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BALTIC RIM ECONOMIES

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BALTIC RIM ECONOMIES

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The Pan-European Institute publishes the Baltic Rim Economies (BRE) review which deals with the development of the Baltic Sea region. In the BRE review, public and corporate decision makers, representatives of Academia, as well as several other experts contribute to the discussion.

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EXPERT ARTICLES

TIMO SOINI

Baltic Sea – a unique region for security cooperation

Expert article • 2477

The Baltic Sea is unique. It is a lifeline to nine coastal states. It provides access to the Atlantic Ocean. Our history has taught us lessons that are still useful. Economic cooperation has been and continues to be a necessity. The Sea is an important – and controversial – energy route. The Sea itself has a fragile marine ecosystem worth for protecting.

The security situation in our region changed after Russia illegally annexed Crimea in 2014. The situation radiated to the entire Europe. As a response to Russia's increased military activity in the region, Nato enhanced its presence in the Baltic Sea area. Nato's interest was to guarantee the security of its allies. From Finland's point of view, Nato has a stabilizing influence in the region.

Security of the Baltic Sea region is one of my priorities as Foreign Minister. For this reason, I have also appointed Ms Christina Gestrin as Special Representative for Baltic Sea Cooperation. Her focus is on environmental cooperation.

Both in our own vicinity as well as globally, Finland promotes democracy, a rules based international order and dialogue as the key elements to enhance international peace and stability. Our strong national defence is an important contribution to the stability in the Baltic Sea region. A credible national border security system is an integral part of national security.

Finland maintains and develops her defence capacities through international cooperation. We take part in joint exercises, cooperation arrangements and partnerships as well as through attending international crisis management operations. Improving preparedness and readiness is the key. Besides EU's Common Foreign and Security Policy, cooperation among the Nordic countries has been strengthened. Sweden is our closest neighbor. Our cooperation covers almost all aspects of human life, including security policy. Transatlantic relations and cooperation with the United States remains vital. These are activities to foster security in the Baltic Sea region.

Finland has a close partnership with Nato. It entails political dialogue, participation in NATO exercises and NATO led crisis management operations as well as cyber-defence cooperation. The enhancement of security in the Baltic Sea region is at core of this partnership.

As we have seen, hybrid threats are here to stay. Hybrid resilience depends very much on the skills and capacities of the entire society. This requires better regional cooperation and better preparedness. National actions and international cooperation must go hand in hand. The European Centre of Excellence to Counter Hybrid Threats (CoE) founded in 2017 in Helsinki is an example of the ongoing work against new type of threats. I have also appointed Ambassador for countering hybrid threats in the Foreign Ministry.

Finland has a long border with Russia. We maintain selective dialogue with Russia on international issues, on the Baltic Sea and on Arctic and climate issues. Contacts with the Russian civil society at these trying times need to continue. An isolated Russia would not serve anyone's interests. However, Russia's compliance with international law and its other international obligations, including the full implementation of the Minsk Agreements, is a precondition for the improvement of the relations between Russia and the EU.

In the light of the overall global security and political situation, it is not likely that the situation in the Baltic Sea Region will remarkably improve in the near future. It is, however, necessary to work towards that goal. We have to defend the core principles of European security and international law and take better care of our security, both individually and collectively. EU must provide better security for its citizens.

One of the unique features of the Baltic Sea is its brackish water. The water has more salt than freshwater, but not as much as seawater. Security situation in the Baltic Sea region is also a mixture. Many different security interests, in different layers. The proportions in the mixture vary from time to time, just like the salinity of the seawater. From time to time, the saline pulses from the North Sea refresh the Baltic Sea with oxygen. In the same manner, dialogue is needed to ease political tensions in the Baltic Sea region. Promoting dialogue in the Baltic Sea region is one of my "eco-needs" in this fragile environment that I have worked for – and will continue to work for. ■

TIMO SOINI
Minister for Foreign Affairs of Finland

JĀNIS VUCĀNS

The Baltic Assembly in the centenary year of the Baltic States

Expert article • 2478

In 2018, all three Baltic States – Estonia, Latvia and Lithuania - celebrated the centenary of their founding. For half of this period, from 1940 to 1990, these countries were incorporated against their will into the Soviet Union. In 1990 they democratically proclaimed the restoration of their independence, which was widely internationally recognised in 1991. In these new circumstances, on November 8, 1991, the Baltic Assembly was officially established as the inter-parliamentary cooperation organisation of the Baltic States. It was based on the close co-operation forged between the three Baltic nations' independence movements in the 1980s.

The Baltic Assembly played an important role in the integration of the Baltic States into the international community of democratic countries. In 1992 it signed a cooperation agreement with the Nordic Council which strengthened parliamentary cooperation between the Baltic States and the Nordic countries in environmental protection, security policy, education and culture, market economy, agriculture, energy, and infrastructure. This international agreement was extremely important for the Baltic States because it signalled their returning to the family of the Northern European countries.

A cooperation agreement concluded in 1994 between the Baltic Assembly and the Benelux Parliament was another important step for the Baltic States as it assisted their return to the European political arena. Working with the Benelux countries gave the Baltic States a deeper understanding of collaboration between European countries and helped to transpose this experience into cross-border cooperation, foreign affairs, harmonisation of legislative acts etc.

The experience gained from cooperation with those two inter-parliamentary organisations, the Nordic Council and the Benelux Parliament, helped the Baltic countries in their accession to NATO and the EU, which was successfully completed in 2004.

The Baltic Assembly marked the Baltic centenary year at its annual session held at the end of September in Vilnius, the capital of Lithuania (which held the Presidency of the Baltic Assembly in 2018), and by sending representatives to the annual session of the Nordic Council in October in Oslo, to a meeting between the Presidiums of the Baltic Assembly and the Nordic Council held in December in Espoo (Finland), and to a seminar organised by the Swedish Riksdag to celebrate the centenary of the Baltic States.

At the last three aforementioned events, various aspects of Baltic-Nordic co-operation were discussed, including cooperation plans for the near future. At these forums, the head of the Latvian delegation and upcoming president of the Baltic Assembly Professor Dr. Jānis Vucāns proposed that Baltic-Nordic cooperation focus on the following directions:

- strengthening cooperation on security, foreign affairs and defence;
- strengthening interconnections among the Baltic and Nordic countries in energy, transport and infrastructure;
- creation of more partnerships in research and innovation.

