



**TURUN KAUPPAKORKEAKOULU**  
Turku School of Economics and Business Administration

## **NORTHERN DIMENSION IN THE CHANGING EUROPE**

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## Northern Dimension Advisory Network

The project Northern Dimension Advisory Network (NDN) was launched as a joint network project of the Aleksanteri Institute (University of Helsinki), the Pan-European Institute (Turku School of Economics and Business Administration) and the Baltic Institute of Finland (Tampere). Other partners of the project are North Karelia Polytechnic (Joensuu) and Arctic Centre (University of Lapland, Rovaniemi)

The main objective of the NDN-network is to develop the quality of existing initiatives within the scope of the EU Northern Dimension policies by creating new information service products and promoting the networking of specialists.

The Network has established an internet portal [www.northerndimension.net](http://www.northerndimension.net), which provides advisory services, latest news and analysed information from the fields of the II Northern Dimension Action Plan 2004-2006 (e.g. Economy, Business & Trade; Human Resources & Public Health; Civil Protection & Combating Organised Crime; Cross-border Co-operation; and Environment) focusing on the Northern Dimension region (Nordic States, Barents region, Northwest Russia, Kaliningrad region and Poland).

*Writer of the Month -column/ June 2003*

*Dr. Timo Hellenberg, Project Manager, Aleksanteri Institute, University of Helsinki*

## **Our common security**

When considering the recent obstacles to the successful implementation of national and multinational security strategies, it is worthwhile to pay attention to the lessons learned from efforts made to reduce natural and technological disasters or their combination, namely complex disasters.

Studies on international relations have traditionally concentrated on questions of war and peace. More recently, our security concepts have been challenged with such issues as prevention of flash floods, HIV/Tuberculosis, organised crime and nuclear accidents. In 2001 alone, these technological and natural security threats caused losses of life of 30.000 people, whereas, for instance, the September 11th strikes resulted 3000 casualties.

During recent years, the intergovernmental co-operation has tackled with such issues and concepts as environmental security, sustainable development and emergency preparedness, as well as on co-operation between military and civilian structures. These efforts have taught us a good deal that might be applicable to planning and implementing measures to comprehensive security strategy. In other words, we are better than ever before equipped to prevent and mitigate sudden and multidimensional security threats, i. e. complex disasters.

My conceptualisation for a complex disaster is that it is a result of man-made emergency in which the cause of the emergency as well as the assistance to the afflicted is complicated by intense levels of political considerations. This sort of disaster is normally associated with problems of displaced people during times of civil conflict or populations trapped within their own communities, isolated from government or private support structures as well as from access to international relief. A disaster can also become “complex” because either the collapse or diffusion of political control makes assistance highly problematic. For example, a drought in Afghanistan or Ethiopia may lead to a famine, which in turn leads to civil conflict resulting in mass displacement of the population. Furthermore, last year brought series of complex disasters to Europe. Most recent one was the Prestige oil tanker accident, which not only sprayed 70.000 tons of crude oil to vulnerable ecosystem but also generated long term socio-economic losses for the region, not to mention the political turbulence which we are still witnessing.

The complex disasters, whether in the form of natural calamities or as result of human activities, have a tendency to seriously affect the socio-economic performance of regions, and can have such a debilitating effect on the population affected that people lack the strength to free themselves from the vicious circle of poverty-environmental degradation-poverty. This cyclical phenomena is often identified within transition countries, such as China and Russia, where the emerging socio-economic division lines between regions are generating dangerous loopholes without proper preventive mechanisms for natural and man-made disasters. In recent decades, the number of people affected by disasters has risen faster than might be expected on the basis of population growth.

For example flooding may force people to seek refuge across international borders, upsetting the balance of needs and resources and weakening the ability of the

government to receive the added population growth. This in turn may lead to civil strife and disorder. Such complex hazards and disasters need not occur sequentially; they can occur simultaneously. Thus, people may become caught between contending forces in a civil war and also suffer from a major drought with limited means to grow food or to receive outside assistance, such as in Afghanistan during the recent years. In this type of situation, the consequences are always unpredictable.

Although multiple threats of man-made origin, such as nuclear disasters and oil spills, (i.e. mixture of technological and natural disasters), are increasing, there seems to be considerable reluctance among states to support the creation of new institutional arrangements. Problems of duplication are seen to be inevitable. The process of improving planning and co-ordination of existing intergovernmental activities, reducing the overlappings of existing inter-agency operations and reforming and revitalising civil-military co-operation has made little progress, reinforcing doubts about the addition of new institutions.

At least as difficult as the problem of creating new intergovernmental organisations for disaster reduction is the problem of integrating these considerations into the work of existing institutions, not to mention the development of a coherent multisectoral and interdisciplinary approach to these threats and their consequences.

After years of intergovernmental co-operation for disaster reduction, it has become clear to me that the UN led preventive and mitigative effort, based on the integrated military and civil approach, appears to be rapid enough, best equipped and prepared to assist governments in mobilising international resources in case of disasters (or large scale terrorist strikes) as well as in further enhancing human resource development and promoting public awareness and importance of efficient disaster management. Based on this, involved governments, international agencies and donors should realise that intergovernmental and inter-agency co-operation, co-ordinated policymaking, and more integrated, multisectoral domestic policy are necessary to co-ordinate and manage the multiple interdependent forces involved in complex disasters. I would stress that this kind of cohesive and cross-cutting co-operation is even more crucial for successful disaster reduction than the creation of new institutional arrangements.

It is obvious that the planning and implementation of a cross-sectoral security strategy poses serious, and therefore politically rather sensitive challenges because they involve the creation of common rules, guidelines and institutions that impinge heavily on the domestic structures and organisation of states. The needed reforms ultimately challenge the existing agreements with all parties involved in the security policies and its implementation. In case of complex disasters, these solutions require compromising of fundamental aspects of sovereignty in exchange for humanitarian assistance. Herein, it is important to note, that in the case of global disaster management, the functions of intergovernmental organisations and inter-state agreements are only one aspect of comprehensive security strategy. An important part of security lies at the national level for example in making the public aware of threats and by developing domestic structures to deal with them if they occur, just as individual governments can mitigate disasters by adopting and enforcing appropriate building codes. Once again, as in case of disaster reduction, international action for disaster reduction is not limited to formal inter-state agreements or to the activities of intergovernmental and international organisations. Public attitudes and the activities of NGOs play an important role in determining how “threats” and “disasters” are defined and dealt with by governments and international organisations. Furthermore, NGOs have an important role in rebuilding confidence in societies that are recovering from the effects of disasters.

Finally, my aim has been to raise some attention on a growing need for more intensified international co-operation needed for comprehensive and multisectoral security strategy. Just as we have seen the progressive evolution of the national and multinational disaster reduction policies in 1990s, we could consider of broadening our security concept to face and tackle those complex threats which are upon us. This, on the other hand, must be formulated alongside and be compatible with cohesive intergovernmental co-operation within UN agencies and related civilian organisations as well with the national policies (e.g. social, economic, military and strategic policies).

I believe that there is urgent need to improve and streamline both international and bilateral co-operation to provide a new basis for sustainable and reactive civil protection. It is up to us to rely on those political decision makers and security mechanisms which can best fulfill the goal of the ancient Roman sage: A measure of a civilization is its capacity to handle disaster.

*Writer of the Month -column/ August 2003*

*Professor **Esa Stenberg**, Turku School of Economics and Business Administration*

## **The Northern Europe Initiative of the United States and the Northern Dimension Action Plan of the European Union – closer cooperation?**

### **Background of the initiatives**

The Northern Europe Initiative (NEI) of the United States emerged in 1997. In September 1997 at a meeting of the Nordic and Baltic foreign ministers in Bergen, Norway, Assistant Secretary of State Marc Grossman introduced the new US regional policy, the Northern Europe Initiative to the international audience.

The idea of the EU's Northern Dimension also emerged in September 1997, introduced by the Finnish Prime Minister Paavo Lipponen at the Barents conference in Rovaniemi, Finnish Lapland. Formally the NDI became part of EU policy in June 2000 when the Feira European Council endorsed an Action Plan for the ND for the years 2000-2003.

Besides the time of introduction, are there any similarities, compatibilities, complementarities or differences between these initiatives? Or are they perhaps also competitive in some respects? These are the main questions that are explored in this paper. Christopher Browning, a research fellow at the Copenhagen Peace Research Institute has made an interesting assumption; he suggests that "To a certain degree, the relationship between the NEI and NDI stands as a microcosm of the tensions and compatibilities in EU-US relations more generally".

The NEI was originally concerned with traditional geopolitical security questions. The US decision-makers sought to signal to Russia that even though the Baltic States would not be included in the initial round of NATO enlargement, this did not mean that the US regarded them as lying within the Russian sphere of influence. This policy aimed at avoiding any short-term emergence of security vacuum in the region.

The NDI is based on Finland's proposal to develop the EU's external and regional cooperation. In 1995 Finland, Sweden and Austria became EU members. The decision of Finland and Sweden to join the EU gave strength to the efforts of Germany and Denmark to emphasize the role of the Baltic Sea in the EU's regional development considerations. The EU enlarged to the Baltic Sea region and over to the Arctic Circle and a common border of 1300 km with Russia was created. From Finland's point of view, through the NDI the Finnish-Russian relations were multilateralized by bringing the central issues onto the EU agenda, but the initiative was also intended to enhance the voice of northern Europe in EU affairs more generally.

### **Goals**

Basically both the NEI and NDI have, at least at the level of rhetoric, same kind of approaches and goals. The NDI seeks to create and strengthen positive interdependency between countries and regions and thus contribute to security, stability, democratic reforms and sustainable development. The NEI's objectives are stability, prosperity and security, but also the bolstering of U.S. trade and investment as well as integrating the countries of the region. In the core of dependency building is Russia. The NDI emphasizes the need to avoid new dividing lines in Europe. In American rhetoric the aim is to create a 'Europe whole and free'.

The ND Action Plan applies to the Union's external and cross-border policies, but it is also linked with the Union's internal policies, such as infrastructure and energy. Traditional, hard military security policy does not fall within the framework of the initiative.

The sectoral priority goals are also quite close to each other. In the Feira Action Plan document following challenges are mentioned:

- Environment
- Nuclear safety
- Energy
- Human and scientific resources
- Health
- Fight against crime
- Removing barriers to trade and investment
- Kaliningrad.

