.

Background and Introduction

Since the early 1990s the Baltic Sea region (BSR) has been considered one of the most successful geographic areas. Here a cooperative spirit prevailed, joint solutions for common challenges were sought and national preferences were respected. When the Vilnius Declaration – “A Vision for the Baltic Sea Region by 2020” was adopted in the summer of 2010, interactions and processes taking place in the region demonstrated a very high level of diverse and dynamic synergies among countries, which partly were driven by accumulated cooperative efforts and partly by the experiences of the financial and economic crisis from 2008 onwards. The Declaration expressed the belief “that the Baltic Sea region has the potential to become one of the most prosperous, innovative and competitive regions in the world, using the strengths of the Council of the Baltic Sea States and other existing Baltic Sea regional cooperation frameworks”. It developed a vision for the region which to become true would require a strong political commitment by all countries of the region. At that time, there were sufficient grounds for optimism regarding the future of the BSR, allowing to draw a realistic visionary portrait of the region. To name just a few, in 2010 the EU Strategy for the Baltic Sea Region (EUSBSR) started operating; relations with Russian Federation were on the rise both in the BSR as well as within the EU framework (long-term cooperation along the lines of the so-called four common spaces), including even the prospects of negotiating a visa-free regime; after CBSS underwent a reform in 2007–2008. The political dialogue across the region including the Russian Federation was revitalized; in 2010 the United Kingdom expressed an interest to foster cooperation in Northern Europe and in 2011 the first UK–Nordic–Baltic meeting (later called Northern Future Forum) addressed joint efforts in boosting economy by technology and innovation. In light of these developments, the institutionalisation of cooperation continued on intergovernmental, transnational, inter-parliamentary and non-governmental levels. Various institutional networks became more project- and result-oriented while strengthening its political dimension simultaneously.

Thus, the prospects for close regional cooperation involving many actors on various levels as well as a sound political dialogue among the governments of the region looked promising. At that time, it was almost impossible to predict developments evolving outside the region such as the emerging risk of a new West–East divide from 2014 onwards, the withdrawal of the UK from the European Union as a sign of fragmentation in Europe, a weakening of multilateralism and

the global migration crisis. They had a strong direct impact on the region and the modes and structures of regional cooperation. They changed the pre-conditions for dialogue and cooperation, most importantly the trust among the countries of the region. Although functional cooperation continued on various levels and in several policy areas such as environment, the high-level political dialogue among the governments was put more or less on hold.

It was not before 2017 that the political dialogue among governments was resumed on a high level. A year later a reform process in the CBSS was launched, aiming at making the Council stronger by developing a new vision for the region beyond 2020 in the spirit and in the tradition of the Vilnius Declaration. This vision, as outlined by the CBSS Vision Group of Wise Persons, described the Baltic Sea area as

“a region which is prosperous, safe and secure for all its people; open, transparent and inclusive for all nations and nationalities across the region and beyond; confident with its own strong regional identity and focused on sustainable economic growth and development, while being fully aware of its ecological vulnerabilities; committed to pursuing vibrant and enhanced exchanges between its people, especially in the field of education, better inclusion, prosperity and social cohesion; protects human security and safe societies and builds trust between its nations.”

This report intends to examine the commitments made by the governments of the CBSS member countries in Vilnius in 2010 to “turn into reality” twelve visionary statements. The structure of the report follows the twelve themes as outlined in the Vilnius Declaration, seeking for evidence of whether the political pledge was converted into practical results in a respective policy area or issue. In order to collect proof the authors of the report analysed diverse data sets, statistics, indexes, documents and political statements.



The Region has a well-balanced intergovernmental structure for political dialogue and practical cooperation

The Baltic Sea region possesses a dense and complex network of regional intergovernmental institutions as well as of numerous bodies on various other levels such as transnational, sub-national, inter-parliamentary, sub-regional and non-governmental. They all aim at enhancing the inter- and trans-national dialogue and cooperation on various levels, across the levels and in specific geographical sub-regions. Over the years, the BSR has developed a complex system of multi-level governance, even some sort of network governance, in which a vast number of institutions co-exist along each other and at least attempt at complementing each others' activities. Prominent examples of those various types of institutions with a specific Baltic Sea focus include the intergovernmental Council of the Baltic Sea States (CBSS), the Helsinki Commission (HELCOM), the Baltic Sea Parliamentary Conference (BSPC), the Baltic Sea States Sub-regional Cooperation (BSSSC), the Union of the Baltic Cities (UBC) and the Baltic Sea NGO Forum, to name just a few of the many organisations, fora and initiatives. Other Northern regional councils such as the Nordic Council of Ministers (NCM), the inter-parliamentary Nordic Council, the Barents Euro-Arctic Council (BEAC) and the Arctic Council (AC) do not have, or not solely, a Baltic Sea focus, but due to overlapping membership and various work relations with the Baltic Sea regional institutions they are also part of the institutional framework in a wider Northern Europe and hence the BSR. Also the European Union (EU) has stepwise become a relevant actor in the region after establishing its Northern Dimension in 1999, accession of the Baltic states and Poland in 2004, increasing the number of EU members in the region from four to eight, and adopting and, from 2010 onwards, implementing its first ever macro-regional strategy – the EU Strategy for the Baltic Sea Region (EUSBSR). The Interreg Baltic Sea programme makes an important contribution to facilitate and fund tangible project work across the area.

All these organisations have their own – although in several cases overlapping – membership, decision-making procedures, political agendas and policy objectives, but at the same time there are certain similarities. In their own ways and on their respective level, they all contribute to the political and/or people-to-people dialogue and to practical cooperation in the BSR, aiming at jointly making the BSR more prosperous, environmentally friendly and safer. While some overlap of activities, unclear responsibilities and lack of ownership cannot be denied, the various institutions also cooperate with each other in certain ways and at least do an attempt to coordinate and complement their activities as well as to create

synergies in order to avoid unnecessary duplications. The CBSS lists many of the aforementioned bodies as strategic partners, attending, for example, their annual gatherings. The CBSS and the NCM share a long history of close cooperation in various policy areas such as civil security, energy and climate, regional identity and youth. HELCOM and the CBSS are close partners in the process of knowledge sharing, providing a coordinated support to relevant efforts, initiatives and actions to improve the BSR's international competitiveness with regard to the development of a sustainable maritime economy (see chapter 5). There is also a certain work sharing between the two: the CBSS/Baltic 21 have a particular responsibility for climate adaptation in the BSR, while HELCOM mainly focuses on the maritime environment.

The launch of the EUSBSR was another milestone in creating better coordination of activities and more cohesion in regional cooperation at least among the EU member states, providing the EU with a stronger role in regional cooperation and putting the BSR into a wider European context. The EUSBSR even had a role model function for other emerging European macro-regions. While Russian Federation, Norway and Iceland as non-EU-members are officially not included in the strategy's decision-making and implementation processes, which many observers and stakeholders still regard as a mistake, stakeholders from these countries at least have the possibility to participate in individual projects. Attempts have also been made to create more synergies between the EUSBSR and the Strategy of Socio-economic Development of the North-West Federal District of the Russian Federation. The EUSBSR's objectives are to save the sea, to connect the region and to increase prosperity, binding several of the individual organisations' goals and ambitions together. While certainly still not perfect, the EUSBSR offers a coordinated framework for cooperation and project implementation under an EU umbrella to which also all other regional actors and institutions contribute with their specific skills and expertise.

Intergovernmental regional cooperation has seen several unforeseen challenges since 2014. Because of Brexit the environment for European cooperation has changed, forcing the countries of the region to seek new partners and rethink their mutual relations. The relations between Russian Federation and many Western countries have changed, affecting the regional institutions and the cooperation among the countries. The new challenges and the changing circumstances forced organisations such as the CBSS and the NCM to implement institutional changes and reforms. The CBSS adopted a road map of reform in 2019 aiming at more focus and flexibility in its work, improving the cooperation with other international and regional institutions by fostering coherence and synergies and avoiding overlaps (see above) and "enabling concrete results in areas in which the organisation is uniquely suited to add value".¹ The CBSS Foreign Ministers concluded this process in May 2020 by adopting revised Terms of Reference for the Council and its Secretariat with the aim to increase the organization's

¹ CBSS – Roadmap of the CBSS reforms 2018–2020, p. 2.

relevance, efficiency, transparency and visibility. In 2014, the NCM initiated a process of modernization aimed at highlighting and strengthening the political relevance of intergovernmental Nordic cooperation, making it more effective, sharpening the strategic focus and opening up new fields of cooperation. The reforms implemented in both organisations are not revolutionary but rather some sort of fine-tuning and a way of improving their operational modes. Still they prove of the overall ability of regional institutions to adjust and adapt to new circumstances and challenges. This will in particular be required also in the course of adaptation to new realities during and after the Covid-19 pandemic.

Thus, the institutional framework for sustainable and successful regional cooperation is there – to tackle the old and new challenges and utilize the opportunities the region has to offer. Even more than in the past, it has to be actively used in an effective and efficient manner to produce tangible and visible results for the benefit of the region and its people. Cooperation, coordination and cohesion among the regional institutions has improved but there is still room for further development and improvement. Despite recent disruptions the basis for a sound political dialogue among all the countries of the region is still there. The most recent CBSS ministerial/high-level meeting gives proof of that since, for the first time in the form of a virtual gathering, the foreign ministers of all eleven CBSS member states plus a high-level representative of the EU had a fruitful and open exchange, taking several important decisions for the future of the Council and the region.

“Cooperation, coordination and cohesion among the regional institutions has improved but there is still room for further development and improvement.”

II.

The Baltic Sea is regaining its ecological health, with its littoral States playing a leading and exemplary role in dealing with the environmental challenges

Improving the status of the Baltic Sea environment has always been a very important objective of regional cooperation. The environment was even one of few policy areas in which at least some intergovernmental cooperation took place during the Cold War period within the context of the Helsinki Convention and its implementing body, the Helsinki Commission (HELCOM). After the end of the Cold War, HELCOM with all the Baltic Sea littoral states and the EU as members continued to exist as an environmental policy maker and focal point. Many of the newly emerging regional institutions such as CBSS, BSSSC and UBC also chose this particular field as one of their main priorities due to the deteriorating environmental state of large parts of the Baltic Sea. The cooperation delivered some tangible results and various environmental aspects improved. For example, joint efforts led to a 20-25 % overall reduction in emissions of oxygen-consuming substances, lowering the discharges of organic pollutants and nutrients from point-sources (e.g. waste-water plants, industries), a better treatment of industrial and municipal waste-water, stricter controls on industrial emissions and the recovery of seal and white-tailed eagle populations.