At the Baltic Assembly's annual session, in September 2018, in Vilnius, Lithuanian, Latvian and Estonian parliamentarians and their cooperation partners from the Nordic Council, the Benelux Parliament, the GUAM (Georgia, Ukraine, Azerbaijan, Moldova) Parliamentary Assembly, the Baltic Sea Parliamentary Conference and other organisations repeatedly mentioned the important role of the Baltic Assembly in promoting the successful development of the Baltic States since the restoration of their independence.

In the Baltic States' centenary year, the Baltic Assembly celebrated several achievements of its own after several years of persistent work. For example, making good use of the experience of the Benelux countries, the Baltic Assembly's Education, Science and Culture Committee was one of the main supporters of automatic mutual recognition of higher education diplomas. As a result, on June 8, 2018 the governments of the three Baltic States signed an agreement in Vilnius on the automatic recognition of academic qualifications.

Another important achievement of the Baltic Assembly was the Baltic Culture Fund, established on the basis of a corresponding agreement between the Ministries of Culture of all three Baltic States signed on July 8, 2018. Expertise provided by the Nordic Council, the Nordic Culture Point and the Nordic Culture Fund was of great value in creating this fund. The close attention the Nordic countries devote to strengthening cultural ties with the Baltic States is demonstrated by an occasional donation of 100,000 euros to the Baltic Culture Fund's activities by the Nordic Council of Ministers for joint culture promotion and exchange activities in the Nordic countries.

A third major achievement of the Baltic Assembly was the signing on October 3, 2018 of a transnational cooperation agreement between Latvia and Lithuania for the provision of emergency medical assistance in the border area of both countries. In addition to the provision of cross-border emergency medical services on both sides, the agreement also provides for the exchange of information, joint training and tuition programmes, and raising the quality of medical services. A similar agreement between Latvia and Estonia has been in force since 2010

On January 1, 2019, Latvia started its Presidency of the Baltic Assembly. Latvia's Presidency comes at a time when Europe's geopolitical situation is strongly influenced by the withdrawal of the United Kingdom from the European Union and by ongoing debates about the future of the European Union, including discussions about the EU Multiannual Financial Framework for 2021-2027, the Common Agricultural Policy, the Cohesion Policy, development of regional projects in the transport, infrastructure and energy fields, as well as internal and external security challenges. Technological and demographic changes are reshaping societies and economies. In this situation, new security threats and geopolitical instability require an increasingly comprehensive approach to defence.

Therefore, the Latvian Presidency of the Baltic Assembly is based on the following priorities for parliamentary cooperation:

- a comprehensive approach to security and defence;
- strengthening of interconnections between the Baltic States and Europe in the fields of energy, transport and infrastructure;
- developing the growth and competitiveness of the Baltic region.

Those priorities are synchronised with the focus directions for cooperation with the Nordic countries. The motto of the Latvian Presidency - "Achieving More Together" - reaffirms the importance of regional cooperation in the current geopolitical situation, which is facing new challenges. ■

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Reviewing our relationship with Belarus

Expert article • 2479

For the past 12 months, Belarus has experienced more pressure from its eastern neighbor Russia, than ever before during its independent era. Belarus strives to preserve the little sliver of mobility that they have when it comes to international politics, where as Russia wishes to bind the country to itself even more closely. This forces also the West to reevaluate its relationship with Belarus.

When the Soviet Union fell, Belarus did not experience similar eagerness to let go of socialism and become independent like most of the countries of the Eastern Bloc. Alexander Lukashenko's rise to power stopped the democratic progress in the country as early as 1994. In the 90's, Lukashenko was also interested in a very strong integration with Russia, and as a result, the countries signed a treaty of a State Union in 1999.

Even though it became obvious in the 2000's, that Russia did not appreciate the western, democratic values either, Belarus has still often been regarded as "the last dictatorship in Europe". Alliance with Russia also provided Lukashenko with some protection from the western criticism. On the other hand, it also resulted in Belarus being even more dependent on its neighbor.

Despite their allegiance, Putin's and Lukashenko's personal relationship has been distant from the very get-go and has grown even more distant because of the war in Ukraine. Belarus is understandably worried about Russia's aggression towards its smaller neighbors. Belarus has not acknowledged Crimea as part of Russia. Instead, Belarus adopted a role as a neutral mediator between Russia, Ukraine and the West. This is also why the negotiations about a truce in Ukraine took place in Minsk.

Despite Belarus's dissent towards Russia's power politics, the country has still traditionally voted along with Russia against Ukraine in the UN General Assembly. Nonetheless, Belarus's efforts to preserve its sovereignty to even some extent, forces the European Union to reevaluate its politics concerning Belarus.

It is not realistic to assume that Belarus will be implementing any remarkable democratic reforms in the foreseeable future. Country's political opposition is weak and scattered. On the other hand, many Belarusians are afraid that some kind of a "color revolution" in Belarus, might lead to a Russian intervention, the same way it did in Ukraine. Lukashenko is considered lesser of the two evils.

Belarus has been trying to open up to the West to the extent it is currently possible, considering the limited mobility within international politics that the country is dealing with. The West should have a cautiously positive attitude about this progress. By strengthening the relationship with Belarus, the West can support Belarus's sovereignty that Russia has been threatening more and more. Secondly, this may help create new incentives to improve the human rights situation in Belarus.

Belarus's connections to the surrounding world have increased in the recent years, both in a political and economic sense. Personally, my role has been continuing the parliamentary collaboration. To mention a few political arenas where this progress has taken place, there is the Baltic Sea Parliamentary Conference, BSPC, The Nordic Council as well as the bilateral Parliamentary collaboration between Finland and Belarus.

Belarus has applied to become a Non-Member State Permanent Observer in the BSPC, but so far, they have not been approved because of the country's human rights situation. The Nordic Council on the other hand, has already since 2007, organized an annual round table summit regarding Belarus. The summit has usually been held in Vilnius in collaboration with the Baltic Assembly, but last year it was actually held in Helsinki.

