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**COMMUNICATION FROM THE COMMISSION
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT**

concerning the

European Union Strategy for the Baltic Sea Region

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1. INTRODUCTION

Eight of the nine states bordering the Baltic Sea are members of the European Union. The introduction of Community rules, and the opportunities created by Community instruments and policies (for example cohesion policy, environmental policy, the internal market and the Lisbon Agenda) have opened important new possibilities. However, even with good levels of international and inter-regional contacts and communication, it has been hard to work together in a co-ordinated manner to take full advantage of these opportunities and adequately address the challenges.

Recognising this, the European Parliament published a report in late 2006 calling for a strategy for the Baltic Sea Region. On 14 December 2007 the European Council in its Presidency Conclusions invited the Commission to present a European Union strategy for the Baltic Sea region no later than June 2009. This followed increasingly visible degradation of the Baltic Sea itself but also the need to address the potential of the disparate development paths of the countries in the region.

The European Council set three parameters for the Commission in its development of the strategy. It should be without prejudice to the Integrated Maritime Policy endorsed in the same Conclusions, it should *inter alia* help to address the urgent environmental challenges related to the Baltic Sea, emphasising the importance of regional specificities and the Northern Dimension framework should provide the basis for the external aspects of co-operation in the region.

This Communication presents the strategy requested by the European Council. It should be read with the indicative action plan. The strategy and the proposed actions and flagship projects have been prepared following intensive consultation of Member States and stakeholders. The Commission has also endeavoured to keep non EU Member States in the region fully informed of the preparations for this strategy.

2. CHALLENGES AND OPPORTUNITIES

2.1. Challenges

Many challenges require action at the level of the Baltic Sea Region: responses at national or local level may be inadequate. Concerning the environment, highlighted by the European Council, particular attention is given to the impact of excess nutrients in the Baltic Sea itself leading to eutrophication and algal blooms. There is also damage to the ecological balance due to overfishing, land-based pollution, rising sea temperatures, hazardous substances and other pressures. Adaptation to climate change is also a growing challenge. These impacts are

now so widespread that leisure activities and small scale commercial uses suffer in many areas. So altogether four key challenges have been identified:

- To enable a sustainable environment
- To enhance the region's prosperity
- To increase accessibility and attractiveness
- To ensure safety and security in the region.

The main economic challenges are to overcome the wide disparities (and hence realise the high potential) in research and productive innovation and to remove impediments to the single market. Priority issues for accessibility are the improvement of networks, ending the energy isolation of parts of the region, and ensuring sustainability of transport modes. Finally, priorities in the field of safety are to reduce risks posed to the region's citizens, infrastructure and environment by hazards, in particular accidental marine pollution and organised crime.

2.2. Opportunities

The region is not just confronting challenges: it also has significant potential that can be better used. This includes a very well-educated workforce, expertise in innovation – especially in knowledge-based industries – a spacious and relatively unspoilt land environment rich in natural resources and a strong tradition of intra-regional cooperation. Networking among research funding agencies from all EU Baltic States, supported by the Research Framework Programme, provides a sound basis for collaboration in research and knowledge transfer within the Region. The framework provided by European Union policies and law provides a strong base on which to build more effective cooperation. For example designation of the Baltic Sea as a Particularly Sensitive Sea Area will help to ensure sustainable growth of shipping and other maritime activities.

3. THE STRATEGY: AN INTEGRATED FRAMEWORK TO ADDRESS THE CHALLENGES AND OPPORTUNITIES OF THE BALTIC SEA REGION

The analysis conducted by the Commission¹ shows:

- An integrated approach is necessary for the sustainable development of the Baltic Sea Region. The issues are interrelated: for example, improvements to the sea quality bring increased employment due to more marine business potential, which will require better transport links. Through an integrated strategy, everyone can identify benefits for their specific interests from a common approach.
- Coordination of Community programmes is a key ingredient, especially at times of crisis, to ensure that funds and policies in the region contribute fully to the strategy. Moreover results of research programmes in the area must be fully integrated into other programmes and policy areas.