The priority areas of the NEI as expressed in the Fact Sheet of the Bureau of European Affairs, US Department of State of April 2001 are following:

- Business and Trade Promotion
- Law Enforcement
- Civil Society
- Energy
- Environment
- Public Health
- Implementation

The ND Action Plan is executed within the framework of the existing contractual relationships, financial instruments and organizations. The same concerns the NEI. From the ND's point of view, the most important regional organizations are: The Council of the Baltic Sea States (CBSS), the Barents Euro-Arctic Council (BEAC), the Arctic Council (AC) and the Nordic Council of Ministers. Strobe Talbott mentioned in his speech in January 1998 in Helsinki the most important organisations for NEI. They were quite much the same as for NDI but - important or not - he did not mention the Arctic Council. Under both initiatives the range of project size is huge. Few of the projects are financed solely by the U.S. Government or the EU; most of them are co-financed from several sources like national governments and international financing institutions (IFIs).

Both NEI and NDI emphasize the regional approach in dealing with the environmental challenges in the region. The environmental challenges of the region can be divided into nuclear and non-nuclear challenges.

The ND Environmental Partnership (NDEP) was developed during 2001 as a response to the requirements of Russia and the international community to start joint efforts to solve the environmental problems of North-West Russia. The support fund was established in July 2002 in Brussels. The European Bank for Reconstruction and Development (EBRD), the EU Commission, The Nordic Investment Bank (NIB) and Russia, Denmark, Finland, Norway, Germany, Belgium and the Netherlands have contributed a total of €124 million to the Support Fund, of which €74,5 million have been earmarked to nuclear safety projects. The idea is to channel funds mainly to the management of nuclear waste in the Murmansk region. The precondition for using the funds is the signing of the Multilateral Nuclear Environmental Program for Russia (MNEPR). This precondition was filled on 21st May, 2003.

An NEI Task Force oversees a number of nuclear waste management projects in the Russian northwest. Key projects include the Murmansk 80-tonne Cask, which will provide transportation and interim storage for special nuclear fuel from Russian nuclear submarines and icebreakers currently stored aboard barges and service vessels, and a low-level radioactive waste treatment facility in Murmansk. The U.S. is also engaged in negotiations on the MNEPR.

The most significant environmental project to date that has been launched in the framework of the NDEP is the wastewater treatment plant in South-West St.Petersburg. The plant will be capable of treating all wastewater in an area of 700 000 inhabitants. The estimated total costs are €189 million and the plant is scheduled to start operation in 2005.

Another sectoral program under implementation is the Northern eDimension Action Plan, NeDAP, which was decided in September 2001 by the IT-ministers of the Baltic Sea region. The objectives of NeDAP are (1) to speed up information society development of the Northern region, (2) to strengthen cooperation and integration between the ND countries and (3) to bring about a more friendly environment for innovation and investments especially in North-West Russia and the EU applicant countries.

Both the NEI and NDI are fighting the same health risks in the region; the spread of HIV, sexually transmitted diseases, tuberculosis and illegal drugs. Under NEI, disease experts from the U.S., international health organizations, and the Nordic countries are engaged in a wide range of activities to combat these diseases. Working together with UNAIDS and the governments in the region, the U.S. helped launch a regional HIV/AIDS strategy in 2000 to guide all international treatment efforts in the region. The strategy is now being implemented in cooperation with the Baltic Sea States Task Force on Infectious Diseases. In March 2000, the U.S. Centers for Disease Control and Prevention (CDC) opened a Center of Excellence for Multidrug-Resistant Tuberculosis in Latvia, which is co-funded by Sweden and Latvia. ([www.state.gov/p/eur/rt/nei](http://www.state.gov/p/eur/rt/nei))

Under NDI, a Northern Dimension Partnership in Public Health and Social Wellbeing has been proposed. The objectives are very much similar to those of the NEI in fighting the health risks. In addition, maybe, the NDI list of priorities includes the fight against illegal drugs and the wider concept of promoting sound ways of life.

### **Cooperation of NEI and NDI**

In December 1999, the U.S.-EU Summit in Washington released a joint statement on Northern Europe. The statement says that during the Finnish Presidency (Jul-Dec 1999) the U.S. and the EU held intensive consultations on deepening their cooperation in Northern Europe. The same statement ends by saying that the U.S. and EU will continue their dialogue on Northern Europe (under the aegis of the New Transatlantic Agenda, NTA) in order to enhance the effectiveness of their efforts by identifying joint or parallel activities within their respective frameworks, the Northern Dimension of the EU and the NEI of the U.S.

In June 2001 The U.S. government gave a press release on the U.S.-EU Cooperation in Northern Europe. Referring to the December 1999 Summit, the statement says that the U.S. and EU “committed themselves to work closely together in the Baltic states and northwest Russia to address concrete problems and to promote increased regional cooperation in this increasingly vital part of Europe”. And it continues: “Since then, we have identified and begun to implement a number of cooperative activities within the framework of the U.S. Northern Europe Initiative (NEI) and the EU’s Northern Dimension strategy. The two sides have identified four priority areas: environment,

health (HIV/AIDS and TB), law enforcement and anti-corruption, and civil society development. They are working together concretely on the environment and in civil society development and hope to identify additional specific programs in the other two priority areas over the next year”. Then the fact sheet gives a summary of their efforts to work together in environment and civil society development.

In October 2002 President Bush proclaimed the Leif Ericson Day of 9th of October. In that proclamation he confirms his government’s commitment to the NEI and support for the NDI. He also combines the two initiatives by saying that “these important efforts, along with the bilateral programs of all Nordic countries, are helping to build a brighter future for the entire region”.

In Finland the attitude towards a closer cooperation between the two initiatives is very positive. Former Prime Minister Paavo Lipponen has in many speeches made it clear that the Finnish government emphasises the U.S. role in Northern Europe and the similarities between the NEI and NDI. A closer cooperation between NEI and NDI could be a positive impulse to improving the transatlantic relations in general.

*Writer of the Month -column/ October 2003*

*Stanislaw L. Stebelski, Ambassador of Poland to Finland*

## **Northern and Eastern Dimensions of the European Union: An alternative or supplementing concepts?**

The next enlargement of the European Union by Poland, three Baltic States and six other countries on 1 May 2004 will dramatically increase the Union's exposure to direct neighbourhood with countries that are not perceived as its future members at all or in a foreseeable future. For almost a decade since the last EU enlargement by Austria, Finland and Sweden in 1995, the only eastern frontier where the Union bordered countries not aiming at its membership has been the Finnish-Russian border. In all other directions EU has been bordering like-minded countries of Central and Southern Europe preparing for accession.

As of next year not only the EU-Russian border will be extended to Estonia, Latvia, Lithuania and Poland, but the Union will acquire new neighbours from the East: Belarus and Ukraine. The new UE eastern border will be close to some densely populated areas, and in many cases to areas with very strong historical ties and long tradition of co-operation. At the same time no longer accession strategy, national accession programmes, PHARE, SAPARD and so on will be instruments of co-operation with neighbours from the East. The Union will have to develop new strategies, policies and instruments based on up-to-date experience and new challenges.

Finland has been a country that very early has realised challenges and chances that appear with the enlargement of the Union to the East. It has been with Finland's accession that for the first time the Union has started to border Russia. And it has been Finland that has come up with an idea to develop a new policy instrument to cope with problems at the UE border with Russia - the Northern Dimension concept.

Since its inception Finland has aimed to involve in its development and implementation all other Member States, as well as candidate countries from the Baltic region, on one side, and Russia on the other. It has been also during the Finnish presidency of the European Union that the European Council launched the Common Strategy with Ukraine.

The Northern Dimension has not been an unprecedented endeavour. The Union has been developing a large-scale programme of co-operation with its neighbours in the Mediterranean Basin - the Barcelona Process. For the first time, however, the Northern Dimension has involved, on an equal footing, present and future Member States as well as the European neighbour of the Union - Russia. Moreover, the Northern Dimension has been developed as a policy instrument with a loose structure and not as a programme or project firmly anchored in the European Union budget.

In spite of some difficulties and its loose setting the Northern Dimension has acquired a permanent place in the European Union activities. It has also increased the interest and involvement of even remote Member States of the Union in problems of the Baltic region, the UE-Russia neighbourhood and the Finnish-Russian cross-border co-operation. Much has been to the credit of the Finnish initiators of the concept.

Poland has taken an active part in the preparation and implementation of the Northern Dimension Action Plan for the years 2001-2003 adopted in Feira, with some limitations related to countries applying for membership of the Union, however. In the Polish view

the next Northern Dimension Action Plan for the years 2004-2006 should take into account challenges arising from the enlargement of the Union.

The priorities set out in the preparations of the Plan has fallen very much in line with Polish goals. Poland has considered that particularly two aspects – the role of cross-border co-operation as an instrument of the policy of prevention of new dividing lines on the continent after enlargement, and the special role of the development of co-operation with Kaliningrad District – deserve utmost attention. An important role of the Northern Dimension Action Plan should be promotion of good-neighbourly relations.

The success of the Finnish initiative has inspired Poland to come forward with a concept of an Eastern Dimension of the European Union. It was presented in the Opening Statement of the Polish Delegation to the Inter-Governmental Conference on Accession Negotiations on Membership in the European Union in March 1998.

As a country that has greatly benefited from eradication of dividing lines on the continent Poland has been a firm advocate of greater openness and transparency of the European Union in relations with European countries beyond the enlarged Union and projection of European integration process to the East. Similarly, like in the case of the Northern Dimension the Eastern Dimension has been considered by Poland as a tool to increase the interest and involvement of all Member States in fostering relations with the Eastern neighbours of the Union and promoting co-operation at EU new Eastern border. It has been in this context that Poland has welcomed the start of a discussion on the EU New Neighbours policy and work on Wider Europe concept.

From the Polish perspective relations with neighbours from the East should be developed within a coherent framework, but in an individual way. They should be differentiated depending on the progress these countries achieve in their reform process, the degree of convergence of their values and foreign policies with these of the European Union and their goals with regard to relations with the Union.

On the Union side the priorities in relations with the eastern neighbours should reflect these countries importance for the enlarged European Union. They should address outstanding problems through enhanced political dialogue, assistance in transformation, development of trade and economic co-operation and co-operation in the area of justice and home affairs, promotion of contacts among societies and access to information. Co-operation with the eastern neighbours should be developed gradually and made conditional on their progress in democratic reforms and should be supported by relevant assistance programmes. It is also important to recognise the European aspirations of countries like Ukraine and Moldova and upgrade existing agreements with them to the association ones.

Submitting the EU Eastern Dimension idea Poland has never meant to compete with or substitute the Northern Dimension Initiative. To the contrary, the Polish proposal has been formulated as a complementary project extending to the new EU eastern border. Moreover, Poland considers that the Eastern Dimension should be built on the experience derived from co-operation with Russia under the Northern Dimension. Developing both: the Northern and the Eastern Dimension the European Union will be well equipped to handle and solve many problems in relations with its eastern neighbours: the present and the new ones.

Poland and Finland can and should play together an active and leading role in this endeavour. Only than the experience coming from their neighbourhood with Russia, Belorussia and Ukraine will be used effectively to the benefit of the Union and its eastern neighbours.