The purpose of the summit has been to bring the representatives of the Belarusian government and opposition to the same table together with parliamentarians from the Nordics and Baltics. From 2011 to 2015, Lukashenko's administration did not attend the summit, but from 2016 onwards, they have returned to the round table.

The newest political development between Finland and Belarus is the strengthening of the bilateral parliamentary relationship. In 2018, the Belarus-Finland Friendship Group was founded in the Parliament of Finland, and I was elected to be the Chairman of the group. At the same time, a similar friendship group was also founded in the Belarusian Parliament. The group members from Belarus will be visiting Finland next fall.

Finnish Parliament's Belarus Friendship group travelled to Minsk last August. During the visit, the group met with the ex-Prime minister, Speaker of the Upper Chamber of the Belarusian Parliament, Mikhail Myasnikovich, Deputy Minister of Foreign Affairs, Oleg Kravchenko, Chairman of the Standing Committee for Foreign Affairs and National Security, Sergey Rakhmanov and also with the representatives of the opposition. These high profile meetings reflect how highly Belarus currently values the relations to the West.

The human rights situation in Belarus is obviously still unacceptable. It is still in Europe's interest to advocate Belarus's status as a sovereign state. The risk with isolating Belarus from us as a form of a punishment is that the country's human rights situation might not improve and that rather the Russian dominance over Belarus could become even more pressing. Closer relations to the West can on the other hand create at least a small incentive to create positive reforms in the country. ■

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JANIKA TAKATALO

A shift to greener taxation

Expert article • 2480

In October 2018, Intergovernmental Panel on Climate Change (IPCC) published a report which stated that global warming is happening faster than the estimates predicted it to happen. It is expected that the climate is facing an elevation of 1.5 degrees in temperature during the next 10 to 30 years. The report also confirms that the effects of the climate change will be increasingly apparent during the lives of our generation even in the Baltic area. For this reason, it is necessary to start taking action immediately.

Finland must act in a responsible manner and set an example even though emissions caused by Finland are obviously minor compared to large industrial countries such as the United States and China. However, the Finns have created innovations that can help these and other countries around the world to reduce their emissions. Innovations in cleantech also benefit the Finnish economy.

Our environment is faced with a problem called the Tragedy of the Commons. The environment is a shared resource which has led to its overconsumption. If seas, atmosphere or biodiversity were privately owned, the owner would demand that the rest of us would stop destroying their property. Of course, the sea and the air aren't and shouldn't be owned by private sector, which is why we need to protect the environment together through national and international actions.

Market economy does not automatically take into account the environmental problems such as overconsumption of natural resources, accelerating global warming or pollution. Taxes, however, can form a way for the public to intervene with environmentally harmful behaviour. Ecotaxes are an efficient solution for directing consumption to less environmentally harmful direction. Ecological tax reform provides an efficient way of increasing taxation in the fields which pollute the environment or exploit natural resources. It also offers a possibility to substitute some economically harmful taxes such as the income tax with eco-friendly alternatives. We humans are, after all, quite rationalistic actors and we will change our consumption habits when we notice the difference in our wallets.

Ecotaxes are an efficient solution for directing consumption to less environmentally harmful direction.

Multiple studies have shown that a well-established ecological tax reform will provide us with a dual benefit: moving the focus of taxation from work to resources will improve the employment rate and well-being of the people and benefit the environment at the same time.

An example of an ecological tax is the carbon tax on airline tickets. The popularity of the air transport is rapidly increasing and there's no indication that this trend will be changing any time soon. This growth is partly fuelled, however, by tax reliefs for airlines and airport companies. Petroleum remains tax free and international flights in Europe are VAT-free. These privileges distort the competition between the air transport and the rail transport, for example. Because the air transport is cheaper than it would be with taxes, the demand for it is greater than it otherwise would be.

Sweden imposed a carbon tax on airline tickets in 2018. However, there is little incentive for any individual country to introduce this new tax if it decreases the competitiveness of their air transport and travel industry compared with the countries that do not impose a similar tax. To prevent this free-riding problem an EU-wide or even a global carbon tax on airline tickets should be introduced. Taxation should also be based on the length of the flight so that the flights that pollute more pay more taxes.

Air travel tax is an example of a quick and concrete action through which people's behaviour can be directed to fight the climate change. The Finns have a positive attitude towards controlling the emissions caused by the air transport but only a few have voluntarily purchased carbon offsets. Imposing a carbon tax on airline tickets would therefore be considerably more effective way to control the emissions than any voluntary system.

Every one of us can make an impact and every action matters. However, the most significant and effective decisions are made in city councils, parliaments, EU and other international arenas. Commitments to reduce emissions should be strict in all levels and they should affect taxation, budgets and even legislation.

Money and taxation can be powerful tools to tackle climate change. The Finnish Minister of Finance Petteri Orpo has introduced sustainable development to the budgeting. Each ministry will have to evaluate how their budget will affect the goals of sustainable development. This model has aroused interest in other countries and it could be implemented in other political systems as well.

The climate change is the most significant challenge the humankind faces in the 21st century. Without a habitable Earth all the other things will be insignificant. The climate change cannot be stopped only with the decisions of the individual consumer, such as buying second hand or choosing a vegan option, even though these are also important. The climate change can be stopped by voting for people who have broad enough horizons and who are willing to carry out the ecological tax reform. ■

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HELENA TUURI

On the Baltic Sea and the oceans

Expert article • 2481

The Baltic Sea is of essential importance to us Finns. It is our route out to the world, it is vital for our business and for our recreation. We want to fully utilize its economic potential while keeping its marine life well-protected and vital. The numerous ways and means together to achieve these goals are called Baltic Sea Policy.

The Baltic Sea Policy is a horizontal concept that is difficult to describe shortly. It belongs to the tasks of or affects all governmental sectors. In addition to our own national activities, Baltic Sea affairs exist in the agenda of the international fora and in the European Union. Furthermore, in addition to national and EU legislation, also the international law, international maritime law and treaties apply, as well as cooperation and agreements within the International Maritime Organization (IMO).