¹ Staff Working Paper on a European Union Strategy for the Baltic Sea Region: forthcoming

- Within the existing financial and legal framework, there are great opportunities for effective action through closer cooperation and co-ordination.
- The strategy should include specific actions to respond to the challenges. These will be undertaken by stakeholders in the region, including governments and agencies, municipalities, international and non-governmental organisations.
- The strategy is an internal strategy addressed to the European Union, including recommendations for the Member States. The effectiveness of some of the proposed actions will be enhanced by continuing constructive cooperation with interested third countries in the region. Existing well functioning structures, notably but not exclusively within the Northern Dimension, provide the framework for the EU to pursue further cooperation with these countries.

So the Strategy should provide an integrated framework that allows the European Union and Member States to identify needs and match them to the available resources through co-ordination of appropriate policies. This will enable the Baltic Sea Region to enjoy a sustainable environment and optimal economic and social development.

The Commission therefore proposes an indicative action plan, fully discussed with the Member States and regional stakeholders, that will support implementation of visible projects. The action plan is organised around the four pillars described below. It is, however, an integrated strategy; the proposed actions often contributing to more than one identified objective. The individual actions and flagship projects have been selected for their fast implementation and impact.

4. BACKGROUND AND CONTEXT

4.1. Geographical coverage

The strategy covers the macro-region around the Baltic Sea. The extent depends on the topic: for example on economic issues it would involve all the countries in the region, on water quality issues it would involve the whole catchment area, etc.. Overall, it concerns eight Member States (Sweden, Finland, Estonia, Latvia, Lithuania, Poland, Germany and Denmark) with vital interests in the region. Close cooperation between the EU and Russia is also necessary in order to tackle jointly many of the regional challenges. The same need for constructive cooperation applies also to Norway and Belarus.

4.2. Relevant policies

Many European Union policies and programmes are important in the region and we expect these to be key elements in the strategy. Among these is Cohesion Policy, which contributes over € 50 billion to the region in 2007-2013. The Common Fisheries Policy (CFP) directly contributes another € 1.25 billion. The Commission plans to work with the managing authorities to help them ensure that allocations are aligned with the strategy. Preparation of the strategy has been closely co-ordinated with the Maritime Policy and related actions form a significant component of it. The Arctic region has strong links with the Baltic Region through its interaction with the Barents Euro-Arctic Region. The Marine Strategy Framework Directive and the HELCOM Baltic Sea Action Plan guide the interventions on the environment, keeping in mind EU common policies affecting the marine environment such as agriculture, fisheries, transport. The Common Agricultural Policy, in particular through rural

development, contributes to the objectives of making the Baltic Sea Region an environmentally sustainable and prosperous place. The Single Market policies and the Lisbon Agenda will provide the inspiration for relevant parts of the strategy especially the section related to prosperity while the European Research Area created by the 7th Framework Programme will provide a sound scientific basis for sustainable management of the Baltic Sea basin. The Trans-European Networks for transport and energy are the backbone of the accessibility and attractiveness pillar. Cooperation on fisheries with Russia will be promoted, where relevant, under the framework of the EU-Russia agreement on fisheries.

5. RESPONSE

Guided by the almost unanimous position of respondents to the consultations, from every level and type of partner, we are convinced that these challenges and opportunities can best be addressed by an integrated multisectoral regional strategy. The range of issues makes this an ideal case for the application of a territorial cohesion approach, as requested in the informal meeting of Ministers at Leipzig in 2007.

The Baltic Sea Region is a good example of a macro-region – an area covering a number of administrative regions but with sufficient issues in common to justify a single strategic approach. Other areas of the European Union are beginning to self-identify as macro-regions and the approach adopted in this strategy will offer important lessons as to the potential of the macro-regional approach.