*Writer of the Month -column/ January 2004*

***Timo Pesonen***, *Acting Head of Representation*

*The European Commission Representation in Finland*

## **The Northern Dimension at crossroads**

When Finland joined the European Union in 1995, it was expected to bring a particular impetus to the development of EU-Russia relations. Finland responded to these expectations by presenting a well-drafted initiative for a Northern Dimension of the European Union. During recent years, the Northern Dimension has grown from a Finnish initiative to a common European Union policy. The European Commission has played an important role in this development.

The Commission has backed the development of the Northern Dimension since 1997. Strengthening co-operation in the northern parts of Europe is also in the Commission's best interests. The region has a growth potential of a globally considerable level, gas and oil resources, forests and minerals. On the other hand, there are also common problems. Environmental problems don't stop at national frontiers, nor are communicable diseases restrained by border controls.

Over the past two years, a breakthrough has been reached in the implementation of the Northern Dimension. In September, EU foreign ministers approved a new Northern Dimension Action Plan for the years 2004–2006. The Commission bore the main responsibility for drafting the action plan, and co-operation with Finland during the preparations was excellent.

The new Action Plan is a strategy paper that provides a framework for co-operation in numerous areas. It is not a list of projects, and should not be developed into one. The Action Plan defines objectives of the Union and its counterparts in the region in the fields of economic co-operation, transport projects, infrastructure building, energy sector, IT co-operation, environmental protection, combating communicable diseases, etc. There is equally a will to build closer co-operation in other areas, such as justice and home affairs, research and nuclear safety.

The Arctic co-operation has been given a predominant position in the new Action Plan. It is actually one of the two cross-cutting themes treated in the Action Plan, the other one being Kaliningrad. This means that co-operation in the Arctic region and in Kaliningrad will be the object of very special attention.

The Northern Dimension has been criticised for not achieving concrete results. That is incorrect. The Northern Dimension has led to major breakthroughs, particularly in the environmental sector. The project of building a southwest wastewater treatment plant for St Petersburg, which stagnated for a long while, finally took off last spring. This plant will treat the wastewater of a million and a half inhabitants of St Petersburg, and that is sewage that currently flows untreated into the Gulf of Finland. The international financing package needed for the project was put together thanks to The Northern Dimension Environmental Partnership. In addition, several smaller scale environmental Northern Dimension projects are underway in northwest Russia and in Baltic countries.

The Environmental Partnership model has been applied to other sectors, too. In October, an agreement was reached in Oslo on establishing a Northern Dimension Partnership in Public Health and Social Wellbeing. Special attention will be devoted to strengthening the basic health services and to preventing the spread of serious communicable diseases, such as HIV/AIDS, tuberculosis and hepatitis, in the Northern Dimension target region.

Results have been obtained in other sectors as well. The project of building a North European gas pipeline from Russia to Central Europe along the bottom of the Baltic Sea is progressing favourably, the action plan of the Northern e-Dimension is being implemented, and major transport projects are furthered in the area. In addition to these, numerous regionally and locally significant projects are carried out in various sectors.

What will be the consequences of the European Union Enlargement for the Northern Dimension? Is there a future for the Northern Dimension in an enlarged EU? These questions are now pondered upon all over the Northern Dimension region.

The relations between the Union and Russia will become all the more important once the Union is enlarged. On the 1st of May next year Russia will get four new EU neighbours. The EU already is Russia's most important trade partner, and the Enlargement will reinforce this development.

The position of the new EU Member States on the Northern Dimension will be of paramount importance for its future. And just as important is to know how highly Russia will then value the Northern Dimension. On the high political level, Russia has always backed the Northern Dimension ever since it was launched. Both President Putin and Prime Minister Kasyanov have explicitly affirmed this during several meetings with Finnish political leaders.

The European Commission has developed new ways of co-operating with the enlarging Union and its neighbouring countries. The Wider Europe/the New Neighbourhood Initiative aims at building closer relations especially with Russia, Ukraine, Moldova as well as Northern African countries like Algeria and Morocco.

In the enlarged European Union, cross-border co-operation will become all the more important. The Commission has worked on a new financial instrument that will facilitate the implementation of projects on both sides of the Union's external border. When in action, this instrument will open up many opportunities for Finnish regions. Partners for these joint projects should be looked for open-mindedly in all parts of the enlarging European Union.

It is important that the Union does not launch just new ideas and initiatives but that it takes into account already existing instruments and Action Plans –like the Northern Dimension. I believe that for example the Wider Europe and the Northern Dimension will complement each others in strengthening EU-Russia relations in future.

*Writer of the Month -column/ March 2004*

*Dr. Tarja Cronberg, Member of Parliament, Parliament of Finland*

## **Borders of the Northern Dimension**

### **Borders of the Northern Dimension**

The Northern Dimension is developing quickly, especially if we consider the number of Northern Dimension-related programmes. The EU has just approved a new programme for the Northern Dimension. In its meeting that was held in Oslo, the Nordic Council agreed that preparations for the next Northern Dimension programme will begin next year. A lot of talk and papers have been made about the Northern Dimension, but what about its implementation?

Above all, the role of the Northern Dimension is to draw attention to the north within the European Union. Mediterranean countries long have had the possibility to articulate actual concerns and, thus, the Northern Dimension has been a welcome initiative. Also, the Northern Dimension has been a way to tie the Baltic States and North-West Russia more closely to the policies of the European Union. The Northern Dimension became almost the only, and more concrete, model for partnership between the European Union and Russia.

A problem that has appeared is that the Northern Dimension has neither its own institutional nor financial structures within the European Union. Money has to be acquired from other sources for projects including energy co-operation, development of information society, research co-operation, infrastructure and cross-border co-operation. It seems that especially cross-border co-operation has been able to implement the idea of the Northern Dimension more concretely. Euregio Karelia, for instance, is an area of cross-border co-operation developed according to a European model for cross-border regional co-operation. Euregio Karelia consists of the counties of Northern Ostrobothnia, Kainuu and North Karelia in Finland and the Republic of Karelia in Russia.

The joint programme, Our Common Border, was the result of the co-operation between the Finnish counties and the Republic of Karelia. The programme defines different priorities for cross-border regional development and co-operation in a way that is unique to the external borders of the European Union. Our Common Border has created a new way to focus the financing instruments of Interreg on the Finnish side and Tacis on the Russian side of the border. The co-ordination of the two programmes has continuously suffered from bureaucratic difficulties. After the Commissioner for Regional Development Michel Barnier visited Sortavala (Russia) and Joensuu (Finland) along the Finnish-Russian border, it has been easier to develop the co-ordination of the two programmes. Nowadays, a concrete development project on the opposite side of the border is required for Interreg projects, and the responsibility for this co-ordination falling on Euregio Karelia's management committee, consisting of regional authorities from both sides of the border.

The programme Our Common Border also includes the eKarelia project. The main object of eKarelia is to develop information society in order to decrease the existing digital gap along the Finnish-Russian border. This complex development model including citizens' information society was proposed to the European Union, however the Tacis financing was channelled to the development of information society applications to the forestry sector. Two million euros will be granted by Tacis for the information society project. At this moment, the project is in the phase of competitive

bidding, with both Finnish and North Karelian actors also participating. However, there is the need for citizens' information society initiatives such as the 'Learning Upper North Karelia' (Oppiva Ylä-Karjala) project. The question is how such a network between Sortavala (Russia) and Kitee (Finland) can be financed in the future?

The concept of the Northern Dimension will face great changes. After Estonia, Latvia and Lithuania become members of the European Union their preparations for membership through the Northern Dimension will no longer be relevant. In practice, the Northern Dimension will act as a co-operation project between the European Union and Russia. This is important as such, because a great deal of co-operation with the European Union takes place along the borders of North-West Russia. Here a large number of actors are already aware of EU programmes and the modes of operation within the European Union. Russian citizens often complain about the lack of concrete outcomes and the lack of financing, and would rather invest in larger infrastructure projects than in the transfer of know-how as primarily supported by the EU.

Northern Dimension is at a turning point. There has been much discussion and programmes – and now it is time for action! It will be interesting to see whether the Northern Dimension will be able to act as a model for cross-border co-operation along the external borders of the European Union after the union has been enlarged. A new instrument for border areas is under preparation within the European Union. This financing instrument for border areas will aim to deepen co-operation, e.g. with Russia. The goal is to create parallel projects and to facilitate the substantially greater participation of Russians in the selection of financed projects within the framework of Interreg. In the best case scenario, cross-border co-operation between Finland and Russia would function – following the model of co-operation established by Euregio Karelia – also as a model for the new external borders of the union after enlargement. Within this context, new consultative enterprises may appear to export the expertise to the new external borders of the EU.

*Writer of the Month -column/ April 2004*

*Dr. Lassi Heininen, University of Lapland, Rovaniemi*

## **Northern dimensions**

In the 1990s a Northern Dimension became first as a political term onto the northern academic discourse, then as a policy initiative onto the political agenda of North Europe, and finally as a policy of the European Union and Canada. Indeed the 2nd EU Northern Dimension Action Plan, accepted in 2003, and the Northern Dimension of Canada's Foreign Policy, accepted in 2000, are examples of well defined policy priorities for the North. Although not exactly similar, but a kind of northern, or maybe more European, policy was the North European Initiative, which the US Government launched in 1997, toward the Baltic Sea region and Northwest Russia. In Russia, apart from having a role in both the policies of the EU, Canada and the USA, there has been a more academic discourse addressing a need to redefine the role of the Russian North as more than a geostrategically important resource reserve. It is also possible to interpret that Russia is in a process of formulating its own northern framework.

In spite of a short history, a Northern Dimension has been so far attractive since on one hand, several interpretations to define the concept, and on the other hand, different proposals and hopes for the contents have been given by many different actors. By singling out a Northern Dimension, these policies and discourses reflect the growing awareness of the unique opportunities and challenges in the North, and here I discuss on the Northern Dimension policy of the European Union and that of Canada.

While the two Northern Dimension policies have inherent value in organizing their own North-South relationships, little has been done to look at them jointly. What both policy has in common is that the geographic region includes the Arctic and North Atlantic as well as North America and Russia on one hand, and on the other hand, they deal with the northern inter-governmental and regional councils like the Barents Euro-Arctic Council and the Arctic Council (AC). This interesting cooperative context should mean value added to each Northern Dimension policy.

### **I**

The European Union's Northern Dimension is a policy toward North Europe and the Arctic among the external and cross-border policies of the European Union. What is interesting here is the fact that the contents of the EU's ND has developed in a common process by the EU institutions, EU member states and the ND partner countries each with their particular emphases. In this process the partner countries and Greenland, have been given, or they have earned, a strong, almost equal, position within the EU's ND, although the EU's ND is originally an EU-led initiative. This had an important role to make the attitude among partner countries to support the initiative and policy.