Internationally, Baltic Sea cooperation is in the agenda of inter alia the Council of the Baltic Sea States (CBSS), the Nordic Council and the Nordic Council of Ministers as well as the Baltic Marine Environment Protection Commission HELCOM. Finland is currently chairing HELCOM.

The EU Strategy for the Baltic Sea Region, approved in 2009, was EU´s first Macro-Regional Strategy. It aims at saving the sea, connecting the region around it and increasing prosperity. In addition to intergovernmental networks, the implementation of the strategy also involves regional and local authorities as well as research and educational institutions, private companies, foundations, associations and civil society actors. The Action Plan for the practical implementation of the strategy will be updated by the end of the year, chaired by Finland. Finland´s national instructions are prepared in a broad-based cooperation network, coordinated by the Ministry for Foreign Affairs.

Finland established its own Strategy for the Baltic Sea Region in the end of 2017. Its goal is a safe and clean Baltic Sea, with a vital marine life as a well-protected and sustainably used resource. The Baltic Sea Region will become well-connected, innovative, competitive and a global leader in sustainable development, bio-economy and circular economy, new technologies and model solutions for safe and clean shipping and the maritime industry.

The resources for achieving the above objectives consist of numerous sources, EU funding being the most important one. The Baltic Sea does not have its own EU budget line. The funding comes from various sources, depending on the substance and the administrative sector in the commission. So far, most of the funding has come from Structural Funds and Interregional Programmes. Other sources include Agricultural Fund for Rural Development EAFRD, Maritime and Fisheries Fund, Internal Security Fund, Horizon 2020, Life, Bonus and TEN-T.

In recent years, Finland has been rather successful in obtaining EU funds for the Baltic Sea Region, although the variation in application times and criteria is somewhat challenging. Finland aims to secure EU funding also in the negotiations concerning the EU's next Multiannual Financial Framework. This is not an easy task, as the EU budget is under pressure due to departure of the United Kingdom and major changes in the international environment: climate change, migration, nationalism and return of geopolitics. Therefore, the EU will have less funds to cover more needs. The negotiations of the next Multiannual Financial Framework will be in a crucial phase during Finland´s EU Presidency in the latter half of this year.

The contributions and roles of Finnish regions, municipalities, businesses, foundations and civil society are significant in implementing the Baltic Sea Policy. In the State Budget, the central element is the funding for cooperation in the Baltic Sea, Barents and the Arctic regions (IBA). Recently IBA has focused on the Arctic regions but this year the Baltic Sea Region will get a larger share of the funding. The total amount of the funding has also increased.

To conclude, for us Finns the Baltic Sea is naturally the closest and most important sea. It is still in a poor state and we must do our outmost to save it. However, we must also keep in mind that it is part of a bigger problem. The state of seas and oceans all over the world is deteriorating at an accelerating pace; the climate change, overfishing, pollution and micro-plastics are destroying them. Much of the destruction is irreversible and fatal for both biodiversity and humankind. Therefore, the Oceans´ and Maritime Policy´s significance is rising internationally. One of the biggest international events on the sustainability of the seas will be Our Oceans Conference in Oslo this autumn. Finland will be there as the chair of the EU.

The Finnish Government agreed on the first comprehensive alignment on maritime policy of Finland, From the Baltic Sea to the Oceans, in January this year. ■

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JUHA VIRTANEN

Finnish-Ukrainian relations since 1918

Expert article • 2482

We could say that both Finland and Ukraine have a relatively short but rich and winding history as independent states. Historical events in Europe and worldwide have always influenced their position and development. Both countries have also faced many challenges in gaining and maintaining their sovereignty.

Our two countries are surely different from each other in many respects, especially in terms of size, culture, politics and economy. Finland has coherently tried to be integrated into the Western family and European integration processes, whereas Ukraine has been fluctuating, voluntarily or not, between Western and Eastern trends.

Undoubtedly, our common denominator has been the geographic location in the immediate neighborhood of Russia. Russia shares a border of 1.300 kilometers with Finland and a land border of 1.600 kilometers with Ukraine. The role of Russia in our countries' history and economy has been considerable. It has been established that, historically, Sweden and Russia have played a significant role in the Finnish and Ukrainian state-building processes.

Roughly speaking, the relations between our countries during the last 100 years could be divided into three periods. The first era was the establishment of diplomatic relations in 1918 between two new independent states. Finland's main goal was to sign a bilateral agreement with Ukraine, on the basis of which Finland would sell paper to Ukraine and buy sugar and other foodstuff from Ukraine. Unfortunately, the diplomatic relations de facto lasted only a couple of years in the middle of political turmoils in Eastern Europe.

The second period covers the time when Ukraine was part of the Soviet Union. The bilateral interaction was mainly based on cultural exchanges and on the creation of some twin cities like Tampere-Kyiv, Oulu-Odesa and Lahti-Zaporizhia. Commercial issues were naturally governed by Finno-Soviet trade arrangements.

The third (and ongoing) period started in 1991 upon the new independence of Ukraine. Accordingly, our diplomatic relations were re-established in 1992. Since then, our countries have signed approximately 40 different agreements and Memoranda of Understanding in various areas.

The Euromaidan revolution in 2013 and, thereafter, the aggression by Russia against Ukraine triggered a whole new phase also in our bilateral relations. Finland continues to support actively the sovereignty and territorial integrity of Ukraine, its reform process and its path towards further European integration.

Finland has allocated nearly 40 million euros to security, humanitarian assistance and various projects in Ukraine since the beginning of the conflict in Eastern Ukraine in 2014. Recently, we have increased our support especially in the areas of education and energy efficiency.

Finnish-Ukrainian relations have been steadily intensifying on the political level. High-level contacts and visits have been quite regular since the independence of Ukraine. Our Embassies in Helsinki and Kyiv are working actively and in close cooperation with each other in order to strengthen and diversify our bilateral relations.

Increasing our trade and business ties has been one of the main bilateral priorities during the last years. Our trade is nowadays relatively modest and it has fluctuated substantially especially due to negative influence of Ukrainian conflicts. However, the balance of trade has continuously been clearly favourable to Finland. Still today, our trade consists of rather traditional items. Finland exports paper and cardboard, medicines and pharmaceuticals, mineral oils and oil products. Ukraine exports mainly iron and steel, machines and clothes. Search for new and innovative business possibilities is a permanent objective.