Since its adoption in 2007, HELCOM's Baltic Sea Action Plan (BSAP) has aimed at improving the ecological status of the Baltic marine environment significantly further by 2021. It incorporates the latest scientific knowledge into strategic policy implementation and stimulates goal-oriented multilateral cooperation around the BSR. The vision on which the BSAP is grounded envisages a healthy Baltic Sea environment, with diverse biological components functioning in balance, resulting in good environmental/ecological status and supporting a wide range of sustainable human economic and social activities. In HELCOM's own assessment, the BSAP has shown at least some good results towards improving the state of the sea.² For example, the BSR has the lowest number of overfished stocks in the European waters. However, Baltic fisheries are not yet entirely environmentally sustainable and not fully integrated into overall maritime planning processes.

Nutrient over-enrichment (eutrophication) in the Baltic Sea has been largely driven by excessive inputs of the nutrients nitrogen and phosphorus due to increasing human activity during the 20th century. It caused, for example,

² HELCOM: <https://helcom.fi/baltic-sea-action-plan/bsap-update-2021/>

increased turbidity, oxygen reduction in bottom waters, changes in species composition and blooming of algae. Waterborne inputs enter the sea via rivers and direct discharges. The main waterborne inputs originate from diffuse sources (e.g. agriculture, forestry, storm overflows), natural background sources and point sources.³ Between 2011 and 2016, at least 97% of the entire Baltic Sea was assessed as eutrophied.⁴ Agriculture alone contributes to over 70–90% of nitrogen and 60–80% of phosphorus inputs to the sea.⁵ At least in some of the Baltic Sea sub-basins direct inputs of phosphorous have gone down or stayed at a low level between 2010 and 2017 (see **figure 1**).

On the other hand, the input of nitrogen has only slightly decreased or even gone up in the same period (see **figure 2**). On the bright side, the ‘eutrophication confidence score’ indicates that in the past decade authorities have become more confident in their ability to properly measure and secure findings across the Baltic Sea. In 2018, in seven out of the ten largest Baltic Sea basins the confidence score was moderate while being high in two other cases, most going up from poor in 2011. Only in one sea area the score was poor, going down from moderate.

³ HELCOM: <https://helcom.fi/baltic-sea-trends/environment-fact-sheets/eutrophication/waterborne-nitrogen-and-phosphorus-inputs/>

⁴ HELCOM: <http://stateofthebalticsea.helcom.fi/pressures-and-their-status/eutrophication/>

⁵ HELCOM: <https://helcom.fi/action-areas/agriculture/>

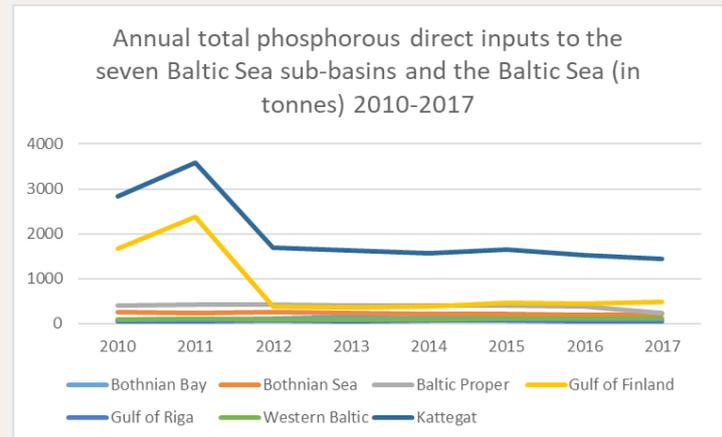


Figure 1

Source: HELCOM: <https://helcom.fi/baltic-sea-trends/environment-fact-sheets/eutrophication/waterborne-nitrogen-and-phosphorus-inputs/>

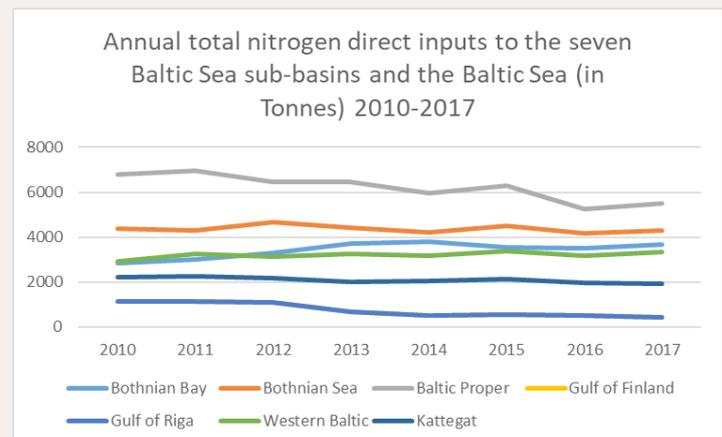


Figure 2

Source: HELCOM: <https://helcom.fi/baltic-sea-trends/environment-fact-sheets/eutrophication/waterborne-nitrogen-and-phosphorus-inputs/>

Another achievement is that the number of HELCOM protected coastal and marine Baltic Sea areas has steadily gone up between 2010 and 2015 and since 2018 stands at 198 (see **figure 3**) The aim of these areas is to protect valuable marine and coastal habitats. Approximately 12% of the Baltic Sea is designated as marine protected areas. The target set by the UN Convention on Biological Diversity of conserving at least 10% of coastal and marine areas has been reached in the Baltic Sea.

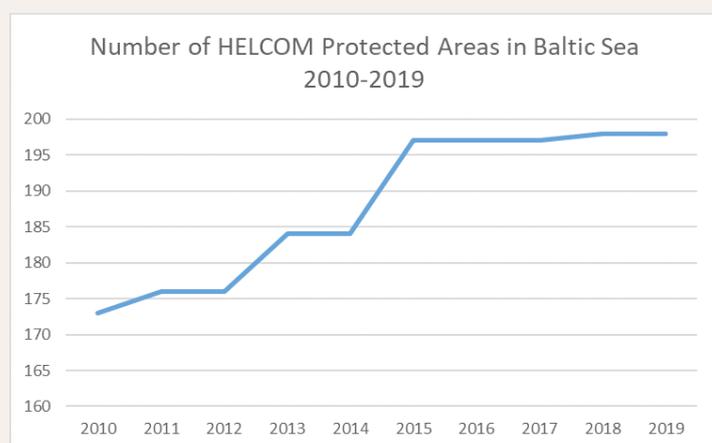


Figure 3

Source: HELCOM: <https://helcom.fi/new-helcom-assessment-on-networks-of-marine-protected-areas/>

Tackling environmental issues in the BSR under the objective “save the sea” is also one of the most important areas of cooperation within the EUSBSR, especially in terms of creating synergies between different policy settings and actors as well as establishing platforms for common action. While e.g. HELCOM and the CBSS contribute to the implementation of the environmental part of the EUSBSR, the strategy, in its turn, can be seen as a platform which contributes to the implementation of their policies and coordinates the activities of various actors. According to the European Commission, the work carried out through the EUSBSR has also contributed to the implementation of new EU regulations, including the strategy on the use of plastics.

Despite several achievements, HELCOM had to admit that the BSAP’s ecological objectives are unlikely to be fully reached by 2021 and therefore updated the scheme beyond 2021.⁶

⁶ HELCOM: <https://helcom.fi/baltic-sea-action-plan/bsap-update-2021/>

The ecological status of the Baltic Sea remains far from good. It remains one of the most polluted seas on the globe. This mere fact requires a coherent framework for even more cooperative effort and action, a coherent coordination of activities and a strong willingness and continuous commitment by all contracting parties now and in the years to come.

Marked progress has been achieved in fostering investment-friendly economies and innovation driven production

Despite several global and regional challenges the economic performance of the BSR has been convincing. The creation of an investment-friendly environment was considered one of the preconditions for economic growth and further development of the region. The achievements in this sector can be tested by the Ease of doing business ranking where the BSR countries are part of the leading group. In 2010 there was a clear division among the front-runners, namely the Nordic countries, followed by the Baltic States and Germany. Poland and Russian Federation were ranked only 72nd and 120th out of 190 nations. In 2020 there are no such clear cut lines among the BSR actors (see **figure 4**).

Looking at the FDI flows the situation is not so even. There are different patterns present in the BSR. For the countries of the region the leading investing country is Sweden (2017-2018).⁷ The data do not allow to argue convincingly that regional FDI are



Figure 3

Source: Ease of doing business ranking, <https://www.doingbusiness.org/en/rankings>

⁷ For Sweden Denmark stands as a leading investing country, in the region, for Iceland and Poland it is Germany, while in Germany, Iceland and the Russian Federation the first places are taken by countries from outside the BSR, such as the Netherlands, Luxemburg, and Cyprus. Data from the Central banks of those countries.

flourishing or that they are the most relevant contributors to regional growth. However, there is a marked presence of the Netherlands' investments in the region, which serves as an evidence to the country's commitment to the "new Hanseatic League"⁸ initiative fostering cooperation among the EU Northern European countries.

The Global Innovation Index of 2019⁹ proves that the countries of the BSR are leaders in many areas, such as business sophistication, knowledge and technology outputs, and creativity outputs (see **table 1**). Some countries such as Estonia, Germany, Latvia and the Russian Federation have substantially improved their performance, catching up with the Nordic countries.

Country	Global Innovation Index (as in 2010)	Business sophistication outputs	Knowledge and technology outputs	Creativity outputs
Denmark	7 (5)	9	14	11
Estonia	24 (29)	28	26	8
Finland	6 (6)	5	9	13
Germany	9 (16)	12	10	10
Iceland	20 (1)	23	23	9
Latvia	34 (44)	41	45	22
Lithuania	38 (39)	39	55	30
Norway	19 (10)	21	30	20
Poland	39 (47)	38	39	46
Russian Federation	46 (64)	35	47	72
Sweden	2 (2)	1	2	7

Table 1
Global Innovation Index 2019 as of countries of the Baltic Sea Region

Source: Global Innovation Index 2019, <https://www.globalinnovationindex.org/gii-2019-report>

⁸ The New Hanseatic League was founded in 2018 by the finance ministers of Denmark, Estonia, Finland, Ireland, Latvia, Lithuania, the Netherlands and Sweden, and aimed at promoting discussions and exchange of views on stronger Economic and Monetary Union of the EU without giving in to the French proposals to install e.g. a Finance Minister and a separate budget for the Eurozone.

⁹ <https://www.globalinnovationindex.org/gii-2019-report>

Innovation-driven technology as a portion of exports has increased, however, with variation among the countries leading the focus. Since 2008 onwards the global financial crisis has significantly decreased investment into research and development overall, and global demand for high-technology, which correlates with lower high-tech exports after 2008. However, pre-crisis high-tech proportions were almost reached in 2015, with countries like Norway, Estonia, and Germany seeing significant increases in their proportions. Other BSR nations have seen slower growth or stabilization (see **figure 5**).