This follows the territorial cohesion proposals of the Commission in the Green Paper of October 2008, whereby interventions are built around the needs of functional regions rather than according to pre-determined financial and administrative criteria. This form of macro regional approach also provides the EU with an innovative policy instrument, which could serve as a good example of efforts to achieve common EU objectives and a more effective coordination of territorial and sectoral policies based on shared territorial challenges.

We can group the needed actions into the four pillars below plus a section addressing horizontal issues. This grouping is only for ease of analysis: every pillar relates to a wide range of policies and will have impacts on the other pillars.

5.1. An environmentally sustainable region

The Baltic Sea is one of the largest bodies of brackish (part saline) water in the world with significant salinity differences between sub-basins. It is relatively shallow (average depth of 50 metres compared with the Mediterranean's 1500 metres) and almost completely enclosed. Only 3% of the water (by volume) is exchanged each year – i.e. more than 30 years for the total volume. Rivers drain a land area four times larger than the sea itself with a population of nearly € 90 million.

The unique features of the Baltic Sea, and its environmental pressures, demand a macro-regional approach to combat its long-term deterioration. This has been long-recognised, including through joint action in HELCOM, although there is a need for increased coordination among sectoral policies.

The Baltic Sea

Available data suggest that pressures such as pollution by nutrients, predominantly nitrates and phosphates, cannot easily be absorbed but will have rapid and visible impacts. The increasing algae blooms, covering more of the sea each summer, are the result. These algae consume oxygen at the expense of fish and other forms of life. This problem has been recognised for many years but so far the initiatives taken have not been effective enough due to increased population pressure, insufficient targeting of the agricultural measures to intensive agricultural areas and a time-lag before the measures show significant results.

Fishing activities pose another significant impact on the eco-system. Stocks of some species have significantly declined and certain fishing practices cause incidental catches of non target species or destroy habitats. Establishing an ecosystem-based management approach and using CFP provisions to minimise the effect of fishing on marine environment will support the conservation of the Baltic ecosystem, taking into account the HELCOM Baltic Sea Action Plan. The fishing fleet should be in balance with available resources.

The Action Plan covers the following priority areas: (1) To reduce nutrient inputs to the sea to acceptable levels; (2) To preserve natural zones and biodiversity; (3) To reduce the use and impact of hazardous substances; (4) To become a model region for clean shipping; (5) To mitigate and adapt to climate change.

5.2. A prosperous region

The region is united by the sea. But it is also clearly divided between a prosperous, highly innovative North and West and a developing East and South. However, the differences between the most successfully innovative regions in the EU, in the Nordic countries and Germany, and the regions with well-educated young people and deficient infrastructure in Poland and the three Baltic States, provide opportunities for complementary co-operation and development of great benefit to all sides. In particular, such co-operation should provide real business opportunities to SMEs, especially those working in innovative fields.

The European Union is confronting a severe economic crisis. It needs to profit from the internal market on one hand and maximise the opportunities from innovation on the other. The strategy offers the opportunity to further reduce the barriers to trade and draw greater benefits from the Single Market and to exploit the potential of wide innovative disparities.

Main issues concerning prosperity

Remove barriers to trade: Due to small national markets in the Baltic, it is essential to upgrade the business environment to stimulate development of local enterprises and attract foreign investors. Despite the internal market, practical obstacles to trade in goods and services still exist. Consultations and analysis carried out to prepare the 2007 Single Market Review show that in some areas and sectors the Single Market legal framework is not yet functioning as well as it should. Improvement will be particularly important for SMEs. Efforts are also needed to facilitate cross-border movement of goods and remove language barriers.

Foster innovation: The East – West division in innovation capacity across the Baltic Sea is reflected in the last European Innovation Scoreboard (EIS 2007). Transfer of knowledge and competence and deepened cooperation from the Nordic countries and Germany as innovation top-performers can greatly help the strong catching up of Poland and the Baltic states. Together we can create a dynamic environment for further enhanced innovation performance by strengthening trans-national cooperation in different fields such as research, clusters and services innovation.