So far, only a few Finnish companies have invested in Ukraine, cumulatively about 140 million euros, and mainly in metal and machinery engineering. Recently, a slight increase of interest in investing and establishing businesses in Ukraine has emerged among Finnish companies.

Increasing our trade and business ties has been one of the main bilateral priorities during the last years.

On a people-to-people and cultural level, there is plenty of promotional work to be done. Still today, many senior Ukrainians associate Finland primarily with Marshal Mannerheim and the Winter War. Younger Ukrainians, on the other hand, associate Finland with good education and metal music.

Finnish literature, music and cinema are well known, but only sporadically present in Ukraine. A relatively large Ukrainian diaspora in Finland and the over ten thousand Ukrainian seasonal workers working in Finland every year strengthen, for their part, our intercultural ties. In addition, the direct flights between Helsinki and Kyiv nearly every day provide a good opportunity to increase tourism flows between our capital cities.

Finally, we should also remember the comprehensive and visible role played by the EU in Ukraine. Finland and Finnish experts are taking part in several projects and missions of the EU in Ukraine, making Finland a valuable partner for Ukraine also in this regard. Increasing cooperation and free trade between the EU and Ukraine also entail considerable bilateral benefits. ■

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JOHANNES REMY

Russia and Crimea: Heroism and ethnic cleansing

Expert article • 2483

The Crimean Khanate was established in 1441 as one of the successor states of the Mongol Golden Horde. Its dominant ethnic group was Turkic-speaking Crimean Tatars and religion Sunni Islam. In 1475, Khanate had to accept a vassal relationship to the Turkish Sultan. Russia and Crimea came into contact with each other in the late 15th century. The relations turned hostile in the 16th century, when they competed for the legacy of the Golden Horde. Crimeans burned Moscow in 1571. Slave trade was an important part of Crimean economy. Slaves were mainly Slavs who were acquired in fast surprise raids in Russia and Poland-Lithuania. Russians came to know the Crimean Tatars as formidable enemies in war. Until 1700, Russia paid regular tribute to Crimea in order to avoid Tatar raids on its territory.

Russia annexed Crimea in 1783. The empire legitimated its conquest by claiming European cultural superiority. They also referred to peninsula's pre-Tatar history: Russians were purportedly descendants of the Scythians who lived in Crimea in classical antiquity. Several cities were renamed using Russified forms of names that derived from Greek: Simferopol, Evpatoria, Sevastopol, Feodosia. Initially, the empire treated Crimean Tatars relatively well, but with time, Tatars lost to Russians much of their land. Sevastopol was made the main base of the Russian Black Sea fleet. By the 1870s, Crimea was also an established holiday resort for Russian tourists.

The Crimean War 1853-56 made Sevastopol part of Russian national historical mythology. The city fell to the allied Franch, British and Ottoman troops in September 1855 after a heroic defence. After the war, Russians often blamed Tatars for collaboration with the enemy, and seized more of Tatar land. That was why the majority of Crimean Tatars, approximately 200 000 persons, moved to the Ottoman Empire. This made Tatars a minority in Crimea.

In the Russian Civil War, Crimea was the last European stronghold of Whites who left the peninsula in November 1920. At that time, the Tatar troops independent of the Reds held areas on the mountains. Soviet Russia and Tatars reached a compromise in 1921, and an autonomous Crimean Soviet republic was formed within Russia. Its official languages were Crimean Tatar and Russian. The republic's leadership consisted mainly of Tatars. Until 1929, the USSR generally promoted cultures and languages of non-Russian minorities. However, in Crimea this policy ended earlier than elsewhere. The Crimean party leader Veli Ibrahimov's execution in 1928 was the first among the high-ranking Communist in the Soviet Union. In the following years, the local Communist Party and intelligentsia were purged of real and supposed Ibrahimov's adherents.

In Second World War, Sevastopol again resisted siege for almost a year until finally succumbing to Germans in July 1942. After the war, the city was granted the title of "hero-city." During the German occupation, some Tatar collaboration occurred, but Tatars also fought in Soviet partisans and the Red Army. However, after the USSR regained Crimea, all its Tatars, 194 000 of people, were accused of collaboration and deported to Uzbekistan. At least 20 % of them perished during the first 18 months after their deportation. Crimean Autonomous Soviet Republic was abolished, the peninsula made a regular Russian province, and all Tatar place names replaced by Russian names. Crimean Tatars received the right to return to their homeland in 1989. By 2001, they formed 12.1 % of the Crimean population. Most of them support Ukraine.

After the war, the USSR promoted Russian and Ukrainian migration to Crimea. For pragmatic reasons, Crimea was transferred from Soviet Russia to Soviet Ukraine in 1954. Because of Crimea's geographic location, it was easier for Ukraine to supply Crimea, for instance, with water and electricity. Russian remained the language of administration and instruction.

After the collapse of the USSR, Crimea's status was disputed. In 1994, pro-Russian Iurii Meshkov was elected President of Crimea. Under his leadership, Crimea unilaterally enacted a new constitution that transferred substantial prerogatives from the Ukrainian central government to autonomous Crimea. However, Russia did not back these demands and Ukraine abolished the office of President of Crimea. Crimean parliament then enacted a more modest autonomous constitution that was subsequently modified in the Ukrainian parliament and entered force in 1999. Crimean regional politics was then dominated by those all-Ukrainian parties that supported Ukrainian-Russian bilingualism and cultivated good relations with Russia. In the last democratic elections to the Crimean parliament in 2010, this was Ukrainian President Viktor Ianukovych's Party of Regions. Unity of Russia party of Crimea's present leader Sergei Aksenov gained good 4 % of votes and three of the parliament's one hundred seats. ■

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National resilience to protracted violence in Ukraine

Expert article • 2484

In 2014, shortly after the annexation of Crimea, the Russian Federation attacked the Donbass region with the agenda to "defend" ethnic Russians and Russian speakers who live outside the Russian Federation. With this support, the separatist movement had established self-proclaimed Donetsk and Luhansk People's Republics. The Minsk agreements of 2014 and 2015 did not produce a noteworthy deterrence effect on the violence and did not established a feasible road map for conflict management. According to the OSCE mission in Ukraine, both sides of the conflict continuously violate the Minsk agreements leading to multiple civilian casualties. The conflict also resulted in the relocation of 1.7 million people.

