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Dear Mr. Gizard,

I am pleased to send you herewith a copy of the Baltic Sea Region Initiative, which has been adopted by the Commission on 10 April 1996.

It will be presented by President Santer at the Visby Summit on 3-4 May. The Commission will thereafter report to the European Council in Florence.

Yours sincerely,



Pierre Mirel

Head of Unit

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BALTIC SEA REGION INITIATIVE

European Commission

10.04.96

1. INTRODUCTION

The objective of this document is to present an initiative to strengthen political stability and economic development in the Baltic Sea region. It was prepared at the request of the Madrid European Council which invited " the Commission to propose a suitable regional cooperation initiative to be presented to the Heads of State and of Government of the Council of the Baltic Sea States (CBSS) at their Conference in Visby on 3 and 4 May 1996, and thereafter report to the European Council in Florence."

The paper builds on the Commission's Communications of October 1994, "Orientations for a Union Approach towards the Baltic Sea Region", and the "Current State of and Perspectives for Cooperation in the Baltic Sea Region", presented by the Commission to the Madrid European Council in December 1995. These documents outlined the region's potential, cooperation activities and financial instruments. It was estimated that the international grant and loan assistance for the Baltic Sea region in 1990-1994 was 4,534 MECU, of which 517 MECU were grants by the Community. The expected assistance in 1995-99 was estimated at 4,655 MECU, of which 950 MECU as Community grants¹. The present initiative does not require funding additional to the existing Community programmes, nor does it affect the responsibilities of each provider of assistance with regard to their individual programmes and the rules which govern them. It outlines proposals for taking full advantage of existing cooperation and programmes by intensifying regional coordination and focusing on priority areas.

The recommendations of the initiative are closely linked to the preparation by the Swedish Presidency of the CBSS of the "Visby Charter" with a view to promoting action programmes for contacts, economic cooperation and environmental cooperation.

The Baltic Sea region has a huge potential in terms of natural resources, production and trade. Its population is about 60 million of which half are EU citizens. Out of the 11 member states of the CBSS, four are members of the EU. The EU has developed comprehensive frameworks of wide-ranging relationships with all other member states of the CBSS, such as the Europe Agreements and the pre-accession strategies with Estonia, Latvia, Lithuania and Poland, the Interim Agreement and the Partnership and Cooperation Agreement with Russia, as well as the cooperation in the framework of the European Economic Area with Norway and Iceland.

¹ subject to the approval of the annual appropriation by the budgetary authorities within the limits of the financial perspective.

2. STRENGTHENING DEMOCRACY AND POLITICAL STABILITY

2.1 Present Cooperation

Democracy and political stability in the region are promoted by several international organisations. In addition to the EU's and its member states' own policies, the EU is closely cooperating within other frameworks whose actions are complementary to those of the EU.

The Council of Europe plays a considerable role in promoting the respect for democracy and human rights throughout Europe, a role which will become increasingly important with the admission of Russia. An important role in conflict prevention is played by the OSCE. A good example of this is the work of the organisation in monitoring the conditions of national minorities in the Baltic Sea region. The Stability Pact, which has been transferred to the OSCE, gives an impetus to cooperation for democracy, human rights and good neighbourly relations. Other important factors for security and stability are Partnership for Peace developed in the framework of NATO as well as the WEU and its associate membership for Estonia, Latvia, Lithuania and Poland. The CBSS has a unique role in the region as a vehicle for political dialogue and coordination of measures favouring democracy and stability.

2.2 Enhancing Democracy and Stability

Building on current support measures for democracy and political stability in the region, initiatives need to be taken within the framework of the CBSS to develop further such cooperation. To strengthen the democracy in the region the Commission will further support:

- direct contacts between public and private institutions, including public administration reform, for instance through secondment of staff, and local initiatives at municipal and subregional levels;
- projects in the area of civil society and human rights under the PHARE and TACIS Democracy programme;
- better coordination of regional networking of non-governmental organisations within the framework of the CBSS;
- more comprehensive activities for the rights of national minorities through improved legislation and administrative procedures as well as facilitation of their economic and social integration by means of language training and other supporting measures;

- activities of the CBSS Commissioner on Democratic Institutions and Human Rights, including the rights of persons belonging to minorities;
- measures under the Stability Pact to strengthen democracy and human rights.

Moreover, the Commission is ready to contribute to CBSS working groups dealing with :

- exchange of information and consultations in the fight against organised international crime, including drug trafficking, money laundering and trafficking of human beings. This could include also illegal transport of nuclear or other hazardous material;
- early warning and mutual assistance in case of natural and environmental disasters, sea rescue and coast guard cooperation;
- development of legislative and administrative systems for asylum and to prevent illegal immigration in accordance with the respect of individual rights and humane treatment according to relevant international instruments as well as to control efficiently migration flows and to combat networks of illegal migration.