Correspondingly, the Northern Dimension of Canada's foreign policy has the same term as that of the EU, but as a policy of one state it includes its own design and procedure. Canada launched the policy after a process which was based on three simultaneous consultation processes in the Federal Government, between that and territorial and provincial governments and with non-governmental organisations and stake-holders.

### **II**

The main objectives of the Northern Dimension of Canada's foreign policy are first, to enhance the security of Canadians and northern peoples, second, to ensure Canada's

sovereignty in the North, third, to establish the circumpolar North as an integrated entity, and fourth, to promote the human security and sustainable development. Correspondingly, the main aim of the EU's Northern Dimension is to increase stability and civic security, but excluding traditional security or security-policy, to enhance democratic reforms, and to build up positive interdependence and sustainable development, especially due to the highly vulnerable arctic nature threatened by pollution and health problems affecting people living in the high north. From the point of view of the EU the ND is a framework and process for continuous dialogue on cooperation between the EU and its neighbours, especially the Russian Federation, and for co-ordination, even management, of cross-border cooperation across the EU borders.

### III

The activity of the EU's Northern Dimension is meant to focus on the sectors, where the 'added value' is expected to be the greatest, i.e. the so-called priority sectors within each of them strategic priorities and specific objectives. Comparing to the 1st ND Action Plan there is focus on energy cooperation, human resources and social issues such as education and public health, and the environment - all the sectors which are relevant for the Arctic. Indeed, the priority is also to have the Arctic together with Kaliningrad "as cross-cutting issues, main-streamed within each key priority". The objectives of Canada's Northern Dimension are indicated by the main themes of the recent and current Canadian dialogue and discourse on the North and northern issues such as the role of indigenous governance and geopolitical, legal and economic implications of climate change as a new reality for Canadian sovereignty and interests in the North.

### IV

Thus, the Northern Dimension of Canada's foreign policy addresses on one hand, the issues of sovereignty and other national interests in the North, and on the other hand, the expansion to include the strong notion of the circumpolar North as an integrated entity of human security. Its contents has a strong emphasis on the national interests of Canada in and to the North.

If the special northern features, with the exception of natural resources and environmental problems, did not play a relevant role in the 1st Action Plan of the EU's Northern Dimension, then the Arctic 'came back' in the 2nd Action Plan. The Arctic dimension seems to have consolidated its position as a part of the ND, although not all have seen it centrally important, since the EU has adopted it as a new item in the political dialogue with Canada and the USA. Thus, the political focus of the 2nd Action Plan has moved from the Baltic Sea Region more toward Northwest Russia and the Arctic including Greenland. This together with the priority of the Arctic together with Kaliningrad is an interesting choice and opportunity to promote the achievements of the main aims in the North.

Relevant for the Arctic, as well for both the EU, Russia and North America, is that energy cooperation, mostly due to the large and for the most part unexploited energy resources of the Russian North, are among the priority sectors of the ND together with the development of infrastructure and transportation, and a concern of the environment. At the same time, a state policy in the North in general, and especially the EU's Northern Dimension, would, even should, mean more than just the mass-scale utilization of natural resources and a gateway model for the passage of raw materials, labour force or expertise.

As a conclusion of this column a Northern Dimension that includes the Arctic and the North Atlantic, and has keen relations with North America and Russia, is on one hand, an interesting cooperative context for the circumpolar North, and on the other hand, means added value to the European Union. Therefore, it would be interesting and useful first, to have a comparative study of, to search for common grounds and cooperative paths, and to explore policy gaps among the different Northern Dimensions; second, to strengthen circumpolar connections and transnational cooperation between Europe, North America and Russia; and third, to activate Trans-Atlantic contacts by launching a proposal for a linkage between the Northern Dimension policies for example, dealing with the Canada-EU, USA-EU and Russia-EU summits. Thus, at the same time when in the EU's ND there are slowness in progress and some limitations, which might act as a barrier to deeper international cooperation like for example, that it is not clear how it is a regional policy or only for cross-border cooperation, the EU's Northern Dimension has potential in the international northern cooperation in general and especially in the dialogue and cooperation between Europe and North America. Behind is the interpretation that in the beginning of the 21st century it can also be interpreted as a metaphor for a new kind of relationship between the North and the South both European, North American and Russian context.

*Writer of the Month -column/ May 2004*

*Professor **Tauno Tiusanen**, Director, Northern Dimension Research Centre  
Lappeenranta University of Technology*

## **Eastern Enlargement of EU and EMU**

The month of May 2004 is a historical milestone in the European integration process: eight previously communist countries entered the European Union. This event can be celebrated as the very last step in dismantling of the Iron Curtain, which for several decades separated the communist Eastern bloc from West-European democracies.

The Eastern enlargement of EU is, however, not the final station in the pan-European integration process. The next vital question is how and when the post-communist EU-members will be able to join the EMU. Some transitional economies in the enlarged EU, especially Slovenia and Estonia, have expressed their interest in entering the euro-area relatively soon.

In this context, European situation is paradoxical. Three “old” EU-members (Denmark, Great Britain and Sweden) have decided to remain outside of the EMU, even if all of them have “mature” economies with rather high living standard. Sweden rejected the euro-area option in a referendum in 2003. The loss of exchange rate instrument is thus a serious issue: the majority of Swedes obviously thought that the loss of the possibility to change the exchange rate in response to a problem of fundamental misalignment of costs is a serious disadvantage.

The rules of the EMU membership are clearly defined in the Maastricht treaty aimed at enforcing fiscal discipline under the common currency. The treaty imposes on EMU-members an obligation to avoid excessive budget deficits of over 3 % of GDP at market prices; the public sector debt is not allowed to be higher than 60 % of GDP.

Countries with very high debt-GDP ratios (over 100 %) were accepted to the euro-zone (Italy, Belgium and Greece). Germany and France exceeded the maximum deficit-GDP ratio (3 %) in 2002 and 2003. No sanctions against breaching the critical deficit-GDP ratio were imposed in these cases. Thus, it is often pointed out that “creative thinking” has been used in applying the EMU rules. In plain language it can be said that the Maastricht rules are not honoured by all euro-area members.

However, it is assumed that potential new EMU-members will be able to meet the set criteria before entering the euro-zone. Immediate entry in the monetary union for the new EU-members is, however, impossible.

According to euro-zone rules, every country joining in must apply exchange rate mechanism (ERM) first. This managed floating system of a currency (presently called ERM II) links the monetary unit of every euro-zone candidate to the single currency (euro). In this system, a euro-candidate determines a central parity rate of her currency against the common currency. Fluctuations of 15 % on either side of the central parity rate are allowed.

Thus, the ERM II can be called an ante-room of euro-membership. The set central parity rate must be somehow realistic, but the currency grid with  $\pm 15$  % borderlines allow certain flexibility; the final value of the currency in question can be measured by market forces; the leeway given to market demand and supply is not unlimited. The aim is to find the final, “correct” value of the exchange rate. After “the trial period” of managed floating (in ERM) the irrevocable fixing of the exchange rate will be done; the euro-zone gets a new member.

In this context, it is important to note that currencies in transitional economies are undervalued which gives price competitiveness to exportables and keeps importables relatively expensive (in terms of local money). Undervaluation of a currency is occasionally called “exchange rate protectionism”. The degree of currency undervaluation, which can be measured by exchange rate deviation index (ERDI) is not the same in all transitional economies. The more mature the economy is, the more moderate is the level of undervaluation. (For details, see T. Tiusanen: Pan-European Integration, EU’s Eastern Enlargement. Lappeenranta, 2003, Northern Dimension Research Centre Publication no 1.)

Slovenia has the highest living standard among the eight eastern newcomers in the EU. Her exchange rate deviation index is very low indicating that Slovenia’s exchange rate is rather close to the equilibrium rate. The balance of payments on current account (CA) has lately been in moderate surplus which is unusual in the group of transitional economies.

The situation in Estonia is strongly dissimilar: the CA was in 2003 very strongly in deficit, no less than over 14 % of GDP, far the highest figure among the eight EU-newcomers. This huge deficit was mainly financed by importing risk capital (foreign direct investment, FDI). However, CA deficits of over 10 % of GDP are obviously not sustainable. The ERDI value in Estonia is relatively high. Considering these two important indicators (CA deficit and relatively high undervaluation of the currency), Estonia is not an optimal candidate for early monetary union entry.

In all eight new EU-members with communist past, inflation figures have become more moderate in comparison to the early period of transition which means that market mechanism is functioning rather well. Inflation rates, however, vary from country to country: in Lithuania consumer price index decreased 1,2 % in 2003, while there was an increase of over 8 % in Slovakia.

The most serious socio-economic problem in transitional economies with EU-accession can be found in the labour market. In 2003, the average unemployment rate in the eight countries under review was no less than 15 % with Poland and Slovakia with clearly above average figures. About 5 million people are out of work.

There is an obvious temptation to create more working places via expansionary fiscal policy under circumstances of high unemployment. Budget deficits are relatively high in Central Eastern Europe, while the Baltic states, especially Estonia, seem to pay attention to discipline in public sector bookkeeping. This sphere of interest is self-evidently of primary concern when final decisions of new EMU-members will be made.

It can be assumed that all potential new EMU-members will be scrutinized on the individual country basis, before euro-area will be enlarged. The whole process is likely to take several years with newcomers entering one by one.

However, it is possible that the EMU-enlargement becomes a political issue: there is clear pressure to advance the euro-area as soon as possible. In this option, hints can be made in the case of Greece: that country was accepted into monetary union (with some delay), even if her living standard is rather modest and she was not able to meet the Maastricht criteria.

Overall, it is rather difficult to predict in what time-scale the EMU-enlargement takes place, because politics and economics are involved. It is highly likely that a two-year ERM period is required from all new members of the euro-area. Thus, actual new euro-countries cannot be expected in the next couple of years.

*Writer of the Month -column/ June 2004*

*Professor **Kari Liuhto**, Director, Pan-European Institute  
Turku School of Economics and Business Administration*

## **The Future of the Russian Economy?**

The administrative re-organisation of the Russian regions is likely to speed up in the future (e.g. the case of the Komi-Permyak autonomous okrug). The administrative integration of Russian regions will contribute positively if the decreasing number of regions ('subjects') leads to policies that would better take into account these regions' competitive advantages. In a large country like Russia - 17 million square kilometres or some four times the territory of the EU25 - regional peculiarities require special attention. Policies supporting the building of regional centres would be particularly needed to support sustainable development in those regions, which have sufficient basis for survival in a post-socialist reality. Moreover, regional policies, taking into account the domestic migration from withering socialist cities to regional growth centres, should be developed.