Figure 5

Source: The World Bank database

The overall economic situation in the BSR has proved to be stable and resilient as far as the recovery after the global financial and economic crisis is concerned. In terms of individual performance – all countries are steadily decreasing the gap between the Nordic countries and Germany on the one hand and the Baltic States and Poland on the other. However, the global pandemic in 2020 will notably influence the economic performance of the individual countries as well as the region as such in short and mid-term perspectives. At the same time recovery can be faster and more dynamic if investments are targeted at the more vulnerable countries in the region. More collaboration and cooperation is needed in innovation, which will be decisive for the national health care systems, public health, public services, and the quality of life of societies at large.

IV.

Using the potential of public-private partnerships and driven by a common understanding, the public sector and the business community take a shared responsibility for sustainable development

The region has been conscious of the potential in a range of diverse partnerships since the early 1990s. This is manifested most clearly in the EU and NATO enlargements of 2004. Both governmental and non-governmental formats and institutions served as drivers and platforms for cooperative efforts. Alongside multiple other partners, the CBSS and the EU via its Strategy for the Baltic Sea Region have been fostering more coordinated and target-oriented collaboration aimed at leading to serve the interests and needs of citizens in a more sustainable manner and to increase overall sustainability across the region.

The region consists of countries with different perceptions and practices in public-private partnerships (PPP). However, coherence in understanding the value of PPP is emerging on a regional scale. As data demonstrated before the global financial crisis, there were two tendencies in terms of numbers of public-private investment project partnerships. While they decreased for example in Germany and Russian Federation, they increased in Denmark and Poland (see figure 6). Despite the positive or stable curve in PPP the patterns in the region could be more dynamic, especially in the types of PPP as many states have engaged them in a very limited range of sectors. The Nordic countries, for example, have used PPP extensively for general public services, healthcare, and public order and safety, while the easternmost members of the region have used PPP mostly for transport and telecom projects.

The Vilnius Declaration assumes that existence PPP will share responsibility in creating more sustainability in the region. Goals such as clean water and sanitation, affordable and green energy, decent work and economic growth, industry, innovation and infrastructure, sustainable cities and communities, and climate action cannot be achieved without wide partnerships. One of the rankings demonstrating state contributions to the globally adopted sustainable development shows there are at least three groups of actors in the region: 1) champions in implementing the United Nations' Sustainable Development Goals (SDGs) because of their long-term involvement in sustainable policies, such as Sweden, Denmark, Finland, Germany and Norway; 2) the second group consists of countries that are rapidly catching-up with the first group. For instance, Estonia scored 74,53 in 2016 and 80,2 in 2019, thus almost reaching Norway and the first group at large. Similar, but slower progress was achieved by Latvia,

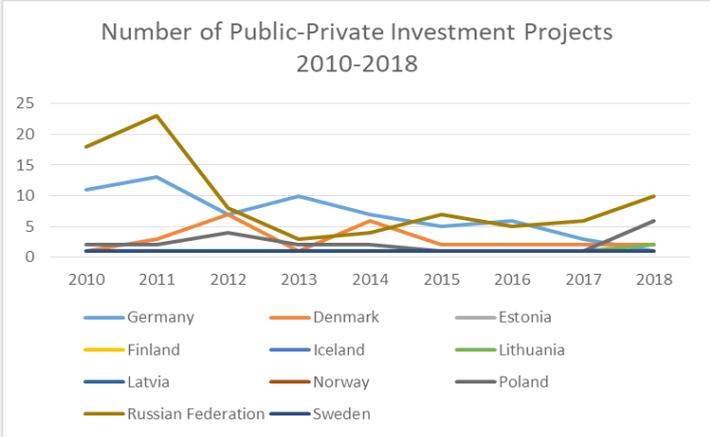


Figure 6

Source: The World Bank database, European Investment Bank (EPEC Data Portal)

Lithuania, Poland; 3) Outliers like Russian Federation, which is improving its performance as far as SDGs are concerned but still lags behind the other countries of the region (see figure 7).



Figure 7

Source: Sustainable Development Goal Index (2016-2019), <https://unstats.un.org/sdgs/indicators/database/>

Regional economic growth benefits from an integrated maritime policy and well-interconnected transport networks

The maritime “blue” economy with its different sub-sectors such as transport (cargo/ferry), shipbuilding and ship repair, logistics and infrastructure (e.g. ports), fisheries, renewable energy (offshore wind), biotechnology as well as coastal and cruise tourism has grown in economic importance for the Baltic Sea region throughout the years. The region has even acquired a frontrunner position and can be regarded as a model maritime region in terms of good economic, social and environmental performance.¹⁰ A blue growth study commissioned by the European Commission in 2014 confirmed the big potential for the development of a maritime economy in the BSR especially in respect of short-sea shipping, coastal and cruise tourism (see chapter 12), offshore wind, shipbuilding, aquaculture and blue biotechnologies. All together they provide many jobs and one of the largest gross-value-added across the region. At the time growth rates in the maritime sector in particular for offshore wind, cruise tourism and marine aquaculture were above EU-average.¹¹

As early as 2013, up to 15 percent of the world’s cargo traffic has been handled in the Baltic Sea making the region with about 400 sea ports into one of the busiest and most heavily trafficked maritime places on the globe (for the economic value of maritime transport exports and imports of all Baltic Sea countries see figures 8 and 9). This is despite the fact that the Baltic Sea has actually been considered a difficult area for shipping due to often heavy weather conditions and narrow straits, multiple islands and shallow waters limiting the space for navigation. In 2014 all Baltic Sea countries controlled about 7000 ships with gross tonnage > 1,000, representing 13% of the world fleet and 35% of the EU-controlled fleet. As of 2018, there were about 2000 ships in the Baltic marine area at any given moment. 3500–5500 ships navigate through the Baltic Sea per month. More than 50% of the ships are cargo, roughly 20% are tankers and about 11% are passenger ships (ferries and cruisers) with approximately 50 million passengers annually.¹² According to the latest estimates, shipping traffic across the Baltic Sea is even expected to more than double over the next 20 years.¹³

¹⁰ https://www.researchgate.net/publication/339556258_Blue_Growth_Potential_in_South_Baltic_Sea_Region

¹¹ European Commission 2014: https://ec.europa.eu/maritimeaffairs/content/delivering-sustainable-blue-growth-agenda-baltic-sea-region_en

¹² Source of all data: https://vasab.org/wp-content/uploads/2018/08/20180730_FutureShippingQuoVadis.pdf

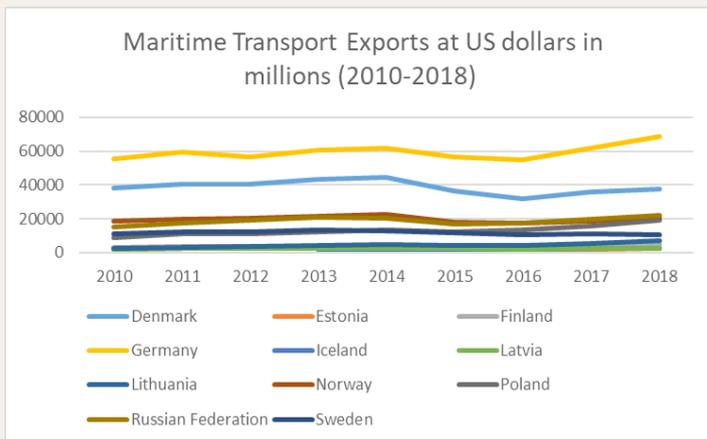


Figure 8

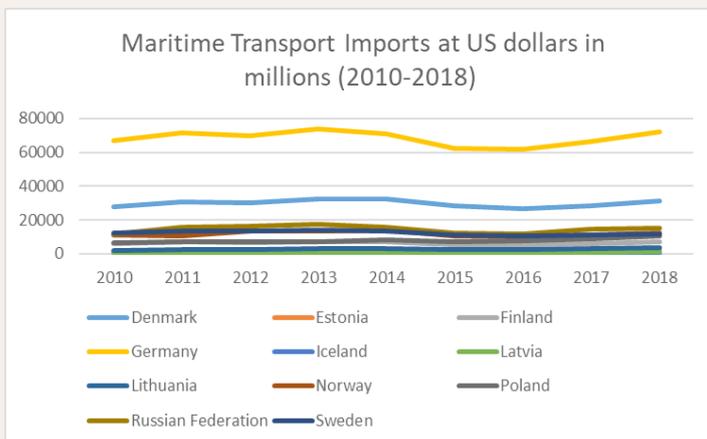


Figure 9

Source: UNCTADSTAT <https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx>

In terms of transport and transport infrastructure for the BSR of importance is the Trans-European Network for Transport (TEN-T), supporting European cohesion and a single European transport area with smooth passenger and freight transport. Within this framework, the TEN-T core network corridors aim at improving mobility on major transport axes across Europe by removing physical, technical and administrative bottlenecks. These corridors include rail, road, air and water transports. The BSR is crossed by three core network corridors: Scandinavian-Mediterranean, North Sea-Baltic and Baltic-Adriatic. Major ongoing infrastructure projects in the BSR include the fixed Fehmarnbelt link in form of a tunnel between the Danish island of Lolland and the German island of Fehmarn and Rail Baltica, intending to connect the three Baltic States with each other and Poland by rail.

On the basis of the aforementioned blue growth study and as a part of its overall integrated maritime policy, the EU adopted a “Sustainable blue growth agenda for the Baltic Sea Region” in May 2014. It provides a blueprint for harnessing the region’s strengths to boost innovation and growth in the maritime area. Sustainability is thought as a driver for innovation and more jobs, for example in the area of clean shipping. The EU Strategy for the Baltic Sea Region also emphasizes the

¹³ WWF 2020: <https://www.wwfbaltic.org/our-vision-for-the-baltic-sea/ocean-management/marine-spatial-planning/shipping/#oil-spills>)

meaning of maritime transport and the blue economy/growth for the region and has become an important instrument to implement the EU's integrated maritime policy. The Policy Areas "Clean Shipping" (PA Ship), "Maritime safety and Security" (PA Safe) and "Transport" with many flagship projects are important expressions of it. PA Transport aims at "facilitating efficient and sustainable Baltic passenger and freight transport solutions". Also HELCOM, the BSSSC and CBSS play an active part in the efforts to develop an integrated maritime policy for the BSR. The CBSS' Expert Group on Sustainable Maritime Economy (EGSME) works towards improving the BSR's international competitiveness in maritime economy and establishing the area as a model region for maritime best practices and for a balanced co-existence of a successful sustainable maritime economy, as well as the adequate protection of the vulnerable marine ecosystem (see chapter 2)

Thus, an integrated maritime policy and well-interconnected transport networks are and remain important elements of a prosperous and sustainable Baltic Sea region. The institutions of regional cooperation are supportive of the efforts to develop a sustainable blue economy and back them up with various activities politically, although it is difficult to discern how tangible and effective they have been so far. Efforts by various institutions as well as the national authorities often do not seem coherent, with the latter following rather national than regional interests. Also, large maritime infrastructure projects are complicated and take a long time to implement partly due to diverging interests within and across countries (e.g. the fixed Fehmarnbelt link). At large, the region profits economically from its blue economy but there is still more potential to utilize its opportunities as well as to implement a more coherent and effective regional integrated maritime policy.