The Action Plan covers the following priority areas: (1) To remove hindrances to the internal market in the Baltic Sea Region; (2) To exploit the full potential of the region in research and innovation; (3) To promote entrepreneurship, strengthen SMEs and increase the efficient use of human resources; (4) To reinforce sustainable agriculture, forestry and fishing

5.3. An accessible and attractive region

The Baltic Sea itself, and the low-lying land around it, have provided routes for trade and communication through history. The post 1945 division was an interruption to a pattern of open contacts that has resumed in the 1990s. Massive investment has followed in the last two decades but there is still much to be done before the infrastructure endowment reaches the levels normal elsewhere in the Union. Land and sea routes still need to be made more straightforward and environmentally friendly. The east and north remain too isolated from the rest of the Union. The region is also increasingly a gateway to Asia. Energy supply and security is a particular concern: though some countries in the region have substantial indigenous sources of energy, most must rely on imports. Therefore, interconnections need to be more robust to offset interruptions or other shocks. Human relationships are also important and can be strengthened by actions in the fields of education, tourism and health.

Main issues concerning transport and energy

Transport: Accessibility is low in many parts of the region: Northern Finland, Sweden and the Baltic States, have the lowest accessibility rates in the whole of Europe in both internal and external relations. The causes are the large size of the region, resulting in long travel distances and times, and difficult geographical and climate conditions. Low infrastructure or service density implies high prices. Improvements must be through sustainable modes of transport.

Energy: The energy markets lack appropriate infrastructures and are too nationally oriented instead of being linked across the region. This creates higher energy supply risks and prices. In addition, for the internal energy market to function well, countries need to be interconnected. However, the three Baltic States (Estonia, Latvia, Lithuania) are isolated from the wider energy networks of the region and the rest of the European Union.

The Action Plan covers the following priority areas: (1) To improve the access to, efficiency and security of the energy markets; (2) To improve internal and external transport links; (3) To maintain and reinforce the attractiveness of the Baltic Sea Region in particular through education, tourism and health.

5.4. A safe and secure region

The region's safety and security environment will continue to experience significant changes during the coming years: Maritime traffic is expected to increase, thus increasing the risk of accidents and vulnerability to pollution. Cooperation already exists, but should be strengthened to make the region a world-leader in maritime safety and security. A maritime disaster such as the 'Erika' shipwreck would have a catastrophic effect. The expansion and deepening of EU cooperation in criminal matters, means that regional activity in combating crime should focus on intensified practical cross border cooperation. Finally, the region must be prepared for the expected increase in extreme weather events as a result of climate change.

Main issues concerning safety and security

Accidental or deliberate marine pollution: Due to its strategic position, the Baltic Sea Region is a natural route for oil transport, in particular from Russia. Between 1995 and 2005, oil shipping in the Gulf of Finland has increased by 4 times and significant growth is expected to continue. There is also an increasing trend towards transport of liquefied natural gas. These activities carry risks for the environment, especially in difficult winter conditions. In 2007 there were 120 ship accidents in the Baltic Sea. Further actions are still needed to improve cooperation, coordination and the coherence of maritime safety and surveillance agencies and disaster response.

Cross border crime The region's crime patterns are influenced by its position between EU and non-EU criminal environments, the variation in economic and social conditions in the region, difference in prices of excisable products, along with the openness and ease of access that is a feature of intra-Community relations. These factors put special responsibilities on those Member States with external borders, especially since the abolition of checks at internal borders. All Member States need to take cooperative measures to safeguard internal security.

The Action Plan covers the following priority areas: (1) To become a leading region in maritime safety and security; (2) To reinforce protection from major emergencies at sea and on land; (3) To decrease volume of, and harm done by cross border crime.

5.5. Horizontal actions

A number of actions are fundamental to the entire strategy. Those that relate to integrated application of Community policies such as for instance maritime and land-based spatial planning and the BONUS-169 project combining an ecosystem approach with an effective science/policy interface funded under FP7 will be monitored closely.

