On the Directions and Prospects of Cross-Border Cooperation Between Russia and the EU Countries in the Baltic Region

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Abstract

The Baltic Sea is being gradually enclosed by an international macroregion—an arena for rapidly developing transnational and transboundary cooperation. The Baltic macroregion includes eight members of the European Union and one non-EU country—Russia. The EU pursues the policy aimed at development of socioeconomic ties between the Baltic EU member states and their regions. Russia and its Baltic territories are taking an active part in international cooperation. In this article the forms of such cooperation are considered. Current political tension between Russia and the West is complicating mutually beneficial collaboration. The data presented in the article demonstrates the declining volumes of trade between Russia and other countries of the macroregion in 2015–2016 and a growth therein in 2017. In 2010–2016, the level of investments from the EU Baltic countries in Russia decreased. In 2016, Russian investment in these states declined too. Social contacts reduced in intensity, although collaboration in major areas continued. The year 2017 saw some positive changes in bilateral trade. Projects aimed at boosting cross-border cooperation between Poland and Russia and Lithuania and Russia are being devised in 2018 which gives grounds for hope that the EU—Russia collaborations in the Baltic will pick up steam.

Keywords

Baltic region · Transboundary cooperation · International trade volume · Foreign investment · Russia · European union

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Introduction

Spreading rapidly since the mid-20th century, globalisation entailed international regionalisation. The Baltic region is one of the world leaders in this regard—the Baltic Sea is being gradually enclosed by a transnational macroregion. Nine countries on it shores are creating transboundary meso- and microregions. This process is supported by international cooperation across almost all the areas of production and social contacts. Regionalisation is associated with greater international competitiveness of the countries and regions involved.

In this article, I summarise findings obtained by geographers, economists, and political scientists at the Immanuel Kant Baltic Federal University. Many of the studies considered are collaborations between researchers from Russia and the other countries of the region. Most of the findings were published in the University's Scopus and WoS-indexed *Baltic Region* journal. Some of the results were discussed at international conferences. In this work, I examine forms of cooperation that contribute to a stronger Baltic region and emphasise resultant benefits to all the parties involved.

Forms of International Cooperation in the Baltic

In the 1990s, after the dissolution of the USSR, and even in the early 2000s, many Russian and international experts expected the Baltic region to become an arena for active cooperation among all the local countries, including Russia. Indeed, all kinds of ties were developing in the region. The Kaliningrad region devised a strategy that envisaged it as a territory of international collaborations (Government of the Kaliningrad Region 2003).

The forms of Baltic cooperation that involve—to a degree—Russia's regions and their municipalities, economic entities, and NGOs are as follows:

– membership in the Council of Baltic Sea States. Established in 1992, the Council brings together 9 countries bordering the Baltic Sea, as well as Norway, Iceland, the European Commission, and eight observer states (The Council of the Baltic Sea States 2017);
– collaborations within the Visions and Strategies around the Baltic Sea (VASAB) programme (Visions and Strategies around Baltic Sea 2017);
– Russia–EU projects within transboundary cooperation programmes. The 2007–2013 Russia–EU projects—'Estonia—Latvia—Russia', 'Lithuania—Poland—Russia', 'Karelia','Colarctic', 'South-East Finland—Russia'—included 200 projects aimed to boost small and medium businesses, to support local cultures and traditions, and to prepare recommendations for the development of border regions. Over 50 large infrastructure projects focused on the equipment of border checkpoints, the development of transport networks and tourism infrastructure, and finding solutions to environmental problems.

In 2018, local actors are preparing project applications within the Russia-EU cross-border cooperation programme for 2014–2020. Although the previous programme included both bi- and tri-lateral project, the new one encompasses only bilateral ones, namely, Karelia, Colarctic, Russia—Latvia, Russia—Lithuania, Russia—Poland, Russia—Estonia, and Russia—South-East Finland (Russia-EU cross-border cooperation programs) (Russia-EU Cross-Border Cooperation Programs 2017). Moreover, Russia is a participant in the Interreg Baltic Sea Region transboundary cooperation programme;

– euroregions with Russian participation (Fedorov 2012).

Popular forms of transboundary cooperation in Europe, euroregions are associations of municipalities and other administrative units that coordinate their actions based on cooperation agreements in different areas within regional competences. In the 1990s-early 2000s, seven euroregions with Russian participation were created (Table 1).