VI.

All countries in the Region enjoy results of integrated energy markets, improved energy efficiency and extended use of clean and renewable energy

In the energy sector the countries of the Baltic Sea region have achieved the goals set by the Declaration with significant results in both energy market integration and development of renewable energy production capacities. The main drivers behind the energy market integration were investment projects in infrastructure completed mostly by the three Baltic States during this period. In the power sector some of the most notable projects were the Finnish–Swedish power transmission cable “Fenno Skan-2” in 2011, the Lithuanian–Swedish power transmission cable “Nord Balt”, the Estonian–Finnish transmission cable “Estlink-2” and Polish–Lithuanian transmission interconnection “LitPolLink”. In the natural gas sector the achievements were registered mainly in the Baltic States. They were related to both investments in infrastructure and administrative steps. The most important infrastructure project during the decade was Lithuania’s investment in the liquefied natural gas (LNG) terminal “Independence”. The actual volume of natural gas imported by Lithuania via the LNG terminal in 2019 reached approximately 65% of the total natural gas volume imported by that country. Exports from Lithuania to the Latvian natural gas system in 2019 reached 22,3% of all imported natural gas.¹⁴ It must also be noted that during this period the construction of a new natural gas pipeline “Nord Stream-2” connecting Russian Federation and Germany has started. However, the positions of the EU member states regarding the impact of the project on the security of energy supply and market integration of the region remain strongly sceptical. In general, the project is seen as conflicting with some of the principles of the EU energy market, specifically with the EU’s Third Energy Package requirements.

The most important administrative steps to facilitate integration were the liberalization of the natural gas market in all Baltic States, which were completed in April 2017. Equal access to infrastructure, including gas grid and storage enabled both physical and commercial trade of natural gas, and consequently a particularly rapid development of the regional market in the Baltic States. It must be noted that in other countries of the region, especially Finland and Poland, the

¹⁴ Conexus Baltic Grid. (2019). *Dabasgāzes pārvades sistēmas operatora ikgadējā novērtējuma ziņojums par 2018. gadu.*

progress was slower. In Finland's case this was related to the comparatively late decision regarding liberalization of the natural gas market, while in the case of Poland to delays of the new infrastructure projects. Developments in the natural gas market in the region was partially facilitated by Russia's company "Gazprom", which proposed several initiatives to remedy competition concerns and introduced a more flexible approach to trade between Russia's "Gazprom" and respective gas companies in the EU member states.¹⁵

During the last decade the region also experienced rapid growth of renewable energy production capacities. Wind energy was the main contributor to this growth and became the second largest source of renewable energy in the region with hydropower being the first.¹⁶ The share of wind energy in the 2020 daily power production balance at certain periods could reach values as high as 30% of the total consumption. The only significant exception from this overall trend of growing proportion of the renewable energy during the period was Russian Federation, which experienced only a very modest growth of renewable energy sources, especially wind energy. According to experts, this can be explained by a relatively cautious approach of the Russian government regarding the implementation of wind energy

	2009	2015	2019
Estonia	142	303	320
Latvia	28	62	66
Lithuania	91	424	548
Sweden	1560	6024	8985
Finland	146	1000	2284
Poland	725	5100	5917
Denmark	3465	5064	6128
Germany	25777	44946	53912
Russian Federation	17	83	191
Total	8166	19992	26267

Table 2
Growth of wind energy capacities (in MW) in Baltic Sea region countries

Source: Wind Europe (formerly The European Association of Wind Energy), Russian Association of Wind Industry

¹⁵ European Commission. (2017). GAZPROM's proposed measures to remedy competition concerns. Retrieved from https://ec.europa.eu/competition/publications/infographics/2017_01_en.pdf

¹⁶ EWEA. (2020). *Wind energy in Europe in 2019*.

support measures. However, after introduction of such measures in 2013, the industry gradually increased the pace of development.¹⁷ It must be noted that the performance of Russian Federation regarding the proportion of renewable energy strongly differs in different sectors, and while penetration of renewable energy in heating and transport sectors is comparatively modest, the Russian power sector displays significantly better results with a proportion of hydro energy of approximately 20%.

The region is committed to an expansion of the renewable energy sector, which is defined in the energy and climate change strategies of individual countries. However, the region is not fully integrated in this regard. For instance, Iceland is leading with 77% share of renewables of the total energy consumption, followed by Norway with 57,8%, Sweden with 53,2%, Finland with 43,2%, Latvia with 38,1%, Denmark with 33,2%, Lithuania with 29% and Estonia with 27,5%¹⁸. Such countries as Germany with 14,2% and Poland with 11,9% are undergoing transformation of their energy sector due to national policies and policy goals set by the EU, including the newly introduced Green Deal package, which will improve the situation in the years ahead. The list is concluded by Russian Federation, still relying on fossil energy resources and not pursuing ambitious plans in that regard – currently the share of renewable energy constitutes only 3,3% of consumption. According to an analysis of the International Renewable Energy Agency “under current plans and policies, renewables would reach nearly 5% of total final energy consumption by 2030”.¹⁹

Almost all countries of the region are committed to a further expansion of the renewable energy market and set to ensure a higher level of interconnectivity and collaboration. At the same time there is a need to increase the regional political dialogue and cooperation on energy matters in order to avoid the implementation of energy projects that could cause tensions and disagreements among the countries of the region.

¹⁷ Российская Ассоциация Ветроиндустрии. (2020). *Обзор российского ветроэнергетического рынка за 2019 год*. Retrieved from <https://rawi.ru/windpower/market-report/report-2019>

¹⁸ The World Economic Forum, http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf

¹⁹ International Renewable Energy Agency, <https://www.irena.org/publications/2017/Apr/Renewable-Energy-Prospects-for-the-Russian-Federation-REmap-working-paper>

VII.

The people of the Region benefit from positive dynamics of socio-economic development, ensuring good public health and social well-being.

The socio-economic development across the BSR has been overall positive over the last ten years. But still there are significant gaps between the countries on the western and the eastern shores of the sea. Confirming this assumption, in the Legatum Prosperity Index 2019 the BSR countries rank as follows: 1. Denmark, 2. Norway, 4. Sweden, 5. Finland (all in top 5 since 2009), 8. Germany, 10. Iceland, 21. Estonia, 33. Lithuania (going five ranks up since 2009), 35. Latvia, 36. Poland and 74. Russian Federation (going eight ranks up since 2009).²⁰ Also statistics on average wages (see **figure 10**) support this impression. While they have slightly gone up in almost all countries of the BSR between 2010 and 2018, the Nordic countries with Iceland at the top and Germany score the highest, Poland and the Baltic states follow with some distance and the Russian Federation stays far behind.

²⁰ The index is based on features such as safety and security, personal freedom, economic quality, living conditions, health and education. See: https://prosperitysite.s3-accelerate.amazonaws.com/1515/8634/9128/The_Legatum_Prosperty_Index_2019_Rankings_Table.pdf

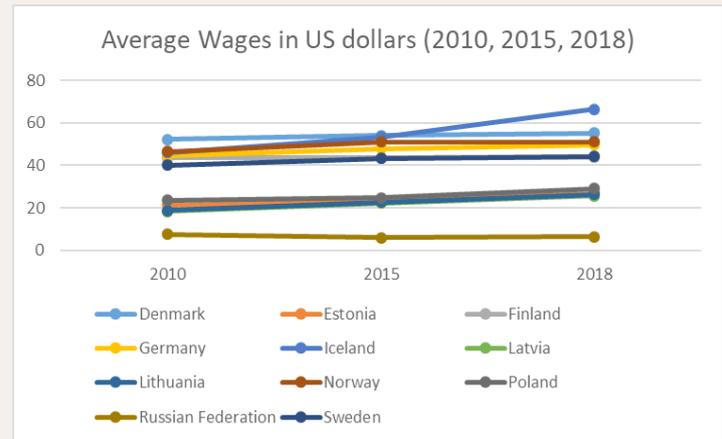


Figure 10

Source: OECD, <https://data.oecd.org/earnwage/average-wages.htm>

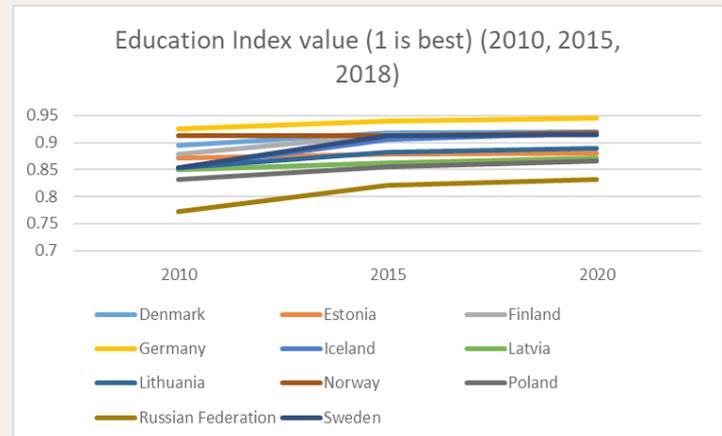


Figure 11

Source: United Nations Development Programme, <http://hdr.undp.org/en/data#>

A similar picture becomes apparent when looking at the education index (see **figure 11**).²¹ Here, too, an overall slight increase in the entire region but at the same time a divide between East and West can be observed.

While there is a regular competition among the Nordic countries for No 1 in the World Happiness Score (it used to be Denmark for some years, then Norway took its place in 2017 and was replaced by Finland in 2019) and the top three positions were occupied by these countries between 2017 and 2019, the gap across the region becomes evident also here (see **figure 12**).

