BALTIC RIM ECONOMIES

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Belarus – EU: reliable neighbourhood turning stable partnership

NICOLA STURGEON
The future path of Scotland

MICAELE BYDÉN
Swedish defence in a changing security environment

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On the importance of cultural exchange

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Belarus – EU: reliable neighbourhood turning stable partnership

Since gaining sovereignty and independence a quarter of the century ago Belarus has made wide strides in its political, social and economic development against very heavy internal and external odds. The country boasts a well-performing economy. Its voice sounds loud and clear in international fora. We list a growing number of countries worldwide as our partners and keep reaching out to new promising markets.

Modern Belarus draws from centuries-old state and cultural traditions of Eastern Europe ascending to Slavic principalities of early Middle Ages and the Grand Duchy of Lithuania with its sophisticated society, rich philosophic and legal heritage.

In the Soviet times, Belarus rightfully prided itself on its highly advanced human potential, research and manufacturing. Belarus as a state turned a new page of its history in the early 1990s. Peace and social harmony became prime objectives of a new sovereign nation.

In Belarus, just like elsewhere across the ex-Soviet Union, the first years of independence were marked by a painful struggle with social and economic crisis. But the country’s economy was one of the few in the region that emerged from this struggle stronger than ever before. Since 1994, its GDP, industrial output and export have multiplied. By 2000, the economy reached its pre-crisis level thus substantially boosting prosperity of its countrymen. Average wages in dollar terms grew by 5.5 times, while real salaries – by 7.3 times. The UN rates Belarus among countries with high Human Development Index. Its GDP per capita is one of the highest in the region. The export-to-GDP ratio makes Belarus the most open post-Soviet economy, as confirmed by the World Bank’s “Trading Across Borders” scoreboard. This small but open economy finds itself increasingly exposed to numerous external shocks in recent years, including the Ukraine conflict and the drop in energy prices. Their knock-on effect shows both directly, through shrinking markets and downward price pressure on our key exports, and indirectly, through mounting investment risks and borrowing costs.

These challenges demanded urgent macroeconomic response by the Government. External shocks were effectively contained through a range of conservative fiscal measures, tighter monetary and lending policies, flexible exchange rates and Belarus regained its firm standing both domestically and abroad.

Slower inflation and recovering currency markets bolstered public trust for the rouble. Balanced external trade and budget surplus contributes to the country’s credibility with foreign lenders and investors. Belarus asserts itself as a reliable and diligent partner that meets its obligations timely and in full. We pursue a multidimensional foreign policy with its European focus a longtime priority to us. The EU is Belarus’ second biggest market and an important source of investments, cutting-edge technologies, know-how, modern marketing and managerial techniques. The EU accounted for 43 per cent of the overall foreign investment inflow in 2011-2015. Belarus, for its part, has a lot to offer. First and foremost, a wide array of quality products that goes far beyond the traditional segments of oil refinery, woodworking and potassium fertilizers. The country’s hallmark export at present is machine-building. Thanks to its sophisticated industry Belarus enjoyed for decades the reputation of USSR’s main “assembly plant”. Nowadays one in almost every ten tractors in the world is made in Belarus. The country ranks the 5th as an exporter of dairy products globally, including the 4th biggest exporter of cheese, and number three supplier of whey and butter.

Second, the nation of just 9.5 million but featuring 55 high schools and universities with up to 500 thousand graduates per year can be considered as fairly rich in intellectual asset and home-grown talent. A fast-growing IT sector increasingly spearheads research and innovation. A Hi-Tech Park operational in Minsk since 2005 is home to 165 companies that are frequently contracted by world’s giants like Western Union, Google, Microsoft, Airbus, etc. In 2016 alone the Park’s export to its clients in 67 countries surpassed USD 820 million, Western Europe accounting for almost 50 per cent of the volume.
Third, Belarus offers a conducive business environment. To launch a company here is easier than some may think, as proven by successful examples of reputable European companies like Stadler Rail Group and Kronospan Holding East Ltd. The country ranks the 37th among 189 countries on the ease of doing business, reports the World Bank’s flagship publication “Doing Business 2017”.

Fourth, Belarus contributes significantly to European security. With 1250 kilometres of shared border Belarus and the EU have a long history of successful synergies to suppress smuggling, drug trafficking and illegal migration.

Belarus is well aware of its interests in Europe and actively pursues them. Responsibility and pragmatism are at the core of our policy vis-a-vis the neighbouring EU with whom we have a lot in common.

Now that the EU has lifted its political barriers, our relations are gaining in terms of substance and mutual trust. Since 2016 a Belarus – EU Co-ordination Group has been acting as a platform for a structured political dialogue. To make it more systemic in the years to come, bilateral “Partnership Priorities” are negotiated. Sectoral dialogues are ongoing in areas of mutual interest. Project activity under EU assistance schemes has intensified and new opportunities emerge for international investment and borrowing. Belarus seeks to put in place a new contractual framework with the EU, join the WTO and progressively integrate into the European political and economic landscape with due account of our commitments under the Eurasian Economic Union.

Neighbourhood is but a stepping-stone to a deeper kind of relationship. If, in the words of EEAS head Federica Mogherini, “my neighbours’ weaknesses are our own weaknesses”, then the opposite is also true: my neighbours’ strength makes me stronger. To Belarus and the EU this implies a natural and urgent imperative of upgrading their relations beyond a simple neighbourhood to a substantial, equal and sustainable partnership.
The future path of Scotland

As a nation, Scotland has been an active and committed member of the European Union (EU). Individuals, businesses and communities have benefitted considerably from the ability to live, study, work, trade and travel freely across 28 Member States. In return, the EU has benefited from Scotland as an outward facing and constructive nation, offering expertise and leadership in areas ranging from research to marine energy, and from climate change to progressive social policies.

That partnership is now in peril following the UK’s EU Referendum and the UK Government’s formal notification of withdrawal from the EU. I firmly believe that Scotland being taken out of the EU and the EU Single Market is not only democratically unacceptable - 62% of Scots voted to remain in the EU - but runs counter to the best interests of Scotland and to the rest of Europe.

Scotland has always had strong ties with Europe both as an independent nation until 1707 and as part of the United Kingdom thereafter and we want to build on our historical relationship with Europe, not throw it away.

Scotland’s early history is defined by exchanges with our European neighbours. The missionary work of the Irish-born Saint Columba in the 6th century has been credited with the conversion of much of Scotland to the Christian faith. In the Middle Ages, Scotland traded across Europe and at one time enjoyed dual citizenship with France. This was the start of what is called the “Auld Alliance”. Scottish merchants and intellectuals travelled to the booming Dutch universities; to the trading communities in Lithuania and Poland; to the Scots colleges in Rome, Paris, Valladolid and Madrid; and to the military encampments of the Thirty Years’ War. Scotland in turn received a continual flow of Europeans who brought ideas as much as trade to Scotland.

Scotland remains an outward looking European nation. Thousands of EU citizens study at Scottish universities for free, or benefit from our institutions through the Erasmus+ programme. The Edinburgh International Festival has become the largest arts festival in the world and is a model for international cooperation through culture and the arts. European markets dominate our trade, with almost half our international exports going to EU countries. We actively welcome EU nationals to live and work in Scotland and value the 181,000 who already call Scotland their home. Indeed, in the hours after the EU referendum result I made clear to EU nationals “Scotland is your home, you are welcome here, and the contribution that you make to our economy, our society and our culture is valued.”

Over the past 60 years, the EU has built a single market and encouraged economic co-operation, while developing common social standards for workers and shared environmental standards. It has enabled independent neighbours to trade and travel freely while respecting the environment and protecting living standards. It has enabled us to work together on some of the world’s biggest challenges like climate change.

Leaving the EU and the EU Single Market in particular could potentially have a wide range of impacts. Scottish Government analysis, drawing on research by a range of external organisations, suggests that under a “hard Brexit” Scottish GDP could be up around £11 billion per year lower by 2030 than it would be if Brexit does not occur. According to Fraser of Allander Institute, an economic research institute within the University of Strathclyde, 80,000 jobs in Scotland will be put at risk. A hard Brexit will reduce the supply of skilled labour and EU migration to Scotland, impacting on our sustainable population levels and make it more difficult for Scottish people to travel, live, work and study in other European countries. Ultimately, it will reduce economic prosperity, wages and the funding available for public services.

Brexit forces Scotland to ask itself a fundamental question: what kind of country do we want to be? Do we follow the UK out of the EU and EU Single Market or do we choose instead to become an independent country with the opportunities and the challenges that will undoubtedly entail – but with the freedom it will give us to be an equal partner with other countries across the British Isles, Europe and the wider world. A Scottish independence referendum, once the terms of Brexit are clear, would enable the people of Scotland to choose what kind of change they want. That, surely, is only fair.

I am determined to do everything in my power to ensure Scotland remains an open, outward-looking, welcoming nation willing and able to make a contribution abroad and to build opportunity and prosperity at home.

Nicola Sturgeon
First Minister of Scotland
The last couple of years represent a turning point for the Swedish defence. The Armed Forces have embarked on the implementation of a new defence policy adopted in the light of the deteriorating security situation in the Baltic Sea region. The development is fundamentally driven by Russia’s destabilising behaviour both politically and militarily. The illegal annexation of Crimea and the aggression in eastern Ukraine represents a systemic challenge to the European security order. To some extent, these changes also apply to the Arctic. The growing importance of the Arctic is generally due to climate change opening up the area for the exploration of natural resources, and increased military presence. Access to territory, waters and airspace in and around our vicinity constitute a strategic advantage to all actors. It is therefore likely that Northern Europe will remain an area of military positioning and posturing for the foreseeable future.

The Swedish Armed Forces have accelerated its reform efforts accordingly. To promote stability in our region, we must be able to meet the full spectrum of threats ranging from influence operations and subversion to high-intensity warfare. The strategic aim is to achieve increased threshold effect, deterring attacks of all forms. In essence, our efforts rest on two fundamentals that are closely interlinked: to reinforce our military capabilities and to build security by deepening military cooperation and interoperability with others. A third component is the need for a renewed and modernised total defence to ensure readiness and joint operational planning of both civilian and military agencies. This reorientation is accompanied by a clear break of trends in defence spending. By 2020, the defence budget will have increased by 11 percent in real terms, compared to 2014.

Recent measures taken include the establishment of a permanent presence on the island of Gotland one year earlier than planned. The decision was based on the deteriorating security situation over time and the island’s strategic location in the Baltic Sea.

In order to ensure adequate manning of the military workforce, the Swedish government has recently decided to re-activate conscription. As of next year, recruitment to the Swedish Armed Forces will be both voluntary and by gender-neutral conscription. This mixed model will provide a more flexible and stable manning system. High readiness forces will continue to be a priority.

Exercises are top priority. In September this year, the Swedish Armed Forces will conduct its largest national exercise in decades – AURORA. It will engage more than 20,000 men and women and several international units. The purpose is to develop our joint capacity to defend Swedish territory in an escalating armed conflict in the region. As such, it serves as a milestone in our defence reform. Security in and around the Baltic Sea is indivisible and interlinked in a security complex. Sweden’s security and defence policy is firmly anchored in the principle that security is built in cooperation and solidarity with others. The practical implication is that Sweden must have the ability to provide and receive military support. Our Nordic and Baltic neighbours are naturally close partners. We are also deepening collaboration with the United States and other countries, as well as in the European Union, in the OSCE, as a close partner to NATO, and globally through the UN.

Our relationship with Finland is of particular importance. It is driven by the aim to have a unified response option for political consideration in addition to national contingency plans. The Nordic Defence Cooperation, Nordefco, provides an important platform for closer cooperation within e.g. air surveillance, secure communication, alternate landing bases, exercises and operations.

Looking beyond the horizon, our long term assessment is based on four main conditions. First, we assume that Russia will continue to gradually enhance its military capability. Second, we anticipate a dynamic and complex future battlefield with focus on anti-access and area-denial (A2AD) and an increased use of mixed non-linear and conventional warfare. Third, we assess that Sweden would be affected by a military conflict in the Baltic Sea region, even if the likelihood of an armed attack is low. And fourth, we see increasing vulnerabilities and dependencies in society in combination with the emergence of non-linear threats. This will require further reinforcement and development of our capabilities.

In closing, the rapidly changing environment presents us with the challenge to both enhance our military capabilities immediately, and at the same time prepare for long term developments that are increasingly difficult to predict. To reinforce the weave of international partnerships in our region is essential. In challenging times, there is no other way than to unite and build security together.
Throughout centuries countries have used the means of diplomacy to avoid conflict. Cultural diplomacy has also existed for centuries and evidence of its practice can be found in history books and official historical documents. Even today, scientists and members of the academia or artists working internationally can be defined as cultural diplomats. In fact, any person or organization that tries to promote any form of cultural exchange is an informal cultural ambassador.

The Turku Music Festival is the oldest continuously running annual music festival in Finland, founded in 1960. Turku is our nation’s historical capital and, as some might argue, the real cultural cradle of Finland. Our aim is to promote the highest level of artistry when we invite foreign or Finnish musicians to perform in our approx. 30 annual concerts in August. Talent, high musical level and prestige are the foundations of our interest in a particular artist, musical ensemble or orchestra.

For many years now, we’ve had the pleasure of working with the Mariinsky Orchestra and maestro Valery Gergiev, who acts as the Artistic and General Director of the State Academic Mariinsky Theater. The official name of the organization reveals its importance in Russia. The traditions of the institution speak of an even stronger legacy.

The Mariinsky Theater can be traced back to 1783 and many legendary artists have worked there: Osip Petrov is considered the founding father of the Russian operatic performing school, Anna Pavlova, Vaslav Nijinsky, Rudolf Nureyev, Mikhail Baryshnikov, Maya Plisetskaya and Diana Vishneva have all danced there. George Balanchine first started his work at the Mariinsky, Marius Petipa run the ballet company since 1869. Some of the most important Russian operas have been premiered at the Mariinsky: Musorgsky’s Boris Godunov, Borodin’s Prince Igor or Tchaikovsky’s The Queen of Spades and Iolanta to mention a few. Tchaikovsky and Petipa first created The Sleeping Beauty together and Petipa’s many other choreographies live on today. Just recently, I saw the iconic Tchaikovsky opera Eugene Onegin, based on the poem of another great Russian, Alexander Pushkin, from the Metropolitan Opera in New York. Tatayna’s role, one of the finest female characters in Russian literature, was interpreted by one of the brightest stars in the opera world today, soprano Anna Netrebko. She, too, was originally discovered at the Mariinsky.

We are very privileged to have such a good collaboration with the Mariinsky Theater and maestro Gergiev, who has been quoted the busiest conductor in the world. Working with such a St. Petersburg-based musical institution is interesting for a Turku-based music festival also from the cultural diplomacy perspective. In 2013, the twin cities Turku and St. Petersburg celebrated the 60th anniversary of their collaboration. With two concerts by the Mariinsky Orchestra and maestro Gergiev, the Turku Music Festival could take part in promoting the cultural exchange between the two cities.

The opposite of cultural diplomacy is cultural protest. Individual artist may refuse to perform in countries whose politics they oppose to. One of world’s most appreciated pianists, András Schiff, has refused to perform in his homeland, Hungary, as a protest. He has declared to be a strong opponent of the country’s right-of-center government of Viktor Orbán. After the events in Ukraine, Valery Gergiev was subject to criticism outside of Russia after the international media claimed he had signed an open letter by Russian intellectuals and artists in March 2014 supporting President Vladimir Putin’s stance on Ukraine and Crimea. Only some weeks before had he signed a contract to take over the leadership of the Munich Philharmonic from 2015. The revelations created a lot of uproar in Munich leading to direct demands to terminate his contract. Protesters were then seen outside his concerts in Europe and the U.S. Things have since then calmed down for him and Gergiev is the chief conductor of the Munich Philharmonic since 2015.

We have a very high regard for the legacy and high artistic level of the Mariinsky and one of the greatest conductors of our time. Due to the political events in the surrounding world, the undisputed artistic merits may be overshadowed by other accentuations. However, it is our firm belief that the universal values of music and art are strong enough for creating common ground even in difficult times. Better historical and cultural understanding can be achieved through artistic exchange and dialogue.

We are not alone in believing this. In April 2017, the West-Eastern Divan Orchestra performed at the Musikkitalo in Helsinki. The orchestra was first founded in 1999 by the Argentine-Israeli conductor Daniel Barenboim, who befriended the Palestinian American scholar and philosopher Edward Said, to promote understanding between Israelis and Palestinians, who can play together in the same orchestra that has quickly become worldfamous. The orchestra has been called a peace project, a notion maestro Barenboim says is flattering but incorrect as playing together will not bring peace to the Middle East. He has said the orchestra is ultimately a project against ignorance and for cultural exchange. Cultural diplomacy is a way to influence the global public opinion as it makes individuals think, question and reflect. Better understanding of cultural values and traditions creates more fruitful conversations and solutions for the future.

This summer, after two successful concerts with maestro Gergiev and his orchestra in 2016, we now have the pleasure of welcoming two other guests from the Baltic Sea region: the Stockholm Syndrome Ensemble from Sweden and the Estonian Festival Orchestra consisting of Estonia’s finest musicians and its founder, conductor Paavo Järvi. We continue our work for cultural exchange and you are most welcome to come enjoy the wonderful musical experiences with us.
Security concerns in Europe have changed greatly since 2010. For a long time focus was on Iraq, Afghanistan, and terrorism. Baltic Sea region was not given much thought. Now situation is different. Russia’s aggressive defence policy has become reality in Ukraine, Crimea, and Syria. The war in Syria has also added to the flow of migrants and refugees into Europe. Terrorism is spreading in Africa and ISIS has not been beaten in the Middle East. Terrorist attacks are continuing in Europe. Turkey, a NATO member and EU’s neighbour, is still dealing with the consequences of the attempted military coup. Cyber-attacks coming from Russia have become a norm to deal with. These threats are recognized throughout Europe. There is clearly need for more security. But every country has reacted in their own way depending on history, geography, politics and economics. The Nordic countries are culturally, politically, and societally very similar. Russia is seen as a threat and there is high interest in cyber security. But there are big differences in institutional attachments and defence policies.

Finland has always given priority to national defence due to its history and long land border with Russia. As Russia is the biggest security concern in Finland, its recent actions have caused Finland to increase defence spending by 6.8% in 2016 after several years of cuts. The Finnish approach continues to rely on territorial defence and large armed forces made of a compact conscript based military and a big reserve. Finland is not in NATO but works together with the alliance and could consider applying for membership if international circumstances change. There are also strong bilateral defence relations with the US and Sweden.

Sweden is a different story. For Swedes a long time key focus was in participating in crisis management in developing countries. Sweden even got rid of conscription in 2010. Now it is shifting focus back to national defence and slightly increasing her defence budget. Main reason for this is Russia’s increased military activity. Military presence will be reintroduced in Gotland, which is strategically very important, and conscription might be brought back in 2018. There is also increasing support for NATO membership.

Denmark relies heavily on NATO. Territorial defence has not been a main concern and even having a national military has been questioned. Recently Russia’s actions have turned the ship around also in Denmark and with Norway it now contributes to the increased NATO presence in Baltic countries.

Norway too has increased defence investments during the past few years and highlighted the importance of NATO. The Norwegian military is small, based on conscription and has close ties with the US and UK. In 2015 Norway extended conscription also to women and in 2016 it made plans to restructure its military. As a response to Russia’s involvement in Ukraine and elsewhere NATO decided to increase its presence in Baltic countries and soothe their security worries. Also the Baltics have made serious efforts to improve their own defence. In 2015 Lithuania reintroduced conscription and increased its defence spending by 38.2% in 2016. Latvia increased it by 45.2% and is also considering returning to conscription. Estonia has been more consistent with spending more on defence during the past years. In 2016 defence spending was 2.2% of Estonia’s GDP - 2% being NATO’s target that only a few members have reached.

Poland’s defence relies on territorial defence and NATO. NATO has also placed important missile technology in Poland, which means in practice that the US could never leave Poland alone. On the other hand there is a risk that the current government’s domestic politics might alienate Poland from its allies. Poland too is modernising its defence, although the starting point is not quite as low as in the Baltic countries. Economic growth has helped Poland to increase its military spending and in 2019 it was 1.9% of Poland’s GDP.

Germany has traditionally had a pacifist attitude because of its own history. The size of Germany’s military is at its lowest since 1955 when the forces were created. But unlike in the past, the German government now assesses that an armed conflict between countries is becoming more and more possible also in Europe. Consequently Germany has opened up its military to all EU citizens to make up for
the lack of personnel and increased the country’s defence budget with an emphasis on research and development. In addition, Germany has recently adopted a more active defence policy and taken a stronger role in NATO.