– local border traffic. Russia has concluded agreements with Norway and Latvia. The agreement with Poland, which was in effect in 2012–2016, was suspended on the initiative of the national Polish authorities, despite protests from the general public and the authorities of border districts. The agreement boosted the transboundary traffic. In 2014, 4.7 million crossings were carried out within the local border traffic regime (Gumenyuk et al. 2016);
– bilateral and multilateral collaborations among educational institutions and research, cultural, and sports centres. Unique to the Baltic region, the 'Baltic University' education programme was initiated by Uppsala University, Sweden (Baltic university programme 2017). The programme coordinates environmental, and international cooperation, and other actions of universities situated within the catchment area of the Baltic Sea rivers;
– international cooperation and workshops on a range of problems of mutual interest.

Table 1 Euroregions with Russian participation in the Baltic macroregion

No	Euroregion	Founded	Participating countries
1	Neman	1997	Poland, Lithuania, Belarus, Russia
2	Baltic	1998	Poland, Lithuania, Sweden, Denmark, Russia
3	Saule	1999	Lithuania, Latvia, Russia, Sweden
4	Karelia	2000	Finland, Russia
5	Łyna-Ława	2003	Poland, Russia
6	Šešupė	2003	Russia, Lithuania, Poland, Sweden
7	Pskov-Livonia	2003	Russia, Estonia, Latvia

Source Zaukha et al. (2008)

International Trade

The pillars of a consolidated Baltic region are international economic ties and, particularly, trade and foreign investment.

The Baltic region states are Russia's major trade partners. In 2017, they accounted for 16.8% of the country's international trade. Germany's contribution is estimated at half of this proportion (8.6%). For a long time, the country was Russia's largest trade partner. However, today, it has lost its position to China (14.9%). In terms of bilateral trade with Russia per capita, Latvia ranks first, Finland second, and Estonia third among the Baltic region states. Germany outperforms only Poland and Sweden (Table 2).

Unfortunately, the confrontation between Russia and the West, which has been taking place over the past decade, did not contribute to economic cooperation. Both parties have sustained significant loses. Figure 1 shows a steep reduction in Russia's bilateral trade with all the other Baltic region countries in 2014–2016.

The year 2017 saw a growth in Russia's trade with the Baltic region countries (Fig. 2). The most significant increase was observed in bilateral trade with Denmark. However, none of the countries could regain the level of 2014. Moreover, Russia's bilateral trade with Latvia and Estonia shrank further that year.

A reduction in the bilateral trade between Russia and the other Baltic region states in 2014–2016 is largely explained by the plummeting rouble—a result of falling oil prices. Other reasons for such a reduction are the worsening relations between Russia and the EU (and the West in general), western sanctions, and Russian countersanctions. Thus, in 2013–2017, the contribution of the Baltic region countries to Russia's international trade dwindled from 18.6 to 16.8% and that of all the EU member states from 49.0 to 42.2%. Note that, in 1994, the Baltic region countries comprised 23% and, in 2007, 20.6% of Russia's international trade (Rosstat 2017a).

Table 2 Russia's bilateral trade with other Baltic Sea countries

Country	Proportion in Russia's international trade, %	Bilateral trade with Russia per capita, USD
Germany	8.6	0.6
Poland	2.8	0.4
Sweden	0.7	0.7
Denmark	0.7	0.4
Finland	2.1	2.3
Lithuania	0.6	1.2
Latvia	0.9	2.7
Estonia	0.4	2

Prepared by the author based on The Federal Customs Service (2017)