3. PROMOTING ECONOMIC DEVELOPMENT

3.1 Trade, Investment and Economic Cooperation

The pre-accession strategy for Poland, Estonia, Latvia and Lithuania and the Union's intensified relations with Russia in the form of the Partnership and Cooperation Agreement will lead to a progressive improvement of trade and investment opportunities. Preparations for OECD membership of Poland, for WTO membership of Estonia, Latvia, Lithuania and of Russia and the new law on the special economic zone in the Kaliningrad region, which aim at creating the necessary environment in order to liberalise trade and develop economic cooperation, will reinforce these opportunities.

In this context and to respond to the need for improvements of border-crossing facilities in the region, the Commission is ready:

- to support the establishment, in accordance with WTO rules, of the Baltic Free Trade Area between Estonia, Latvia and Lithuania, including a customs union by 1998, and free trade between these countries and Poland in the framework of CEFTA (Central European Free Trade Agreement), which will further complement the Europe Agreements;
- to assist in speeding up the approximation of regulatory frameworks;
- to consider cofinancing integrated trade networks, combining infrastructure projects with advice on trade facilitation.

Substantial progress has been made in privatising and restructuring enterprises in the countries in transition, notably with support from PHARE and TACIS. The private sector remains the main promoter of trade, investment and industrial cooperation. To speed up the process and to promote small and medium-sized enterprises (SMEs), the Commission will work with other donors and International Financial Institutions (IFIs) in the following areas:

- privatisation of banks and financial services development;
- investment funds, advisory services and management training for SMEs;
- economic cooperation, between skilled crafts and between SMEs, notably through EC partnership schemes;
- establishment of a Baltic Business Advisory Council.

3.2 Priority Areas for International Support

To achieve greater coordination between assistance programmes and the International Financial Institutions (IFIs) and to focus more strongly on priority areas, the Commission :

- is committed to use the Union's own assistance programmes, on a systematic basis and in a complementary manner, to support larger investment-oriented programmes;
- proposes the preparation of an indicative Baltic Sea region framework of assistance, identifying priority objectives, sectors, projects, sub-regions and financial allocations among the members of the CBSS, to achieve greater coherence in the assistance extended. This framework would bear the character of CBSS recommendations, which would not affect the responsibilities of each provider of assistance, but would ensure a coordinated approach.

This framework of assistance could include in particular the following priority areas, taking into account also the important role that the European Investment Bank will continue to play in the region as the long term investment bank of the Community.

3.2.1 Infrastructure and related Services

Transport systems in the region need to be improved and integrated into the Trans-European Network. To achieve this, the Commission is ready to :

- cofinance the *Via Baltica* (Helsinki-Tallinn-Riga-Kaunas-Warsaw) investment programme, prepared by the ad hoc Working Group, with funds from the PHARE Multi-Annual Indicative Programmes for 1996-99;
- support the creation of an administrative capacity for road and rail maintenance and the timely and consistent implementation of the Border-Crossing Programme;
- promote the *Via Hanseatica* (Riga-Sovietsk-Kaliningrad-Gdansk-Szczecin-Bremen)
- finance technical assistance on the *Helsinki-St.Petersburg-Moscow* corridor, including helping the completion of the feasibility study which will identify priority investment needs;
- cofinance the development of ports, in cooperation with the Baltic Ports Organisation, as a follow up to the feasibility studies already financed under PHARE and TACIS;
- support, from the Structural Funds, to spatial planning and other preparatory actions within the Union's territory.

Free and non-discriminatory access to maritime transport services and port services will need to be ensured throughout the region. Multi-modal transport exchanges should be encouraged and free transit of multi-modal transport services should be ensured. Short-sea shipping should be promoted as an environmentally friendly and energy-efficient means of transport. Improvements in cross-border telecommunications should stimulate economic and industrial development.

3.2.2 Energy and Nuclear Safety

Energy efficiency and the interconnection of electricity and gas networks will improve security of energy supplies, contribute to economic development and protect the environment. The *Russia-Belarus-Poland-Germany gas pipeline* is a EU-priority project. The *crude-oil pipeline from Russia to Finland*, together with the linking of electricity and gas supply networks in the Union with those of partner countries, e.g. the *Baltic Electricity Ring*, should be developed.

Moreover, the EU-initiated European Energy Charter and Energy Charter Treaty of which all Baltic Sea partners are signatories - offers a basic framework for free flow of energy and for energy investments.