Austria’s main security concerns are linked to migration flows and terrorism. In 2013 there was a referendum on conscription and the Austrians decided to keep compulsory military service. Much like Finland, Austria highlights its territorial integrity. Providing military assistance to civil authorities and crisis management are the two other cornerstones of Austrian defence policy.

Terror attacks are seen as the biggest threat in France and its reaction differs a lot from the Nordics’ and Baltics’ responses. France is in fact increasing its involvement in Middle East and especially in Sahel, possibly even in Libya, highlighting France’s close ties to Africa. To keep up with its overseas commitments France had to cut back its presence in Eastern Europe even after announcing it will increase the size of the reserve. The French defence budget increased by 1.2% in 2016 and after the terrorist attacks politicians have called for more increases to meet NATO’s target. France is also still very keen on keeping its nuclear weapons and continuing defence cooperation with the UK.

The UK with its large nuclear capacity and a big budget is a European defence giant. It wants to keep playing an important role in NATO and modernise its own military. In 2016 the UK decided to double its personnel in UN peacekeeping missions. Recently there has been a nominal increase in defence spending but it is not comparable to the increases made in other countries. The UK is also preparing to buy new defence equipment but if Brexit causes negative economic consequences these plans might have to be reviewed.

There is a sense of insecurity in Europe. Security environment is getting worse but the economy is getting slightly better. This has meant a small increase in defence spending. When one European country strengthens and takes responsibility of its own defence, it will have a positive impact on the security of the other countries too.

Denmark, Estonia, Latvia, Lithuania, Poland, Germany, France, and UK are all members of EU and NATO, and Norway is in NATO. This helps to understand the higher emphasis on national territorial defence in Finland, Sweden and Austria. Geography and history on the other hand impact greatly on the perception of threats.

After the end of Cold War a great number of European countries have cut down their military capabilities, reduced their personnel numbers and defence budgets. Peace was thought to spread on its own weight. The economic crisis certainly did not change the negative trend in defence spending. But the troubles in Europe’s Eastern and Southern neighbourhood just might. New threats, pressure from the US, and positive examples may lead to even more countries committing to spend 2% of their GDP to defence.
A too slow Energy Union

Jasenko Selimovic
Member of the European Parliament
Swedish Liberal Party (ALDE)

Does the EU have enough ambition as regards to energy security and energy dependency for its neighbors?

The signs that I have seen since the beginning of my mandate in the European Parliament are clearly worrying.

I have been almost more than two years since the European Commission presented its Energy Union package of proposals.

One of the dimension of such ambitious project, clearly stated by the Communication on the Energy Union from 2015, is energy security: “the political challenges over the last months have shown that diversification of energy sources, suppliers and routes is crucial for ensuring secure and resilient energy supplies to European citizens and companies”. This does not only, recognizes the Commission, apply to EU Member States, but also to EU’s neighbors: “The EU’s energy security is closely linked with its neighbors”.

The question I intend to raise in this article is – does the EU have enough ambition as regards to energy security and energy dependency for its neighbors? The signs that I have seen since the beginning of my mandate in the European Parliament are clearly worrying. The EU is not acting fast enough, and Russia is. Allow me to take some examples.

Lacking any hydrocarbon resources, Armenia imports all of its oil and a large share of its natural gas from Russia. Back in 2003-2006, Russia gained control over the Metsamor Nuclear Power Plant and the national gas distribution network through controversial assets-for-debt agreements with the Armenian government. According to Artur Kochnakian, a senior energy economist at the World Bank office in Yerevan, Russia still continue to deliver more than 80 per cent of the natural gas consumed by Armenians, with enormous geopolitical leverage on the South Caucasus country.

Russia has even bigger projects for the entire South Caucasus region. On April 13, 2016, the energy ministers of Russia, Armenia, Iran and Georgia signed a “road map” for building the North-South Energy Corridor which will allow the parallel operation of the power systems of the four countries. The feasibility study of such corridor is expected in the second half of 2017, with major implications for the Caucasus’ already significant energy dependency on Russia.

Coming to Central Asia, Russia has still a dominant energy presence in the region. Russia still owns 31% of the Caspian Pipeline Consortium (CPC), running from the Tengiz oil field in West Kazakhstan to the Novorossiysk sea port. In Kirghizstan, a large share of the country’s 20 biggest industrial companies was conceded to Russia in 2001. Furthermore, the Russian giant gas company Gazprom has been signing a cooperation agreement with Uzbekistan and entering into a strategic cooperation agreement with the Uzbek state gas company Uzneftegaz in December 2002. The recent visit of the Russian President Vladimir Putin in Tajikistan aimed at re-energizing the energy cooperation with the country, a visit that resulted in an agreed intergovernmental deal on peaceful nuclear energy.

On Ukraine, the European Commission gave permission to the Russian “Gazprom” to increase gas transportation to the EU through the pipeline OPAL back in October 2016, a matter that is still pending before the EU Court of Justice. Such project will allow Russia to bypass Ukraine for its gas deliveries to Europe.

And to finish, in Belarus, an intergovernmental agreement between Russia and the country was signed in March 2011 for the construction of a nuclear power plant in Belarus, in Ostrovets. The first reactor was installed in April.

The above-mentioned examples are clearly showing an extremely worrying trend: Russia is increasing its control over the energy markets of EU’s neighbors. I am very conscious that the European Commission has taken several actions with the goal to decrease our neighbor’s energy dependency on Russia (notably through the projects facilitating network interconnection of natural gas), but is it enough before it’s too late?

Because what kind of actions would the EU be able to undertake when Russia will have a too tight grip on EU’s neighbors? As Benjamin Franklin has said “Life’s tragedy is that we get old too soon and wise too late”.

Jasenko Selimovic
Swedish Liberal Party (ALDE)
The EU is facing the moment of truth

The EU and its values are under threat. Major challenges arise from the instability of Russia, the flows of migrants and refugees, BREXIT, and the conflicting signals coming from Washington on the Transatlantic relations and the world trade. Also growing mistrust and absence of solidarity between Member States have increased tensions within the union.

There is no time for complacency. The threats are of a nature and magnitude which cannot be addressed by any single Member State alone. Our social order, the respect for human rights, democracy and the rule of law are challenged, and need to be defended.

EU is a historic experiment and an institutional work still in progress. It is a hybrid of a union of states and a federative state. Originally the core structures of the community were designed to be governed by six founding Member States. They have remained basically the same to accommodate 28 EU Member States.

The union has ended up in an institutional patchwork in which it is difficult for the citizens to understand who is responsible for which decisions - to exercise democratic control. Three major shocks have put this “patchwork” to severe tests: the collapse of the Soviet Union, an unprecedented global technological revolution (affecting labour and working conditions and the distribution of wealth), and the flows of refugees and migrants.

People are confused, feel their identity and personal security are being threatened by the radical changes of society, by terrorism and wars. This is a fertile ground for populism and inward turning nationalism proclaiming easy fix solutions to complicated matters - a danger to democracy and the future of the union.

If the union is not able to deliver adequate remedies, we cannot expect the citizens to recognise the legitimacy of its institutions.

Russia: How many Europeans have realised that Putin’s Russia has declared a full fledged war on the social order and the values of the EU, which is now facing a systematic and comprehensive attack covering military force, hybrid threats, disinformation, corruption etc.

The EU has been taken by surprise and has no strategy on how to counter a strong Russia. However, there is a growing insight within the institutions of the union that a successful diplomacy in relation to Russia also will require a back up of hard power.

It was the prospect of an Association Agreement between Ukraine and the EU which triggered off Russia’s annexation of Crimea. The European values are poison to the Putin regime, which Foreign Minister Sergey Lavrov clearly spelled out at a press conference in January echoing the new Russian foreign policy concept signed by President Putin on December 1st 2016.

Putin has chosen to seek confrontation with the EU and the West to secure domestic legitimacy for his regime and to keep the values of the West away.

Russia is the victim of an institutional instability, a key cause of its economic and social backwardness. Stable, independent and accountable institutions would be to the benefit of all Russians and make Russia more comfortable with itself and its neighbours. It would be great if addressing this institutional instability were to become a common goal uniting the reformists in the country!

Refugees, migration: The EU must recognise that major flows of refugees and migrants have come to stay, and it must enforce the ownership to its borders. This will require a common border management and policy on asylum and legal immigration. The root causes of displacement in countries of origin must also be addressed, and transit countries must be supported to improve their reception and asylum capabilities to enable the EU to meet the refugees in a humanitarian way.

The EU and its Member States are together the biggest development aid provider of the world. A revision of present aid programmes would offer a good base for the funding of the measures required.
The consequences of not being proactive are now shaking the citizens’ trust in the union and have turned one of its monumental achievements, the Schengen Union, into jeopardy.

**Brexit** is a hard blow to the EU at a time when the demand for the union to be a strong actor in the international community is bigger than ever.

The UK is the third biggest Member State. In 2015 it was the second biggest contributor to the EU’s budget (9.5 billion EUR), it represents almost a fifth (18 per cent) of the GDP of the union, it has the strongest military capabilities of the Member States and is leading in higher education.

The EU Treaties will cease to apply to the UK within two years. Before this the exit bill should be settled and the future relations between the EU and the UK should be framed. The negotiations will be demanding, and hazardous too, due to the lack of precedent.

Strong mutual political and economic interests suggest that a Post-Brexit entente between the EU and the UK can be found. Free trade and the Single Market must not be jeopardised. Cooperation in the field of fighting organised crime and terrorism, border control and defence must be intensified and so forth.

Hopefully the Brexit negotiations will reveal to all the EU citizens how interdependent we are, and how important it is that we together defend and support our union.

**Transatlantic relations, trade:** The ambiguous position of the Trump administration raises concerns to the EU. The prospects of carrying forward coordinated actions in the union’s neighbourhood, on economic sanctions, military deterrence etc. are in danger.

Not until Russia’s return to power politics and geopolitics were the Europeans reminded of their high dependence on the US in defending their positions in relation to Russia. The EU shall now have to take much more responsibility for its own security.

What about the US as a partner in shaping a fair global trade order? Is the US slipping away to a path favouring geopolitics and bilateral deals? Will the EU be left alone fighting for a fair distribution of the benefits of globalisation?

Additional hazards in the world trade would harm the EU and its Member States in getting their economies in shape!

**Who will tell the truth?** Two conditions must be met if the citizens’ confidence in the EU shall be restored and their willingness to fight for its values be mobilised: (1) The leaders must give them a true picture of the threats and a reasonable chance to understand how these can be met; (2) An up to date vision of an empowering mission for the union shall have to be shaped. Sadly, not much of a serious debate on this has taken place in the Member States!

Who will be the visionary leader showing to the Europeans how they can make Europe great again - or will there be any one?

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*Henrik Lax*

MEP 2004 – 2009

Finland
When Estonia, Latvia, Lithuania and Poland requested and received U.S. and NATO military support following Russia’s invasion of Ukraine in 2014, it garnered massive attention – and rightly so. The measured response to Russian aggression, which supplemented on-going training, exercises, and Baltic Air Policing, demonstrated U.S. commitment to the region’s security and stability, and helped to ease the increasing anxiety resulting from Russia’s actions. As important as this was, defense cooperation is but one facet of U.S. engagement in the Baltic region. Equally important are the commercial, scientific, education, and other ties that round out one of the most dynamic sets of relations the United States has anywhere in the world.

U.S. engagement with Allies and partners surrounding the Baltic Sea – Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland, and Sweden – is grounded in a series of bilateral and multilateral relationships that support and complement one another. Trade, investment, and cooperative innovation flourish in the region. In 2015, total trade between the United States and these countries was over $215 billion. Nearly every major U.S. company has a presence in the region, and for many it is a key market. Mergers, like Nokia’s acquisition of Alcatel-Lucent, create even closer integration. The total stock of U.S. foreign direct investment in the area at the end of 2015 exceeded $160 billion, while investment from these countries in the United States reached almost $400 billion and accounted for over 935,000 jobs.

U.S. and Baltic region scientific researchers and universities are engaged in significant exchanges and joint research. In Finland alone, over 200 U.S. government scientists and researchers attended conferences, presented lectures, or collaborated on research during 2016, and this does not include the even greater numbers from private research institutions, U.S. embassies and the regional Environment, Science, Technology and Health Hub in Copenhagen, as well as U.S. departments and agencies such as the Department of Energy, the Centers for Disease Control and Prevention and the National Oceanic and Atmospheric Administration, and national laboratories all contribute to these exchanges.

Shared concern for the Baltic environment creates opportunities for collaboration between U.S. and regional scientists. A prime example was the workshop hosted at the U.S. Embassy in Helsinki in May 2016 with the John Nurminen Foundation on protecting the Baltic Sea, including the NutriTrade project to address nutrient pollution. Activities like this at U.S. embassies around the region help forge partnerships for local NGOs and experts with their U.S. counterparts. Energy security is also increasingly important, so the United States continues to work with Baltic partners to diversify fuels, sources, and routes to minimize the risk of depending on one large supplier.

Beyond the scientific community, other academic exchanges are an important area of U.S.-Baltic connection. In 2015, almost 18,000 U.S. students studied in the eight Baltic region nations. The U.S. government awarded 298 Fulbright grants to U.S. educators, scholars, and researchers to work in the region during the 2016-17 academic year. Other private programs and exchanges multiply that number dramatically, not to mention the thousands of high school and university students from the region who study in the United States each year. Of all the relationships between Americans and people from the Baltic region, none are more enduring than those formed through these exchanges.

Mindful that promoting regional peace and security facilitates and enables this multi-faceted engagement, the United States concluded defense cooperation agreements with Estonia, Latvia, and Lithuania earlier this year, and signed defense cooperation statements of intent with Finland and Sweden in 2016. At the February 2017 Munich Security Conference, Vice President Pence met with the presidents of Estonia, Latvia, and Lithuania and assured NATO Secretary General Jens Stoltenberg that “in the wake of Russian efforts to redraw international borders by force, the United States will continue its leadership role in the Enhanced Forward Presence Initiative and other critical joint actions.” Even beyond the region, these nations surrounding the Baltic Sea are some of our closest partners in promoting shared values and addressing global challenges. From peacekeeping, supporting the Organization for Security and Cooperation in Europe (OSCE), and countering ISIS, to promoting global health and development, we know we can count on this group of friends. For all of these reasons, the United States is, and will remain, deeply engaged in the Baltic region.
Nothing new under the sun: Trump’s environmental policy

The election of Donald J. Trump as the 45th President of the United States has widely been viewed as an extraordinary and unprecedented development. While Trump may well prove sui generis in many respects, his environmental policy is not without precedents in modern American history.

Europeans tend to forget that the United States boasts one of the earliest and most comprehensive apparatus for environmental protection, largely administered by the federal government. In addition to a long tradition of conserving natural resources and creating nature preserves, the United States spearheaded modern environmental legislation in the 1960s and 1970s. Bold initiatives during the Nixon and Carter administrations included, for example, the 1970 National Environmental Policy Act, 1973 Endangered Species Act, and 1977 Clean Air and Clean Water Acts, not to mention the establishment of the Environmental Protection Agency (EPA) in 1970.

Among the EPA’s many tasks are the protection of the nation’s air and water, review and evaluation of thousands of different toxic substances, supervision of the safe disposal of waste, and enforcement of existing environmental legislation. During the economic recession of the 1970s, the EPA and new environmental regulations came under an attack from the right wing of the Republican Party.

In the election year of 1980, Ronald Reagan ran partly on a platform against “environmental extremism.” Reagan sincerely believed that environmentalism was draining the wealth out of the American society, grossly interfering with the individual’s right to make profit by competing in the market place.

Some of Reagan’s statements foreshadowed Trump’s rhetoric some thirty-five years later. Reagan promised to let the steel industry write the clean air laws and, referring to carbon dioxide emissions, observed that “most pollution was caused by trees.” Noting that the United States already had (too) many national parks, Reagan made his famous quip: “When you’ve seen one redwood, you’ve seen them all!” He furthermore promised to free industry and business from the leash of the federal government and to abolish some 10,000 regulations, including most of the environmental ones.

Elected in a landslide, Reagan immediately began the downsizing of federal government, except for the military. Several of his senior-level appointments were people with a history of opposition to the agency they were named to lead. Both the new EPA director, Anne Gorsuch, and Secretary of the Interior (person responsible for the use of public lands), James Watt, were members of the Mountain States’ Legal Foundation. This powerful lobbying organization had vowed to fight every kind of environmental legislation.

Not surprisingly, the EPA budget was cut considerably during the first year of the Gorsuch administration. James Watt eagerly planned the transfer of federal mineral resources into private hands, opening of preserved areas for oil drilling, and sales of public lands to pay the national debt. Despite such ambitious anti-conservation agenda, few permanent changes resulted in American environmental policy in the long run. Widespread public opposition and numerous scandals forced both Gorsuch and Watt to resign within a few years, and their successors maintained a much lower profile. This trend continued during the George H. W. Bush presidency: the U.S. middle class might have been cynical about big government, but it did not trust corporate America in environmental issues.

Echoes of the so-called Reagan revolution could again be detected in the controversial cabinet appointments made by George W. Bush. However, the fierce debate on the new turn taken by federal environmental policy was largely quenched by the “War on Terrorism” and other pressing issues of national security after 9/11.

During Barack Obama’s presidential term, the United States invested heavily in the development of renewable energy and became an active global player in fighting climate change. Trump’s election again signaled a complete turnaround in the nation’s energy and climate policy. Trump clearly desires to scale back federal environmental regulation and enthusiastically promotes domestic production of non-renewable energy. Trump’s top appointees to steer the nation’s environmental policy have drawn sharp criticism from the scientific community.

While Trump’s choice as Secretary of the Interior, Ryan Zinke, is an advocate for mining and logging on federal lands, he—unlike James Watt—at least seems to oppose the sale or transfer of such lands. Other Trump’s cabinet picks, including Rick Perry as Secretary of Energy and Scott Pruitt as Administrator of the EPA, have close ties to the industries they are supposed to oversee. Both furthermore possess conflict-ridden personal histories in their past dealings with their “own” agencies. Overall, Trump’s environmental policy appears to be an updated version of Reagan’s original. Unlike the 1980s, such demands for environmental deregulation are today on the rise also along the Baltic Rim.
An opportunity and challenges facing Belarus

Contrary to other countries in the region, Belarus has pursued a gradual transition path, characterized by limited structural reforms and modest reorganization of domestic pre-transition production networks. Instead of privatization and reliance on the private sector as the main driver of growth, policies focused on upgrading large state-owned enterprises (SOE) built in the Soviet past.

For about two decades go-slow reforms in a favorable external environment translated into high average annual growth rates. On trade, Belarus benefitted from strong economic growth in Russia and other trading partners in the Commonwealth of Independent States, which stimulated demand for Belarus' manufactured and agriculture exports. On energy, Belarus benefited from importing energy at below world market prices and exporting refined oil and other energy-intensive products at world market prices.

On capital inflows, the Belarus economy was simulated by significant capital flows. The proceeds from economic growth were redistributed to the population through keeping utility tariffs below cost recovery levels, periodic acceleration of real wage growth, and maintaining full employment.

The end of the growth boom in the Belarus economy started with the financial crisis of 2008; however, the full impact of the crisis on Belarus was not entirely felt until years later. In 2015, the steep fall in the price of oil and economic deceleration in Russia triggered a recession. While external factors are often highlighted as key reasons for the growth slowdown and recession, there is increasing recognition that the main causes of the contraction are deep-seeded domestic structural rigidities. The sources of competitive advantage that served Belarusian industry well until mid-2000s—brand recognition with channels serving the former Soviet Union markets—began to dissipate in the globalized market of the 21st century. Belarus' merchandize export structure shows high dependency on mineral and chemical products at the expense of machinery and labor intensive sectors. Limited capacity of SOEs to respond to market signals and occupy new export product niches have increasingly made Belarus' exports vulnerable to shifts in commodity prices. The recession has had serious effects on the fiscal accounts, SOE performance, bank balance sheets, the balance of payments and household incomes.

Changes in the external environment offer Belarus many opportunities—and give rise to many risks if three key challenges are not addressed. In the past opportunities presented by the external environment were not used by Belarus to restructure its domestic economy, reorient export pattern strategically and lay down the foundations for sustainable export-driven growth.