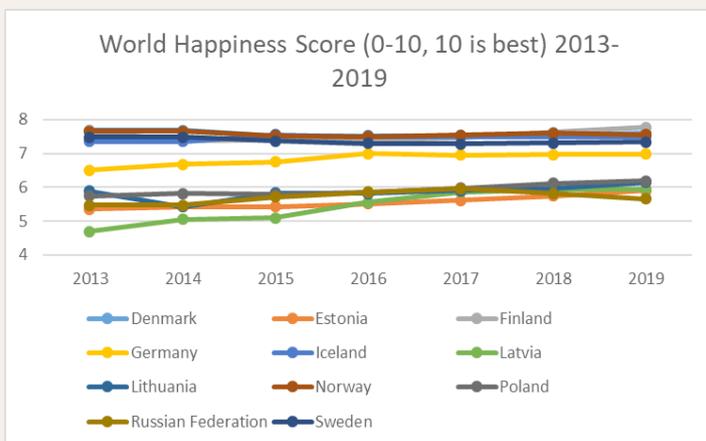


Figure 12

Source: World Happiness Report, <https://world-happiness.report/>

Finally, particularly in the public health sector, the BSR is still characterized by considerable disparities in health and social conditions between its western and eastern parts according to the NDPHS Secretariat (Northern Dimension Partnership in Health and Social Wellbeing). In several parts of the region social and economic problems cause high levels of mortality due to non-communicable diseases, violence, alcohol and drug abuse and the spread of infectious diseases.²² In its health category, the Legatum Prosperity Index of 2019 ranks the Nordic countries and Germany between 5 (NOR) and 26 (FIN), while Poland, the Baltic countries and Russian Federation

²¹ The education index is an average of mean years of schooling (of adults) and expected years of schooling (of children), both expressed as an index obtained by scaling with the corresponding maxima.

²² NDPHS: https://www.ndphs.org/?eusbsr_implementation

rank between 40 (PL) and 103 (RF).²³ Life expectancy has gone up in all BSR countries between 2010 and 2020, but there is a gap of 5 to 10 years between the Nordic countries and Germany (all beyond 80) on the one hand, and the Baltic countries, Poland and the Russian Federation on the other (see **figure 13**).

In this respect, health cooperation across the BSR, for example within the Policy Area Health of the EUSBSR and the NDPHS, is important as it intends to reduce the existing gaps. For example, PA Health aims at reducing the impact of HIV/AIDS, tuberculosis and associated infections among populations at risk as well as non-communicable diseases, adequately addressing the needs of chronically ill patients and needs related to demographic changes, reducing social and health harm from alcohol, tobacco and illicit use of drugs as well as increasing health and well-being at the work place.²⁴

Regional health cooperation is likely to become even more relevant in the course of the Covid-109 pandemic and possible future pandemics affecting all BSR countries. However, the number of Covid-19 cases and related deaths in BSR countries shows a huge variation. As per mid June 2020, Iceland topped the statistics on the number of cases per 100,000 of population with 506,

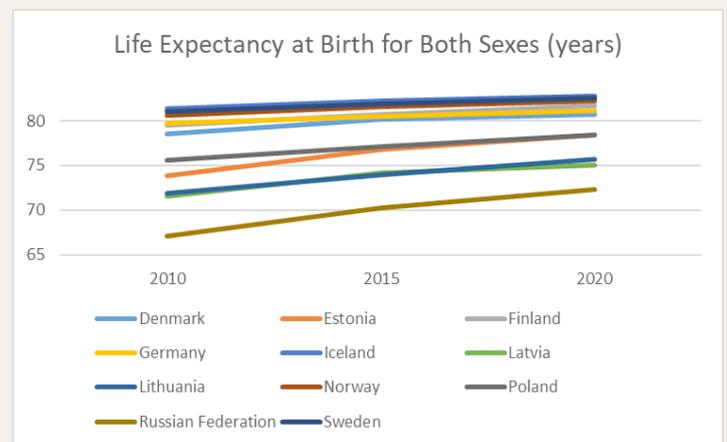


Figure 13

Source: United Nations, <http://data.un.org/Data.aspx?q=life+expectancy&d=PopDiv&f=variableID%3a68>

²³ https://prosperitysite.s3-accelerate.amazonaws.com/1515/8634/9128/The_Legatum_Prosperty_Index_2019_Rankings_Table.pdf

²⁴ NDPHS: https://www.ndphs.org/?eusbsr_implementation

followed by Sweden (472), Russian Federation (344), Germany (223), Denmark (207), Norway (161), Estonia (148), Finland (128), Poland (74), Lithuania (63) and Latvia (57).²⁵ As to the cases of death per 100,000 of population, Sweden showed the largest number (47,3), followed by Germany (10,6) and Denmark (10,2), Finland (5,9), Estonia (5,2), Norway (4,6), Russian Federation (4,5), Poland (3,2) and Iceland (2,8), with Lithuania and Latvia again at the bottom with 2,7 and 1,3.²⁶ These are the only figures which do not reveal a clear East-West divide, but according to which several western countries do much worse than several eastern ones.

The still existing gaps in socio-economic and health related development between groups of countries in the region need to be taken into account. While it looks unlikely to bring all countries of the region onto the same level, more could and should be done to reduce the gaps through cooperation and by sharing experiences and best practices in at least a few of the aforementioned areas. Learning from the fairly successful handling of the Covid-19 pandemic in several countries in order to better prepare for possible future emergencies might be a case in point.

²⁵ <https://www.statista.com/statistics/1110187/coronavirus-incidence-europe-by-country/> The exact numbers keep changing constantly but the tendencies and rankings remain the same.

²⁶ <https://www.statista.com/statistics/1111779/coronavirus-death-rate-europe-by-country/> (see above)

VIII.

The countries in the Region are effectively reducing unemployment, social exclusion and inequality in the labour market.

In 2010 almost all the countries of the region suffered from the diverse effects of the global financial and economic crisis, with the rise of the unemployment rate being one of the most salient examples. The Baltic States experience in the labour market was among the most severe, reaching unemployment levels of 19,4% in Latvia, 17,8% in Lithuania, and 16,7% in Estonia. All three countries recovered from the economic downturn in a relatively short period of time, thus demonstrating a high level of resilience and adaptability within their societies. The consequent implementation of a strict fiscal policy supported by measures ensuring economic activity allowed them to join the euro zone and to reduce unemployment. By 2020 the region has developed into one with a low level of unemployment ranging from 2% to 7% in the individual countries (see **figure 14**). But the impact of Corona-19 on the labour market is a new challenge but the existing resilience mechanisms are hoped to be able to foster a steady recovery from unemployment.

The labour market in the region proves to be socially inclusive. It is open for different demographic groups, even for the most vulnerable ones. For

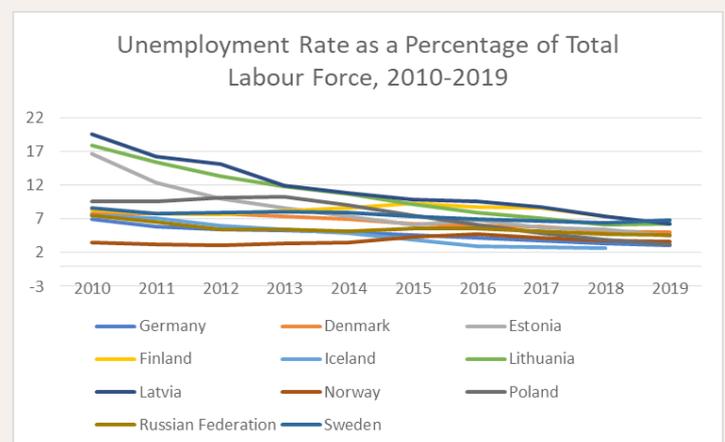


Figure 14

Source: OECD database

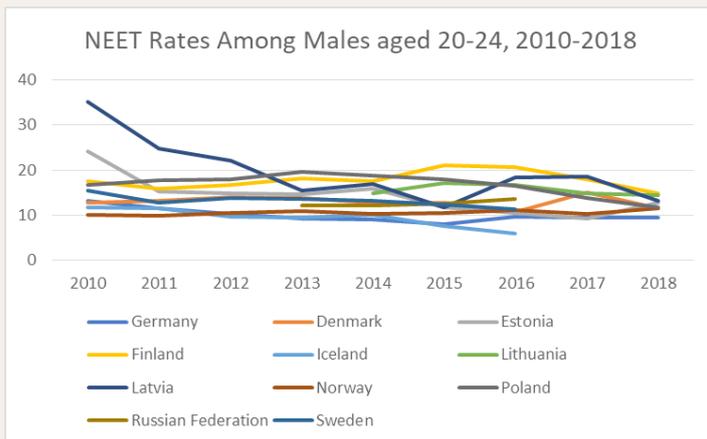


Figure 15

Source: OECD database

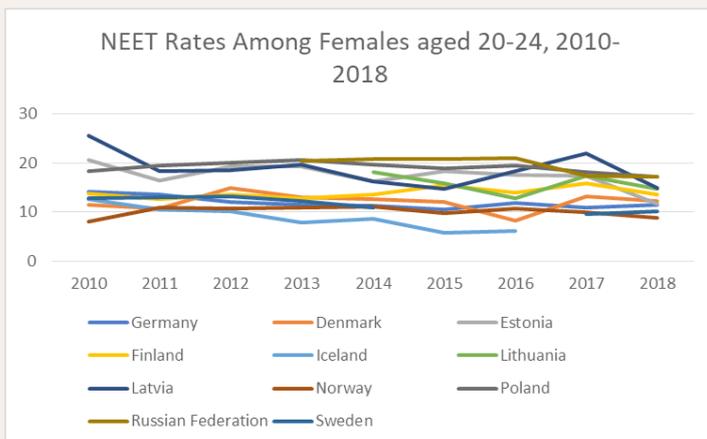


Figure 16

Source: OECD database

instance, the NEET indicator (Not in Education, Employment or Training) highlighting individuals to which these apply is very low. In the last ten years this tendency has been similar in all countries with just minor differences. However, NEET rates among males and females aged 20-24 are different. However, by 2020 the number of males is smaller than females, indicative of more systematic issues (see **figures 15 and 16**).

The region is also well known in the world as an area with a high level of participation of women in the labour market. According to a World Bank report on Women, Business and the Law (WBL) focusing on gender inequality measured by existing legal barriers that impact women's economic participation²⁷, the region stands out with its high scores. Three countries, i.e. Denmark, Latvia and Sweden were rated with the highest score 100, while others, except the Russian Federation, received scores between 93,8 and 97,5. Russian Federation scored only 73,1, because of the existing concerns related to working place and payment inequalities as well as a lower level of women in entrepreneurship generally.