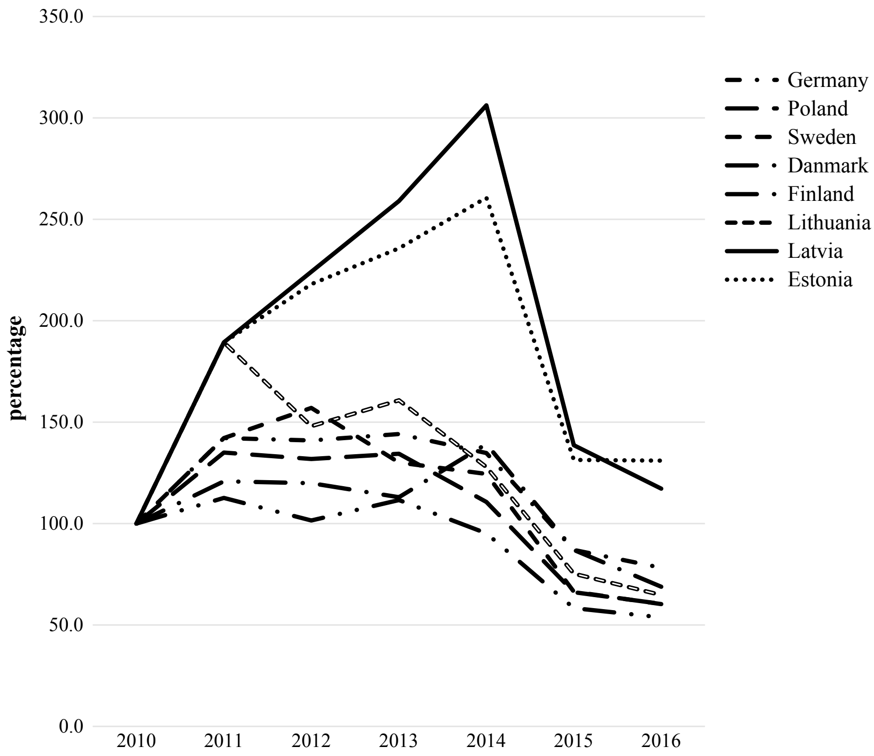

Fig. 1 Dynamics of Russia's bilateral trade with other Baltic region countries, 2010–2016 (% of the 2010 level). Prepared by the author based on The Federal Customs Service (2017)

Foreign Investment

Just like in the case of international trade, the contribution of the EU member states, including those of the Baltic region, in foreign investment in Russia is decreasing. Russian investment in these countries is dwindling too. At the same time, Russia is witnessing increasing investment from China and Japan, with the EU states keeping their leadership position (Evstigneeva 2017).

In 2016, the Baltic region states accounted for half of the increase in the EU's foreign direct investment in the Russian economy. The increase in Russia's direct investment in the region comprised 64% of the increase in their investment in Russia. In terms of the increase in investment in Russia, Sweden ranks first, Finland second, and Germany third among the Baltic region countries. Germany, Denmark, and Sweden saw the greatest rate of increase in investment from Russia (Rosstat 2017b).

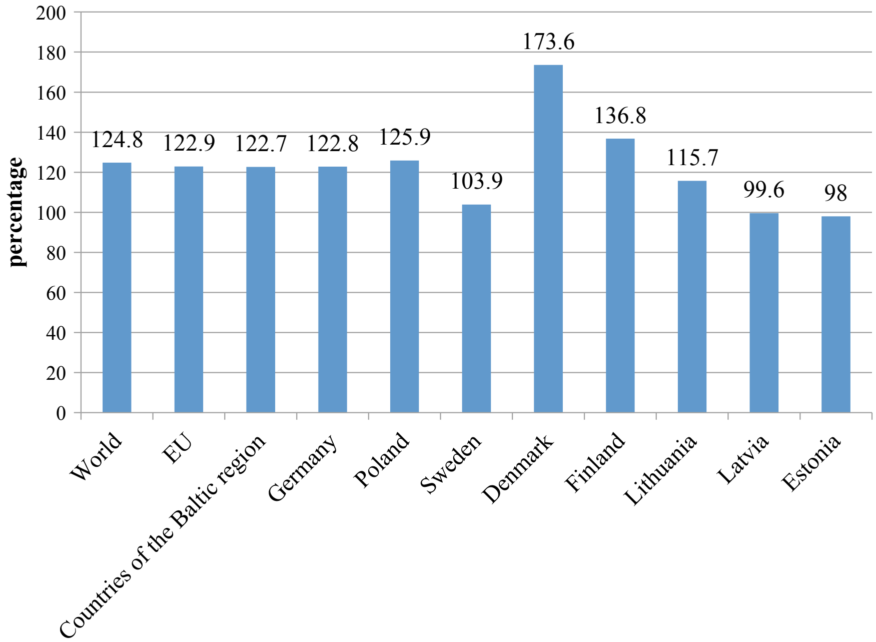

Fig. 2 Changes in Russia's bilateral trade with the Baltic region countries in 2017, % of the 2016 level. Prepared by the author based on The Federal Customs Service (2017)

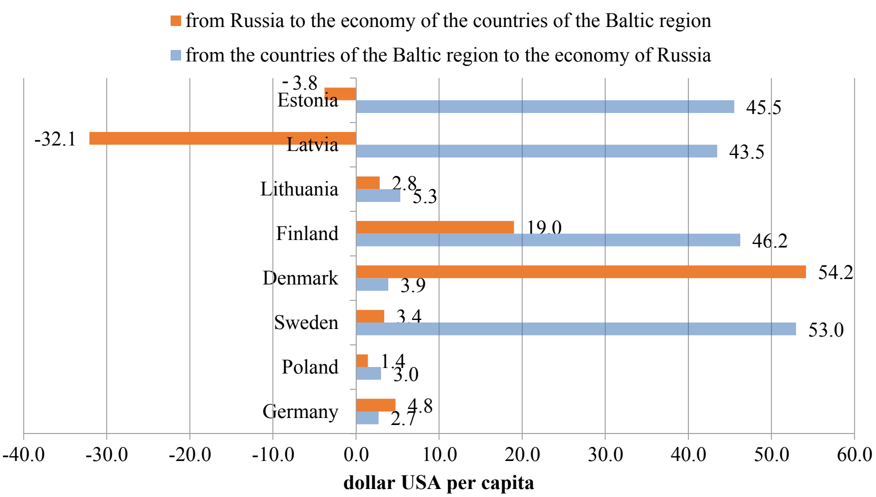

Fig. 3 Mutual investment from Russia in other Baltic region states per capita, 2017. Prepared by the author based on Rosstat (2017b)