6. IMPLEMENTATION AND GOVERNANCE – FROM WORDS TO ACTIONS

6.1. Consultation process

The Commission has engaged in an intensive consultation process which has had three principal components: non-papers from governments and other official bodies in the region; stakeholder events to allow official, NGO and private sector participants to contribute their expertise; public consultation through the Europa web site which elicited a very wide response.

The messages were clear:

- No new institutions. The Baltic Sea Region has many cooperative structures: we should not create new ones that could impose added administrative overhead without contributing to effective action.
- Not just a strategy. There must be actions – concrete, visible actions –to overcome the challenges facing the region. In its action plan, therefore, the Commission insists that Member States and other stakeholders take responsibility as lead partners for specific priority areas and flagship projects, for example by developing integrated maritime governance structures in line with the Integrated Approach to Maritime Policy.
- European Commission involvement. This should go beyond its normal responsibilities of monitoring the implementation of funding programmes and the transposition of Directives.

The Commission could fulfil the need for an independent, multi-sector body that can guarantee the necessary co-ordination, monitoring and follow-up of the action plan, as well as a regular updating of the plan and strategy as necessary.

6.2. Governance and implementation proposals

In the light of these conclusions we make the following proposals on governance and implementation:

- **Policy development:** As Member States come together to cooperate on concrete measures, general oversight will be within Community structures, with periodic reports made to the European Council.
- The Commission will be responsible for **co-ordination, monitoring and follow-up**. In partnership with the stakeholders of the region, it should prepare regular progress reports, and use its power of initiative to make proposals for adaptation of the strategy and action plan whenever these are required. Coordination should keep under review how the use of funds is contributing to the priorities of the strategy. A review of the strategy and the implementation of the Action Plan is foreseen in 2011.
- **Implementation on the ground** – the responsibility of the partners already active in the region – will be further aligned with the objectives and targets of the strategy. The Commission will work in partnership with Member States and regions, international financing institutions, transnational programming bodies and inter-governmental organisations such as HELCOM to identify coordinating bodies at the level of priority areas and lead partners for flagship projects.
- In order to maintain the high level of involvement of all the stakeholders in the region, clearly evident during the consultation exercise, there will be an **annual forum** to bring together partners concerned with different aspects of the strategy, including from interested third countries, and to make recommendations on implementation.
- Finally, **relations with third countries** should be conducted primarily through the Northern Dimension but with the option to use alternative channels when they are useful.

6.3. Practical implementation

These arrangements will lead to efficient policy co-ordination, more effective application of Community legislation and better co-ordination of funding instruments. The Commission is not proposing additional funding or other resources at this time. However, some of the specific actions and projects will require financial support. A major source is the Structural Funds² available in the region – most programmes already allow actions envisaged in the strategy. Programming authorities can review the allocation criteria and facilitate the selection of projects aligned with the strategy. Further, the Commission will welcome appropriate modifications of the programmes where necessary.

We envisage a similar approach for other European Union programmes, such as the Research Framework Programme, the European Economic Recovery Plan and policy-oriented funds. In

² European Regional Development Fund, Cohesion Fund, European Social Fund, European Agricultural Fund for Rural Development, European Fisheries Fund

addition, Member States have agreed to examine funding projects and actions aligned with the Strategy priorities from their own resources. The European Investment Bank and other international and regional financial institutions, such as the Nordic Investment Bank and the European Bank for Reconstruction and Development, could also contribute.

7. CONCLUSION

The analysis described above demonstrates the need for a common strategic vision to guide future territorial development at macro-regional level. It is clear that no one acting alone can apply the range of measures necessary to confront the challenges and exploit the opportunities of the region. We are convinced that a strategy for the Baltic Sea Region, consisting of the approach and actions described above are essential to protect the Baltic Sea and to exploit fully the opportunities open to the region.

The Commission therefore invites the Council to examine and endorse this Communication and the related Action Plan.