While external factors are often highlighted as key reasons for the growth slowdown and recession, there is increasing recognition that the main causes of the contraction are deep-seeded domestic structural rigidities.

The first challenge to address is to increase external competitiveness and address key macroeconomic vulnerabilities. In the past slow policy responses limited the ability of Belarus to adjust and rebalance, resulting in deteriorating SOE performance, weakening international competitiveness, and recurring macroeconomic imbalances. At the moment large external debt repayments put pressure on the financial sector and public finances in Belarus. In addition, current account balances are likely to further worsen if commodity prices remain low, adversely affecting the terms of trade, and ultimately real incomes and poverty.

Over the last year Belarus has made progress in taming inflationary pressures,
but more needs to be done to improve external debt sustainability. Hence, key reforms in this area should focus on (i) the implementation of a comprehensive SOE reform for firms to be competitive at home and abroad, (ii) letting market forces play a more decisive role in the allocation of capital and labor, and (iii) addressing key financial sector vulnerabilities.

The second challenge to address is to maintain social inclusion and provide effective safety nets to protect the vulnerable. The existing unemployment benefits and social protection systems are not sufficient to provide adequate safeguards during enterprise restructuring. In education, high education attainment needs to be complemented with efforts to rigorously measure students’ competences, and to assess the degree of alignment of education/training with market demands. In health, a strong primary health care system would be necessary to address major health challenges in a cost-effective manner.

The third challenge is to create a dynamic environment for the operation of efficient markets and the private sector. This would require the state taking a subsidiary role in production while expanding its capacity to facilitate the functioning of markets and of producing basic public services. This transformation would imply significant changes in the structure of the economy, including phasing out of “old” types of economic activities and the emergence of “new” sectors. Some of these deep changes are already occurring, such as the expansion of employment in services, but more would be needed. To manage a transition to the new growth trajectory would require (i) a strong commitment to market reforms, (ii) improving investment climate and strengthening market contestability, and (iii) a shared vision, including strong ownership of the general public of the proposed reform process.

The World Bank is confident that Belarus can address these challenges. Belarus endowments—highly educated work force and a favorable geographical location at a crossroads between East and West—would help facilitate the integration into a world economy and towards a more sustainable economic growth trajectory. The World Bank has supported and will continue to support structural reforms in Belarus towards these ends.

**SATU KAHKONEN**
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To receive a free copy, register at www.utu.fi/pei
Vineta Polatside

Human trafficking: a crime that is all of our responsibility—We need to do more

In 2013–2015 around 5000 victims of human trafficking have been identified in the Baltic Sea region alone. These figures are not just maths, but behind each number is a human being whose rights have been violated and who find themselves in extremely vulnerable situations. A lot more are never identified; never receive assistance; they might not be even aware of being victims of a crime.

In August 2016, a case concerning trafficking for forced labour in domestic work was brought to a Finnish district court. A 39-year-old Filipino woman was exploited for 13 years while working in a private household in Finland. She first came to Finland in 2001 and worked as a nanny and domestic servant 24/7 without any free time or holidays. Her unpaid wages amounted to 116,500 euros, according to estimations presented in court.

This Filipino woman and all other victims of human trafficking do not live in a parallel universe; recruitment and exploitation takes place in our local streets and neighbourhoods, they might be exploited in restaurants where we dine, while they clean our offices, schools and stores, or in nearby construction sites and farms where they pick and package our produce. They are often forced to wear “an invisible cloak of non-identity” and it is all of our responsibility to recognise the signs of exploitation and to report suspicious cases to the authorities.

We must stop tolerating human trafficking and normalizing vulnerability and exploitation as doing so we are creating a culture of impunity for perpetrators.

As human trafficking is a cross-border crime of major global concern, it needs to be addressed through multifaceted, systematic approaches at the local, national and international level. In 2006 in Reykjavik, the Heads of Government integrated a Task Force against Trafficking in Human Beings into the Council of the Baltic Sea States (CBSS) framework. The Task Force is a dedicated expert group consisting of government experts from eleven member states of the CBSS. For the last ten years the Task Force has continued to strive for a region where the effects of trafficking are minimised and the individuals that are harmed by the exploitation are reduced. Although the number of human trafficking cases is not reducing, significant progress to counteract trafficking in human beings has been made in the Baltic Sea region.

Governments and authorities are a step behind when it comes to policy which links to new forms of human trafficking, like identity theft, forced criminality, drug production and distribution and trafficking for terrorism. There is no conceptual clarity when it comes to legal responsibility and victim identification. The line between a victim and a criminal are becoming increasingly blurred at times.

There are still many challenges – objective and subjective – we need to address. We are not in a position to blame victims for being unreasonable, naïve or for taking unnecessary risks. Human trafficking is not about victim morality, but about exploitation and increased efforts are required to make sure that trafficking in human beings is not tolerated in the Baltic Sea region. Our societies must be aware of the risk factors and vulnerabilities that facilitate human trafficking, make sure that perpetrators are vigorously pursued and prosecuted and victims of all forms of human trafficking are adequately assisted.

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Post-Soviet space: current state and prospects

The question of whether or not the post-Soviet space still exists today as an integral politico-geographical region of the world remains an open one. Some researchers believe it has already disintegrated. The new independent states (NIS), they argue, that had been formed on the ruins of the Soviet Union now have different foreign-policy goals and more often than not choose to develop relations with partners outside the former U.S.S.R. territory rather than among themselves. Besides, the levels of development of different post-Soviet countries vary quite significantly, too. Some of them have partially preserved their manufacturing and technological potentials (Russia, Ukraine, Belarus) while others find themselves inside the zone of the world’s periphery and semi-periphery (Moldova, Kirgizstan, Tajikistan).

There is, however, another stance on the post-Soviet space, namely, that it does still exist in spite of strong centrifugal trends. This author of this article shares that point of view. It shall be noted that certain interstate agreements are still in effect, such as mutual recognition of educational credentials or regulations in the sphere of transportation. Also, the NIS, with the rare exception of Turkmenistan, preserve among them the visa-free regime. Finally, there are on the post-Soviet territory various integrating associations in the spheres of economics, politics, defense, and security, such as The Commonwealth of Independent States (CIS), The Eurasian Economic Union (EAEU), The Collective Security Treaty Organization (CSTO), The Organization for Democratic and Economic Development (GUAM, the acronym of the participating states, Georgia, Ukraine, Azerbaijan, and Moldova). These associations, despite their low efficiency, promote nevertheless a certain level of co-operative relations among the NIS. There is yet another important point to support the said stance. Dominating within the post-Soviet space are authoritarian regimes that are typologically alike and, despite their complicated interstate relations, more often than not expect support from their neighbors, most and foremost Russia, in case of a critical emergency. Russia, on its part, offers its support on the only condition, that those states’ foreign policies be loyal towards it: it does not demand or expect any democratic or market reforms in those countries that might undermine the positions of the post-Soviet ruling classes. In practice, however, the promises of a loyal foreign policy are kept rather seldom.

To summarize, the post-Soviet space is characterized by two simultaneous but contrary trends – centrifugal and centripetal. What causes and explains that fact? Author of this article feels that for a profound understanding of those processes he is obliged to say a few words about the nature of the post-Soviet space. In essence, it is a post-imperial space in which the role of a cementing pivot belongs to Russia as the former center of the empire. On the one hand, there is the quite legitimate aspiration of the former empire’s national outskirts from the government and stands on the way of creating independent systems of justice and mechanisms of protecting human rights and freedoms. In the other NIS, this unity serves as a firm foundation for their authoritarian regimes.

To summarize, opportunities for those states’ leaving the post-Soviet state, today as well in a near future, seem rather limited. This is why it is easy to see that as long as Russia, being the former center of the empire, still has resources necessary for maintaining its position as the provider of financial and economic assistance and security (for some of the countries) as well as the transport corridor for delivering oil and gas, the post-Soviet space as an integral region of the world, even though full of internal contradictions, will keep existing.
Finland is the safest country in the world (World Economic Forum, Travel and Tourism Competitiveness Report 2015). Finland is the top OECD-country in education (OECD, Better Life Index: Education). The environmental performance of Finland is the best in the world (Yale University, environmental performance index). Finland’s innovation competitiveness is the third best in the world (World Economic Forum, The Global Competitiveness Report 2016-2017). Finland has the best administration of the world (Legatum Institute, The Legatum Prosperity Index 2016). Finland is the 5th happiest country in the world (World Economic Forum, The world’s happiest countries in 2016).

We have many good reasons why Finland is of interest to international companies as a place of investment. Finland is not the most inexpensive country in terms of workforce costs, but Finland is almost everything else – skill, safety, cleanliness, honesty and diligence.

Finland possesses what is perhaps the world’s best product – the social-welfare state. The Finnish education, healthcare and social-security systems are unique. Thanks to this, Finland has generated plenty of skills, which is why Finland succeeds in almost all fields. Furthermore, Finland’s competitiveness is top tier, despite the rank having lowered slightly in the last couple of years.

In national conversations, the economic elite have critiqued Finland’s competitiveness. The goal has been to point out that the public sector lives too expensively and salaries in this country are too high. However, the economic elite forget that Finland’s competitiveness is built on a big public sector and focused income agreements, which means that income development has been kept in such a way that it has also been possible to finance the public sector. It is a question of delicate balance, which can also be disrupted.

Foreign companies should, however, not be worried about the domestic political conversation, which from time to time can sound like whining. Finns are not used to giving credit to themselves, or being the loudest guests at an international dinner party. In the end, Finland is a country of agreement, where uniquely, the right wing and the left wing fit into the same government and commit to the same programme. This phenomenon is one of a kind in the world.

Municipals in the spot
In Finland, companies are located in cities and municipalities, which take care of zoning regions, building the needed infrastructure, educating the workforce and habitation. Even though negotiations abroad can be government led, the company needs to establish ties with the municipality where it wants to locate.

Finnpro and Invest in Finland are selling Finland to the world and making short-lists of the regions that would be great locations. For example, as the location for the Tesla car factory, Vaasa has been strongly brought out into the publicity. The rest of Finland has been questioning why exactly Vaasa? The public conversation on the locations has been strongly wired by party politics and the different parties are favouring their own regions.

In the long term, however, Finland must fix its marketing. Domestic politics need to move aside and municipalities need to be able to truly compete for companies coming to Finland. Finnpro and Invest in Finland must support cities in the competition, and not make their own choices silently in their little inner circles.

The Russian market is a great possibility
But why would Tesla bring their factory to Finland? Even when the skills are there, the country is the cleanest in the world and there is an availability of good regions and a workforce, these qualities alone will unfortunately still not sell cars.

In fact, possibly the biggest trump card Finland has is Russia. In the light of history, Finland has always had to live with and adapt to having Russia as the bordering neighbour. Finland has chosen the policy of neutrality, where it can sustain relationships with both Russia and the West, while acting independently and nonpartisan/self-sufficiently.

When the War in the Crimea began in 2014, the West turned its back on Russia. As a country that is a part of the European Union, Finland has also been standing alongside the other European countries. Finland, however, has still maintained a good connection with Russia. To Finland, Russia represents the possibility of growth and the Russian market is also a possibility for international companies. Finland is the best place to manufacture Teslas meant for the Russian market. Finland needs to understand that Russia is a great possibility, as we market ourselves to international companies.

The best connections to Russia from Finland are found in the southern part of Finland. Due to geography, the connections that south-eastern Finland have to Russia are natural. Also, Turku’s connections to Russia have always been good. As the former Deputy Mayor of St. Petersburg (Turku’s sister city), Vladimir Putin has an exceptionally close connection to Turku.

The Turku region – why not?
The Turku region would be an excellent fit for Tesla or other big international companies: with over three hundred thousand inhabitants (the third largest urban area in Finland), a skilled workforce and a great logistical location - railway and motorway connections in all directions (including to Russia) and contacts to the Russian market. In addition, the region has extensive political influence, it is not for nothing that the chairpersons of three important parliamentary parties come from Turku.

Welcome to the Turku region!
Saaremaa – one island, one municipality

There are 12 local municipalities in Saaremaa, the largest island of Estonia. The city of Kuressaare with its 13,600 residents is the biggest municipality and has 40% of the population of Saare County.

In June 2016 the Parliament of Estonia passed the Administrative Reform Act. The purpose of administrative reform is to support the increase of the capacity of local governments in case of offering high quality public services, using regional prerequisites for development, increasing competitiveness, and ensuring a more consistent regional development. It is one of the biggest reforms in Estonia since 1991 and will influence most regions in the country, including Saaremaa.

In autumn 2016, after long negotiations that started in 2014, the representatives of local governments agreed that since autumn 2017 there will be only one municipality – Saaremaa Rural Municipality – covering the whole island. The merger contract was signed in December 2016. (The small maritime islands of Muhu and Ruhnu are allowed to continue operating as independent municipalities according to the Administrative Reform Act, so there will be 3 municipalities in Saare County.)

The number of merging local governments in Saaremaa – 12 – is the biggest in Estonia and therefore a lot of courage and work as well as wise decisions are needed to prepare and implement this change.

Even though the formation of Saaremaa Municipality is an ambitious objective, bearing in mind the scope of the reform and its legal framework, it is also a very natural and logical step, because in most spheres Saaremaa functions and interacts as one area already now. The reality is that current municipalities have a common labour market, education, medical and social system, culture and sport infrastructure and events, shops and service industry, transportation, tourism etc. There is a lot of cooperation and communication between local governments in Saaremaa and most projects are cross-border ones, involving more than one municipality. People are connected with several local governments at a time, because many of them live in one municipality and work in another one.

The area that functions as one needs the same rules and operational solutions in all spheres and one local government creates the best prerequisites for that.

We have looked towards our neighbour islands in Sweden, Finland and Denmark and heard about their experience. Saaremaa can learn from all of them, because several islands in the Baltic Sea implemented the approach “One island, one municipality” already many years ago.

In Saaremaa we always try to take the maximum of what is being offered and to adjust ourselves to rules that are in place – it is possible to create a great advantage this way. There is no model available that would fit all municipalities in Estonia, therefore we can invent and adjust our model in Saaremaa by following the legal framework and learning from good practises and mistakes made in Estonia and in other countries.

An important issue for the development of Saaremaa is the strategic management that would cover the whole county. The position of county governments in Estonia has become weaker every year due to the state-level policies. A strong local government can organise and coordinate the strategic planning and development of Saaremaa as well as be a strong partner for the state, to negotiate with ministries and state agencies and to protect the interests of Saaremaa and its people (ferry and flight connections, hospital, higher education, regional training centre etc).

Saaremaa Municipality will become the largest municipality in Estonia by area (2718 km²) as well as the biggest rural municipality by population (32,000 residents) and therefore will have more power and capacity to take over several functions from the state that would enable to make decisions at local level. It also gives Saaremaa the opportunity to be a partner in negotiations with the state on the reforms of state agencies and the formation of regions in Estonia. Our aim is to become a separate region together with Hiiumaa, Muhu and other island municipalities, because islands face similar challenges and need to cooperate.

We wish to prove that it is possible to see the big picture and to act for common goals in Saaremaa and at the same time to keep the identity of smaller regions here as well as to guarantee the involvement of local communities.

In 2016 it was time to choose if we wanted to implement the prerequisites for development in Kuressaare and Saaremaa at maximum level or to retain current borders of local municipalities that do not reflect the real situation. Fortunately the leaders of local governments decided to aim high and we are ready to make many bold decisions and to work hard for the better future of Saaremaa and our people.
The development of Helsinki–Tallinn cooperation has long been a subject of study in official working groups. But in practice, people have already voted with their feet: the cities are already one extensive urban area. In 2016, the Gulf of Finland was crossed almost 9 million times. Breakfast in Helsinki and lunch in Tallinn. Shopping in both. Museum visits. Such is everyday life in an extensive urban cluster - cheerful cultural relations.

The City of Helsinki is currently working on a feasibility study for a tunnel uniting Helsinki and Tallinn. It would bring the two cities even closer to each other. The study is conducted with the City of Tallinn, the counties of Uusimaa and Harju and the governments of Estonia and Finland. The premise of the study is a traditional railway tunnel. The train can be boarded by both cars and pedestrians.

Sea unites the sister cities
But even now, many consider Helsinki and Tallinn sister cities. People from Helsinki go to Estonia for vacation, work and studies, and vice versa. This close coexistence is made possible by the busy ferry services. Helsinki is the liveliest passenger port of the Baltic Sea and its popularity is expected to grow.

The number of passengers has grown in recent years. In 2016, a total of 11.6 million passengers passed through the ports of Helsinki, 8.7 million of these in the Tallinn traffic. The Tallinn traffic grew by 4% compared to the previous year.

To match the needs of the growing number of passengers, Helsinki has invested in the development of the West Harbour. Last February, a new terminal area was opened. Smart traffic pilot projects are conducted in the West Harbour and the Tallinn Old City Harbour in order to improve the passenger experience and make the flows of people and goods smoother.

Functional ferry traffic is important not only to foot passengers, but to freight traffic as well. Here, we must also look beyond Estonia, further into the Baltic region. The Rail Baltica railway from Tallinn to Poland will likely be completed in 2025. This will also bring Helsinki closer to Central Europe. The Rail Baltica route to Europe is an important foreign trade channel for Finland and thus, another reason why the Helsinki–Tallinn connections have to be smooth in the future as well.

Number of commuters has grown, number of Estonians moving to Finland has declined
A major part of the passengers passing through the ports of Helsinki are leisure travellers, but there are a lot of commuters as well – as much as 40% of the Estonian passengers.

A couple of years ago, the migration from Estonia to Finland was very lively. E.g., in 2012, almost 30% of the Helsinki region growth consisted of net immigration from Estonia. Now the migration of Estonians to the Helsinki region has declined. In the peak years, there were more than 4,000 Estonians moving to the Helsinki region, but in 2015 the figure was only 2,500.

One reason for the decline is Finland’s economic situation. In Estonia, the economy has recovered, while the development has been slower in Finland. The employment rates are 75.8% in Finland and 76.7% in Estonia. It is no longer necessary to cross the Gulf of Finland to find employment.

The young adult age groups that are significant for migration have also become smaller in Estonia. E.g., in 2016, the number of people aged 20–24 was 30% lower in Tallinn and the entire county of Harju than it was five years ago.

The Estonians are also more educated than before. Previously, people moved to Finland especially to work in services and construction. In Helsinki, there is still a need for workers in these fields, but it is harder to find employment for the highly educated. Construction in the Baltic region is also more attractive than before. This in part explains the decline in the Estonians’ eagerness to move.

Tunnel would create a true twin city
If the tunnel is built and the travel time from Helsinki to Tallinn is cut to approximately half an hour, it will turn Helsinki and Tallinn into a true twin city where it is possible to live on one side and work on the other side of the city. This would be beneficial to the economy, travel and culture of the cities.

From an international perspective, the Helsinki-Tallinn twin city would be twice as interesting as the two cities separately. Even though Helsinki does well in international city comparisons, it still suffers from a weak image and recognition. The proximity of the Baltic region, especially Tallinn and Riga, would increase the attractiveness of Helsinki’s image.
The tunnel would also intensify the cultural cooperation between the cities and bring more users to the cultural services of the cities. E.g., the annual Chinese New Year celebration, arranged by the Helsinki Cultural Office, has spread out to Tallinn as well. The Chinese groups that come to Helsinki perform in Tallinn the next day.

To many Finns travelling to Tallinn, culture is the main thing: exhibitions, theatre, concerts – or just enjoying the urban culture and the cuisine. Finns also visit Tallinn and Estonia for seminars, recreational days or sports club camps.

From cities towards urban areas

The role of cities will change and grow globally in the future. The majority of the world’s population lives in cities and especially young people move to cities. The critical mass needed for innovation clusters can be found in cities. Innovations are born out of interpersonal meetings and interaction.

In the future, the focus should shift from separate cities to urban areas. Instead of Helsinki, we speak of the entire metropolitan area, strengthened by Tallinn and the rest of the Baltic region.

Helsinki is a small city in the global context. The close relationship, but different operational environments of Helsinki and Tallinn can bring new dynamics to the development of Helsinki. At the same time, the citizens are presented with more opportunities in terms of housing, employment and cultural offerings. The construction of a tunnel would double the opportunities for both cities and further strengthen Helsinki’s connection to the Baltic region and Central Europe, both physically and mentally.
New trends in strategic communications in the Baltic Sea region

What is strategic communications?