Russia's 13 million cities may provide a good starting point in developing a network of competitive regional centres. State support for the development of regional science parks and innovation centres would enhance this process. These regional R&D centres may be able to gather enough financial resources to support regional business development and act as counterparts in their co-operation with Western technological parks. This co-operation with the Western counterparts would speed up the innovation processes and the commercialisation of these commodities. Furthermore, Russian scientists would receive additional finance for the development of their innovations, and Western companies would receive additional brain capacity at a reasonable price.

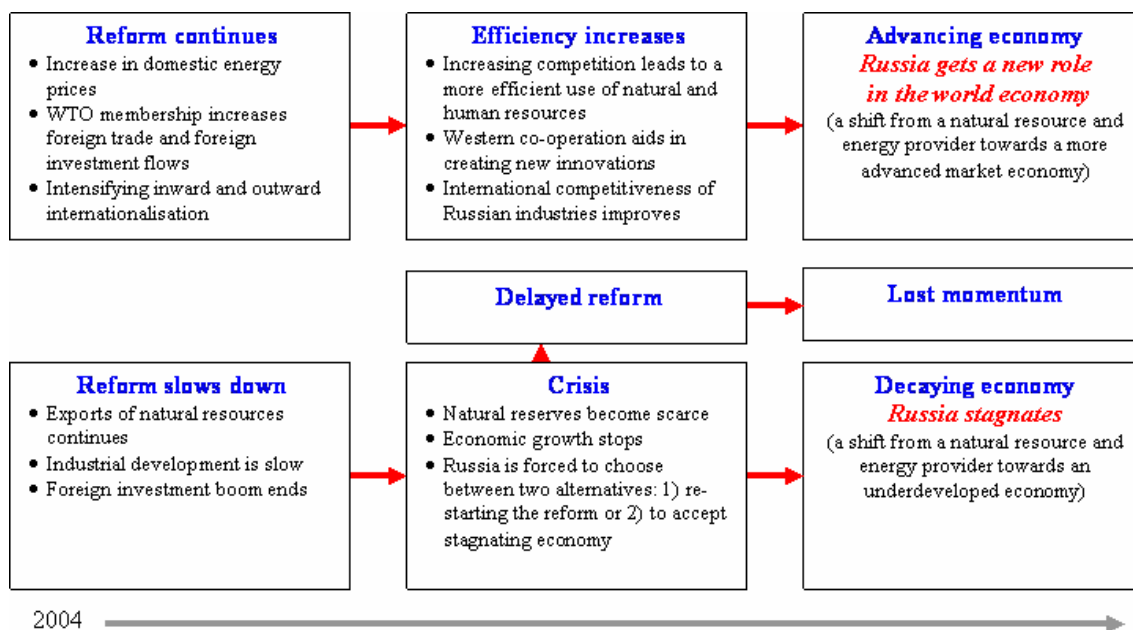
New innovations are needed to reform the Russian economy and to make it more competitive internationally. Without foreign investments, it is not very likely that Russian innovations will find their way onto the world market, since innovation processes are often very long, and hence, extremely capital-intensive. Besides, Western companies have a certain competitive advantage vis-à-vis Russian firms in bringing new innovations into the public awareness. Furthermore, the building of Russia's country image as a modern technology producer would take decades without the image and brands of widely recognised Western corporations.

Russia has not been particularly successful in attracting foreign investment. Last year however, was perhaps a turning point, as the FDI inflow jumped by almost 70% compared to the year earlier. Should Russia receive membership of the WTO, it is likely that both foreign investment and foreign trade flows will increase. WTO membership does not only have a practical contribution of integrating Russia closer to the world economy, but it also contains a symbolic value, showing that foreign companies will play an integral role in Russia's future development, i.e. WTO membership symbolises that foreign companies are not used merely as temporary substitutions in the beginning of the business game until Russian players have strengthened themselves and are able to replace foreign companies at the end.

After attaining WTO membership, the creation of the Common European Economic Space (CEES) between the EU and Russia will bring Russia closer to the family of European economies. Via the CEES, Russia's voice will become louder in European decision-making, since economic interdependency shall grow in the future. Russia is becoming an increasingly important energy source for the enlarged union - even prior to

the 2004 enlargement, Russia provided a quarter of the Union's imported oil and roughly 40% of its natural gas, and correspondingly, the EU25 accounts for approximately 50% of Russia's foreign trade and over 50% of Russia's inward FDI stock. Most probably, the CEES will increase these shares. Besides, the CEES will aid Russian firms in their attempts to penetrate into the European single market. Already at the moment, the EU is the main destination for Russian outward FDI, representing some half of Russia's outward FDI stock.

### Possible future paths of the Russian economy



To conclude, even if Russia has become an attractive investment target for foreign firms due to the fast growth of her GDP, one should remember that high prices of oil and several natural resources have maintained the growth. In order to change Russia's role in the world economy from a one-sided natural resource provider towards a modern and internationally competitive economy, the Russian leadership should support the development of small and medium-sized enterprises, particularly their innovation activity. Secondly, the Russian government should support a regional re-organisation, which is based on economic criteria, not on political rationality. Thirdly, the Russian government should support the two-way internationalisation of Russian businesses i.e. it should aid both the entry of foreign investors into Russia and promote the Russian companies' outward expansion, since the economic growth based on the extensive exports of natural resources will come to an end sooner than later.

Should the Russian leadership give too strong an emphasis towards the country's political unity and re-building of the country's superpower status at the expense of economic rationality and the economically-efficient allocation of resources, there is a risk that the reformist ideas will fade away and the economic reform would stop. The end of the economic reforms would mean that Russian companies would continue to use natural resources in an efficient manner and the country would remain as a natural resource provider to such a date that there are no reserves left to be exported any longer. This would be one of the darkest scenarios for Russia herself and for the rest of the world, as any bear left to starve becomes aggressive and a threat to its neighbourhood.

*Writer of the Month -column/ August 2004*

*Dr. Phil. **Pekka Kauppala**, Faculty of Social Sciences  
Institute of Development Studies, University of Helsinki*

## **The current condition of the Russian North for the Northern Dimension**

The economic and military significance of the northern areas of Russia is growing. However, at the same time their social situation is worsening relatively. The significance of the raw material resources of the north - both available and potential - is also growing at an accelerating pace, at the same time as Russia lives even more on the export of its raw materials. The perceived military threat could have injured that which could be the Russian North's only hope for a rebirth: the expansion of the raw material trade with Western Europe while paying attention to local interests. The failure of the market economy has also led to strong disappointment and feelings of frustration.

Thus, the Russian North is heading towards a still worse future in a confused current of local, national and geopolitical events. Hunger still knocks at the door of many of the local poor, while hopes of a better tomorrow drift further and further away. The North is alone with its difficulties, which it must solve by its own local means. This recalls the fact that Russia consists of very different areas. In order to understand these areas politically, they must be closely examined on an individual basis. There is no single "typical" province that represents them all.

It is necessary for the implementation of the Northern Dimension that it get unambiguous support both from the central authority of Russia and from the local governments and administrations. The central authority of Russia is capable of blocking the entire project if it unanimously sets itself against it. The same holds true in every republic and regions, especially the political strong regions, in the Northern Dimension's relations with the local government. A unanimous local authority is mainly able to paralyse concrete projects, although they might have to have the centre's approval. Therefore, the EU and Finland must necessarily keep in continuous contact with multi-level key units of the centre and the most important local authorities of the regions. The Northwestern super district (*federativnyj okrug*) serves as a partially central and partially local authority. The current centre is, in truth, able to intervene in matters, but its ability to create a coherent clear policy in local questions is modest. They, with all their problems, have their "feet much more firmly on the ground".

The Russian North is among the politically peaceful and stable areas of the Russian Federation. In 1990's years, a quite clear tendency towards the strengthening of local power could be observed in the North. The stronger the economy of the area was, the clearer and stronger the tendency was. The Russian new centralisation enterprise since 2000 is a very significant phenomenon for the strategy of the Northern Dimension. In a peaceful and only slightly corrupt Russian North, which is relatively well organised by the government, positive reactions to "reform" can hardly be expected. In the probable case that "reform" remains half-finished, it is only able to sow political tensions and disputes within the regions and to create a new level of bureaucracy in the even before complicated enough Russian state structure. In a "successful" case, it would be able to abolish or subjugate in practice or even completely local authorities. In this case, it would hardly be able to also effectively co-ordinate the economic life of the regions, which in any case are not to be left "autonomous" in Putin's Russia.

“Reform’s” first years of implementation have passed in an atmosphere of multiple illegalities. However, a clear breakthrough has not occurred. Although local leaders have lost most of the power of influence in the politics of the centre, they still hold the power of their regions tightly in their hands. For this reason, Europeans must remember that in making practical plans on a local scale, the most important partner is the governor or local president, not the distant “governor general”, who is still outside the money taps.

The Northern Dimension has received quite little attention in the Russian mass media, which has, however, been generally quite positive. Even so, many suspicions and much unwillingness are observable in the unpublished speeches of the nomenclature. In addition, the recent speeches seem to strengthen a well founded point, namely the lack of concreteness of the plans presented by Finland. When the Finns instruct the Russians about the fact that, among other things, (after the failure to acquire funding), the entire Northern Dimension does not generally need any funding, there is no reason to wonder that the plans are regarded as empty rhetoric. It is also not surprising that many local elites either do not know of the Northern Dimension or pay little attention to it.

Even so, the circles that have already had time to familiarise themselves with the Northern Dimension do not let Finns deceive themselves into believing the plans are so insignificant as it has understood. The proof of this is the active espionage about the Northern Dimension, among other things. It also gives a hint of the fact that there is a fear that the Dimension contains something hidden and dangerous. The assumed dangers concern the possibility of attempts to create special areas for Russia through the dimension. The thought that what happened to Yugoslavia could also happen to Russia easily came to mind. The Russian North is namely the land of minority peoples - and generally with good reason a land of dissatisfied minority peoples.

The strong interest of elements in the Russian North is also based of the North’s position as the weak link in Russia’s nuclear attack warning system. New aspirations to repair the cracks created during the dissolution of the Soviet Union emphasise this significance. This interest is problematic through the international co-operation to economically benefit from the raw materials of the Russian North. The nuclear attack warning system needs considerable secrecy as protection. Many strategic raw material deposits are not located in the most militarily sensitive places, with the exception of the Barents Sea. Even so, the development of a nuclear attack warning system and their own missile systems used as a counterweight to it are not in conflict with Europe’s basic strategic interests. It is possible to find a *modus vivendi* between the military aspirations and the export of raw materials.