According to the 2019 Global Competitiveness Report, there are still some weaknesses in the region, which could impact further developments. Currently the region is composed of countries with a relatively skilful workforce. According to the ranking, among 141 states, Finland stands as the 2nd, Denmark as the 6th and

²⁷ Women, Business and the Law 2020. The World Bank. <https://wbl.worldbank.org/#>

Iceland as the 7th. The countries requiring more attention to developing their skills are the Russian Federation as the 49th, Lithuania as the 55th and Poland as the 92nd. While looking at the projection of skills needed for future work force – almost all countries have the potential for improvement of their performance except the Russian Federation which is likely to go down to the 65th place. Another gap identified by the same report exists in regard to the ease of finding skilled employees. The three Baltic States stand out in this domain, placing Latvia at 100th, Estonia at 122th and Lithuania at 124th place. If the other countries do not experience a shortage of skilled employees, for the Baltic States it could become a problem for adaptation of their labour markets to the demands of growing global competitiveness.²⁸

The overall health of the labour market in the BSR proves to be stable – with a low level of unemployment, it is inclusive and has enacted inequality-counteracting policies. Weaknesses in education, skills and competences of potential employees still raise concerns under the global competitiveness pressure. However, in the future the region could face unexpected challenges. Due to the global pandemic there will be changes in the labour market. The demand for some professions will decrease or even disappear while others, mostly related to application and usage of ICT will expand at a rapid pace putting pressure on labour force. The services as well as the tourism industry, particularly lively in the region, are bound to take a severe hit, with experts unsure regarding the possibility of recovery. Thus, the most vulnerable and exposed groups will be those in pre-retirement and low skilled brackets. Although the technologically savvy youth may be better able to adapt to the changing markets, the lack of entry-level jobs and the increasing centralization of the ICT sector may cause a wave of unemployment among them as well. Therefore, life-long learning, professional training, and many other educational programmes will be of increasing importance. Sharing of experience and best practices, collaboration in searching for best practices, innovative education methods and teaching digital skills will be crucial for the region's ability to adapt to structural changes.

²⁸ Women, Business and the Law 2020. The World Bank. <https://wbl.worldbank.org/#>

The Region benefits from advanced regional networks built on active application of information technologies.

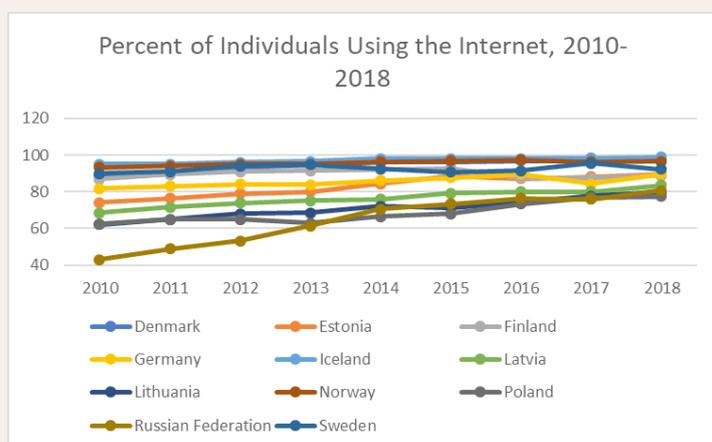


Figure 17

Source: The World Bank database

The ambitions of the Vilnius Declaration in the field of information technology have been achieved only partially. The Region is well known globally as an advanced producer and user of information technologies, particularly as far as its Northern countries are concerned. The general trend indicates that other countries are improving their performance as well and become more integrated into different networks sub-regionally, regionally and globally. There are several projects implemented or ongoing that connect the countries of the region and foster cooperation of the ICT companies for the benefit of the region at large. For instance, the Digital Innovation Network project supported by Interreg Baltic Sea programme involves 14 partners from the area in order to stimulate the ICT business sector and to contribute to innovative public services and the European Digital single market.²⁹

Data illustrate that there is a high number of individuals using the Internet in the region and the gap among the countries is decreasing (see **figure 17**). For instance, the highest numbers are in Iceland - 98%. The Russian Federation

²⁹ Digital Innovation Network, <https://www.diginnobsr.eu/>

was the country with the lowest numbers in 2010 – only 43%, but reached 76% within six years.

However, there are differences among the countries in many other areas related to the ICT sector. The Top of Digital Europe think-tank founded by the Baltic Development Forum in 2014 warned about existing fragmentation tendencies when analysing the progress of ICT cross-border cooperation facilitation. In the State of the Digital Region Report 2017, experts indicated that the Nordic countries are doing better but they are “lagging ahead”, with other countries demonstrating more stalwart progress. Only Estonia is reaching the level of the Nordic countries,³⁰ while Poland demonstrates a slower pace of development.³¹ The widest gap exists in the field of new company start-ups in the ICT sector (gap 97%), private research and development expenditure as share of GDP (gap 93,4%), while a more coherent situation is with STEM graduates per 1000 inhabitants (gap 17%) , as well as individuals with basic or above software skills (gap 40%).³²

Similar conclusions are made by the EU’s Digital Economy and Society Index (DESI), comprising several relevant indicators (connectivity, human capital, use of internet services, integration of digital technology, digital public services) which allow to monitor Europe’s digital performance and competitiveness.³³ Findings of the DESI in 2019 support previous conclusions – countries such as Finland, Sweden, Denmark and Estonia demonstrate convincing achievements along all four indicators. Germany does not belong to the so-called countries “lagging ahead” and is placed between the previous group and the Baltic States. Lithuania and Latvia are performing better in digital public services and connectivity, while Latvia is lagging behind in integration of digital technology. Poland is following-up as only 25th country demonstrating progress in digital public services, but other indicators bring Poland closer to Greece, Romania and Bulgaria and below the EU average.³⁴

The aforementioned findings are supported by the change in mobile cellular subscriptions in each country of the region (see figure 18). Although all the countries of the region have a generally high rate of mobile use, which implies the use of other tools accessible through the medium, divergences persist between the nations. Decrease of subscriptions is indicative of the normalization of ICT

³⁰ State of the Digital Region Report, 2017., p.6 https://www.bdforum.org/wp-content/uploads/2017/11/2017_StateOfDigital-v3-004.pdf

³¹ The Russian Federation was not included in the survey.

³² State of the Digital Region Report, 2017., p.6 https://www.bdforum.org/wp-content/uploads/2017/11/2017_StateOfDigital-v3-004.pdf

³³ European Commission, <https://ec.europa.eu/digital-single-market/en/desi>

³⁴ Ibid.

adoption in a particular field and highlights a maturity and bundling of services, which is what the majority of countries are experiencing in the region.

It should be noted that the individual performance of the countries in the development of information technologies is improving, including several achievements such as the facilitation of digital identification (eID), connecting digital start-ups in small and medium size cities and the utilization of existing networks and collaborative organizations.³⁵ Nonetheless, their contribution to cross-border cooperation, regional growth and connectivity at large remains hesitant.

The need for bridging the gap in information technology and more intensive cooperation on the regional level is revived by the spread of Covid-19. Answers to the question how to sustain, contain and adapt to “new normal” depend on the ability to apply ICT solutions to daily situations, to innovate new and necessary tools for economy, education, climate and other sectors, and to build diverse partnerships. Fragmentation in ICT policy and its implementation is becoming ever costlier for societies, states and the Baltic Sea region at large. More political cooperation and involvement of the ICT industry in the expansion of regional collaborative efforts is needed.

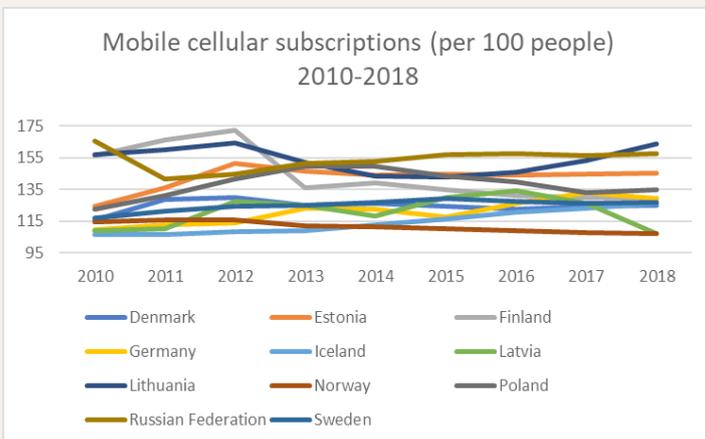


Figure 18

Source: The World Bank database

³⁵ State of the Digital Region Report, 2017., p.6 https://www.bdforum.org/wp-content/uploads/2017/11/2017_StateOfDigital-v3-004.pdf

X.

The people of the Region are experiencing a steady progress in combating terrorism, in enhancing the protection and resilience of critical infrastructure and in fighting organized crime, especially trafficking in human beings, including children, and illegal drugs.

In 2010 there were sufficient grounds to assume that the Baltic Sea area would become more secure and safe for individuals and states at large. However, observed progress could be assessed as good but not sufficient. The Global Competitiveness Report 2019, which ranked countries according to state of domestic security,³⁶ demonstrated a diverse situation. Several countries of the region stand very high, Finland being ranked as the most secure country, followed by Iceland as the 3rd and Estonia as the 12th. Russian Federation is placed in the ranking on the 99th place due to a high level of organized crime, homicide rate and a low level of reliability of police.³⁷

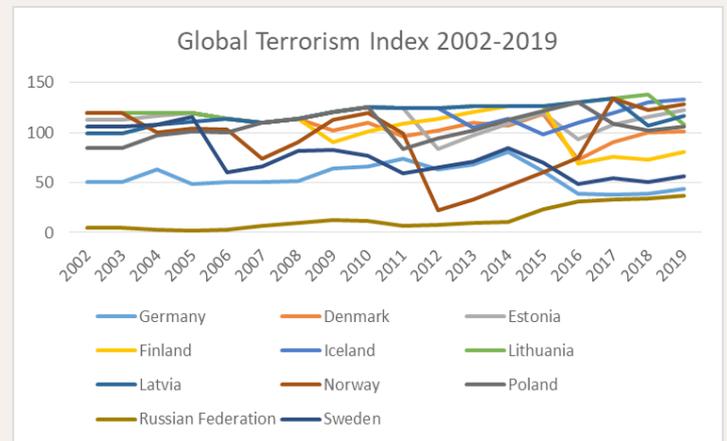


Figure 19

Source: Global Terrorism Index, <http://economicsandpeace.org/reports/>

³⁶ Security is measured by organized crime, homicide rate per 100 000 pop, terrorism incidence and reliability of police services.