In short, strategic communications is a set of tools to help an organisation to reach its vision and improve its competitiveness. An organisation in this context can refer to a wide variety of actors – states, companies, and NGOs, for instance. Strategic communications could be described as a ‘master plan’ to influence the relevant discourses and practises to make the operating environment more favourable. This requires reaching the right audiences at the right time, and making an impact on the ways they comprehend the reality and rationalise their actions.

Defined in this way, it becomes obvious that no state, company, or NGO should neglect the importance of strategic communications. Nevertheless, too often communications is still perceived merely as witty press releases, increased media hits or successful marketing campaigns. If adding the word ‘strategic’ to communications makes people understand the importance and potential of communications, it is worthwhile.

The concept of strategic communications shows that it is not meaningful to draw strict lines between public relations, public affairs, marketing and other forms of communications. An effective communications strategy creates a holistic approach focused on the goal, not just the ways reaching it. In fact, the tool box of strategic communications is not limited to the means traditionally understood as communications. Rather it should be understood as a perspective that needs to be inherent in all actions of an organisation.

This notion is reflected in a New York Times article about Ben Rhodes who worked as the Deputy National Security Adviser for Strategic Communications for President Obama’s administration. Even though the article caused valid questions and criticism about Rhodes’s methods, it is still interesting to look at how broadly Rhodes’s duties were defined: he wrote the President speeches, but also planned his trips abroad, and strategised and helped to negotiate foreign policy campaigns, for instance the opening of American relations with Cuba. This description may surprise those who continue to look at communications as a way to increase organisation’s media hits.

What is current in strategic communications in the Baltic Sea region?

Even though trends in communications do not obey state or regional borders, the organisations in the Baltic Sea region share many experiences: increasing uncertainties in economic and political life, location in the North-Eastern corner of Europe, and growing interdependence. These experiences affect the way organisations in the region should answer the current key questions in strategic communications.

Firstly, it is becoming increasingly important to connect experiences to enable audiences to make sense of the world. In other words, the messages and narratives need to resonate with what is current for the key audiences and offer a relevant insight or vision to help rationalise these experiences. This requires mastering the two things discussed above: having a thorough understanding of the context for communications, and defining communications in sufficiently broad terms.

Secondly, strategic communications should use the ways most natural for the audience in question. Increasingly, this means communication that seems direct, personalised and unedited – for instance, a snapchat interview of a CEO or a live stream from an event. The key is to be present where the audiences are, and to make it as easy as possible for them to receive the message. However, digital technologies and social media should not be treated as a value but as a means to an end.

Thirdly, the power of visual story telling is snowballing. In the era of emojis, vloggers, Pinterest and Instagram audiences expect visualisation of messages. One might think that this is making communications easier. If the cavemen could do it, why can’t we, right? However, communication through visual effects needs even more careful consideration than communication via words. The room for misunderstandings is wider, and a deep understanding of the audience is essential for reaching the wanted impact.

Fourthly, the credibility and trustworthiness of messages and stories is crucial. In recent years, the amount of information available has exploded. At the same time, the war on who has the correct information is becoming more apparent. We are living in a time when the president of the United States is accusing media of intentionally spreading untrue information and fake news. For communications, this means that there is little room for errors, mistakes can undo years of good work. Information given needs to be true and it should be shared proactively and transparently.

An organisation that can create a good approach to all four questions above, has a starting point for an excellent communications strategy and hence, has much better chances of reaching its goals. Miltton is a forward-looking communications group that has expanded from PR and corporate communications to encompass public affairs, investor relations, advertising and international services. Miltton has offices in Helsinki, Brussels, Stockholm, Tallinn and Singapore.
Turku has lived off the sea for a millennium and at the moment it seems that this natural partnership will continue strongly in the future as well. Thus Turku University of Applied Sciences is very strongly focused on improving the natural and social conditions of the Baltic Sea region. We see it as the modern day Mare Nostrum with a very special ecological balance that forms the most important trade route for the active economies of the Baltic Sea states.

The Baltic Sea brings together the most successful nations in the world, whether one measures success by innovation, happiness, social equality, wealth or health. For this reason it is interesting to consider how little consideration we have so far given for the sea area connecting us. For example, medical treatment practices available to the thousands of people sailing daily in the Baltic Sea, either professionally or recreationally, are only a pale shadow of what we are accustomed to on land.

The training and competence of the medical personnel varies greatly between vessels. The best vessels boast a full care facility with full medical staff while on some trawlers an injured fisherman is dependent on his colleagues’ skills, which may be based on nothing but a very basic knowledge of human anatomy.

It is unlikely that we can ever build a system that would guarantee every recreational traveller and professional sailor similar treatment opportunities, but simultaneously it would not follow the Baltic Sea tradition of a proactive approach to solving social problems to leave the situation as it is. Turku University of Applied Sciences has hence started a project by the name of “OnBoard-Med”. The goal of the project is to harmonize the on-board medical treatment, occupational safety and emergency skills in Baltic Sea shipping. The project partners are Högskolan på Åland, Estonian Nautical School, Riga Stradins University and Latvian Maritime Academy.

OnBoard-Med aims to create a common standard and training packages for the medical staff serving in cargo and passenger vessels, whether the person in question is a nurse or a ship’s officer. It will provide tested work processes for situations concerning primary care, patient safety, occupational safety and marine security. In short, the goal is to widen the safety we are accustomed to on land also to sea and to make the Baltic Sea the safest sea in the world.

Another example of our projects is aimed at the health of the sea itself. Currently, shipping harms the ecology of the seas in at least two ways: the ships need energy to operate and thus they create pollution to the delicate environment and simultaneously produce a lot of waste, especially the passenger cruisers. A modern cruise ship has the population of a small town and the amount of waste per person is probably bigger than on land, because of the recreational activities.

Turku University of Applied Sciences, together with our partners IBZ Association for Innovation and Education in Rostock and The Electrotechnical Institute in Gdansk, has started a preliminary project to study options on turning waste to energy in cruise shipping. The goal is to decrease the overall ecological impact created by the cruise industry and thus making our sea healthier in the future.

The same impact is also searched for in numerous other projects. For example, “Waterchain” (http://waterchain.sanok.pl/en) seeks to make watersheds into practical tools to reduce the harmful inflows into the Baltic Sea. It is also an international project with participants from Sweden, Estonia, Latvia, Lithuania and Åland. One project aims to improve the oil spill prevention procedures, another to create an automated measurement system for water quality. We also have a project that creates a warning system for blue-green algae and another one that is looking for ways to improve energy efficiency of diesel engines, thus again reducing their harmful effect on the sea.

What is common for all of the projects mentioned is that they aim to make the Baltic Sea the safest and healthiest sea area in the world. And, in order to show the immediate advantages of that, Turku University of Applied Sciences also has a project that aims to turn the historical defence structures in the archipelago between Finland and Sweden into tourist attractions. In order for us to enjoy our most special archipelago to its full capability, we need to make the environment as attractive as possible.

Baltic Sea has all the possibilities to become the absolute marine region of the future. While it is small and ecologically fragile, it brings together the most advanced countries of our time. The sea has always been our back yard but now it is becoming more of a patio on which we will interact to create a modern-day version of the Hansa league. For that we will need a sea that is healthy and on which it is safe to work and relax. It is up to us to make the Baltic Sea a pleasure for everyone.

VESA TAATILA
Dr. Prof. (adj), Rector-President
Turku University of Applied Sciences
Finland
The Baltic region could have become one of the most perspective regions of cooperation in Europe, contributing to the emergence of a new Europe without dividing lines, Europe based on democracy, non-use of force and a market economy. By now, the Baltic region has become a threat not only for its member countries but also for Europe as a whole.

On 20 December 1991 Lithuania, Latvia and Estonia joined the Council for North-Atlantic Cooperation (NACC), which was reorganized in 1997 into the Euro-Atlantic Partnership Council (EAPC). In January-February 1994 Lithuania, Latvia and Estonia joined the NATO Partnership for Peace program. In March 1994 the American embargo on deliveries of American weapons to the Baltic countries was abolished. On August 31, 1994 the withdrawal of Russian troops from Latvia and Estonia was completed (they left Lithuania a year earlier, on 31 August 1993). In June 1995 the military cooperation agreements between the United States, Lithuania, Latvia and Estonia were signed. On January 16, 1998 in Washington the Charter on Partnership between the United States of America, the Republic of Estonia, the Republic of Latvia and the Republic of Lithuania was signed, in which the Baltic countries reaffirmed their intention to become full members of NATO.

The US in turn supported their efforts. In April 1999 the Membership Action Plans (MAPs) for Lithuania, Latvia and Estonia were approved at the NATO summit. On 21 November 2002, at the NATO summit in Prague, Lithuania, Latvia and Estonia were invited among seven countries of Central and Eastern Europe to become members of the North Atlantic Alliance. On 29 March 2004 three republics were officially admitted to NATO.

The Baltic States joined NATO in March 2004, while the so-called Membership Action Plan for these countries was adopted in April 1999 and they received an invitation to become NATO members in November 2002. The accession of Latvia, Lithuania and Estonia to the North Atlantic Alliance went at a rather rapid pace as well as the deployment of NATO military infrastructure near Russian borders.

The development of the situation in the field of military and political security in the Baltic region confirms one of the paradoxes of security. The Baltic region including its post-communist and post-Soviet parts is incomparably stronger politically and economically than the Mediterranean. On the other hand, due to its close proximity to Russian borders it is the region that can easily turn into a frontline of possible confrontation between Russia and NATO in case of dramatic deterioration in relations.

Consideration of the situation in the field of military security in the region taking into account historical, economic, demographic, geographical realities allows us to draw the following conclusions and outline three scenarios for politico-military confrontation in the Baltic region.

Scenario 1: controlled confrontation. At the heart of the scenario is the full involvement of Finland and Sweden in the military and political confrontation, the final consolidation of their associative status in NATO, the rejection of confidence measures offered by Russia, the information war. With effective political management and the aspiration of the parties to a potential conflict to find a mutually acceptable way out, such a scenario can develop during the medium-term perspective (5-7 years) and then output in the scenarios 2 and 3.

Scenario 2 assumes the emergence of a local military conflict. The peculiarity of the conflict is that it can be both provoked and de jure not provoked by one or the other side. Such a conflict can arise because of the extreme geographical limitations of the scene coupled with the lack of progress in the matters, significance of which is not questioned by both sides (transponders).

Scenario 3 presupposes the beginning of arduous and prolonged but potentially effective negotiations on security and confidence measures in the region. Such a scenario cannot be launched in the near future. Moreover, the accumulated complex of not just politico-military but also world outlook problems limits the possibility of movement along this path. The obvious lack of independence of a significant part of political actors in the region and complicated geographical and administrative decision-making mechanisms should be pointed out.
Sweden’s Nato dilemma

The ambiguous and somewhat contradictory official Swedish standpoint regarding the relations to Nato not only reflects the evolving strategic situation in the Baltic Sea region, but also, and perhaps primarily, the historical background of a choice that for more than half a century was the prime taboo in Swedish foreign and defence policy.

Sweden passed through both world wars unscratched as a neutral country. For generations of Swedes neutrality thus became synonymous with preserved peace and protection from the horrors of war and occupation. Whether or not there actually was a causal relation between neutrality and this favourable outcome, anyone advocating collective security had to fight an uphill battle in politics, but first of all in public opinion. The first to discover this was the U.S. legation in Stockholm in the late 1940s when trying to compel Sweden to join the newly formed North Atlantic alliance through a combination of persuasion and threats of isolation from U.S. military technology export. In 1952, the U.S. policy began to shift. As ambassador Butterworth outlined to State department, the Swedes were quite willing to go a long way in terms of cooperation, as long as it was not done in public. To continue to press for a shift in foreign policy would, in his view, not only be pointless, but also counter-productive, since fundamental U.S. security goals could be met through a secret cooperation.

Sweden could, in a way, have the best of two worlds. The country could continue a declared policy of "non-alignment aiming at neutrality in war", from the 1960s often simply described as a policy of neutrality. This gave Sweden a voice in disarmament negotiations, mediation and peace-keeping missions, while at the same time preserving the access to U.S. military technology and secret security guarantees, assuring the country a safe place under the nuclear umbrella. The major drawback of this arrangement, though never debated in public or even behind closed doors, was the uncertain nature of western support in case of war, and to what extent Soviet perceptions of the cooperation would affect war planning and operations in the event of war.

After the 1950s a Swedish membership in Nato thus became not only a non-issue, but also a no-go area in the domestic debate, and few if any leading politician questioned the official line, now firmly established as a unanimously accepted dogma. The few attempts made in the 1980s to open up a broader debate were swiftly rejected, and the motives of the critics put in question.

With the end of the Cold War, and the subsequent establishment and expansion of the European Union, as well as the Nato enlargement, many of the foreign policy objections to a Swedish Nato membership faded away. But so did the possible benefits, even though the membership in the EU made the option of neutrality in any hypothetical future conflict politically and practically impossible. However, after 2000 this eventuality was no longer a major concern in Swedish security and defence policy: The new European security system, and its legal framework, was regarded as a guarantee against future wars on the European continent as a whole. Especially the Baltic region was regarded as a region of lasting international stability and low tension.

Remaining clouds on the horizon either concerned other kinds of security threats or instability in remote regions. With a new era of assumed European peace, Sweden could therefore dismantle not only the Cold War defence structure, but also the very concept of national defence. Sweden, as many other European small states, restructured the armed forces for the role of expeditionary operations outside Europe. This strategic shift meant that the Swedish defence had to adjust to Nato standard, but this was no longer regarded as a problem in the new security environment, where neutrality had become obsolete.

The transformed Swedish security was in a way a new version of the Cold War twin-layered policy. Sweden officially remained non-aligned, but now overtly seeking security through cooperation with others, as was the case in Kosovo, Afghanistan, and Libya. The Nato-issue was in this way defused: if Sweden could participate in joint operations, why push for membership, even if any political and strategic risks associated with membership also had decreased?

However, with the rapid deterioration of the security situation in Europe and in the Baltic region following the Russian annexation of Crimea and the war in Eastern Ukraine, the Swedish security dilemma from the Cold War re-emerged, but this time in a new and more problematic shape. First, the option of neutrality in an armed conflict was no longer at hand, without being replaced by the binding article 5 of the Nato charter, only the increasingly hollow security guarantee of the EU Treaty of Lisbon. Second, Swedish-U.S. bilateral defence cooperation had continued to grow after the Cold War, but this cooperation did not constitute a bilateral defence treaty, and thus no security guarantees comparable to article 5. And third, a national defence with a deterrence capability was no longer at hand. Sweden had, as an official investigation in 2016 concluded, through this policy drift ended up in the most unfavourable of the existing choices, with practically no option to remain outside a future armed conflict in the Baltic region, but without the possible protection of article 5.
Russian aggressive actions against Ukraine have changed the security environment in Europe and brought the 25-year-long post-Cold War peace dividend to an end. The annexation of Crimea and war in Donbass, have reminded us that the so-called traditional, conventional threats can still take place at our doorstep. Moscow destabilized Ukraine to strengthen its control over the situation in the entire region. Continuous Russian military activities in Europe pose a challenge to the security of EU and NATO member states and partners.

I am concerned with the Russian aircraft flights along the borders of the Baltic countries. Several times, it resulted in violations of the NATO and EU member states airspace, including Finland. The lack of coordination of Russian military air operations with air traffic control centers poses a threat to the safety of civilian aircrafts. I am also concerned with Russian naval activities, troop build-up in Kaliningrad as well as snap exercises. We consider conducting large-scale military exercises on scenarios suggesting aggression against NATO as unjustified.

In response, we advocate increasing the number of NATO exercises in the Baltic Sea region. I consider it as an adequate response, showing our readiness and resolve. I believe, such exercises strengthen also the security of Finland and other NATO partners.

Regional cooperation became more and more important. I can see the value added of the Northern Group cooperation. I perceive it as a valuable format for consultations that gathers all countries of the Baltic region (except Russia), all the northern members of either NATO or the EU. The regional proximity and similar threat perception among our countries give a potential that should be developed in the future. We should make efforts to give this cooperation a more practical dimension. NORDEFCO would be a good example to follow. From my point of view, the most promising areas of cooperation include: exercises, cooperation in the activities on the Baltic Sea, increasing situational awareness.

I think Poland and Finland have similar views on many issues. We both became vulnerable to a broad spectrum of threats of both external and internal character. Poland pays special attention to cooperation with Finland, especially in the frame of NATO, due to the common security interests in the Baltic Sea region. What should be underlined, we perceive Finland as a security provider, not a recipient. We welcomed inviting Finland to the small group of Enhanced Opportunity Partners during the Wales Summit. We will continue to advocate for further close cooperation.

Polish – Finnish military cooperation is mainly implemented in a multilateral format within the EU and through a NATO partnership program. Bilateral cooperation is also being implemented in the field of the defence industry (i.e. between Patria and S.A. Siemianowice). Signed in Warsaw by Defense Ministers of Poland and Finland, in February 2014, the Framework Agreement on Military Cooperation 2014-2016, positively influenced the development of bilateral cooperation. It initiated the implementation of previously planned projects within the framework of cooperation between the central defence institutions and on the troop level.

In March 2015, presidents of Poland and Finland in a joint statement stressed the importance of closer cooperation and reaffirmed their commitment to enhanced bilateral cooperation and declared their interest in further developing deepened cooperation (i.e. in the areas of security and border protection). Potential areas for future cooperation include exchanges of experience in the preparation and conducting of international crisis management operations, joint training in counteracting improvised explosive devices (C-IED) and the reserve training system of Finnish Defense Forces. The Finnish Defense Forces have extensive experience in organizing the territorial defense system of the country. Creation in the Territorial Defence structures of the Local Defence Troops provides opportunities for acquiring knowledge in this field of defense by Polish counterpart units.

Examples of military cooperation between the two countries should include Polish Special Forces join exercises in the Finnish Arctic zone. Polish and Finnish officers also took part as observers in exercises: TUMAK-15 in Poland and ARROW-16 in Finland. Commanders’ visits in the partner countries were important for the development of military cooperation, for example: The Army Commander LTGen. Marek Tomaszczyk, The Army Inspector (current Chief of General Staff) LTGen. Leszek Surawski and The Navy Inspector RAdm Mirosław Mordel all paid visits to Finland.

Currently, a bilateral framework agreement is being prepared with the plan for signature in 2017. It will be an important impetus for further effective cooperation.
Modern shipbuilding relies on a regional ecosystem

Shipbuilding traditions in Finland date back hundreds of years. In the city of Rauma, located on Finland’s southwest coast, shipbuilding has been a part of life for over 600 years.

However, in 2013 the city experienced a major setback when the South Korean-owned shipbuilding group STX Finland closed its shipyard in Rauma. For many, this seemed like the end of shipbuilding in the city.

Unexpectedly, the news took a positive turn in January 2014, when the City of Rauma decided to purchase the Rauma shipyard. In sum, the same year, it was announced that a new shipbuilding company would rent the grounds from the City of Rauma and resume shipbuilding at the shipyard, preserving the city’s long-standing shipbuilding traditions.

The new company continuing operations at the Rauma shipyard was named Rauma Marine Constructions. The wholly Finnish-owned shipbuilder has adopted a business model different to the models of traditional shipbuilding companies. Rauma Marine Constructions’ business model emphasizes close collaboration with a wide network of partners.

Unlike traditional big shipyards, where fixed costs are high and internal structures fairly rigid, Rauma Marine Constructions wanted to have more flexibility in the accumulation of expenses and in the variety of vessels built at the shipyard. The model allows RMC to better prepare for economic fluctuation, since the network is not solely dependent on ship orders.

Network-based business models like the one adopted by Rauma Marine Constructions can only work if mutual trust and effective cooperation are firmly in place. In the beginning of every project, Rauma Marine Constructions, together with a specialized project team from the company’s network, tailor the solution according to the project at hand. Rauma Marine Constructions acts as the project manager, combining the know-how of different actors, as well as being responsible for project financing, control and quality.

Collaboration is key
Regionally, the shipyard industry operates in symbiosis with the surrounding area. Shipyards generate significant employment opportunities, along with interesting possibilities for smaller entrepreneurs and experts. In a flexible shipbuilding business model, such as Rauma Marine Constructions’ model, small partner companies can develop their skills and innovations, while simultaneously providing a bigger company with high-quality solutions. This also benefits a larger company like Rauma Marine Constructions, given that partner companies have detailed and diverse expertise and innovative ideas.

A solid operating environment is in many ways a necessity for the shipbuilding industry. One vital factor is the availability of skilled labour, which relies on the availability of housing and transport services. For Rauma Marine Constructions, the cooperation with the City of Rauma has been of great importance right from the beginning. In addition to the city, there are many other important regional partners.