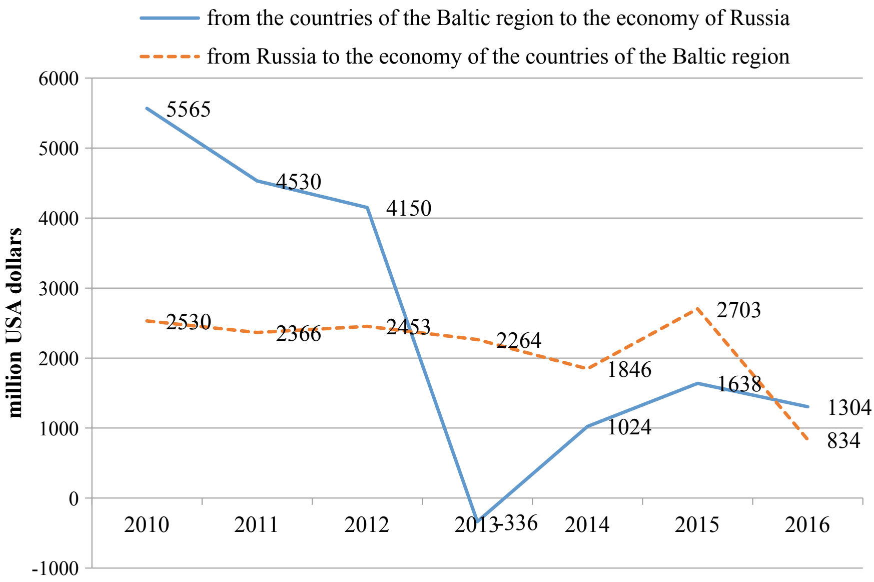

Fig. 4 Dynamics of foreign direct investment in Russia from the Baltic region countries, 2010–2016. Prepared by the author based on Rosstat (2017b)

As to investment in the Russian economy per capita, the 2016 leaders were Sweden, Finland, Estonia, and Latvia, whereas Denmark accounted for the most considerable investment from Russia per capita (Fig. 3).

The worsening political relations between Russia and the EU had a negative effect on mutual investment. However, the investment in Russia from the Baltic region countries started to decrease before 2014, whereas Russia's investment in the region shrank only in 2016 (Fig. 4).

Conclusion

I hope that economic interests and the ambition to become more competitive in the world market will encourage the EU to lift anti-Russian sanctions (which will lead to Russia cancelling its counter-measures) and help the parties to return to the development of mutually beneficial ties. The Baltic region provides a favourable background for intra- and cross-industry clustering, the development of territorial production systems and transboundary regions with Russian and EU participation, and stronger innovation collaborations. A better spatial organisation of the region—the target of the VASAB and Interreg programmes—can contribute to regional competitiveness in the world markets. There is still an untapped potential for mutual investment and joint ventures. Closer cooperation has great prospects in innovations, tourism, education, culture, and sports.

The Baltic is still witnessing the emergence of international regions of different hierarchical levels, including the Baltic transnational regions and transboundary meso- and microregions. Alluring prospects lie in the creation of Russian-Polish-Lithuania region in the South-East Baltic and mesoregions at the Russian borders with Belarus, Latvia, Estonia, and Finland. Within these regions, collaborations among Russian, Polish, and Lithuanian municipalities may give rise to microregions, for instance, a Vistula Lagoon or a Vištytis microregion in the South-East Baltic.

The potential participation of Russia's coastal region in international macro-, meso-, and microregions is taken into account in proposals for the creation of transboundary production systems within the South Baltic and East Baltic 'growth triangles' (Kivikari 2001). In developing the idea of a Tricity (Gdańsk—Gdynia—Sopot)—Kaliningrad bipolar territorial system, which had been proposed by the Polish economic geographer from the University of Gdańsk, Tadeusz Palmowski (Palmowski 2004), Kaliningrad scholars introduced a tripolar model that included Lithuania's Klaipėda (Fedorov et al. 2008). The geographical closeness of Saint Petersburg, Helsinki, and Tallinn gives ground to hope for a similar tripolar model to be developed in the north. The benefits of industrial cooperation may encourage businesses from the three countries to expand and develop mutual connections that will once transform into a tripolar system.

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