To advance the Northern Dimension, there is therefore a need that the threat be dispelled. But what could be done about this? The easiest, but at the same time most destructive thought of all would be an attempt to remove everything from the dimension that could cause suspicion: end co-operation with local authorities, and quite especially with those that attempted to implement their own policies; forget the significance of minority peoples as the users and owners of most of the lands with raw materials and concentrate only on relations with the cities and still better with the Russians in Moscow; court politicians of the centre and always vaunt the wisdom of the economic course of Russia when the opportunity comes and the size of the awaited upturn - until it is observed that not a single economic project that is started works.

The bull must be taken by the horns. There is a need for an open dialogue that is knowledgeable of the problems with all the makers of Northern Russian political life. Doctor Peer Lange, a German expert on the Northern Dimension, reminds people that in this connection, there is no reason

to fear discussions on security policy. In Lange's opinion, the basic security policy interests of Europe and Russia as concerns the Russian North are uniform and could lead to a harmonisation of relations. Sweeping the problems of security policy under the rug only means their swelling through the misunderstandings of both sides.

Because of the lack of money, the North Dimension needs as a base strategy the broadest possible discussion between nations to maintain a long-term vision through the initial difficulties. The modest funding needed for the publicity and a discussion forum must be found. For its part, it is difficult to continually deny the large funding needed for a project that has already received wide publicity. The advantages that an implemented Northern Dimension could offer are so large that the rational peoples of the Russian North, who have self-initiative, will certainly be able to defeat their unfounded doubts and prejudices, if the project is pushed forthrightly and with purpose.

In the same connection, the dogmatic and uninformed economic policy dirigism presented must also be avoided. Classical economic liberalism is not worth anything in the special conditions of the Russian North. This especially concerns the exceptionally strong long-term planning required by natural gas policies.

The encouragement of initiative in Northern Russia is in a central position in the Northern Dimension. For these reasons a public, open and broad-based discussion with different Russian interests, as well as the spreading of information on the local level, is necessary for the development of the Northern Dimension. The cheapest way to spread information in Russia is to utilise the efforts of Russians. Using this offer could be a sensible release of some monetary resources.

Active, determined and open actions have an excellent chance of neutralising doubts about the Northern Dimension in Russia and of allowing the only creative new international plan in EU circles to change into a stabilising and enriching reality for all of the European North.

*Writer of the Month -column/ October 2004*

**Hiski Haukkala, Researcher**

*Department of Political Science at the University of Turku*

*The Finnish Institute of International Affairs*

### **“Where have all the flowers gone?”**

An old hippie song from the early 1960s begins with the above quoted words. Sometimes I find myself humming to the melody when I think about the Northern Dimension - an EU policy that was launched by the (then) Finnish Prime Minister Paavo Lipponen in a speech in September 1997.

Admittedly there is an element of truth in my sub-conscious feeling to start asking where the Northern Dimension has gone. It seems that the initiative has lost most of its spark. For example, the initiative is clearly much less debated in public. A quick search to the web archives of STT - The Finnish News Agency - reveals that the initiative appears much less frequently in the Finnish media today compared to its heyday in 1999-2000. Also the research community seems to be losing its interest. Articles and publications with the words “Northern Dimension” in their titles are becoming few and far between.

This is all perhaps only natural as the political dealings involved in the lobbying of an initiative make much bigger waves (and headlines) compared to the day-to-day and nitty-gritty implementation of a multi-sectoral sub-regional initiative (writing this sentence alone made me realize one thing that perhaps causes problems for the policy - it is hard to put it into words without using excessive amounts of jargon).

But it seems that I am not the only person in Finland who is looking for the Northern Dimension. In late August the General Secretary for the Finnish Social Democratic Party (SDP) Eero Heinäluoma wrote a web column on the pages of MTV3 where he voiced his concern over the present state of affairs concerning the Finnish initiative.<sup>1</sup> In the column he took a swipe at the current government led by the Center Party’s Matti Vanhanen. According to Heinäluoma, who uses an agrarian metaphor, the government has loosened its grip from a plough and a promising field has thus been left idle and to the serenity of a wilderness.

Heinäluoma’s points merit further discussion. Firstly, it is a peculiar thing in itself, that it is Heinäluoma, who is often thought of as Lipponen’s trustee, that takes a swing at the government in public. As was already mentioned, he is after all the General Secretary of a party that is currently in a pivotal position in the ruling government. Surely there must be better ways for him to seek influence over Finnish policies than an open Internet column?

Nevertheless, Heinäluoma’s intervention is a welcome one. It is obvious that since Lipponen departed from the Prime Minister’s Office, the government has been unable to formulate any consistent line for further development of the initiative. Or to give the current state of affairs a more kinder interpretation, the government has been preoccupied with more pressing matters, such as finalizing the EU Intergovernmental Conference and preparing for the white book on defence and security policy, to devote much time and energy on an already firmly established EU policy.

<sup>1</sup> Available in Finnish only at <http://www.mtv3.fi/uutiset/nettivirus/nettivirus.shtml/311429?heinaluoma>, downloaded 21 September 2004

But this is to be regretted, as the EU's "Big Bang" enlargement in May 2004 has drastically changed the name of the game within the Union. Nothing that was gained before the May Day can be seen as being secure and almost every policy and initiative has to be thought out and re-linked in new ways in order to fit with the new Union that is now in the making.

What is Heinäluoma's remedy for the current ailment? He urges the government to take initiative and then repeats the original Finnish emphasis on energy, environment and transport infrastructure that should act as the hard core of the initiative. But dissecting his argument shows that it suffers from the same weaknesses as the Finnish government's policy that he seeks to criticize.

The first concerns the question of timing. Heinäluoma repeats the often-heard argument that the accession of Baltic countries and Poland somehow opens a window of opportunity for Finland to reassert the importance of the Northern Dimension on the EU's agenda. But it can be asked, is this really the case? In one way the impression can be deemed correct as the countries are, if not Arctic, then at least Northern European by geography. But maps can be deceiving. One has to look not at the position of the countries per se but at the neighbours they themselves have in order to realize that they have problems of their own and are not going to be the biggest advocates of Northwestern Russia as the focus of future EU endeavours in the region. Poland has Ukraine and Belarus to worry about. Latvia and Lithuania enjoy a border with Belarus. Lithuania and Poland have also Kaliningrad as a source of concerns. Even Estonia, which is often portrayed as a natural ally to Finland, is more concerned with the Pskov oblast east of Narva and Tartu, a region which when viewed from Helsinki is veritable "southern dimension" compared to Murmansk and Karelia where the Finnish interests mainly lie.

Secondly, Heinäluoma proposes that oil and gas should be the lifeline of the Northern Dimension in the future. This suggestion is well in line with the original Finnish thinking concerning the initiative. For example, if one goes through Lipponen's original speech from September 1997, one can see that the real beef and strategic content of it was centered on one hand on the EU's growing dependency on imported fossil fuels and on the other on Russia's ability to act as a reliable source of them. Although the thinking behind this line of reasoning is sound, there is a problem in it, as oil and gas are commodities that do not need an EU policy in order to flow to the European market. It is the task of multinational oil and gas companies to take care of that and they are not dependent, nor in any need, of an EU umbrella policy to help them in the task. In fact, more important than any EU initiative is the stance of the Kremlin on these issues.

The case of oil and gas reveals one of the biggest challenges to the future of the Northern Dimension. Although it has been able to locate some of the crucial elements in the EU-Russia relationship, it risks nevertheless being sidelined by other processes, be they the international big businesses or the wider EU–Russia relationship. In this respect the oil and gas is a case in point in another sense as well, as it was largely snatched from the Northern Dimension agenda to the wider EU-Russia energy partnership initiated in the EU-Russia summit in Paris in 2000. Thus one can conclude that the most dynamic aspects of the Northern Dimension are too important and lucrative to be left to the level of a regional initiative alone.

Finally, one might ask, why worry about the fate of the Northern Dimension? Like all things in life, also the Northern Dimension must have its end. The crucial question is not whether it continues its existence as a separate policy within the EU machinery. The crucial question is, what were the aims of Finland – as well as the other interested countries and parties – with the initiative originally and whether they have been met.

And perhaps more importantly, what are the interests and objectives concerning the region today and how are they best served in the wider European constellation?

It could well be that the time for a Northern Dimension as such has passed and the challenge right now is to link the current concerns to the wider EU–Russia relationship that includes the development of so-called common spaces and the European neighbourhood policy. As such, the question boils down once again to the internal EU competition. One area where one would expect to find the synergies is the managing of the severe risks that stem from the fast growth of Russian oil transit in the Gulf of Finland. There you can pinpoint a clear joint interest, firstly, between Finland, Estonia, Latvia and Lithuania, and secondly, between Denmark, Sweden, Germany and Poland who all in one way or another are in danger of becoming the victims of a major oil leakage should one occur in the narrow and shallow Baltic Sea. Thus it is paradoxically in the south that some of the best chances of making Northern Dimension more appealing lie in the post-”Big Bang” era.

**Joni Virkkunen, Dr., Project Manager**

*Northern Dimension Advisory Network*

*North Karelia Polytechnic*

## **Northern Dimension in the Neighbourhood Policy**

The newly introduced Neighbourhood policy will mean a great change in EU's policy toward its neighbours. The European Union not only aims at building a "Circle of friends" along its external borders "from Murmansk to Marakesh" but also at directing her support for stability, security and well-being in a new way. From the local and regional perspective, the new neighbourhood approach does not – now it seems – only mean a great and innovative improvement in cross-border co-operation practises. On the contrary.

### **Neighbourhood Policy**

As the Internet-page of the European Neighbourhood Policy (European Commission 2004) suggests, the new Neighbourhood Policy "is designed to prevent the emergence of new dividing lines between the enlarged EU and its neighbours and to offer them the chance to participate in various EU activities, through greater political, security, economic and cultural co-operation". The Policy "offers a privileged relationship with neighbours, which will build on mutual commitment to common values principally within the fields of the rule of law, good governance, the respect for human rights, including minority rights, the promotion of good neighbourly relations, and the principles of market economy and sustainable development".

The new Neighbourhood Policy is based on the new enlarged European Union within which "the Union's capacity to provide security, stability and sustainable development to its citizens will no longer be distinguishable from its interest in close co-operation with the neighbours" (Commission of the European Communities 2003: 3). To ensure that security, stability and sustainable development, the Commission has outlined the framework of so-called Neighbourhood Instrument that will build on the experience gained from the on-going Interreg, Tacis, Phare, Cards and Meda and, also, on a rhetorical vision of a socio-political process that will be carried out in the spirit of close partnership. Objectives of the European Neighbourhood Instrument (2007–) and for the first transitional phase Neighbourhood Programme (2004–2006) are:

promoting sustainable development in regions on both sides of common borders, working together through joint actions to address common challenges such as environment, public health, prevention and fight against organised crime, ensuring efficient and secure common borders through joint actions and promoting local cross-border "people-to-people" type actions.