Making use of the entire ecosystem
As a pioneer in arctic shipbuilding, Rauma Marine Constructions welcomes the Finnish chairmanship of the Arctic Council. Finland should take an active role in the discussion outlining the future arctic operating standards. Promoting high quality and environmentally friendly technology, along with the responsible use of natural resources, should be the top priority. As Chair of the Council, Finland has a unique opportunity to make a mark and guide the council’s future decisions.

Finland’s arctic shipping know-how ranges from research and training to construction and marine industry expertise. Further developing and passing on this extensive knowledge of the marine industry to the next generation is crucial. Cooperation with schools and universities plays a particularly important role and should be developed and improved even further. Encouraging and developing future Finnish expertise and technology is key for the future prosperity of the Finnish marine industry.

To succeed in the 21st century, cooperation and close dialogue between various partners is necessary. Instead of a zero-sum game, mutual benefits for an entire ecosystem are on the line. A milieu full of skilled operators, workforce, research and training gives the whole region a competitive advantage, which benefits everyone. Therefore, it is important that these ecosystems and marine industry know-how are constantly developed. Fruitful dialogue and cooperation with various partners, schools, researchers and other businesses as well as local and national authorities is key to developing the whole maritime cluster and preserving and improving Finnish shipbuilding expertise.
Future of Swedish-Finnish trade relations

Finland celebrates 100 years of independence later this year and for 99 of these years Ericsson has had a Finnish subsidiary. And they are not alone: today there are more than 800 Swedish subsidiaries established in Finland. Our neighbouring, developed markets display a classic case of intra-industry trade, strengthened by a common history and a similar engineering mentality, breeding a comparable industrial diversification. As said by Anders Borg, then as Minister of Finance in Sweden in an interview in 2011, Sweden only differs from Finland when viewed from Finland, but on a European or even global scale both countries are similar success stories. While attention these past few years have focused on dissimilar short term economic development, the future will see both countries needing a digital re-imagining to meet the technological and ecological challenges ahead.

Some of the challenges are both a threat and an opportunity. For example, climate change is a threat that also changes the commercial viability of the Arctic region which in turn requires new sustainable solutions. As always, technology continues to drive change, with robotization, artificial intelligence and various fusions of IT and manufacturing challenging not only the labour-intensive industrial base shared by both Sweden and Finland, but other sectors as well. However, this also presents an opportunity for our IT-savvy nations to re-imagine and form the next generation of companies. Applying this change to traditional industries, while fostering an entrepreneurial culture, and also ensuring collaboration, will be key in ensuring the continuation of the Nordic model.

Much has recently been said about the need for cooperation between Sweden and Finland on matters such as defense and security. But what we also need to focus on is increased and advanced commercial cooperation. A hallmark of Industry 4.0, the global trend of automation and data exchange in manufacturing technologies, is that collaboration between competitive companies is growing, as are strategic partnerships beyond traditional sectors. With frequent cross-border mergers and acquisitions, common views on values and sustainability, and a focus on education and research, Sweden and Finland are natural partners. And in the face of global competition, you need continuous innovation, access to markets, correct pricing, and a high degree of quality to succeed, and by working together that success should be one step closer.

This digital age has also compelled a return in the importance of interpersonal relationships. Complex software solutions require a human machinery different from traditional industry, with traditional industry itself becoming increasingly digital as well. Today, talent is global and in high demand, and it is not just a question of attracting more, it is also about keeping what you have. Advances in communications as well as low airfares have brought even the most distant places closer. Talented developers with global aspirations can choose their location, be it Silicon Valley for software or Shenzhen for hardware. But that does not mean that there are not competitive advantages for being located somewhere in between, as evidenced by the IT and automation technologies now being developed in the automobile and marine industries, whether in the form of self-driving vehicles or remotely operated vessels. These two industries are traditional areas of strength for Sweden, and with recent and ongoing success stories for Finland, demonstrated by Meyer and Valmet among others, Finland’s position strengthens.

In fact, given the similar and diverse industrial base that Sweden and Finland share, there are several areas to find mutually beneficial opportunities for cooperation: the emerging bioeconomy, renewable energy solutions, healthcare and life sciences, arctic and maritime expertise, sustainable mining, advanced IT services, financial technology, food security, and so on. Only recently SAAB and the Aalto University signed a long term sensor technology research agreement to develop cognitive and microwave systems, and hopefully we will see more such examples in the future.

In summary, Sweden and Finland are well positioned to turn future challenges into opportunities and meet a changing world together. We represent two stable and diversified economies with a healthy mix of globally present multinationals and impressive yet still growing startup scenes with relatively easy access to capital. However, while there are great contacts and relationships between our countries, being partners on a global scale requires us to intensify our relationship. With more cross-border research collaboration, joint ventures, hackathons and in its simplest form, dialogue, we can make next 100 years our next success story.
The future of Finnish – Russian economic relations

Since 1945 on the average some fifteen per cent of Finnish exports have crossed the eastern border to Russia / the Soviet Union. This is similar to the German and Swedish shares, but there have been major fluctuations.

Twice the Soviet share of Finnish exports reached roughly one quarter. After the Soviet Union collapsed, the share went down to a couple of per cents. Most recently the Russian share of exports has been about five or six per cent. That is slightly less than the US share, a fact unseen since the inter-war period. The Chinese share is similar.

Very roughly, Finland used to exchange ships and other industrial goods against Soviet oil. Trade value thus reflected oil price, and the degree to which Finland was willing to depend on oil exports from the east. Finland still imports Russian oil. This is to a large degree due to good logistical reasons. The Russian oil terminal of Primorsk is very close to the Finnish oil refinery of Sköldvik.

The world is very probably facing an oil demand peak. The rich economies do not need many additional cars. Technical change implies that the use of gasoline per car will continue to decline. There will be more cars elsewhere, but this growth will not be strong enough to cancel the ongoing change in the rich economies.

There is no reason to expect that the oil exporting countries should expect the kind of windfall of export revenue they received in 1999-2008, when the oil price surged by ten times, just in ten years.

In addition, all long-term economic forecasts for the rich economies, including Finland, foresee an average GDP growth rate of one or at most two per cent annually. Though low compared with recent experience, this should not be seen as a catastrophe. It equals the normal market economy growth rate in the second half of the nineteenth century and the first half of the twentieth century. There are two explanations for the unique growth rates between the Second World War and the early 1970’s. The astonishing innovation surge between about 1870 and 1913 included the combustion engine, electricity, many of the basic medicines and fertilizers. These innovations spread all across the world in a few decades, and boosted growth. The unforeseen growth competition declared by the Soviet Union in 1928 also contributed.

Nothing of the same kind has happened during the last several decades. In contrast, we have lost two traditional growth boosters. First, labor force in the rich economies no long increases. In fact the number of working hands and brains usually decreases. Second, wealthy households prefer consumption to saving and thus financing of investment.

Russia is not a rich economy, but its economic challenges are surprisingly similar to those met with the OECD countries. Labor power is declining, investment ratio is much lower than the target set by the political decisions makers, and the shift to innovation-based growth has not taken place. To simplify, Russia is geographically between low-cost Asia and high-tech Europe. It is neither of these. In fact, the future of Russia’s relative economic advantage is unclear at best.

In early 2017 Russian imports increased by some twenty per cent year to year. That is among Russia’s fastest import growth rates since the early 2000’s. Finnish exports to Russia are also growing. The share of Russia in Finnish exports is again going to bypass that of the United States – or China - in not too far distant future.

The Bank of Finland, for example, does not forecast a major boom in Finnish exports to Russia. Still, if the long set target of investment based growth in Russia were to come true, the news for Finland would be good. As a recently industrialized country, Finland is specialized much more in the production of investment goods than in consumption goods. Given the geographical proximity, Finland also has an additional advantage. Investment goods tend to be heavy, and transport costs still matter.

Neither should one forget the potential for shopping tourism. The goods and services available in Stockholm are basically the same as the ones available in Finland. Still, masses of Finnish tourists flock daily to Stockholm shops, just for the experience. This might also well become true between Russia and Finland, in both directions.
Vladimir Putin’s political image: an inside and outside perspective

Who is Vladimir Putin and what does he represent? Not so long ago, even in the year 1999, he was a relatively unknown political figure from Russia. Now, a question such as this will generate various and diverse responses, depending on whom it is posed. This short piece is intended to provide a brief glimpse and over view of the primary aspects that constitute the political image and brand of President Vladimir Putin, both positive and negative, Russian and international perspectives and projections.

After emerging from public obscurity and into the centre of political life in Russia, when the then President Boris Yeltsin named Putin as the Prime Minister, a campaign was launched to shape his reputation and brand image. The fact that he did not originate from the political circles and with a long history of service in national politics, actually counted very much in his favour. Public perception and stereotypes of Russian politicians is very low, and the fact that he did not come from this class was a distinct advantage, even though he was Yeltsin’s nominated successor.

Significant effort in terms of public relations and political marketing was invested in to shaping Russian public perception and opinion of Putin as being an opposite of Yeltsin and the chaotic years of his rule. Putin was projected as being young, energetic, non-smoker and abstaining from alcohol, being determined, decisive and serving the interests of Russia and its citizens (his KGB past was used as evidence of his loyalty to the state as this was known as one of the least corrupt institutions in the late Soviet period). These characteristics were intended to build the case that Putin was a man fit for the job as President of Russia, in spite of his relative political inexperience.

His tough rhetoric and statements concerning matters of state security, such as the renewed conflict in Chechnya, consolidated a tough and no nonsense brand. In addition, his pledge to distance oligarchs from political power resonated with many ordinary Russians after the excesses of Yeltsin and his inner circle, known as “the family”. These were popular pledges that were intended to attract the average voter, and also targeting women voters as a segmented audience. The projection was that he offered a complete opposite of Yeltsin and the years of chaos, igniting the emotions of the electorate through regaining Russia’s and Russians’ lost sense of pride and purpose.

This short piece is intended to provide a brief glimpse and over view of the primary aspects that constitute the political image and brand of President Vladimir Putin, both positive and negative, Russian and international perspectives and projections.

Although Putin initially met with success, there were also trials, such as the mismanagement of the submarine Kursk’s sinking in August 2000. The experience seemed to steer the new President towards the centralisation of power through the creation of the Vertical of Power. In relative terms, Putin’s ratings were and still are comparatively high. However, there were certain policies that began to erode some of his support base. In the midst of the focus of Western media headlines concerning the crackdown on media freedom and public expression, and Alexey Navalny became the face of public resistance, there were other factors at play too. One of these was the monetisation of social benefits, which saw middle class Russians taking to the streets during the unrest of the 2012 elections in order to protect their children’s rights and access to health, education and other social functions.

The public dissatisfaction necessitated some changes to the established Putin brand and reputation. Unlike in 2000, Putin was now an established political figure and not a newcomer, and seemingly there was no realistic rival to effectively challenge him. Domestic policy seemed to be his greatest weakness, which was offset by the use of ‘administrative resources’ (state bureaucratic machinery, including media assets). But even in difficult times, such as the current one with the conflict in Ukraine and the sanctions, Putin has managed a very difficult balancing game. As noted recently by Professor Marlene Laruelle, “the current Russian regime is not static in terms of ideology. It was able to activate intense nationalist sentiment during the Ukraine crisis and calm it down later, without undermining Putin’s personal legitimacy and support.” The Putin brand and reputation is also very well known, but diverse, beyond Russia’s borders too.

In the mainstream media and political channels, Putin is projected as being: a murderer; anti-democratic, authoritarian/dictator, and according to one Pentagon funded ‘research’ project he had Asperger’s (from looking at photos of Putin). There are numerous threatening and troubling characteristics that have been asserted – he is Stalin, he is Hitler, and manipulating/destroying democracy in the Western world. Not everyone holds a negative view of him though, cultural conservatives tend to view Putin as an upholder of traditional values and Western civilisation. Those on the other side of the political spectrum admire his challenge to the United States’ global hegemony.

In all, Putin has a very complex and seemingly contradictory brand and reputation. He is widely known in and beyond Russia, and means many things to different people – both hero and villain. This has been achieved in a very short space in time.
Imperial vs. ethnic identity: the choice of the Russian elite

Before the start of the current Ukrainian crisis, the Kremlin’s ethnic policy at home was ambivalent, as it needed to respond to conflicting requests: from elites that had scant taste for ethnic nationalism, and from the masses that did. As a result, the government formulated the idea of an inclusive multi-ethnic nation with a special role reserved for ethnic Russians. This duality can be noted, for instance, in Vladimir Putin’s article on ‘the national question’ published shortly prior to the 2012 presidential elections.

However, there was in this scheme an essential contradiction that came from the dichotomy of imperial versus ethnic identities. If Russia were to build an ethnic nation, that would most likely entail strained relations with Muslim and some other minorities within the country, as well as probably with many former Soviet republics as well. And in such a case, Russia would desperately need the West’s benevolence, if not its outright friendship. If, on the other hand, Russia were to opt for an inclusive (‘Eurasian’) nationalism, that would open up opportunities for post-Soviet integration (to which the West has objected strongly) and would strain Russia’s relations with the West.

The Russian authorities were not able to resolve the contradiction between the imperial and the ethnic Russian identities until the events in Crimea and eastern Ukraine. The current crisis can, however, be interpreted as a decision in favour of imperial nationalism — and as a confrontation between Russia understood as an inclusive nation, and the West. Russian elite perceptions of the United States as a threat and public support for the Russian president are both now up in the 80 per cent range, which would indicate a high degree of national consolidation. Other signs are growing national pride, confidence in public institutions, and general satisfaction and happiness — in spite of economic hardship.

The discourse of imperial nationalism is being employed as an instrument to retain a zone of influence in the former Soviet space. Taking advantage of ethnic or civil conflict in post-Soviet states, the Russian government seeks to prevent these states from escaping Russia and joining the EU or NATO. In addition, the Russian government exploits the economic weakness of these neighbouring countries, legitimising itself at home as the stability of Russia contrasts favourably against the situation in other former Soviet states.

Ever since the start of the Russian actions in Crimea in 2014, Russian media have continued to promote a very clear narrative — and one that resonates well with the audience — about the West’s subversive interventions in Ukrainian politics in 2013 in deliberate opposition to Russian interests. Most Russians see Ukraine as their backyard, if not as a room in their own house. Their interest in the Ukrainian crisis is by far more deeper than, for instance, was the excitement aroused in connection with the Russo–Georgian War in 2008.

The recent Russian intervention in Syria, which has in effect thwarted the US plans to topple the Assad regime, further strengthens the Russian imperial identity. This show of force has served to demonstrate the growing capabilities of the Russian military, which in turn allows Russia to project its power well beyond its borders in defence of its own national interests. Consequently, the Russians can again perceive their country as a great power.

Russia’s great-power politics has made ethnic divisions within the country less salient. Russian citizens from the North Caucasus have fought for the rebel republics in eastern Ukraine. Indeed, there is nothing that can unite a people like having a common enemy.

In the current situation, with politics undergoing a conservative turn both in Europe and in the United States, imperialism may take on yet another quality. The conservative, anti-globalist, patriarchal and traditional values that accompany Russia’s imperial nationalism may enhance trust in the Russian authorities among some segments of European and US societies — ranging from nationalists and socialists to more traditional conservatives — who have become disillusioned with their own governments and who feel that the political parties, groups and elites that are supposed to represent their interests now treat them with intolerable neglect instead.

Russia’s emerging new ideology is filling much of the void left by the collapse of the communist system and the communist worldview. Its main purpose is to rally the country’s population across ethnic, social and political cleavages, but it may also manage to win some allies and sympathisers in other countries. The Kremlin’s current political course enjoys solid support at the mass as well as the elite levels. Time will show whether it will prove solid enough to cope with the many challenges presented by the current economic crisis and geopolitical competition — but it does appear to have been a successful political strategy thus far. Moreover, as this political course coincides in time with the final stages of the post-Soviet formative period, it is likely to have long-lasting consequences, within the Russian Federation as well as internationally.
Tendencies and prospects of development of St. Petersburg agglomeration transport complex

According to experts’ forecasts, the urbanization process will continue in the countries of the world and in the future, and will be accompanied by accelerated concentration of the population in the largest megalopolises and agglomerations. If by now 54% of the world’s population lives in cities, then by 2050 about 75% of the population will live in cities.

British urbanist Leo Hollis in a work devoted to the prospects of megacities of the world development – “Cities Are Good for You The Genius of the Metropolis”, identifies five factors that must be considered when developing long-term strategies for the development of the largest cities: modernization of relations between the people and the city, the development of artificial intelligence (robotics and computer technologies) and its impact on the labor market, climate change, population aging, transformation of transport systems.

When developing strategic documents of St. Petersburg, which is, along with Moscow, one of the emerging global cities in the world, all these factors are taken into account. The population of Saint-Petersburg metropolitan area is estimated at 5.7 million people and, according to the site “City Population” (www.citypopulation.de), it takes the 77th place in the world. According to experts, by 2050 the number of agglomerations will increase to 9 - 10 million people.

A special place in determining strategic directions for the development of the St. Petersburg agglomeration is given to the transport complex, since in accordance with the processes occurring in the world, the cluster of transport and logistics services becomes the decisive factor determining the dynamics of socio-economic development, the competitiveness and investment attractiveness of regions and cities, quality and standard of living of the population.

Three international transport corridors pass through St. Petersburg, which provide 40% of Russia’s export-import traffic. The largest port of St. Petersburg is of great importance in the transport system of Russia, being the connecting link of the eastern, southern and northwestern regions of Russia with the countries of Europe and America.

In the structure of the gross regional product of St. Petersburg, the share of the transport sector is 11.8%, and in the Leningrad Region - 15.9%, which is significantly higher than in the Russian Federation as a whole - 10.1%. In recent years, strategic projects for the development of transport infrastructure in St. Petersburg and the Leningrad region have been implemented: the seaport of Ust-Luga, the new airport terminal “Pulkovo”, the multifunctional sea transshipment complex Bronka, the passenger port of St. Petersburg, Western High Speed Diameter Highway, which connected the southern and northern parts of the metropolis.

The strategy of the transport system development in St. Petersburg and Leningrad region for the period until 2030, based on the principles of sustainable development, was approved in 2016. The priorities of the strategic development of the transport and logistics complex are:

- Formation of an integrated cargo logistics management system that provides the most competitive conditions for servicing international cargo flows, development of transport infrastructure along international transport corridors, convenient and fast cargo transshipment, minimal delays in issuing accompanying documents and customs procedures, the dominant share of national companies in transporting Russian exports -import cargo.
- Improving the quality of service to the population and sectors of the economy, reducing the transport component in the final price of products, works and services, reducing the time spent on transport, improving safety and reducing the negative impact of transport.

The implementation of the Strategy assumes the creation of a common transport system for the two regions. Highways will be built between St. Petersburg and Moscow (rail and road), reconstruction of the A-181 Scandinavia highway and construction of the federal road A-180 Narva will be completed, as well as the increase in the capacity of seaports, construction of new metro lines and high-speed trams. According to the innovative scenario, by the year 2030, 31.3 km of the new metro with 23 stations, 13.2 km of the double track of the high-speed tram, two bus stations, hundreds of kilometers of constructed and reconstructed highways with overpasses, 10 freight transshipment units should appear in St. Petersburg and Leningrad region.

The development of the transport and logistics complex will stimulate the growth of the gross regional product, the growth of revenues from transport activities, the increase in the export of transport services, the increased of investment attractiveness of St. Petersburg and the Leningrad Region, the growth of tax revenues to budgets of all levels and the creation of new jobs.

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Moscow has modified its policy towards Kaliningrad Oblast over the past year. Proof of this include the recent frequent rotations of the region’s governors and changes in the mechanisms of the region’s economy. Moscow’s new policy towards Kaliningrad is an element of a more extensive process seen in the Kremlin’s regional policy involving tightening the grip on the regions, improving spending efficiency and replacing ineffective governors with younger staff. The recent changes are linked to a great extent to the upcoming presidential election scheduled for March 2018, the country’s melting financial resources and the need to take austerity measures.

Nikolai Tsukanov, a local politician, was dismissed in July 2016. Initially he was replaced by Yevgeny Zinichev who had been delegated to Kaliningrad one year before to take the position of the head of the local Directorate of the Federal Security Service (FSB). Three months later, in October 2016, he was promoted as the deputy head of the FSB. At the same time, President Vladimir Putin nominated Anton Alikhanov, a 30-year old technocrat who like Zinichev had come to the region from Moscow one year before, as acting governor of Kaliningrad Oblast.