The Ukrainian public perceives the conflict as a long-term, low intensity conflict that can become frozen for decades. The surveys have demonstrated that many people in Ukraine experience fatigue and dissolution due to conflict. The low trust toward Ukrainian authorities among the population of occupied territories and a sabotage of the referendum by Russia makes the decentralization approach unfeasible. Another negative factor is the active role of the Russian media and propaganda in inciting and sustaining the war. The success of reintegration depends on the ability of Ukraine to develop its economy, to win the hearts and minds of people, and to establish the foundations for well-being for all its citizens.

International interventions are considered by the Ukrainian public as the most effective way to resolve the Donbas conflict, however, the impact of this interventions is impeded by the low level of comprehension of the roots and dynamics of the conflict among international actors and a deficient coordination between them. Peacekeeping operations can increase the prospects of the termination of violence and reintegration of Ukraine, however the peacekeeping forces should be placed not only on the line of contact but also on the border between Russia and Ukraine. The policy of economic sanctions against Russia is currently a strongest deterrent, however it has to be better executed including unconditional participation of all European countries. The combination of this policy with the economic aid to Ukraine will help the country become more resilient, successful, and powerful state.

The corruption continues to posit a major impairment for national resilience impacting all levels of the society and leading to a deep stagnation. Several current surveys showed that the Ukrainian public has perceived the importance of both issues- the war and corruption- equally. Corruption demoralizes the society and increases social and economic inequality. A half of Ukrainian citizens believe that international organizations should impose sanctions against Ukrainian politicians or officials who are responsible for the lack of anticorruption reform.

The building of the resilient nation requires significant reforms and building of democratic political institutions. Resilient Ukraine should be a modern European state that promotes sharing power, compromise, and democratic deliberation. Current opinion surveys have demonstrated overwhelming support for fully functioning democracy and accountable government institutions that can end the war, improve the economy, fight corruption, and implement reforms.

Economic development and well-being of all citizens is a crucial societal capacity of resilience that also requires significant improvements. The surveys have demonstrated the low level of economic security and high economic uncertainty among Ukrainian people. Together with the government accountability, the strong and vibrant civic society can contribute to robust national resilience. However, while EuroMaydan and volunteerism inspired many people for civic engagement, the level of civic participation is still very low.

Another important societal capacity that needs further development is understanding of citizenship and belonging to the nation among Ukrainian people. The majority of Ukrainian citizens believes that ethnic nationalism divides country and excludes some groups of population. They support pluralistic national identity, promoting multicultural meaning of nation, ethnic diversity, and importance of equal rights for all ethnic groups in Ukraine. Civic meaning of identity and equal citizenship of all people is another shared approach to the Ukrainian nation that is receiving a growing support.

Instead of seeing themselves as victims of the Russian intervention and as a divided nation with a weak and corrupted Government, the citizens of Ukraine were able to mobilize resources, capacities, and strengths of the national community to address chronic violence. The Ukrainian nation has developed practices that help protect the nation, reduce trauma, and address the needs of the community, including volunteerism, critical approach to history, and dialogues. By employing this practices, the Ukrainian nation reduces the effects of protracted violence and creates a foundation for nation-wide activities and discussions that bring national community to the new level. ■

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Protecting elections from hacking

Expert article • 2485

Meddling with the elections. Why is someone doing that?

The aim may be to try to get a certain end-result and influence the future policy choices. Perhaps the aim is to predict the winner, and influence them early on. Sometimes it is to undermine the legitimacy of the whole process and disincentivize people to participate. Even if just one part gets hacked, the integrity of whole process can be questioned.

Influencing voters is not necessarily about getting them to change their opinion. It can be about reinforcing the way they are already thinking. Making people more extreme. Widen the cracks between different groups. Make already existing bubbles stronger and more isolated.

Meddling with elections and voters destabilizes society and weakens our confidence in democratic processes.

Fake news and social engineering

Social media has made us easy targets for tailor-made campaigns. We reveal in the internet basically everything. Technology companies have vast amounts of data about us. They know more about us than our family and friends. We ask Google questions we would never ask our family. All this data is extremely valuable and can, and has been capitalized.

Social engineering and fake news have become part of democratic processes and elections. Complexity of our social networks and social media channels have made it possible to misuse them.

Playing with algorithms makes it difficult for us to see what is going on. More we learn about how people make decisions, easier it is to develop effective algorithms and influence our decision-making.

There is a market for meddling with social media. You can buy followers, likes, recommendations, re-tweets, you name it. Anything is on sale. We simply cannot trust the authenticity of communication. Cambridge Analytica is a case in point. It opened people's eyes to understand how our personal data can be misused for political purposes without our consent.

As citizens and voters, we need to get much more savvy on validating information and checking facts. How do we behave when we know that we are under influenced by algorithms?

How can we know if we can trust the news article we see in our feed? It looks serious and professional, but is it real.

It is difficult to tell when looking at some of the faked news sites whether they are legitimate or not. Engineered twitter and other accounts share links to these serious looking sites. We need to learn to become more critical about the news sources and check facts. Brexit tweets is a good example. There have been a number of active players with fabricated news sites tweeting and getting retweeted. A lot of these Brexit-related tweets did not come from the UK or Europe. At the French elections we saw a number of tweets which were not in French and tweeted at a time when French were asleep. Makes you suspicious, and rightly so.

Voting electronically, or rather not

Our societies are becoming more and more digital. I am all for it. But as we run our errands and do our banking online, should we also vote electronically? Sounds appealing.

In the election process there are many parts where it makes perfect sense to rely on technology, like in counting votes.

Casting your vote is the tricky part. As a voter you need to be registered and identified to vote. But when you cast your vote, you need to become anonymous again. In safeguarding secrecy, pen and paper is actually a great way to organize a ballot.

What if you have a complicated ballot which makes digitalization necessary, like in cases where you vote on a number of things? Even then you should still be able to go back and have a voter-verifiable paper trail.