The key objectives of the becoming Neighbourhood Policy (see above) sound promising. Even more assuring seems the idea of joint ownership and partnership that the Policy is supposedly based on. Yet, to reach an impact at a high political level, while also maintaining the level of regional and local co-operation, the new approach requires a high level of commitment at all levels. Content of "shared values" and "effective political dialogue" cannot be exported in neighbouring regions. They are politically negotiated and carried out as a process were both central and regional authorities as well as local actors have their role. Northwest Russian and Neighbourhood Euregio Karelia are interesting examples of regional Neighbouring Policy in area of the Northern Dimension.

## **Neighbourhood Policy and Northwest Russia**

In its Strategy Paper (Commission of the European Communities 2004), the European Commission defines Russia as the key partner of the European Union in Northern Europe. With Russia, the new Neighbourhood Policy is implemented in accordance with the declaration of the 2003 St Petersburg summit. The declaration sets the Neighbourhood co-operation with Russia to political dialogue and to deep strategic partnership that will be created through four common spaces: Common economic space; Common Space for Freedom, Security and Justice; Common Space of External Security; and Common Space of Research and Education.

Russia is expected to participate in the co-operation on the basis of mutual interest and, as encouraged by the European Union (p. 20), common will. In addition to economic development and national security, there are a number of commonly interests. Yet, as witnessed in the ratification of EU-Russian Partnership and Co-operation Agreement (PCA) on the eve of the EU enlargement in April 2004 and in the Russian commentary on the Northern Dimension Action Plan for 2004-2006, the common will and mutual interest at 'high political' level is not always so evident.

Due to the rather ambivalent and sensible relations between Russia and the European Union and to the 'local foreign policy' element of the becoming Neighbourhood Programme, for example, the concrete implementation of the Policy has faced problems already at its first stage. In spite of the promising rhetoric, the co-operation has become – or it has all the times been – a subject of mutual policy making. Consequently, the policy making also has a direct impact on regional and local implementation of the Programme.

At regional level, the Programme is being postponed. It remains, therefore, to be when first joint Neighbourhood will be ready for implementation. It remains also to be seen in what way regional fora such as the Neighbourhood Programme Euregio Karelia and the Northern Dimension as bodies offering "substantial added value to bilateral efforts" (see Commission of the European Communities 2004: 21) will in the context of high cross-border policy context gain. They are carried out in the framework of existing programmes (i.e. Interreg and Tacis) that will be combined with new from of financing from Neighbourhood Programme / Neighbourhood Instrument.

If the implementation of former programmes is not easy, the new Neighbourhood Programmes will give project planners entirely new challenges.

## **Neighbourhood Programme Euregio Karelia**

At regional level, Neighbourhood Policy outlines cross-border co-operation in order to ensure cross-border character and effectiveness of projects. Euregio Karelia (see Regional Council of Ostrabotnia 2004) and the becoming Neighbourhood Programme Euregio Karelia illustrate well some of the changes that the becoming Neighbourhood Policy will contain. Euregio Karelia has been presented as the model for the future cross-border co-operation in the European Union. In a way that's what it is.

Euregio Karelia is a regional organisation constituted of three counties in Finland (Pohjois-Karjala, Kainuu and Northern Ostrabotnia) and one subject of the Russian Federation (Republic of Karelia). Within the programme region of about 1.5 million inhabitants, Euregio Karelia – as Neighbourhood Programme Euregio Karelia – aims at developing cross-border contacts in order to improve economic well-being and democracy. But what makes the Euregio a "model" is not only the fact that Euregio Karelia is the first Euregio form of institution at the external border of the European

Union but also that its decision making is based on a new form of institutionalised cross-border management.

In 2000, regional partners of Euregio Karelia outlined a common programme “Our Common Border”. They formed a joint Management Committee, a common Secretariat, and mutually agreed priority projects. Based on that experience, the everyday administration of the becoming Neighbourhood Programme will also be based on common institutions with representatives both from the Finnish and the Russian sides of the border. In addition to international Monitoring Committee and Technical Secretariat, the new regionally based Selection/Management Committee has an authority to set priorities and to select projects for financing. As the Delegation of the European Commission in Moscow may only approve or disapprove project proposals – and disapprove only in case of legal problems – one may suggest that a great share of power is being transferred to the region.

This may well promote local initiative and cross-border partnership but, however, this may also slow up the overall processes of decision making. Due to its increased power, the new Neighbourhood Programme is often characterised not as an element of cross-border regional development, as regional authorities would like to see that, but as an element of so-called ‘local foreign politics’. Consequently, as external relations are rather sensitive issues for central authorities both in Russia and in the European Union, the Programme related regional and local initiatives may well become a subjects of intensive policy making. It would, therefore, be very important that Neighbourhood Programme would not be considered strictly as an element of external relations but, rather, as an element of regional development. In order to make the system of cross-border co-operation more flexible, both central authorities and the European Commission would, also, have to be tied closely to regional processes of Programme.

Yes, regional authorities do have more power over the projects implemented. Yes, the new elements of joint ownership do increase partnership and cross-border equality in regional administration of the Programme. But how many local actors are able to participate in a project with 30% (in Finland) or 5-25% (in Russia) self-financing? Or how many Finnish institutions are willing to take the responsibility of a whole project, including activities in Russia? Also, how many experts of cross-border co-operation will it be possible to find in small and distant border regions, people who are both willing to take the above-mentioned responsibility, who speak Russian, knows Interreg and Tacis administration, and who are acquainted with both with Finnish and Russian book keeping?

What about companies and highly specialised experts: Despite obvious interest in cross-border business and R&D –activity, how to motivate companies or highly specialised experts to participate in co-operation with regions - i.e. only Republic of Karelia – where economic structure, market potential or specialised proficiency are rather limited and do not necessarily correspond with needs regional actors, as they might do in larger centres such as St. Petersburg?

These are serious questions that in a multi-lingual international context increase costs and administration related risks and, simultaneously, decrease ability and the willingness to participate in the Programme. The problem of financing is actual especially among small organisations such as NGO’s that have – until now – actively, with pleasure and great enthusiasm participated in co-operation in a number of fields.

### **Neighbourhood in the Northern Dimension**

Northern Dimension provides the European Union a particular geographical context, a regional forum that offers substantial added value to bilateral relations (Commission of

the European Communities 2004: 21). Together with Euregio form of regional and local co-operation, such regional entities involving authorities on both sides of the border may, according to the Commission, lead to substantial and effective links across the borders. They may promote common interests and strengthen civil society and democracy, as well as give some boost on local economy.

Overall, Neighbourhood Programme has lead to a very enthusiastic and optimistic atmosphere at the regional administration. Despite wide expectations, the becoming Neighbourhood Programme will, yet, not only result in easier and more effective cross-border co-operation. That will also be challenged in terms of EU-Russian relations and regional implementation. At 'high political' level, the Policy is based on supposedly shared ownership and equal partnership. In reality, Neighbourhood is a continuous process of policy making both in Russia and the European Union.

At regional, the regionally based Euregions not only have more power over the priorities and concrete implementation but they also have new tools to make cross-border co-operation more flexible. Both the European Commission and the regional Neighbourhood Programmes should, however, make a serious consideration over the above-described elements of responsibility, self-financing and human resources, as well as of regional delimitation. It remains to be seen in what extent the becoming conditions for regional and local cross-border co-operation attract actors to participate.

Only with broad interest and wide range of cross-border projects also the Northern Dimension can provide some added value to the becoming Neighbourhood.

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**Kirsi Lipponen**, *Research Associate*

*Pan-European Institute, Turku School of Economics and Business Administration*

## **Small business development in the North-Western Russia – A crucial element for prosperous business co-operation in the Northern Dimension area**

### **Small enterprise sector in Russia – general characteristics**

Small and medium-sized enterprises (SMEs) are extremely important for an economy because of their ability to e.g. enhance competitiveness, increase export potential, adopt new technologies, modernise economic structures and create employment opportunities. Thus, developed SME sector secures economic stability and reduces social disparities in a country. Though the role of the SMEs has been recognised also in Russia, the development of the sector has remained modest.

Taking the course of history into consideration, the difficulties, faced by the Russian small enterprises (SEs), are rather comprehensible. During the Soviet times, the small enterprises never played critical role in the economy, as excessive concentration of production, labour and capital preferred gigantic firms. The social class of entrepreneurs was in many cases illegal and, therefore, insignificant. In the beginning of the 1990's the SE sector started to expand, but the development process ceased because of poor or non-existent support structures.

Even today the development is hindered by several administrative, legal and financial constraints. As a consequence, a great deal of Russian SEs operates unofficially. It is estimated that the informal economic activities account for as much as 50 % of the Russian GDP, most of which take place among enterprises with less than 5 employees. This brings forth some major challenges for the local governments to create a predictable, business-friendly economy with strong small enterprises.

### **Small enterprise development in St. Petersburg, Leningrad and Kaliningrad regions**

As the small enterprise development is largely affected by regional policy-making, the role of small enterprises in the economy varies from region to region. On the country level, the North-Western FD performs rather well. There are 9 SEs per 1000 inhabitants in the North-Western FD, while the average in Russia is 6. However, the differences inside the FD are enormous, ranging from 3 SEs per 1000 people in Murmansk region to 19 in St. Petersburg. Apparently, factors such as the openness of the business environment and the institutional framework provided by the regional government are crucial for the success of the SEs. In this article the focus will be given on small enterprises of three North-Western regions, St. Petersburg city, Leningrad region and Kaliningrad region.

Nearly 70 % of the SEs operating in the North-Western FD, i.e. approximately 90,000 SEs, is located in St. Petersburg. This means the second highest regional SE density (19 SEs per 1000 inhabitants) in Russia after Moscow. In Leningrad region the number of SEs is 11,500 (9 per 1000 inhabitants) and in Kaliningrad region 5000 (5 per 1000 inhabitants). In St. Petersburg the SEs employ approximately 26 % of the working population, the figure being 17 % in Leningrad and 11 % in Kaliningrad region.

With a closer look at the SE figures during the past few years, one realises that there is no clear tendency in the SE development in any of the three regions. Between 1997 and 2002 the number of SEs has varied from year to year, signalling constant uncertainty of the small enterprises' position in the regional economy. For example in Kaliningrad region, which has often been mentioned as one of the best performing regions in SE development, the number of SEs suddenly dropped by 34 % in 2001-2002. Evidently, the government priorities in promoting SE development have not yet resulted in remarkable improvements in the business environment.