Since 2010, Alikhanov has worked in the Russian government administration. In 2015, he was nominated as acting deputy prime minister of Kaliningrad, and later as acting prime minister.

Alikhanov’s main tasks in Kaliningrad have been: to improve budget spending efficiency, curb the pathological mechanisms in local economy and ensure social stability. This has been linked above all to the expiry of the customs concessions on 1 April 2016. The concessions used to apply in the region as part of the Special Economic Zone established in 1996; around 800 local firms benefitted from them. The Kremlin, fearing the economic consequences of the liquidation of the tariff concessions for the local economy, decided to increase transfers to the region to be paid as financial compensations for firms on an unprecedented scale. Moscow allocated additional 67 billion roubles (around US$1 billion) for this purpose. As a result, the share of federal transfers in the oblast’s budget revenues increased to 70% in 2016 (from 30% in 2015). However, very few companies (only 140) were able to cope with the complicated procedure for obtaining the compensations and receive government support. Almost 90% of the funds were paid to the region’s largest firm, Avtotor, the car manufacturer. In effect, Moscow cut the extra transfers to the region in 2016 to 26 billion roubles. In 2017-2019, the region will receive from the centre around 45 billion roubles annually as compensations for entrepreneurs.

Despite the limited access to state support, the discontinuation of the customs concessions has not led to an economic breakdown or social problems in the region contrary to the government’s fears.

The key tasks of the new acting governor of Kaliningrad included improving the transparency and development of the amber sector. Despite its potential (around 90% of the world’s amber deposits are located in Kaliningrad), this sector is of a limited significance for the region’s economy. Amber was to a great extent extracted illegally, and mechanisms of its sale were unclear. As a result, the local processing sector had very restricted access to amber. The fact that amber extracted in Kaliningrad began to be sold on auctions in 2016 and that special auctions started to be held for local craftsmen came as a good change for the sector. This has made it possible to partly resolve the problem with access to amber in Russia, but still the quantity of amber sold on auctions is limited due to the inflexible price policy of Kaliningrad Amber Factory which holds a monopoly over amber extraction.

The construction of the football stadium in Kaliningrad where some of the matches will be played as part of the 2018 FIFA World Cup has also gained momentum over the past year. Progress has also been seen in the development of the region’s airport. Problems with implementation of the two projects at earlier stages not only resulted in a significant increase in their costs and burden for the federal budget but also posed the risk that the matches might not be played in Kaliningrad.

Since Moscow tightened its grip on the region in 2016, order has been restored in the region. The local government has so far coped with its most important task, i.e. ensuring stability in the region in the process of liquidation of customs concessions. Furthermore, since federal investments accelerated, the risk that the 2018 FIFA World Cup might not be held in the region has probably been eliminated. However, it is still difficult to judge how effective Moscow’s policy towards the region will be in the longer run and whether it will boost the region’s development because its greatest problems have not been solved as yet. Moscow still uses Kaliningrad Oblast as an instrument in its policy towards the EU and NATO, which results, for example, in a strong militarisation of the region. As a consequence, the oblast’s economic interests are subordinated to those of the law enforcement sector. Furthermore, the region is geographically isolated from the rest of Russia, and is totally dependent on expensive imports. All these factors cause that it is still unattractive to investors, and none of Moscow’s ideas to boost its economic development has been successful.

From Moscow’s perspective, the local government’s most important task in the coming year will be to guarantee a good result in the presidential election in March 2018 when Vladimir Putin will most likely seek re-election. The election in September 2017, in which Anton Alikhanov intends to run for the governor’s office, will doubtlessly be a test for him before the presidential election.
Alcohol policy in Russia: recent experience and trends

Russia is famous as a country with a high level of alcohol consumption and a long and quite complex history of alcohol policy. After the famous Gorbachev anti-alcohol campaign in 1985-1988, the new Russian government turned its attention to other priorities. At the beginning of the 1990s, in the emerging market economy, the state lost its monopoly on alcohol production and sales, and its control over the alcohol market. Numerous producers, including large multinational beer companies, entered the Russian alcohol market. The production of vodka and especially beer increased rapidly, while high inflation and lack of price control made alcoholic beverages relatively cheap. The real price of vodka has fallen dramatically: at the beginning of the 1980s one could buy 60 half-litre bottles for the average monthly wage, while in 2010 this figure has reached 235 bottles.

From 1990 to 1995, there was a pronounced trend of increasing per capita alcohol sales and consumption. According to the Federal State Statistical Service (Rosstat), alcohol sales in litres of pure spirit per adult increased from 7.2 litres in 1990 to 12.3 in 1995; vodka sales per person grew from 12 to 25 litres during the same period. After this peak, vodka sales have been more or less stable at the level of 18 litres per person for almost 10 years. The new phenomenon on the Russian alcohol market was evident: a vigorous growth in beer sales. From 1995 to 2007, total sales in litres increased more than three times; per capita sales of beer have grown by three and a half times (from 28 to 97 litres per adult).

However, from the middle of the 2000s, one could observe visible and steady declining trends in both vodka and beer per capita sales. In 2016, the Rosstat data show 8 litres of vodka per adult (3 times less than its peak value in 1995) and 65 litres of beer (33% less than its peak in 2007). As a result, for the first time ever, in 2015 the share of vodka in total alcohol sales (in pure spirit) hit a low of 39.2% while the share of beer reached 43.5%. The share of other alcoholic beverages (including wine, sparkling wine, etc.) has grown from 2.5% in 1993 to 17% in 2015 and 20% in 2016. This fact obviously contradicts the widespread view of all Russians as vodka-drinkers. This new ‘alcohol mix’ places Russia close to many European countries that have substituted consumption of strong spirits for beer or wine.

To explain these new tendencies, one should consider the radical measures in alcohol policy undertaken by the Russian government recently. In 2008 a new governmental agency, the Federal Service for Alcohol Market Regulations of the Russian Federation, was established. For all producers of alcohol and spirits, minimal limits of authorized capital were set. The regional authorities assumed the right to set such limits for alcohol retail sellers. As a result, a number of small producers and sellers had to quit the market, thus reducing production and trade volumes.

The ‘Concept for State Policy to Reduce the Scale of Alcohol Abuse and Prevent Alcoholism among the Population of the Russian Federation’ was approved in 2009. Numerous amendments were made to the legislation controlling state regulation of alcohol production and sales. The rates of excise taxes on alcoholic beverages were increased gradually. Thus, in 2013 the tax on strong spirits was set at 400 roubles per litre of spirit in the beverage, increased to 500 roubles in 2014. The floor price for vodka was first introduced in 2010 at the level of 89 roubles for a half-litre bottle (2 euro); in August of 2014 it had reached 220 roubles (5 euro), and in June of 2016 was set at 195 roubles (3 euro).

In 2006, the Russian regional authorities acquired the right to establish temporal bans on night sales of alcoholic beverages. Since 2011, off-premise liquor sales have been forbidden from 11 PM until 8 AM all around the country. Research on Russian alcohol policy shows that the regions that first banned night liquor sales demonstrated relatively low consumption of ‘official’ alcohol as well as home-distilled wine. These findings demonstrate that evening sales closures could be effective in terms of consumption reduction, as well as in terms of fighting alcohol-related crime. In particular, decreasing numbers of road accidents observed in Russia in the previous decade could be partly attributed to temporal bans on alcohol sales.

At the same time, it is important to note that the alcohol market in Russia always contained its shadow, significant amounts of vodka have always been produced and sold illegally. Moreover, some households still produce home-distilled wine, which is most popular among low-educated older people in small settlements. So the policy instruments aimed to reduce ‘official’ alcohol production and consumption, no matter how effective, must be completed by other instruments to prevent shadow production and sales.
Corporate governance in Russian big business: trends of 2000s

Since 2014, the Russian economy has entered into a large-scale crisis generated by dropping oil prices and sectoral economic sanctions. As a result, FDI in the equity of Russian firms also decreased. Against this background, the state and stock market participants made efforts to improve corporate governance (CG) in the largest public companies. The actions of the Taskforce in establishing the Moscow International Financial Center were extremely important in this area. The Taskforce was created in 2010 and combined well-known experts, big business and government representatives, and market actors. For obvious reasons, the Taskforce decreased its activity; however, its suggestions were used to develop CG regulations. The main initiatives were:

1) Facilitating the emergence of an integrated national stock exchange beginning in 2011. In 2013, the Moscow exchange led an IPO on its market platform.
2) Transferring financial mega regulators’ functions to the Bank of Russia by the end of 2013.
4) Approving the new Code of Corporate Governance, with recommendations designed for PJSCs, by the Bank of Russia.
5) Reforming listing rules at the Moscow exchange starting in 2014 and changing requirements for companies in the First Level of listing. The size of free float was increased, and some Code of CG recommendations became obligatory, while companies were to follow a “comply or explain” approach. The number of Russian companies with shares included in the First Level was reduced from 62 in 2016 to 53 in March 2017.
6) Initiating in 2014 the Russian government’s program to implement key regulations of the Code of CG in the 13 largest public and non-public companies with state ownership. Obviously, this action sent an important message to private firms also.

According to the research of the Association of Independent Directors and the Higher School of Economics on National Corporate Governance Index (http://www.nand.ru/upload/medialibrary/Russian_Corporate_Governance_Index_2016.pdf), five companies (ALROSA, Federal Grid Company, Rosneft, Sberbank, and TransContainer, the subsidiary of Russian Railways) already made the list of the top 10 public companies with the best results of implementing the Code in 2016. Also, two companies—Rossetti and Transneft—entered the First Level of listing in January 2017.

The success of the regulatory changes depends on incentives for the voluntary use of CG rules by businesses. Mainly, experts link this use with IPO prospects only; however, there are many other reasons that good corporate governance is important, even for non-public JSCs.

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The years of the reign of Nicholas I (1825-1855) in Russia and Louis-Philippe (1830-1848) in France had been a very difficult period in the history of Russian-French relations. Confrontation between autocratic Russia and the liberal-constitutional France was tough, at times on the verge of a military conflict. Nicholas I, a staunch supporter of the principle of legitimacy, perceived the July Revolution of 1830 as a personal challenge. He was ready to organize an armed intervention in France in order to restore King Charles X to the throne. However, rationalism and pragmatism prevailed in Nicholas. Despite of the moral rejection of the regime, caused by the revolution, September 19, 1830 the emperor recognized the government of the July monarchy, although till the end of his life, Nicholas considered Louis-Philippe as the usurper of the throne.

Subsequently, Russia and France had been forced to make concessions, resolving disagreements by diplomatic methods through the policy of the “European concert”. Two leaders had enough political wisdom and common sense to find a compromise between national interests and personal ambitions, on the one side, and the interests of European security, on the other. Also, in 1830, Nicholas I gave up the idea of armed intervention in the Belgian-Holland conflict and the fate of Belgium had been solved in the course of the London conference. Louis-Philippe, in turn, rejected the Belgian crown in favour of his son, the Duke of Nemours, and renounced the idea of the annexation of part of Belgian territory. At the same time, the government of Louis-Philippe refused to support the rebels Poles officially, in spite of the lively French sympathy for them. In 1840, France turned outside of the “European concert”: July 15, the London Convention was concluded without its participation. However, the Emperor Nicholas I, considering that France should be punished for its ambitious policy in the East question, at the same time realized: without France stability in Europe was not possible. That is why, in 1841 the second London Convention was concluded with France.

Strained political relations did not interrupt the cooperation between Russia and France in various fields, especially because the language barrier did not exist: for the educated Russians French was practically mother tongue.

Despite political and ideological differences, both countries were interested in mutual trade. In 1846, between France and Russia a treaty of commerce and navigation was signed. When in France a poor harvest happened in the same year, the country received help from Russia. Russia imported bread into France through the Black and Azov Seas. Once it became clear that the French bank had financial difficulties, it was Russia who came to help: the Emperor Nicholas expressed a desire to buy the French government securities from the bank for 50 million francs at a very favorable rate. Scientific contacts between two countries were developing. French scientists worked in Russia; some of them came to Russia with the Great Army, fell in love with Russia and stayed here for the service. Serious relations were between the Academies of Sciences of Russia and France. At the end of the 1830s the expedition to Spitsbergen had been planned under the direction of French scientist Jean-Pierre Gaimard.

Many Frenchmen lived and worked in Russia, including the famous Auguste Montferrand. Battle painter Horace Vernet visited Russia twice under the personal invitation of Nicholas I.

The difficulties in bilateral relations only fueled interest of French to Russia, however, as the constant attraction of Russian people to France. Despite the bureaucratic complexity, the number of people circulating between Russia and France increased. A new phenomenon appeared: tourism, also the first guides to St. Petersburg had been created. At this time a paradoxical, at first sight, feature revealed: the War of 1812 between Russia and France had not brought the Francophobia sentiment to the Russian society. The Russian nobles were brought up on French culture, but the French knew Russia poorly in general. In 1843 the famous book of Marquis de Custine “Russia in 1839” was published in France and an image of the empire of the whip was created. At the same time, baron P. de Barant, the French ambassador to Russia in 1835-1841, wrote his book: “The Notes about Russia”. But this book was published only in 1875 and it remained unknown.

So, the time of the reign of Nicholas I and Louis-Philippe I had been the first experience of the contradictory and complicated interaction between the Russian autocracy and the French liberalism. Despite the presence of serious political conflicts, the leaders of two countries managed to find compromises, to act in the framework of the “European concert”. As a result, the economic, scientific and cultural ties between two countries were abolished.
The Nord Stream 2 project and its predecessor Nord Stream 1 are well-known international pipeline projects. The first of the two is operational, transporting Russian gas to EU internal natural gas market. Nord Stream 2 will, when completed, bring gas from Russia to Germany and the offshore section of the pipeline will extend over 1200 kilometers across the seabed of the Baltic Sea. The route will largely follow that of Nord Stream 1 that become operational in 2011 (first stream) and 2012 (second stream). The 8 billion euro’s pipeline is expected to be operational at 2020.

As is always the case with large energy and infrastructure projects, Nord Stream 2 has faced political opposition and concerns of its impact on EU markets. In addition, there is a European wide discussion on the impact of EU law, and EU energy law in particular, for this pipeline project. While the majority view seems to be that EU energy law is not applicable to this project, there are also some opposite voices from the academia and some institutional actors. This article will focus on the applicability of EU energy law to Nord Stream 2.

The question of applicable law and whether EU energy law would apply to Nord Stream 2, can be approached at different levels of law: (1) international law, (2) EU law and (3) national law.

The public international law approach evolves around the 1982 United Nations Convention on the Law of the Sea (UNCLOS) and its application regarding offshore pipelines. Under this regime, the coastal states have a limited functional jurisdiction over pipelines in their exclusive economic zone (EEZ). Rights of the coastal states related mainly to environmental aspects and do not extend to regulating the operations of the pipelines1.

The EU law approach entails an analysis of EU energy law and, in particular the Third energy package (“TEP”)2 and its applicability to Nord Stream 2. Also the administrative practice is relevant for this analysis. A detailed analysis of EU energy acquis suggests that the rules laid down in TEP cannot be applied to Nord Stream 2. There are a number of different arguments that support this finding: (1) the intent of the EU legislator, (2) the actual content and wording of TEP and the Network Code on Capacity Allocation Mechanisms for Gas, and (3) current Member State and EU level practice in relation to past and future pipelines where only the internal EU sections of international pipelines have been subjected to the EU energy acquis while the external sections have, logically, been left outside the scope of EU law.

The third level, national laws and their applicability, consists of a careful examination of the national legal regimes that implement the two first mentioned regimes, UNCLOS and EU energy acquis, the 2009 natural gas market directive in particular.

The Finnish EEZ is governed domestically by the Act on the Exclusive Economic Zone of Finland (1058/2004) (“Finnish EEZ Act”). Chapter 2 of the Finnish EEZ Act contains a list of Finnish laws that apply to the EEZ. This list does not include the Finnish Natural Gas Market Act (508/2000), which is therefore not applicable in the Finnish EEZ. Since this Act transposes the Gas Market Directive into Finnish law, it follows that the Gas Market Directive does not apply to pipeline projects within the Finnish EEZ. The situation seems to be similar under the Swedish EEZ Act (Lag (1992:1140) om Sveriges ekonomiska zon): the Swedish Natural Gas Act (Natursgaslag (2005:403) is not applicable in the Swedish EEZ. For Denmark, Article 21(4) of the Danish Natural Gas Supply Act (Lov om naturgasforsyning) provides that transmission networks in the territorial sea or the EEZ that are not connected to the Danish natural gas system are explicitly excluded from the scope of the Act.

From a careful examination of the three relevant levels of law identified above, the clear conclusion must be that the EU energy acquis cannot be applied to Nord Stream 2 pipeline project. By a letter sent to Danish and Swedish governments, European Commission has now confirmed the findings of this article.3

The author has provided legal advice to cross-border infrastructure projects, including Nord Stream 2. All opinions are personal and independent from Nord Stream 2.


Cross-border supply chains in the South Baltic LNG industry

Following the adoption of Directive 2012/33/EU of the European Parliament and of the Council, the enforcement of stricter sulphur emission rules and changes in bunker fuel practices have obliged the shipping industry to adapt to new circumstances. Liquefied Natural Gas (LNG) has been recognised as a fuel alternative for vessels operating in the Sulphur Emission Control Areas. The challenge, however, is that ships must be retrofitted, new infrastructure put in place and new supply chains established in order to ensure that LNG is able to take off as a successful fuel alternative.

The South Baltic project MarTech LNG was designed with the mission to translate what was seen as a major market disruption by the maritime industries into new business opportunities. The project experts took into account two major LNG investments in the region. Pursuing energy independence and reduction of the use of coal as part of their climate policy obligations, Lithuania and Poland decided to invest in LNG terminals in the ports of Klaipeda and Świnoujście. However, because of the lack of relevant competences needed for terminal construction and operation, many services could have been outsourced from the South Baltic area. This would also have affected regional businesses in the shipbuilding and bunkering sectors. Consequently, the region would have missed the right moment of becoming a competence focal point in LNG development, being competitive on a global scale.

In a series of technology trainings and B2B meetings as well as joint preparatory activities for large-scale tenders and business projects, MarTech LNG laid the foundations of a cross-border supply chain. Through MarTech LNG, today a smart cross-border cluster of ports, shipbuilders, ship owners, technology and bunkering providers in the South Baltic region is able to gain momentum.

MarTech LNG has triggered a chain of business activities which solidify efforts towards smart specialisation of the South Baltic maritime industry.

MarTech LNG has triggered a chain of business activities which solidify efforts towards smart specialisation of the South Baltic maritime industry. The technological advice provided by MarTech LNG experts unlocked an investment of 5 M EUR. This refuelling infrastructure was crucial for the operation of the first domestic LNG ferry in Denmark. LNG bunkering infrastructure is being established also at the Klaipeda LNG terminal. Klaipedos Nafta started procedures for a small-scale LNG bunker onshore facility. Through B2B meetings, MarTech LNG experts facilitated the decision to build a bunker barge in order to operationalise the onshore facility – a vessel that is estimated to be worth 11 M EUR. The construction of the vessel is made possible through the cross-border supply chain with components from several Baltic countries. Again, thanks to the supply chain, Klaipeda port acquired technological and operational knowledge on LNG which is needed for the onshore facility – a vessel that is estimated to be worth 11 M EUR.

In Lithuania, MarTech LNG helped to unlock an investment of 5 M EUR. Without the project intervention, the concept would not have been made possible. The technological advice provided by MarTech LNG experts unlocked an investment of 5 M EUR. This refuelling infrastructure is today operational on the Danish island Samsø.

In a series of technology trainings and B2B meetings as well as joint preparatory activities for large-scale tenders and business projects, MarTech LNG laid the foundations of a cross-border supply chain. Through MarTech LNG, today a smart cross-border cluster of ports, shipbuilders, ship owners, technology and bunkering providers in the South Baltic region is able to gain momentum.
investments. Considering Directive 2014/94/EU which demands an appropriate number of LNG refuelling points along the TEN-T Core Network by the end of 2025, the smart specialisation of South Baltic companies can serve pan-European markets. Business analysts expect that these investments will amount to 400-600 M EUR which would translate into thousands of new jobs for the European market alone.