The key is to safeguard the integrity of voting as a process. How can we make sure that if votes are cast electronically, they cannot be tracked back to an individual or that a vote is not cast more than once? With today's data breaches we know how difficult it is to build a safe system. If someone wants to get into your system, they will eventually get in.

Anything smart is vulnerable. Be it a smart voting system or smart fridge. It would take strong cyber security capabilities to secure a system. Systems can be hacked and elections are a likely target. But would the hacker be a young hacktivist frustrated with politicians or a nation state pushing for a certain outcome?

In organizing voting the key has always been to build in necessary checks and balances. Elections need to be designed so that they give us security and privacy. Security experts could be used to look at the legal code the way they look at a computer code. We should run security audits and apply hacker mindset to look at the overall election process. This would help us to identify vulnerabilities, and tackle them.

However, election systems and technology are harder to hack than people. In the run-up to various elections, let's be aware of fake news, social engineering and power of algorithms. ■

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Is a security dilemma likely to emerge in Europe?

Expert article • 2486

The security environment in Europe changed dramatically due to Russia's annexation of Crimea in March 2014, and ongoing conflict with Ukraine. NATO members, together with partner countries, have increased defense spending, begun to change force posture, initiated new procurement programs for high end warfighting, and launched an intense regimen of military exercises. The largest of these events, Trident Juncture 2018, demonstrating NATO's ability to provide collective defense in and around Norway included approximately 45,000 participants. There is an inexorable logic to NATO's efforts to render deterrence commitments credible, Russia's military modernization, large exercises, and the threat perceptions behind them.

Maximizing security for one self, particularly when dealing with other great powers, is a process that must be calibrated so as not to result in an expensive, and unstable, security dilemma. Security dilemmas are a dangerous business, when steps to hedge or gain security are seen by adversaries as evidence of military buildup. At times the cycle leads to conflict that neither side intended, or could have profited from.

As NATO's exercises grow in size, scope, and frequency, and defense spending increases, there is no visible slack in the competition with Russia. If anything the confrontation between Russia and the United States in 2018 intensified at the political, economic, and diplomatic levels, including pernicious forms of indirect competition by Russia. If both sides perceive military modernization, and pursuit of defense or deterrence, as offensive in nature, then a historically dangerous cycle of military buildup, or 'force bidding' may ensue. To be clear, a security dilemma is hardly inevitable, but Europe has an unfortunate history in this department, from the choices made by great powers in the run up to World War I, to the tenuous crisis stability of the first two decades in the Cold War.

The problem is partly structural. Following two decades of divestment, Russia has replaced the rotten mass mobilization army it inherited from the Soviet Union with a substantially modernized and permanently staffed force, with levels of readiness arguably not seen even in the 1980s. The wave of modernization is only recently hitting the northern parts of Russia's Western Military District and the Northern Fleet's Joint Strategic Command, with new aircraft, helicopters, radars, air defense systems, and various types of strike systems being deployed across the force.

Although Russian defense spending has leveled off, the budget outlays in trillions of rubles are approximately 2.854 in 2017, 3.032 in 2018, 2.914 in 2019, and 3.019 in 2020. Perhaps another trillion rubles or so could be added in total military expenditure. Russia's defense budget is holding flat, or undergoing a sequester based on inflation, but it affords substantial funds for procurement. At 1.25 trillion rubles per year, the Russian State Armament Program may have purchasing power parity equivalent of $50 billion USD, and as a middle income country, Russia can afford a much larger force structure for considerably less. Although much of the Russian ground force expansion is driven by a contingency of expanded war with Ukraine, rather than being stationed near Baltic borders, improvements in mobility mean that Russian forces are much better positioned in the initial period of a conflict with NATO.

NATO as a whole has also increased spending 1.8%, 3.3%, and 4.3% from 2015 to 2017. U.S. expenditure on the European Deterrence Initiative has risen from $3.4 billion in 2017 to $6.5 billion in 2019, seeing increases in spending on infrastructure, prepositioning of forces, exercises, and increased rotational presence. On top of NATO's enhanced forward presence in the form of several battlegroups, countries like Poland argue for a much larger, and more permanent, U.S. military footprint on their soil. These processes in NATO are driven by a legitimate reassessment of Russia as a threat, and no longer a status quo power with a stake in the European security framework. Hedging is prudent. However, they are also shaped by political considerations, and the structural incentives that encourage states to ask for 'free' security benefits from much more powerful alliance members, without thought to the consequences for the security environment.

There is an inherent danger that spending and modernization become linked to credibility, with both sides feeling compelled to respond to the others' decisions, or be perceived as being unwilling to pay the price of competition. Attaining a credible deterrent, without it leading to an expensive security dilemma, or engendering crisis instability, is a balancing act of patience, prudence, and good judgment. Assuming intentions cannot be divined (and they can change in the future), the most important factors are whether offensive policies can be distinguished from defensive ones, and if there is a clear advantage for offense over defense in military technology.

If defensive plans can be made clear, and defense is militarily advantageous, then stability will ensue. In the worst cases, offense is perceived to hold a clear advantage, and there is no discernible difference between a posture that maximizes security over that which signals aggressive intent. Today the evidence is ambiguous on whether defense or offense are advantageous in warfare, and if it is even possible to defend without conducting offensive strikes across a theater of military operations. Meanwhile high readiness, exercises, and forward deployments make it challenging to parse intentions. These are fertile grounds for the emergence of a security dilemma, and potentially poor crisis stability between Russia and NATO. A dilemma is manageable, but like most security problems, it is much easier and cheaper to prevent than it is to resolve. ■

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International activities are FDF's daily work

Expert article • 2487

The Finnish Defence Forces' (FDF) tasks involve defending Finland, supporting other authorities, providing and receiving international assistance as well as participating in crisis management. In the Pori Brigade our main task is to prepare for defending Finland by organising both conscript training to form wartime troops and conducting reservist training for persons liable for military service in refresher exercises. Responsible for our set wartime duty, we maintain its plans and implementation readiness. Over the past years as the global security policy's state has taken a turn in an uncertain direction in the Baltic Sea area, we have been required to sustain a new type of readiness in implementing our set crisis time duty.