The Commission is ready to :

- contribute further to the improvement of the safety of nuclear reactors in the region (Ignalina, St. Petersburg, Kola) and to enable the total dismantling of the nuclear reactor in Paldiski, Estonia;
- to assist the CBSS in developing new mechanisms for cooperation in nuclear waste management and the prevention of illegal trade in nuclear material;
- contribute to the Green Equity Fund, through PHARE, together with the EBRD, the Nordic Environment Fund (NEFCO) and the three Baltic States.
- continue supporting further the Baltic Sea Region countries through its SYNERGY programme.

3.2.3 Environment

Cooperation in the field of environmental protection with a view to progress towards sustainable development in the Baltic Sea region should be enhanced. Best use should be made of existing facilities. Projects developed under the Joint Comprehensive Environmental Action Programme of the Helsinki Commission (HELCOM) aiming at environmental improvements, such as transboundary water management and reduction of hazardous waste from chemicals and other forms of marine pollutants, should be supported. Environmental legislation and its enforcement in the countries in transition needs to be strengthened and the approximation of legislation speeded up.

The Commission will strengthen the coordination in its use of PHARE, TACIS and INTERREG in order to support the HELCOM agenda.

3.2.4. Tourism

The Commission will continue to support promotional activities for tourism which is an important source of foreign exchange, particularly on the eastern seaboard. The countries will wish to ensure that the natural environment is protected as tourism develops.

4. DEVELOPING REGIONAL COOPERATION

4.1 Regional Development and Cross-Border Cooperation

Cross-border cooperation involving the public and private sectors in the coastal areas of the Baltic Sea has already been initiated with PHARE support. A Multi-Annual Indicative Programme for cross-border cooperation in the Baltic Sea region was approved by the Commission in 1995 for Poland and the Baltic States. INTERREG programmes are being approved for Denmark, Northern Germany, Sweden and Finland. This cooperation is coordinated by the Baltic Joint Programming and Monitoring Committee (BJPMC), chaired by the Commission. In addition, increasing participation of Russian regions will be made possible in the framework of the amended TACIS regulation and budgetary allocations.

The Commission will encourage cooperation at each level :

- State to State : through the structural funds and the Copenhagen cofinancing facility, the Commission can contribute to funding major infrastructure investments. The Commission is ready to use resources from PHARE, TACIS and Structural Funds to support projects with an interstate dimension to promote integration. The proceedings of the VASAB 2010 Conference (Vision and Strategies around the Baltic Sea, December 1994) will be taken into account.
- Region to Region : regional development should form part of an integrated regional action plan. INTERREG, PHARE and TACIS Cross-Border programmes could be particularly important in linking border regions of different countries. Rules should be applied in a more transparent and flexible way to ensure complementarity between various instruments, especially with regard to PHARE and TACIS on the one hand and INTERREG on the other. This could be explored by a conference with the regions concerned.
- People to People: to promote understanding between the populations around the Baltic Sea, personal contacts, contacts between municipalities and cities as well as city-twinning arrangements, need to be supported further. This could be financed especially from the Baltic Small Projects Facility. From 1996 on, additional possibilities under TACIS may be explored.

Co-operation should cover in a balanced way all aspects of regional development, with appropriate emphasis on business cooperation and human resources as well as on infrastructures.

4.2 Border-Crossing Facilitation

The facilitation of border-crossings will greatly contribute to the swift legal passage of people, goods and services. To this end, the Commission will help in:

- developing transparency of rules, coherent procedures and efficient treatment at border-crossing points;
- improving border infrastructure, including roads and railways leading to border-crossing points.
- developing better control at borders through training programmes for officials responsible for this control.

5. REINFORCING THE ROLE OF THE CBSS

Complementarity between the work of the CBSS and the Union is an important objective of future cooperation. With this in mind, the Commission :

- suggests that measures for enhancement of democracy and stability be promoted by the CBSS on the basis of an action plan to be agreed upon by the Member States of the CBSS at ministerial level;
- recommends that advantage be taken of the 1996 meeting between Ministers of Industry and Economic Cooperation and business leaders to discuss ways to increase trade, stimulate economic growth and create favourable conditions for economic cooperation;
- proposes to strengthen the Baltic Joint Programming and Monitoring Committee (BJPMC) with a permanent secretariat, which will liaise with the CBSS. In this way, the BJPMC could contribute to the coordination of all Union cofinanced actions of a cross-border and transnational character within this Initiative;
- proposes to develop the CBSS as a forum for assessing regional needs and priorities and to strengthen in particular its Working Group on Economic Cooperation, which should be entrusted with the preparation and monitoring of the Baltic Sea region framework of assistance; and
- will contribute to the reinforcement of the permanent management capacity of the CBSS through the setting up of a small resident secretariat, as envisaged by the Visby Charter.