³⁷ The World Economic Forum, http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf

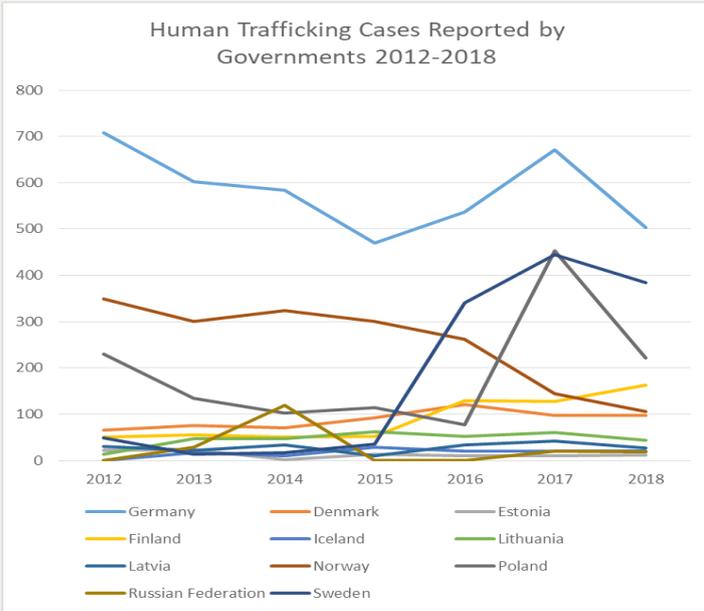


Figure 20

Source: Reports of the Council of the Baltic Sea States

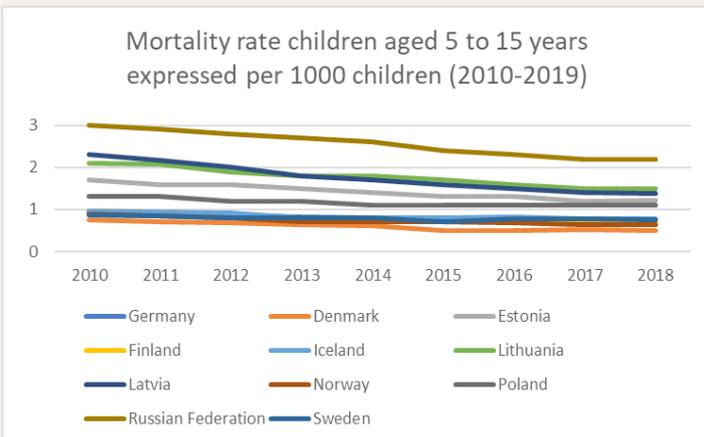


Figure 21

Source: UNICEF

In terms of persistent threat of terrorism in the Baltic Sea region, its countries demonstrate a high level of resilience and recover relatively efficiently by applying respective policies, strengthening coordination and exchanging information. According to the Global Terrorism Index the BSR has different levels of exposure to terrorist attacks. Data show that almost all countries faced different types of terrorist attacks over the last ten years as Norway in 2011, Germany and Sweden in 2016 and 2017, the Russian Federation from 2011 to 2014 (see **figure 19**). Other countries were more concerned about crime such as money laundering, radicalization and different risks which fuel and support terrorism.

Fight against trafficking of human beings was one of the priorities of the CBSS since its foundation in 1992. The creation of a Task Force against Trafficking in Human Beings contributed to a more coherent and coordinated policy in this sector. Data show that the number of human trafficking cases has decreased in 2018. However, some countries are more exposed to global and regional crises and conflicts, which leads to a complex security situation. Germany and Sweden faced an increase of human trafficking cases due to the global migration crisis and Poland because of the conflict in Ukraine (see **figure 20**). Despite a positive trend in the last several years, the region needs to intensify collaboration in combating human trafficking as the tension in global politics could increase with possible spill-over effects onto the region.

The focus on decreasing violence against children, together with the

overall wellbeing and protection of children has seen steady progress in the region. There have been differences in the baseline mortality rate of children among the countries of the region. More significant convergence is taking place among the southern and eastern states, while the westernmost states are also showing progress, though at a slower rate due to their excellent performance already (see **figure 21**).

Despite existing diversities among the states, the prevailing trends in the civil security sector are positive and in general meet the expectations expressed in the Vilnius Declaration.

Global challenges and regional conflicts in recent years proved that the security situation will become more complex in the world and the BSR. New types of risks and threats and their combinations are emerging in geometrical progression. Achievements in technological advancement can be converted into cyber attacks and hybrid threats. Artificial intelligence serves as a public good, but at the same time can lead to abuse of data and invasion of privacy. In times of increased isolationism in the world the main challenge in the future will be to develop an ability of all actors around the Baltic Sea to approach security risks to the region in a complex, cooperative and timely way.

XI.

A strong regional identity is emerging, fostered by research, education, culture, and the common heritage of the region.

Whether there is something like a common regional identity in the Baltic Sea area has since long been a hotly debated and disputed topic. Some argue that there is none, others at least identify various elements of and indicators for such a common identity. While a common BSR identity always had a somewhat artificial connotation and seemed to be more of a theoretical and academic concept rather than a given, there are certain elements that all the countries of the region share and that connect them: for example the sea as such, the nature, the beauty of their cities, parts of their history (e.g. the Hanseatic League), some cultural features but not all, a joint cultural heritage and high levels of educational accomplishment.³⁸

On this account, it has been assumed that regional cooperation in the areas of research and education as well as culture and cultural heritage can help establish and/or strengthen at least the idea of a common regional identity and bring the people of the region closer together. From the start of present-day Baltic Sea regional cooperation, they were important fields of interaction. Related activities have even increased since the adoption of the Vilnius Declaration in 2010. In 2014 “Regional identity” became a long-term priority of the CBSS, covering activities and new projects focussing, for example, on university cooperation, research, cultural and natural heritages as well as dialogue and cooperation in contemporary culture and creative industries. Taking into account related activities of other regional structures, Baltic Sea cooperation developed an impressive track record of activities and tangible projects in education, research and culture.

In research and education, *EuroFaculty*, concluded in 2015, has been an important project under the auspices of the CBSS, assisting universities in the Baltic countries and Russian Federation in the development of university curricula, teaching methods and the training of local academic staff. Other examples for university cooperation include the *Baltic Sea Region University Network* (BSRUN) – an umbrella organisation that strives to facilitate and enhance the cooperation between its member institutions. Since 1991 the *Baltic University Programme* (BUP) strives to find novel ways of interaction and cooperation among universities

³⁸ For example Bernd Henningsen: *On Identity – No Identity*, 2011

by promoting openness, internationalization and mobility. Meanwhile it has a membership of 86 universities across the entire BSR and even beyond. Its main aim from the start was to support the development of strong regional educational and research communities. The Programme focuses on gaining and disseminating knowledge in the fields of (education on) sustainable development, environmental protection, nature resources and democracy.

A further important step for fostering the cooperation in research was adoption of a joint vision for science, research and innovation across the BSR during the first CBSS Science Ministerial in Kraków in June 2016: “Baltic Science – Renewing the Commitment to Science/Research Joint Actions in the Baltic Sea Region”. Two Interreg-funded projects resulted from this vision: *Baltic Transnational Research Access in the Macro-region* (Baltic TRAM) and the *Baltic Science Network* (BSN). Baltic TRAM aims at strengthening the relationship between research institutions and businesses and linking the existing expertise to concrete industrial needs. The main objectives are to boost innovation in a sustainable way, to secure the implementation of smart specialisation strategies and to encourage entrepreneurship by supporting small and medium size enterprises, contributing to the overall efforts to render the BSR more innovative, sustainable and competitive. Research cooperation in general and Baltic TRAM in particular were reinforced by the objectives of the Vilnius Declaration and have developed in its spirit. The aim of the *Baltic Science Network* is to establish an overall coordination framework in order to facilitate the development and implementation of a joint macro-regional research policy with a special focus on an enhanced mobility of researchers. BSN is a flagship project of the Policy Area Education, Research and Employability of the EUSBSR.

Culture is another important pillar of Baltic Sea cooperation, including the cultural heritage of the region and contemporary culture. The CBSS, for example, supports cultural cooperation through various regional partnerships and two specialised bodies, Ars Baltica and the Baltic Region Heritage Committee (BRHC). Ars Baltica advocates the significance of arts and culture on the political level and promotes cultural life and cultural cooperation around the Baltic Sea and even beyond. It regards itself as a cultural framework that gathers and offers information on different aspects related to culture and the arts through network-building and by supporting the implementation of multilateral cultural projects. The activities of the BRHC focus on the intrinsic value of cultural heritage and its sustainable management. It promotes the potential of cultural heritage as a strategic resource for the overall development of the BSR. Cultural cooperation also plays an important role within the EU Strategy for the Baltic Sea Region (EUSBSR), in particular its Policy Area Culture and Cultural Identity established in 2013, including the initiative “Baltic Sea Cultural Cities – Connecting Citizens & Cities through Culture” and the project “BalticRIM – Baltic Sea Region Integrated Maritime Cultural Heritage Management”. A Partnership on Culture (NDPC) had been established also within the Northern Dimension of the EU, Russian Federation, Norway and Iceland.

Thus, a lot is in place already to foster the cooperation in research, education and culture, to underline the connecting elements among the countries of the region, to bring the people of the region together and at least to do an attempt to help create a regional identity. However, while several indications for the latter certainly exist, it still is doubtful whether this objective will and can be ever fully implemented as the countries maintain their own cultural, political and social peculiarities. Likewise, it seems that a fully-fledged regional identity is not an actual prerequisite for successful and effective regional cooperation and for a prosperous, safe and well-developed region. The cooperation in research and culture experiences also several shortcomings, first of all a permanent lack in funding. Cultural projects in particular seem to find it difficult to acquire sufficient funding beyond seed money allocation. Thus, efforts and improvements are required to put such projects on a more stable financial basis through existing funding schemes. The Covid-19 crisis gives proof of the vital importance of international and regional cooperation in the field of science and research. Realising the true value of culture in times of crisis, regional organisations should continue to support and to strengthen cultural actors and networks which are particularly affected by the crisis by facilitating cooperation, helping mitigate negative impacts and supporting them in their efforts to identify new opportunities and ways of reaching new audiences. With several challenges ahead, cooperation in the fields of education and research as well as culture and cultural heritage have made a valuable contribution to overall regional development and will remain important also in the future.

XII.

The Region benefits from promotion of tolerance and extended people-to-people contacts.

Strong and close people-to-people contacts and a certain “bottom-up-approach” are important characteristics of the BSR and a vital element if not the backbone of regional cooperation. NGOs, private initiatives, local and sub-national entities have always played an important part in the cooperation. It profits from the engagement, the input and the ideas of various actors who are close to the citizens and advocate their needs and wishes. Different kinds of dense networks and projects have developed over the years. They include the cooperation among non-governmental organisations (NGOs), their interaction with state actors and the cooperation among youth organisations, as well as the inclusion of young people into various formats of regional cooperation. Even when tensions among Russian Federation and other BSR countries emerged from 2014 onwards, people-to-people contacts were not affected to the same degree as the cooperation on the intergovernmental level. However, some spill-over effect could not be completely avoided.