The three regions are characterised with very different circumstances, in which the small enterprises need to survive. The overall socio-economic development in St. Petersburg is noticeably high, compared to Leningrad and Kaliningrad regions. St. Petersburg is a city of 4.7 million inhabitants, with GRP (gross regional product) of 2100 USD per capita and average monthly incomes of 160 USD (the Russian average being 140 USD). In the surrounding Leningrad region the population is 1.7 million, GRP per capita 1700 USD and average monthly wage 85 USD. Kaliningrad region is the smallest of the regions with a population of 955,000, GRP of 1200 USD per capita and average monthly incomes of 90 USD. The differences can be further articulated by the income level comparison of the 89 Russian regions, where St. Petersburg ranks 10th, Kaliningrad region 47th and Leningrad region 55th.

As majority of the small enterprises operate among trade and catering, developed service and retail trade sector are vital for the small businesses. In general, the service sector is far more developed in St. Petersburg than in the regions. In St. Petersburg the amount of money spent in services (per capita) is double the amount spent in Kaliningrad and three times that of Leningrad region. The retail trade figures show a similar pattern. In St. Petersburg the retail trade sector is developing at a growing pace, while especially in Kaliningrad region the figures remain low. In 2003 the retail trade volumes per capita were 620 USD in Kaliningrad region, 930 USD in Leningrad region and 1050 USD in St. Petersburg. Growing retail trade figures indicate increasing income level and enhancing living standard, which have direct impact on the economic stability and the overall business climate. Therefore, compared to Kaliningrad and Leningrad regions, St. Petersburg seems to offer better ground for entrepreneurial activities, largely because of higher standard of living and, thus, bigger demand for various services.

Even if the large companies still dominate the regional economies, by government actions the operational circumstances for small enterprises can be improved. The regional governments have launched several small enterprise development and support programmes, aiming at further strengthening the infrastructure for small enterprise support and enhancing business climate in the region. The programmes are targeted to the most visible disadvantages of the SEs, i.e. facilitating the access to credit and financing, enhancing the availability of information, supporting the education of the employees, creating innovation and technology centres etc.

However, despite the government policies, the SE sector has not shown considerable strengthening in many of the regions. The problems of the small enterprises are acknowledged, and a lot has been done to improve the business conditions in the regions. Still, many reforms remain to be completed, in order to create a functioning small enterprise sector with economic significance. In addition to direct support means, emphasis should be given on arousing entrepreneurial spirit and promoting overall business environment in the small businesses' favour.

Sustainable economic growth, economic co-operation and development of favourable business climate on both sides of the EU-border are key objectives of the Northern

Dimension action plan. For that purpose, a special emphasis is given on supporting the SMEs and their adjustment to the European market, especially in the Russian Federation. Exchange of best practices, managerial training and knowledge creation are key instruments of the Northern Dimension partners in this sphere.

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**Johanna Pollari**

*The Baltic Institute of Finland*

## **Baltic Sea Co-operation in the Changing Europe**

Recently four Finnish Members of the European Parliament proposed that Finland should raise Baltic Sea cooperation as one key priority issue during its EU presidency in 2006. According to the Finnish MEPs, a new separate strategy for the Baltic Sea Region should be created using the historic Hanseatic League as a model<sup>1</sup>.

The Finnish MEPs claim that the EU Northern Dimension Policy that was initiated by Finland has failed and finally lost its importance on the EU agenda. According to them, Northern Dimension should be included in the new BSR Strategy that would be coordinated and receive funding from the EU. Besides trade and investments, the programme would cover environmental protection, research, education, infrastructure, energy and border control. A central part of the Strategy would be to stimulate co-operation with Russia, especially with regions of Kaliningrad and Leningrad.

It can be said that the golden moment to strengthen co-operation between countries around the Baltic Sea is now when Estonia, Latvia, Lithuania and Poland have recently joined the EU. It is also true that financial resources for Baltic Sea co-operation as well as for Northern Dimension projects are insufficient. Baltic Sea co-operation is currently looking for a new identity, but a more comprehensive analysis of the situation is probably needed, since the idea of a new EU financial instrument for the Region might not be so simple to realize in practise.

Firstly, we should look at the already existing structures and lessons learned from the Baltic Sea cooperation. During the last 15 years several intergovernmental and sub-state level organisations were created to promote the co-operation including the Council of the Baltic Sea States, the Helsinki Commission, Baltic Development Forum, the Nordic Council of Ministers, Union of the Baltic Cities and Baltic Sea States Subregional Cooperation. These bodies are now trying to orientate in the new situation and rationalise their operations. There is a risk that creation of another programme or strategy could only increase the already existing complexity of structures. Rather there is a need for critical comprehensive research, how the structures could be simplified and overlapping work reduced.

On the other hand, a new strategy for the Baltic Sea Region could in the best case fasten the reorientation and help these organisations to find new ways to operate. It should be noted that various organisations for Baltic Sea co-operation have also much valuable information, which still is rarely utilized in more open forums and among stakeholders at the regional level.

Secondly, it can be difficult to find a common interest powerful enough among the Baltic Sea States in a short term. It has been argued that the Northern Dimension is not a priority in the national policies of the new EU member countries, but Baltic Sea co-operation can be more of their interest. However, after the EU enlargement the political interests of the Baltic Sea EU Member States seem to vary even more than before and they do not form a homogenous group. Baltic Sea cooperation is far from priority for example for Poland, Germany, Denmark or even the Baltic States.

<sup>1</sup> More about the proposal in Finnish: [http://www.kokoomus.fi/artikkeli.php?artikkeli\\_id=1691](http://www.kokoomus.fi/artikkeli.php?artikkeli_id=1691)

It should be noted that during the years the BSR cooperation has evolved from supporting the new democracies of the Baltic States, Poland and Russia into more equal cooperation leaving co-operation with Russia as a key challenge. Therefore, Finland should continue emphasizing its important role in promoting the EU–Russia cooperation and political dialogue.

Thirdly, the European Union is strongly committed to the new European Neighbourhood Instrument, which will be taking prominent financial resources after 2007. A notable feature of the instrument is its cross-border co-operation component, under which it will finance joint programmes between regions of EU member states and partner countries sharing a common border. With the help of this new instrument Finland could revive the importance of Northern Dimension by bringing up strongly its experiences from cross-border co-operation with Russia and extending its assistance activities to the New Neighbours through co-operation with Estonia, Latvia and Poland.

Through its existing co-operation structures the Baltic Sea Region has developed into European model region of interregional co-operation – with networks and projects reaching beyond border areas. Therefore it would be beneficial to concentrate not only on cross-border co-operation, but also on wider interregional co-operation in the development of the European Neighbourhood Instrument. Key challenge is to make co-operation more visible and open for different stakeholders at the regional level. Forming of trilateral projects with Finnish, Russian and Baltic States participation can be beneficial aim in opening new possibilities also in the financial meaning. With these emphasises and being more specific, Finland could make the concept of Northern Dimension visible on the EU agenda again.

More intensive Baltic Sea co-operation is of benefit for the whole European Union, and the Region definitely has still much potential to make better use of innovations and reach higher competitiveness. The idea of a new Baltic Sea Region strategy is therefore welcome. All in all, we should strive for flexible sustainable models of co-operation in the Baltic Sea Region. Key challenge is to make the good examples of cooperation more visible and utilize them in a wider context.

*Dr. Timo Hellenberg, Project Manager, Aleksanteri Institute*

## **European new neighbourhood: a common goal or a conceptual minefield?**

The European Union's Policy of the Northern Dimension has been marketed as a pragmatic and visible demonstration of how regional cohesion and private-public investments can be generated, contributing at the same time to the overall welfare of the EU. The Northern Dimension serves as a good example of how a new political initiative needs well established societal influence and short-term results in order to be materialized. Although the initiative has so far been successfully featured within the EU external relations it has somewhat lacked both the economic and public support – and understanding - which are needed when promoting cross-border and cross-sectoral co-operation at the grass roots level.

The success of regional initiatives should be based on their “magnetism”, attracting interest and investments in the area and internationally, as people have begun to see the impact and benefits of having a regional concept to frame the EU, national and local policy initiatives. The multilateral and cross-sectoral processes such as the Northern Dimension need to be prepared in correlation, not in confrontation with regional, municipal and local decision makers, not to mention the NGO's, private enterprises and individual advisors.

But, as in all not-so-fortunate success stories, there are always some substitutive proposals behind the corner: now in the shape of the European Neighbourhood Policy (ENP). Whereas the policy of the Northern Dimension has been goal oriented, the concept of ENP is more process oriented. It will be seeking wider acceptance among the old and new member states of both EU and NATO and thus ensuring that the results are not only tight to certain schedule but also on its process oriented approach.

The ENP will dominate the EU policies over the coming decade with Russia, the countries of South-Caucasus and the Southern Mediterranean: countries which do not currently have a perspective of membership but who will soon find themselves sharing a border with the Union. Needless to say, the ENP has already raised several questions about the need of continuation and the limits of the enlargement process, particularly concerning the countries like Ukraine, Belarus and Moldova. These countries threaten to provide black holes of corruption and organized crime and increasing trade of prostitutes, narcotics and small weapons. If the aim is to prevent these problems, it should be acknowledged that the membership-based enlargement process as such cannot be seen as a tool to promote stability and prosperity in these countries.

Enlargement or accession are not – and should never be – the only instruments we have in our toolbox. This is just not acceptable either in economic or political terms. Over the coming decades the main challenge for the ENP should be to boost cross-cutting partnerships based on joint exercises, shared capacities and monitoring, for instance in the field of civilian crisis management and homeland security. In other words, although some countries will not be invited to be a full member of the Union, they will be treated as potential partners. Furthermore, in return for concrete progress demonstrating shared values and effective implementation of political, economic and institutional reforms, all the neighbouring countries should be offered the prospect of a stake in the EU's internal market. This should be accompanied by further integration and liberalisation to promote the free movement of persons, goods, services and capital (four freedoms).

Whereas the Northern Dimension has been based on regional and sectoral initiatives, such as the Environmental Partnership, Social and Wellbeing and IT sector, the European Neighbourhood Policy covers almost all possible to accelerate our “mutual political, economic and cultural dynamism”. It has also been loaded with geographical ambitions to create “a circle of friends”. For instance, Finland will enjoy four parallel Neighbourhood Programmes which combine the existing Interreg and TACIS funds: Euroregio Karelia, Kolararctic, South-Eastern Finland and the former Baltic Sea Region Interreg IIIB, all together worth €21.4 million.

The ENP should be regarded as an operative instrument to implement its goals, not as a goal as such. Countries which are not traditionally regarded as “European” but which share the common socio-economic traditions, such as Turkey, Russia and Ukraine, should be given a special status within this new foreign policy tool. By developing sustainable partnerships instead of endless paddle of promises we can confront those political and socio-economic challenges which are underlying within the European external relations. Enlargement is not a tool, but European Neighbourhood Policy could be that if well prepared and efficiently used.

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