The liaison with global players was relevant not only in technological terms. The fruitful cooperation of regional South Baltic companies with global players is expected to serve markets such as Canada, USA, Australia and China where sulphur restrictions have been introduced. Frank van Dijk, Regional Marketing Director of General Electrics Gas and Oil Europe said “The collaboration with MarTech LNG has allowed us to connect with other companies in the value chain, and as a result this has created commercial opportunities as well as partnership discussions. MarTech LNG has done a great job in being the connective tissue between the different companies in the cross-border value chain.”

MarTech LNG was co-funded the South Baltic cross-border cooperation programme and awarded with a flagship status by the EU Strategy for the Baltic Sea Region.
Estonia has several advantages as a data center location. The generic economic environment is fertile ground for high efficiency business. Country is ranked 7th in the world for ease of trading across borders and 21st in the world for ease of doing business. The simple, flat rate tax system has 0% corporate tax on re-invested profits. Political and economic stability is top of the region.

Investment in cutting edge ICT infrastructure and security, world first in adoption of e-services and a proven, world-class, multi-lingual ICT talent pool have established Estonia as one of the best new locations in the European Union and worldwide for developing, testing, implementing and supporting ICT services. Estonia offers distinctive possibilities and opportunities.

One of the strongpoints of Estonia is its progressive infrastructure. Which is why many large-scale ICT companies have development centers in Estonia and the EU Agency for large-scale IT systems is in Tallinn. Simply put, local industrial parks for data center development are highly scalable and accessible.

When it comes to the sustainability of energy supply, Estonia is one of the most interconnected countries in Europe. Cross-border transmission capacities exceed its peak demand (ca 1600 MW) by almost 2 times. Total net electricity generation capacity in Estonia is 2713 MW.

Enefit is an international energy company offering energy solutions ranging from electricity, heat and fuel production to sales, customer service, and consulting. Enefit operates in the Baltic and Nordic electricity and gas markets and the global liquid fuels market. It is the nation’s largest company, and its most-preferred employer, particularly by those with top technical skills in the energy industry. Enefit is the world leader in oil shale utilization, a natural resource that has ensured that Estonia is the least dependent on imported energy of all EU nations.

The bulk of Estonia’s electricity production is located in the well-developed industrial region of Ida-Viru county, where Enefit operates the largest power plants in Estonia with a total capacity of over 2000 MW.

In addition to operating the world’s largest oil shale-fired power plants in an environmentally sustainable manner, Enefit is also among the largest renewable energy producers in the Baltic region. Estonian most modern and largest wind farm is currently under development and after starting operating in 2020, it will be also the largest in the Baltics (ca 130 MW). They also produce electricity from, biomass, wind and operate hydro power plants. Enefit also operates combined heat and power plants, largest of which is at Iru. The Iru combined heat and power plant uses mixed municipal waste to supply electricity and heat to Estonia’s capital city of Tallinn and nearby areas.

Technology parks developments sites next to Enefit power plants guarantee stable power supply of electrical energy with high redundancy 365 days a year. With close to 2000 MW installed capacity available it is a prime location for data centers with a total of 57.6 hectares (142.3 acres) of ready-to-build land waiting at the core of Estonia’s power grid. Connections to utilities and other infrastructure are available with access to service providers guaranteed by Enefit. Prime efficiency potential available with the possibility to utilize data center waste heat at nearby district heating network.

Enefit has three prime locations for Data Center Parks in Estonia. Two Ida-Viru County – Narva and Auvere - and Iru in Harju County.

Iru is located on the outskirts of Tallinn, about 15 minutes’ drive from the capital and Lennart Meri International Airport. In total 9.9 hectares (24.5 acres) of land is available for development. Direct electrical connections up to 17 MW provide best pricing for energy.

Narva, the third largest town in Estonia and home to the Baltic Power Plant, is in the well-developed Ida-Viru industrial region about 2½ hours drive from Tallinn. Narva has 34.4 hectares (85 acres) of land available for development. Vacant power plant buildings are available for development, with direct electrical connections up to 150 MW. Redundant and flexible power supply sources are available.

Auvere village in the Ida-Viru region in eastern Estonia is the heart of Estonia’s power production. Estonia’s largest power plant, the 1615 MW Eesti Power Plant and Enefit’s newest, 300 MW Auvere Power Plant, account for most of the electrical energy produced in Estonia. Enefit also operates a modern 70 kW containerized data center in Auvere. The industrial area is a 2½-hour drive from Tallinn. Auvere has 13.3 hectares (32.9 acres) of land available for development with direct electrical lines up to 1347 MW.

All three sites guarantee best available energy pricing with direct line to power station. Moderate northern climate with an annual average temperature of 5°C (41°F) and sufficient cooling water and free cooling solutions available offer cost efficient cooling.

In conclusion, Estonia is simply a safe bet. After all, Estonia is officially, per the international disasters database, the safest country in the world.
What’s new in FDI?

World FDI at a glance

In 2015, after three years of declines in global FDI flows, UNCTAD recorded a spectacular 38% increase in the world investments compared to 2014. 1.74 trillion US dollars is the best result since the emergence of the global economic crisis of 2009. According to the World Investment Report global FDI flows would be reduced by 10-15% in 2016, to soar up again from 2017 to reach 1.8 trillion USD in 2018 – a level unseen since 2008. 55% of all investments were located in developed countries, which may indicate a low propensity of entrepreneurs to take risks. It should also be noted that the share of developing countries in total FDI flows in the last year has increased by as much as 9%. Among the 20 major recipients of investments are the US (380 bn USD), China (including Hong Kong) and Western European countries, led by Ireland. The biggest countries-investors for years have been the United States, Japan and China.

FDI in Poland in official statistics

According to the National Bank of Poland, which monitors capital flows, FDI in Poland was in recent years volatile. After an excellent 2011, when the country attracted as much as 20.6 bn USD of capital, next two years experienced a sharp decline in the FDI flows. In 2014 the level of invested capital exceeded 14.2 bn USD and secured Poland a place in the elite group of the top 20 recipient countries of investments for the first time in history. The next year has brought investments of more than 13.4 bn USD.

Thus, at the end of 2015, the cumulative value of FDI in Poland exceeded 182.5 bn USD, giving Poland the undisputed position of leader among the Central and Eastern Europe countries. The most capital has been invested by the German companies represented in Poland by some six thousand firms.

FDI serviced by Invest in Poland

Invest in Poland services roughly 10-15% of the total annual inflow of FDI into Poland, focusing on the largest investment projects in terms of CAPEX and planned employment. Thus, its statistics are representative of what is happening in investments in the country.

Last year was a record one in the statistics of the Agency in terms of both number of investment decisions and declared employment (the third best result in the history of Invest in Poland respectively). Over the past year as many as 64 companies, both services and manufacturing, assisted by Invest in Poland decided to either launch new investment projects or reinvest in Poland. A year before it was 14% less. The total value of these projects amounted to over 1.74 bn EUR (128% increase year on year) while declared employment was 16,047 people.

In 2016, the US companies were the most active investors with 16 out of 64 projects. Their new job creation plans were also the biggest - almost five thousand. Investments were made mostly in the business services/operations centers (financial institutions) and R&D activities (technology companies), therefore contributing to well paid jobs for highly skilled employees. One of the largest suppliers of business applications – Infor – decided to establish its Center of Excellence in Wroclaw.

The company will employ 500 people by the end of 2018.

Quite unexpectedly, the second place among the most active investors in 2016 was taken by the French companies (6 projects). French recognized the potential of the Polish aerospace industry and in result invested in Podkarpackie province, in the Polish Aviation Valley.

German companies who ranked third are particularly prone to reinvestment. Nevertheless, 2016 saw a significant grow in the number of new players from Germany, including automotive companies such as Daimler AG who at the cost of 300 mn EUR is building an engine plant in the southwestern Poland and Zalando SE with its logistic center near Szczecin hiring over 1,000 employees. Declarations of the German companies regarding the planned capital expenditures exceeded 600 mn EUR, constituting as much as 35% of the overall investments.

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2 13 470 USD according to National Bank of Poland.

www.utu.fi/pei
In terms of the number of projects mediated by Invest in Poland, BSS prevailed by a slender margin (55%) over manufacturing investments. When we take into account the number of jobs created, the business services industry generated as much as 52.3% of declared employment. However, from the point of view of investing capital, manufacturing investors dominate by far accounting for over 88%.

Thirty-five out of 64 investment projects announced during the last 12 months were business services providers. Investors representing that particular industry plan to create more than 8,400 new jobs. As many as 22 services projects were reinvestments; the remaining 13 are implemented by the newcomers.

Among the above-mentioned investments, shared services centers, mainly in a Global Business Services (GBS) model, dominated (17), such as for example 3M company’s center in Wroclaw. SSCs have also offered to create the greatest number of new jobs — almost 5.5 thousand. The second largest group of projects (13) concerned research and development in both software development, e.g. Finnish Nokia and manufacturing field – Mondelez International Inc. with its newly established research center focused on product improvement.

The largest group of projects in the manufacturing sector are automotive companies. 16 investments of a total value of 900 mn EUR will generate 4,000 new job places. Poland proved to be very attractive for companies from the aerospace industry that declared to invest over 300 mn EUR and create nearly 1,000 jobs in connection with the implementation of 6 investment projects, e.g. Canadian Cyclone Manufacturing Inc., or Paradigm Precision from the US.

Companies prefer to invest in well-developed regions region such as southern provinces of Poland located along the A1 highway: Dolnoslaskie, Slaskie, Malopolskie and Podkarpackie. Still the undisputed leader is the Lower Silesia with its capital in Wroclaw, which gained as many as 15 projects worth more than 800 mn EUR and more than 4,600 new job places by companies representing the following sectors: BSS (UBS Group AG), R&D (EY), aerospace (XEOS, a JV between GE Aviation and Lufthansa Technik AG) and automotive (Borgers AG).

As many as 58% of all declared investments will be implemented by companies already present in Poland, which confirms the attractiveness and continuously favorable investment climate of the country. Reinvestments will be responsible for almost 50% of the planned capital expenditures and 60% of new jobs.

What will bring the future?
Currently the Agency assists 185 investment projects of a total value of over 4.4 bn and a target employment exceeding 52 thousand. Most of the potential investments come from the US (almost 33%). Total value of the American projects is 1.2 bn EUR, and targeted employment surpasses 16.7 thousand. The following places belong to Germany (21 projects worth 600 mn EUR and the planned employment of 8.3 thousand) and investors from Japan (14 projects). In total, the Agency is helping investors from 29 countries.

In terms of industries the BSS dominates with 69 projects worth 156 mn EUR and the employment of almost 20,000 people. The second most important group of investors are companies from the automotive industry. 31 investment projects of a total value of more than 1 bn EUR are likely to result in ca. 12,000 new jobs. The next place belongs to the food processing industry with 13 potential investments worth 600 mn EUR and 14 R&D projects that could generate as much as 2,000 jobs for highly skilled employees.
The Earth is on the threshold of two great challenges – on the one hand, a greener living environment, and on the other hand, according to the forecasts, we will need 30-50% more food, energy, and water by the year 2030. Even a small country like Estonia has its part to play in the name of dealing with the challenges successfully, taking into consideration our peculiarities and our advantages in the impelling battle.

Today, the circular and bio-economy are the directions, which would ensure the development of the region of East-Estonia and create the highest possible value, in the case of which the forestry undertakings, cellulose industry, chemical industry, manufacturers of materials, those growing vegetables in greenhouses, the food industry, and the agricultural and logistics companies would create an efficient economic network through sustainable integration of the value chains.

Many of the prerequisites for turning the economy in East-Estonia greener have already been met. The more efficient use of the agricultural biomass, water supply, forests, and domestic waste in order to generate energy, fuel, food products, and various materials, forms a strong basis for success. The large industrial undertakings in the region of East-Estonia are currently in the middle of the winds of change – investments are being made into sustainable use of resources and the damaging environmental impact of the technologies used is lower now. The best example is the unique biogas reactor of AS Estonian Cell, which turns wastewater into biogas and decreases the company’s need for natural gas (fossil fuel). It is also planned to use the biogas to produce biofuel, which would enable to provide environment-friendly fuel for public transport. Large industrial undertakings, such as Eesti Energia AS and VKG AS, are creating the prerequisites for a good bio- and circulation economy today, by enabling the companies operating in these industrial sectors to achieve a competitive advantage by using inputs (raw materials) generated by their own production activity. For example, the companies growing products in greenhouses can be offered cheaper energy, heating, renewable water, and other important inputs, which are required for their daily operations.

The East-Estonian region – Ida-Viru County, Lääne-Viru County, Järva County, and Jõgeva County – boast the best growing soils in Estonia, as well as very well developed agriculture. The latter serves as a fertile ground for bio-economy, which in turn provides a fertile ground for the developing food industry (incl. the production of functional food and natural health products), energy and heat generation, and material industry. It can be noticed that the agricultural sector is based on products without added value – large amounts of raw milk, grains, and semi-finished white and red meat products are being exported. This situation allows to bring new undertakings to the area.

It is clear that good employees are the greatest value of a successful company. One of the priorities of Estonia in the constantly changing entrepreneurship environment is to train employees of good competencies, as well as to involve top specialists from foreign countries to the development of the economy, education, and research work. For this purpose, the immigration policy requirements honed out over the years take into consideration the needs of the entrepreneurship environment – especially in order to decrease the bureaucracy in hiring qualified manpower (skilled workers, experts, researchers) from third countries or to bring investments into the country. In March, Estonia launched a counselling service, which provides a specialised adviser to support companies and educational institutions. Local municipality governments have also created the necessary conditions for companies to support them in achieving their goals – quick processing of applications for detailed plans or building permits, development of the water supply networks and sewerage systems of the areas as well as the infrastructure of roads – to enable inland as well as maritime transport.

The fact that Estonia is highly digitalized has often been pointed out as a factor, which facilitates entrepreneurship as well as the local life. It is taken for granted these days that the foreigners living and working in Estonia get to use the same digital devices as the citizens of Estonia to run their daily errands efficiently. E-Residency, however, has expanded the availability of the digital services, which are so characteristic to us, to everyone irrespective of the person’s residency or citizenship. Thus, a company can be founded or a bank account opened without even visiting Estonia and the daily business of an already functioning company can be easily taken care of from one’s home office in Helsinki or Soul.

East-Estonia is an area, which offers surprising contrasts. Approximately 53% of the surface of East-Estonia is covered with forests. In addition to the region offering great access to raw materials for the wood and chemical industries, and for biofuel and energy undertakings, it also provides the people a chance to take a quick detour to the wild nature or bogs right next to the urban centres and industrial areas. Returning from the forest trails or peaceful bogs, you will feel reborn and even more reassured, that while the living environment provides an attractive work environment, it is also worthy of preservation and a really nice place to live. So far, this has encouraged companies Estonia as well as foreign investors to invest in East-Estonia. Welcome to East-Estonia!
Near Bomarsund, Åland Islands, lies an old Muslim graveyard, which bears witness of Tatars serving in the Russian army since the 1830s. By the end of the century, also civil Tatar communities could be found in the Baltic Sea region. Nowadays Tatars live in all countries around the Baltic Rim.

Early encounters with Tatars took place during the 14th century in Lithuania and Poland. The Tatar elite came to play an important role in the political developments and ordinary Tatars became farmers. They lost their Turkic language in the next centuries, but until the early 20th century the social structure was kept and today they are still Muslims, known as Lipka Tatars, and hold on to their traditions.

From the end of the 16th century, various Turkic-speaking groups were called “Tatars” in the Russian Empire. Before 1809 “Tatars” from Russia fought against Swedish armies mostly in Finland. Today’s Tatar groups, divided into Volga, Crimean and Siberian Tatars with additional smaller groups, can be traced back to historical political units.

**Trade and politics**

Tatars in Finland, Sweden, Estonia, and Latvia are mostly Mishärs, a separate linguistic and ethnographic group from the Volga area near Nizhny Novgorod. They migrated to the Baltic Rim at the end of the 19th century, often via Saint Petersburg.

Before World War II, around 200 Tatars lived in Estonia, but the biggest group was in Finland, numbering less than 3,000. Tatars were mainly involved in petty trade or kept small restaurants. They sold gold, jewellery, handicraft items or household goods, but by 1900 they had established shops for textiles, furs, or carpets. Today young Tatars choose other occupations and only a handful of family businesses survive.

By 1925, Finland granted Tatars Finnish citizenship and the first Muslim congregation was established. Due to persecutions and forced resettlement campaigns in the Soviet Union in the 1930–1940s contact with the home villages was interrupted.

During and after World War II, Tatars moved from Estonia to Finland, as well as from Estonia, Latvia, and Finland to Sweden for fear of being sent to the Soviet Union. Some returned to Finland within a few years. Fear of the Soviet Union prevailed and in the 1950s again some emigration to Sweden took place. In the 1970s, Tatar migration to Sweden occurred as part of a larger Finnish economic migration wave.

**Integrated immigrants**

Today the Tatars in the region are highly integrated in majority society. The small size of the groups, little or no contact with the place of origin and efficient adaptation practices contributed to integration. Tatars are also historically an adaptive diaspora minority, which chooses to remain hidden from public view, thus avoiding potential conflicts.

The Soviet Union cut the migrant Tatars off from the sources of their culture, but they brought with them education and traditions of social and cultural activities. Tatar communities and congregations arrange musical, literary and theatrical events, dance activities, schools, and summer camps for children. Traditional festivals such as the summer festival Sabantuy (‘plough feast’) and religious celebrations are also held by the communities.

Especially in Finland Tatars have been successful in keeping their culture, language, and traditions alive. In the other countries around the Baltic Sea the groups are smaller and often more dispersed.

**Identity rebirth**

Since the 1990s, a new Tatar identity based on Kazan/Tatarstan culture is growing. Between the 1920s and the 1990s most Finnish Turks to distinguish themselves from Tatars in the USSR. The mental distance between Tatars in Russia and those at the Baltic Rim is nowadays too large for reconnecting on a deeper level, and although many have visited the old homelands, there is no wish for return or more extensive contacts.

Traditional Tatar communities were challenged in Soviet times by “new” Tatar migrants, who moved to Estonia, Latvia, and Lithuania from inland Russia. These “Russian Tatars” form part of the Russian-language population today.

In Sweden and Finland, Muslim migrants from the Middle East, Turkey and North Africa and new Tatar migrants from Russia have tried to join the traditional groups. The Tatar communities have however distanced themselves from other Muslims and even from other Tatars, trying to protect their own cultural and linguistic identity and showing an increasingly secularised tendency.

Tatar culture and language today is alive in the Baltic Sea region, but Tatar communities face falling numbers, increase in exogamous marriages and loss of language and cultural identity in younger generations. Smaller groups are in danger of following the fate of the Åland Tatars from two centuries ago.

**Early encounters with Tatars took place during the 14th century in Lithuania and Poland. The Tatar elite came to play an important role in the political developments and ordinary Tatars became farmers.**

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**Tatars in the Baltic Sea region**

**Expert article • 2206**

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Are the Baltic Sea region’s food chains competitive?

Few would argue with the statement that food is a strategic good. Sudden changes in prices caused food riots in a number of developing countries in the recent past. Some of the biggest buyers on international markets, such as Russia or China, work feverishly to raise their level of food self-sufficiency. Yet, there are plenty of countries in the world which continue to be dependent on food imports. In fact, the value of international trade in agrifood trade has increased considerably over the past two decades.

The agrifood chain has been a priority sector in the EU. Roughly 39% of the EU budget is still devoted to agriculture and rural development and the food industry is the biggest employer within the manufacturing sector in over half of the member states. Agrifood trade has “exploded” within the EU since the early 2000s, fuelled by the eastern enlargement and expansion of the common market for food. It is not only the trade of final foodstuffs, but also that of raw materials and semi-processed products, that has driven the growth. Food chains are no longer organized within national boundaries; instead, processing companies procure their grain, meat and milk in the broad EU market.

The Baltic Sea region provides numerous food chain examples of a cross-country division of work, a phenomenon that has emerged over the past one or two decades. Danish pigs are often sold to Germany and Poland for fattening and slaughter, Estonian and Latvian milk often travels to Lithuania for processing, Finnish and Swedish oats are used in Germany to prepare flakes and muesli, while Norwegian salmon is sold to several countries where it receives further processing. Farms or food manufacturers in one country have competitive advantages over their rivals in neighbouring countries and therefore specialize in specific segments of the grain-, meat- or dairy supply chains. If they are relatively more productive in piglet or milk production, they specialize in those activities, while others may specialise in food processing. Competitive advantages of raw material production may be derived from natural conditions, favourable input prices, economies of scale or accumulated expertise, but it may also be either reinforced or reduced by political and environmental considerations. The processing stage of the agri-food chain is usually considered to generate a higher value added than raw material production, so strengthening that stage within the chain is a common desirable target in many countries.