People-to-people contacts are facilitated in various ways. The exchange and cooperation among NGOs from the BSR countries and their interaction with actors on other levels find their most visible expression in the *Baltic Sea NGO Network*. Established in 2001 it became an important interface between civil society and the intergovernmental level. The main purpose of its annual conference, the Baltic Sea NGO Forum, which has been held under the auspices of the CBSS since 2001, is to enhance cooperation among NGOs and to facilitate networking, people-to-people contacts and the dialogue between NGO representatives and government officials in various policy areas with a focus on the environment, social affairs and human rights. The Forum is generally regarded as an important manifestation of civil society involvement. There are also about 30 other specialised regional NGO networks, primarily active in youth-related issues, environment, trade, and industry affairs in the BSR. Many regional organisations have opened up their gatherings for representatives of civil society, youth and academia.

The inclusion of youth and young persons into regional structures has become an increasingly important element of regional cooperation in recent years. The *Baltic Sea Youth Platform* is a fairly new project (2020–2022), funded by the EU’s Erasmus+ Fund and supported by various BSR organisations such as the CBSS, the Baltic Sea States Sub-regional Cooperation (BSSSC) and the Union of Baltic Cities (UBC). Its focus is the improvement of the political impact of youth on decision-making in the Baltic Sea region, development of tools for a better knowledge

transfer and facilitation of various innovative projects in a broad range of policy areas. The *Baltic Sea Youth Dialogue* was established in 2014 under the auspices of the CBSS and until 2017 has been a flagship project within the EUSBSR Horizontal Action *Neighbours*. Its aim was to gather young Europeans, interested in the history of the BSR, provide them with the opportunity to get to know each others' cultures as well as explore and reflect their shared identity. The programme proved to be an important tool to foster the discussion on building a regional identity among representatives of the young generation in the BSR. Also the BSSSC as well as the Baltic Sea Parliamentary Conference (BSPC) support youth related activities, striving to establish a continuous and permanent dialogue with young people and better integrate the voice of youth into their activities.

People-to-people contacts across the Baltic Sea are facilitated by also tourism, which has increased tremendously in recent years, becoming an economic powerhouse. According to the latest figures by the *Baltic Sea Tourism Centre*, in 2017 the BSR tourism industry generated 86 million international arrivals (+15,5% from 2014), registered 225 million overnight stays (+12,2% from 2014) and provided more than 617,400 jobs (+9,4% from 2014).³⁹ The tourism industry provides an important revenue for all the Baltic Sea countries. However, the sector is particularly strongly affected by the Covid-19 pandemic so that numbers for 2020 are likely to shrink dramatically. The EUSBSR takes account of the importance of tourism for the region with a specific policy area. PA Tourism includes facilitating networking and clustering of tourism stakeholders for which the *Baltic Sea Tourism Centre* is a good example. It also strives to mobilize the full potential for sustainable tourism of the Baltic Sea region by facilitating coordination among stakeholders through joint workshops and by stepping up communication.

Important preconditions for fostering people-to-people contacts and cooperation among people from various countries are an open mind and social tolerance - the acceptance of an action, idea, object, or person which one dislikes or disagrees with. Over the past 10 years, the social tolerance score has increased in several of the countries of the BSR (see **figure 22**). But there is still a clear divide between the Nordic countries, Germany and Poland with current scores between 11 and 14 (15 is highest) on the one hand, and the Baltic States and Russian Federation on the other. They all score far below 5 with the score even having gone down in Latvia, Lithuania and Russian Federation. But also in the Nordic countries and Germany, a greater polarisation and a decrease of tolerance to differing opinions can be observed. This observation is manifested in the increase of the impact of right-wing populist parties in all the countries of the BSR through their strong results in national elections over the past 10 years. They all promote a very national view on political developments, dislike towards European

³⁹ Baltic Sea Tourism Centre: State of the Tourism Industry in the Baltic Sea Region – 2019 Edition https://bstc.eu/fileadmin/bstc.eu/Downloads/State_of_the_Tourism_Industry_2019_in_the_BSR.pdf

integration and the EU and prefer very restrictive migration, asylum and integration policies. Several of these parties were or still are part of their country's government or put pressure on their governments as a strong and influential part of the opposition. Under the pressure of right-wing populist parties all the countries of the region have significantly restricted their migration policies since 2015.

Overall, while not free from setbacks regarding tolerance, more should be done to promote tolerance and a strong open-mindedness across the region by bringing people together on various levels. The BSR and regional cooperation benefit from close people-to-people contacts in various forms and on different levels. They, however, require a constant engagement and commitment from all sides, including adequate funding of related activities, as well as strong efforts and support to develop and to utilize their full potential.

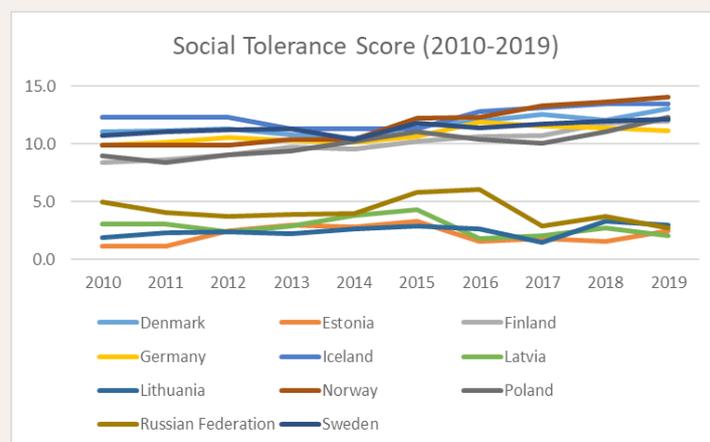


Figure 22

Source: The Legatum Prosperity Index, <https://www.prosperity.com/about/resources>

XIII.

A Way Forward.

The analysis has shown that a lot has come into motion and has been achieved in the Baltic Sea region in the past 10 years. However, in several policy areas the achievements stayed behind the expectations. Also gaps and disparities among the countries of the region and a certain fragmentation remain evident in several policy areas. The modes of cooperation and coordination have improved in recent years and several indications of multilevel governance and even network governance have become apparent. Nonetheless, these tendencies of fragmentation require an even more effective and coherent framework and real network governance, making more tangible cooperative efforts and efficient coordination of activities possible. To achieve this, strong willingness and continuous commitment by all parties are pre-requisites. In order to react adequately and quickly to new challenges and opportunities, the regional institutions also need to develop more flexibility and responsiveness. Cooperation does not happen automatically. Regional stakeholders constantly have to work at improving the modes of cooperation and sound working relations among their institutions. Therefore recently adopted reforms in various regional institutions need to be put into practice as soon and as effectively as possible.

The intensity of transnational and cross-border interactions among the countries of the BSR remains uneven due to their national policies, regional expectations and varying degrees of involvement in international organizations. The existence of various models of cooperation, including also smaller formations involving only a few countries such as Nordic-Baltic 6 and 8, Baltic3 and Nordic5, has its benefits and shortcomings. The positive effects are related to a more flexible and goal-oriented approach to regional cooperation, which could result in tangible benefits to the involved countries and the region at large. On the other hand, a too selective approach could lead to further fragmentation and the loss of the potential of regional cooperation.

It is evident that the BSR is an area of various forms of cooperation, projects, networks, civil society activities and people-to-people contacts. At the same time, there is no platform where data on on-going and planned cooperation efforts is collected and stored. Information on the interactions within the region depends on external rather than on regular and well-recorded regional sources. The creation of an information hub on the BSR would be beneficial for the countries of the region, the regional institutions as well as for the policy and research community.

Challenges and new developments – sometimes unforeseen and surprising, sometimes predictable – keep occurring with significant implications for the region. Brexit, new tensions between East and West, the climate crisis and the current Covid-19 pandemic are cases in point, affecting regional cooperation significantly. It is difficult to assess the implications of the latter for the economies and societies of the region, for example rising unemployment, in real terms and figures as yet. The pressure from the global pandemic on governments, societies and expert communities of the region has highlighted that there is no adequate crisis management system on the regional level at place. There were only ad-hoc coordination and communication efforts which hardly reached the regional level. The current crisis confirms the tendency in recent years prevalent across Europe and also in the BSR – to return to a rather national way of handling problems politically and administratively. Reintroducing controls at national borders/internal EU-borders in many BSR countries as a way to restrict immigration from 2015 onwards and even closing borders completely for non-citizens as practiced by many countries in the course of the Covid-19 pandemic are cases in point. But the crisis can also be perceived as a chance for more cooperative efforts to shape more resilient societies, economies and structures of cooperation to be able to tackle future challenges and crises as well as to develop joint solutions. Regional civilian crisis management mechanisms should be discussed and put into place in order to avoid unnecessary fragmentation in the future. Actually, close cooperation and an enhanced exchange of experiences and best practices is an absolute requirement for mitigating the effects of the crisis, in particular in heavily hit sectors such as culture and tourism, and in order to protect the vulnerable parts of society.

Regional cooperation in the Baltic Sea area has always been bolstered by personal interrelations, face-to-face contacts, making new contacts, as well as the exchange of experiences, views and best practices in person. Currently, it is hardly possible despite improvements of the overall situation in many countries around the sea. Online meeting formats are useful but can only partly replace the usual personal interaction. Digital skills and resources are often limited and not accessible for everyone. Therefore, they should be expanded in order to use digital tools in case the possibility for face-to-face contacts will stay limited for the time being. Since, as analysed before, there are still gaps among the countries of the region in terms of digitalization, new efforts should be undertaken to close these gaps and to make all parts of societies across the region profit from digital solutions. The environment and climate, too, will profit when people travel and gather less. However, personal contacts remain important and should be enabled again as soon as possible. In the end, it will be a balanced and sound combination of both modes of interaction, digital and personal, that will make the difference.

A Vision for the BSR

Building on the vision for the BSR beyond 2020 of the CBSS Vision Group drafted in 2018 (see introduction to this report), recent developments and the analysis conducted in this report, the authors of this study envisage the future of the Baltic Sea region as

“a region which: is prosperous, safe and secure for all its people; focuses on sustainable economic (blue) growth and development, innovation, clean energy as well as the protection of the environment; strives for better inclusion, prosperity, public health and social cohesion; reaps the benefits of resilient economies and societies, responsive public services and strong institutional frameworks for cooperation, being able to tackle current and future challenges and crises through joint action; promotes elements of a common regional identity and common values through culture, research and education; is committed to pursuing vibrant and enhanced exchanges between its people, involves the youth and continues to enable personal contacts and the face-to-face exchange of ideas, experiences and views; uses and improves the possibilities of digitalization for communication, accessible for all people; protects the vulnerable and builds trust between its nations.”

trust



July 2020