Due to the strategic importance of its output, the agrifood chain is often perceived as a special sector with the need for public intervention and high political influence. However, the globally surging foreign trade confirms that food production is to be considered as a business just like any other sector of the economy. Countries like Denmark and the Netherlands have developed a much stronger agrifood sector than other countries on average.

Competitiveness has many dimensions and measures, one of the most important being productivity defined as the ratio of applied production inputs to outputs. Technical efficiency is a prerequisite for competitiveness but alone may not be sufficient. It is growth that demonstrates genuine competitiveness and, in pursuit of growth, sales and marketing competence makes the real difference; in other words the ability to reach customers and convince them of the superiority of one’s product. Relative weights in international markets comprise one possible indicator to illustrate growth performance of countries. The eight countries around the Baltic Sea – Germany, Denmark, Sweden, Finland, Poland and the Baltic countries – contributed 27.3% to the production value of the food and beverages industry in 2003, just before the Eastern enlargement rounds. In 2015 the region’s overall weight was still the same, but with a considerable internal reallocation: within the Baltic Sea region’s market Poland and the Baltic States increased their share from 14.3% to 21% at the expense of the older member states.

With the exception of Poland and Germany, the Baltic Rim economies have small and rather mature internal markets, so the only chance for food companies to grow is to export. Foreign trade performance is, therefore, also an essential indicator of competitiveness. Exports account for a considerable share of sales revenues almost everywhere in the Baltic Sea region’s food and beverages industry. The Baltic countries and Denmark export around half, Poland and Germany roughly one third, and Sweden one-fifth of their sales. Finland has the lowest share with 10-15% due to a traditional focus on the domestic market.
It may be no surprise that food exports have grown fastest in the newest EU member states. Poland and the Baltic countries have managed to expand their exports by a factor four to nine between 2003 and 2016. On the other hand, the Russian import ban hit Finland and the Baltic countries’ food exports the most, as those exports still haven’t recovered their 2013 levels. The other countries of the region have shown positive average growth of food exports for the past three years with annual average growth rates as high as 6% for Poland.

The old dilemma for food manufacturing companies is the choice between two internationalization strategies: foreign direct investments (FDI) and export sales. In Europe, some countries such as Poland and Germany have clearly specialized in exports, while Great-Britain opted for FDI. Others have a more balanced portfolio of both outward investments and exports. It is evident that cross-border acquisitions give more power to the parent companies, but export-based growth benefits directly the actors of the host country with the economic links to the rest of the food chain and the entire domestic economy. Yet, foreign investments may have indirect stimulating effects on food export performance.

In the Baltic Sea region Denmark has clearly striven for a leadership of agrifood chains by acquiring strong footholds in the agricultural input sector and food industry (dairy, meat, brewery etc.) in all the other countries and exporting at the same time to the global markets. Germany, on the other hand, has focused on high volume, cost-efficient food exports, and efficient distribution through its expanding food retail chains in Europe (e.g., Lidl, Aldi and Rewe). Poland has based its export growth success on cost advantages, scales of economies and a boost from international investors which used Poland as hub to reach - among others – Northern Europe. Sweden has mostly invested into the grain chains of the Baltic Sea region and is a specialist of highly processed branded food exports – also helped by a globalised distributor, IKEA. Finland has mostly invested into the meat, bakery and beer chains of the neighbouring countries, but food exports have so far remained modest. It will require strong efforts and a change in mind-set to catch up with the export performance of other countries in the region.

The country examples in the Baltic Sea region’s agrifood sectors illustrate that both foreign direct investments and exports are needed to achieve growth – the ultimate indicator of competitiveness. The agrifood sector in the Baltic Sea region is competitive but with a large diversity by concrete chains and country. Competitiveness, after all, is a relative term, which is revealed by benchmarking countries or sectors to each other.

**Expert article • 2207**

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**BALTIC RIM ECONOMIES**

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The political backlash against anti-corruption reforms in Ukraine

The fight against corruption was at the forefront of the reform efforts after the Euromaidan Revolution, but now anti-corruption reforms are close to a failure. Despite a strong push of non-state actors and international donors, the real fight against corruption has never begun and now is over. Major anti-corruption institutions are under control of corrupt political elites as Ukraine’s political class attempts to dismantle few positive gains of post-Maidan Ukraine. And in a few weeks of Spring 2017, the government increased pressure on a few remaining anti-corruption stakeholders, in particular civil society.

The reluctant creation of new anti-corruption institutions under external pressure in 2014-2016 was regarded as a major post-Maidan achievement, however the whole anti-corruption system has been deliberately kept malfunctioning. The work of anti-corruption institutions is effectively paralyzed. The existing agencies tend to counteract each other due to political and legal manipulations and indirect political control. NACP (National Agency for Prevention of Corruption) and Specialized Anti-Corruption Prosecutor’s Office (SAP) are currently under a control of the main coalition forces. A close ally of President Poroshenko runs the General Prosecutor Office (GPU). The promised creation of independent Anti-Corruption Courts (ACC) will not materialize. Overall, when there is a clear division of responsibilities, ‘right’ persons are placed in charge. Inaction persists, when responsibilities and functions of a new agency are blurred and decision-making is collegial.

Anti-corruption reforms require large-scale changes across the sectors in law enforcement, judiciary and political and economic spheres to make any meaningful long-term impact. De-oligarchisation and lustration remained empty promises as oligarch Rinat Ahmetov doubles his fortune during 2016. Judicial reform, which is currently under way, is creating judiciary independent only of public interest. After restructuring and attestation 84% of local prosecutors and 90% of police officers kept their positions and many of those dismissed ones were restored in their positions by courts. As a result, a Ukrainian political joke states that the government’s approach to a fight against corruption looks like the Pokemon Go game, ‘only a suspect, once (and if) captured and locked, is soon released’.

In this carefully steered reform process there was seemingly only one blunder, the formation of the National Anti-Corruption Bureau (NABU), which was considered to be a success of post-Maidan Ukraine. NABU, which has launched investigations into a few major political dealmakers close to the leadership of the Ukraine, is under permanent pressure and political attacks from the government, the Verkhovna Rada and GPU. It has not received necessary power like wiretapping, its work is compromised by rival agencies and now the authorities are preparing a ground for a removal of NABU leadership through ‘independent’ audit.

The irony is that NABU has not achieved any significant results during its tenure and may hardly do any significant harm to the political class in absence of independent courts and prosecutors. Still, the idea of having an agency, which investigates some of the political and economic machinations, seems not be tolerable for the latter. NABU was under political pressure before its creation. The most recent and worrisome tendency is a fight against the anti-corruption activists and NGOs. In late March 2017, the amendments to the law on e-declarations were signed by President Poroshenko required anti-corruption NGOs to declare their assets. As Freedom House pointed, ‘the new requirements protect politicians unhappy with public scrutiny and allow them to retaliate against those involved in anti-corruption investigations’.

Simultaneously, the State Security Service (SBU), which was accused of being used in advancing private interests of the President and his business partners, raided Youcontrol, a company which monitors corruption, and organized psychological attacks against key civil society activists. SBU’s Department ‘T’, which is tasked with safeguarding national statehood, organized a paid demonstration under the house of a prominent anti-corruption activist. In a meantime, NAPC, which is in charge of checking two million e-declarations, instead continuously launches investigations into finances of government’s opponents, in particular anti-corruption activists and lawmakers.

The reform momentum ended as a new political equilibrium emerged and now anti-reform efforts start to surge. In this situation, while the international donors cannot push the reforms forward, their strong and coordinated pressure on the Ukrainian government is now required to prevent Ukraine from backsliding.
Japan Sea economic rim: from visions to action

In addition, the 2018 Winter Olympics are expected to boost regional tourism. The Games will be held in the South Korean province of Gangwon, which regards itself as the centre of the Japan Sea Rim, and that has been instrumental in promoting cross-sea cooperation. Currently, Gangwon’s traffic connections are being upgraded, and the province is investing in developing new tourism activities and facilities. It is hoped that the visibility brought by the Olympic Games and the improved facilities will help attract tourists from neighboring Japan, China, and Russia.

While regional tourism is already showing signs of a boom, the ports along the Japan Sea Economic Rim are preparing for the expected Arctic boom. On South Korea’s eastern coast, several harbor cities have applied to be designated by the South Korean government as Arctic Route hubs. In Japan, various regional actors on Hokkaido island are conducting research and drafting strategies about Hokkaido’s possibilities to develop into an East Asian point of entry on the Arctic shipping route. China’s Northeastern province of Jilin is building infrastructure to extend its logistics routes to the Sea of Japan and beyond via the Zarubino port in Russia and Rajin and Sonbong ports in North Korea. So far, a handful of port cities in the Japan Sea Rim have served as the start or end points for vessels that have sailed the Northern Sea Route, such as Vladivostok, Nakhodka, Rajin, Kitakyushu (Fukuoka), Busan, and Ulsan. Currently, in addition to logistics cooperation, there is incipient competition among the ports to become the best hubs and cargo picking places on the Eastern end of the Arctic route.

Seas enable maritime links between coastal regions and enhance the flow of people, goods, and ideas. At the same time, the littoral regions may end up in competition over utilisation and protection of common resources. Economic initiatives and cooperation across the Japan Sea Rim are now gathering significant momentum, and the regional actors have the opportunity to contribute to peaceful development and prosperity in the area. Due to the existing potential for remarkable changes in the logistics and trade connections between Northeast Asia and Northern Europe, these new circumstances should receive adequate attention.

The Sea of Japan (or the East Sea) is situated between the northeastern corner of the Eurasian continent and Japan. Similar to many other sea regions also along the Japan Sea Rim, cities and regions are currently pursuing various strategies to boost regional economies. These strategies originated in plans that sprang up after the Cold War ended, but due to the recurrent political conflicts and strong nationalistic sentiments in the region, these visions mainly have remained on paper. Now, Northeast Asia is seeing exceptionally dramatic changes, as two major long-term developments are gradually taking shape. First, new continental and maritime transportation routes are opening (China’s ‘One Belt, One Road’ and the Arctic Northern Sea Route). Secondly, China’s landlocked northeastern provinces finally have gained short-distance access to the Sea of Japan through ports in North Korea and Russia. The utilisation of these new opportunities in a cost-efficient and environmentally sustainable way requires cooperation, especially along the transportation routes. These changes have revitalised attempts to build regional economic and logistical cooperation in the Japan Sea Rim.

Since the end of the Cold War, municipal, regional, and national governments, as well as international organizations, have proposed various regional economic initiatives across the Sea of Japan. Littoral cities and regions, which are situated disadvantageously in their respective countries, especially have taken the reins and drafted their own regional trans-border (or trans-sea) strategies to improve their economic outlooks. Most notably, the Governors’ Conference of the Local Governments has since 1996 actively launched initiatives to promote regional cooperation in the Japan Sea Rim. Networks of city-regions were identified as central actors in the Japan Sea Economic Rim already in the 1990s. In addition to trade, important initiatives involving regional cooperation were established concerning ferry routes, fishing, and tourism. However, nationalism and political tensions among the states, the unwillingness of North Korea to commit itself, and the paralysing impact of several financial crises hampered the advancement of trans-sea cooperation and the development of a regional community.

In the Baltic Sea Region, the severe degradation of the maritime environment provided the initial practical push for regional cooperation. The maritime environment of the Sea of Japan suffers from pollution created by shipping, marine agriculture, and waste dumping, but not to the point that it has mobilised actors to commit themselves firmly to environmental cooperation. Instead of environmental protection, so far, the strongest commitments have involved tourism and various ferry connections that criss-cross the sea. These ties have been supported by sister-city relations. As The Economist reported in March 2017, during 2016, the volume of travelers who crossed the strait between Busan, South Korea, and Fukuoka, Japan, reached new records. More than 1 million South Koreans travelled by ferry from Busan to the Fukuoka region for shopping, food, and hot springs.
The Arctic – where are we going?

The Arctic presents a unique challenge for business where three continents meet each other in a place where the rules and regulations are not completely established yet. If you would have asked me a year and a half ago where I saw the Arctic going, the answer would have been wildly different than today. Where the future seemed optimistic, full of potential and a steady growth rate then now the area seems to be full of political landmines which need to be navigated carefully.

The Arctic began opening up in 1987 after a speech by Gorbachev who encouraged countries to lessen their military presence in the area and replace it with cooperation. This initiated wider cooperation plans and resulted, among other things, in the establishment of the Arctic Council in 1996. The Council is a high level intergovernmental forum where Arctic issues are discussed between the member states and permanent participants. The member states are Finland, Sweden, Norway, Denmark, Iceland, Canada, Russia and the United States.

The Chairmanship of the Council rotates between the member states every two years. The current Chairman of the Arctic Council is Finland, who received the status from the United States in the beginning of May 2017. The tensions in global politics have spread to the arctic politics as well even though external issues have usually been left out of the arctic issues. Despite the fact that the development of the Arctic is on ice at the moment it does not diminish the fact that there is a lot of potential in the area. In ways it is advantageous that it is Finland taking the next Chairmanship as it is often perceived more neutral country. The 100-year-old country has a long history of great diplomacy between the EU and Russia which could be extended to the different members of the Council. Furthermore Finland does not have a shore line in the Arctic Ocean which means it does not have claims for the seabed. It can therefore more objectively steer the development away from the dangerous waters.

The main themes in Finland’s Chairmanship are environmental protection, communications cooperation, meteorology, and education. At the same time with the Chairmanship of the Arctic Council (2017-2019), Finland also has the Chairmanship of the Arctic Coast Guard Forum (ACGF) and the Arctic Economic Council (AEC). Close cooperation between the different forums supports aims to get concrete advancements in the region.

As the political environment is currently unfavourable towards development in the Arctic, Finland can be seen as having a twofold role in the region. First of all as a Chairman the country needs to maintain the stability and constructive cooperation between the member states. Secondly, even though the Arctic is quieting for the time being, it does not mean that Finland should not develop its northern areas and promote new avenues to achieve success stories.

Although the commercialisation potential of the Arctic knowhow is often viewed critically, it is an important part of Nordic cooperation. It combines the interests of Norway, Sweden and Finland, supports cooperation in trade and promotes interaction in every level. For Finland emphasising the arctic economy in international relationships makes sense politically. The Arctic is unlikely to become the engine of the Finnish economy but does have a big influence on regional development. Here are couple of examples of what Finland could do to promote business in its northern areas and enhance competitiveness and attractiveness of the region.

First of all, the EU-Canada Comprehensive Economic and Trade Agreement (CETA) will improve the trade between Finland and Canada. The European Parliament voted in favour of it on 15 February 2017 and when it comes to force it removes customs and barriers of entry. Canada has a demand of arctic supplies and technology that Finland has great expertise on and these opportunities should be explored.

Secondly, Finland and Sweden should work together to ensure that the countries are included in EU’s Trans- European Transport Network (TEN-T) plans. Together the countries have more power and the plans would benefit both countries as long-distance transportation and infrastructure plan is another tool to create sustainable economic growth in the Arctic. The reason for this is that one of the biggest stumbling stones for the economic development in the Arctic is the lack of efficient infrastructure. In practice the plan would mainly mean a railroad, Polar Sea Railway, which could transport goods straight to the Arctic Ocean and thus be a direct link to the Northern Sea Route (NSR). Gaining access to the new arctic passage would bring Finland closer to the global logistics and therefore be crucial for the future development.

Furthermore Sweden, Finland and Norway should deepen their strategic partnership. There is a shortage of labour force in the northern areas of these countries and they have a lot in common in terms of expertise and knowhow. Strategic partnership between the countries in this case would be economic-related and each country would benefit from it. There are three main things to be set up: mutual regulatory system, mutual knowhow and labour force. Mutual regulatory system would help in cross-border projects i.e. in construction. The mutual knowhow and labour force pool would ensure that the competencies and job vacancies would find each other easier.

When it comes to Finland, arctic development is not separate from overall economic development. When arctic business environment is developed it also develops the whole Finnish economy. The fact is that at the moment the political business environment constrains the development in the Arctic and the Arctic business environment especially what it comes to the arctic sea routes. However, it is clear that the sea routes will eventually become more important as the climate change progresses, the arctic marine technology develops and the Polar Code and other regulatory systems make the routes profitable to operate. Thus, this should be kept in mind. By focusing in other development areas suggested here for example Finland would be ready and ahead of the game when the development in the Arctic picks up again.
Centrum Balticum Foundation 2007-2017: “Making the most of the Baltic Sea region”

Centrum Balticum Foundation (CBF) celebrates its 10th anniversary in 2017. In this article, 10 current activities and functions of CBF are briefly introduced.

1. Centrum Balticum Foundation is the lead partner in “Let’s communicate!” project, which functions as the Communication Point of the EU Strategy for the Baltic Sea Region (EUSBSR). Thus, CBF has a key role in communicating the progress of the first EU macro-regional strategy. The project maintains the communication channels of the EUSBSR and is the driving force of developing communications within the EUSBSR framework. It is the main contact point for the key stakeholders of the EUSBSR in communications-related issues and for external audiences who wish to join in the strategy framework as well.

2. The Turku Process Secretariat, operating under Centrum Balticum Foundation, works to intensify co-operation between North West Russian and EU actors in the Baltic Sea Region. The Turku Process is an initiative of City of Turku, Regional Council of Southwest Finland, City of St. Petersburg, and City of Hamburg. In 2013, the City of Turku and the Turku Process Secretariat were nominated in the EUSBSR as the co-ordinator for the strategy’s horizontal action “Neighbours”.

3. The Baltic Sea Challenge is a network initiative by Mayors of City of Turku and City of Helsinki. Since 2007, this initiative has joined together more than 250 organisations around the region committed to Baltic Sea protection. The network, based on cost free and voluntary collaboration, facilitates water protection work by creating tools for best practice sharing and communications, such as www.waterprotectiontools.net.

4. The Protection Fund for the Archipelago Sea finances small and medium-sized projects targeting the eutrophication of the Finnish Archipelago Sea through concrete action or awareness raising. Since its establishment, the protection fund has financed nearly 50 projects, and it has allocated almost €500,000 to water protection work.

5. Operating under the umbrella of CBF, Baltic Area Legal Studies BALEX works with the legal issues concerning the world’s most regulated sea area, the Baltic Sea. Up to six layers of regulation are acting in parallel in the Baltic Sea region but the amount of regulation does not necessarily assure its efficiency. Currently, BALEX conducts research on sanctions regarding airborne emissions and the regulation regarding shipwrecks and the environmental hazards they cause.

6. The publications of Centrum Balticum Foundation focus on various themes related to the Baltic Sea region. Weekly BSR column “Pulloposti” in the Finnish language is subscribed by approximately 10,000 readers. In the English language BSR Policy Briefing series experts offer recommendations to policy makers. CBF also supports the publication of Pan-European Institute, Baltic Rim Economies.

7. Centrum Balticum Foundation organises numerous events of which the annual Baltic Sea Region Forum of Finland is the most well-known. Our other events, such as luncheon seminars with ambassadors, also provide platforms for exchange of knowledge.

8. The countries of the Baltic Sea region face similar challenges. Therefore, Centrum Balticum Foundation has invited over 30 experts from all Baltic Sea region countries to its international Advisory Board. The board serves as a cross-sectoral platform for discussion and creation of future visions. The Advisory Board is chaired by Tarja Halonen, President of Finland 2000-2012.

9. Centrum Balticum Foundation is an active communicator of the Baltic Sea region. Media monitoring on the Baltic Sea region keeps followers updated on the latest headlines concerning the region in Finnish, English and Russian languages. A calendar of events, for which anyone can add their seminars and such, is found on the homepage as well.

10. Centrum Balticum Foundation has created a databank, including a wide collection of expert articles, presentations and reports related to the Baltic Sea region. In addition, an expert database of Baltic Sea region specialists of different fields is found on the homepage of CBF as well. CBF has recently created an investment promotion portal, offering basic information for investors and companies interested in the Baltic Sea region.

The Centrum Balticum Foundation has developed rapidly during this decade. I am confident that such a positive trend continues, since the founders of CBF, the advisory board, the staff, and our partners are committed to the core function of CBF, i.e. “Making the most of the Baltic Sea region”. For example, by donating money to environmental protection, by sharing your knowledge through writing an article or by participating in our events, you may aid us in implementing the aforementioned task. Visit our website or contact us.

www.centrbalticum.org/en