With the objective that the FDF's tasks develop national defence, safeguarding the Finnish society's security in threat scenarios presupposes that the FDF's capabilities and competences be utilisable by society at all times rather than only in case of a war. The Finnish concept of comprehensive security enables flexible cooperation between authorities and the private and third sector. For the Pori Brigade, this is readiness in providing troops or equipment for the use of other authorities or, provided certain criteria are met, of civilian industries to safeguard security in society. Every week we partake in security work conducted under the leadership of another authority across our area of responsibility.

In 2017 the Finnish Parliament issued the FDF a new task that entails sustaining the capability for providing and receiving international assistance subjected to the political decision-making process case-dependently which involves adopting the responsibility for planning and training as applicable. On a practical level, this is nothing new as such, since for some years now, the FDF has annually partaken in 80–90 international exercises both at home and overseas as mandated.

International exercises offer training in providing and receiving international assistance. Training equals activities undertaken in a real situation. An international detachment is received in Finland and escorted to the operation area, and the exercise conforms to the operational procedures of an international environment allowing training international connectivity. The same procedure applies when our contingent deploys for a training exercise overseas, for instance, as our Finnish Rapid Deployment Force of conscripts participated in the three-week-long exercise Trident Juncture in 2018. The troop that left from Säkylä was attached under the command of a Swedish battle group with some Finnish officers serving in the Swedish command echelon. In 2017 the Pori Brigade participated in seven multinational exercises and in five as the lead nation, whereas in 2018 the number of international exercises was five with Finland in charge twice.

As regards the FDF's fourth task, the Pori Brigade has a significant role in providing training to peacekeepers designated for missions abroad. In 2017 altogether 1,134 persons undertook training, and in 2018 the number was 950 persons in total expected to remain the same in 2019 unless new missions are started up.

We own our responsibility for providing training to soldiers deploying for missions, the most sizeable one of which is our contribution to the UNIFIL Force Commander's Reserve estimated to continue until the end of 2020 with c. 200 Finnish soldiers in Lebanon. The mission Operation Inherent Resolve in Iraq and the Resolute Support in Afghanistan involve 80 Finnish soldiers and 60 Finnish soldiers, respectively. Apart from this, the Pori Brigade trains troops for, among others, the KFOR operation in Kosovo, EU training missions in Mali and Somalia as well as UN operations.

Over the past years, recruitment of prospective peacekeepers has been successfully conducted. Training in international crisis management, provided solely by the Pori Brigade for Finnish conscripts, functions as a key recruitment channel. An annually administered exam informs selecting conscripts who will then undertake military service in the Finnish Rapid Deployment Force and be given priority in mission selections with an excellent opportunity to qualify for serving in a mission.

International activities equal daily work in the FDF and society. Finnish foreign and security policy is part of the international security network with security policy and military national defence forming part of the multinational security actors' network. International activities allow learning from others, comparing our competences and developing national defence as a nation that is not a member of any military alliance but is part of the international community. The FDF will serve as a tool for fulfilling the goal outlined in the Government Report on Security and Defence Policy (2016) which formulates that Finland will affect her operational environment goal-orientedly as part of the global, European and Nordic community. ■

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ELY KARMON

Jihadist short-term threat to Europe

Expert article • 2488

The European terrorist arena in the period between the 9/11 attacks and the 2011 Arab uprisings in the Middle East was characterized by the prevalence of al-Qaeda (AQ) as the most important terrorist jihadist actor.

A growing trend, since the beginning of the 2000s, has enhanced the role of informal Salafist-jihadist networks and individual terrorist "entrepreneurs" (independently minded and highly charismatic terrorist innovators, highly motivated and resourceful individuals) in Europe, besides the formal terrorist and insurgent organizations like AQ and the Islamic State of Iraq and al-Sham (ISIS).

The informal networks share common characteristics: (1) lack of a formal organizational structure; (2) flexible membership; and (3) decentralization, which permit a high degree of flexibility in terms of their membership. Members of the same networks frequently have a prior acquaintance in the form of friendship or kinship ties, as members of the same ethnic group, share political or religious ideologies, or shared experiences in prison, training camps, or combat theatres.

The al-Qaeda inspired jihadist networks and entrepreneurs have been the basis for the organization of the wave of Foreign Fighters (FFs) migrating to the battle grounds in Syria and Iraq.

The UK "entrepreneurs" Anjem Choudary for instance, and the Sharia4 Movement he created, gradually became the most well-known and controversial activists associated with the European Salafist-jihadist scene, supporting jihad by "hand, tongue, or heart." Its outlawed franchise, Sharia4Belgium, together with similar Salafi, groups were at the heart of Europe's radical Islamist community cooperating with ISIS in Syria and Iraq.

Most of the same social networks and entrepreneurs survive on the ground in Europe after the demise of ISIS, as the AQ – ISIS's fight for their "minds and hearts" has only begun and its future is uncertain.

During these years there has been a proliferation of "incubators," which serve as radicalizing agents: mosques, cafes, flophouses, prisons, student associations, NGOs, butcher shops and book stores.

The Internet has played an increasingly key role in recent years in the process of jihadist radicalization, as "force multiplier," although the direct contact with a charismatic religious figure or an entrepreneur has its own weight. The Internet "enables terrorist actors to connect with more actors in more places more speedily, and at a reduced cost." The ease of communication streamlines the formation of geographically dispersed cells. In addition to Facebook, Twitter and Telegram have become the favorite social networking site for jihadists to disseminate propaganda and communicate with like-minded individuals and groups.

Changes in the patterns of radicalization. After the attacks of September 11, 2001, direct command and control of terrorist attacks in the West by AQ has been the exception, rather than the rule. AQ has provided the inspiration and claimed responsibility for attacks for the most part staged by citizens or residents of the states where they occurred.

A key strategic change of the post-9/11 period has been the increase in terrorism carried out by independent jihadi cells or individuals under the influence of the doctrine of "individual jihad" developed by the AQ strategist Abu Musab al-Suri in his book Global Islamic Resistance Call: growing reliance on decentralized operations by individuals and small cells in spontaneous operations spread over the globe who will inflict as many human and material losses as possible.

The emergence of ISIS. The civil war in Syria since 2011 and the emergence of potent jihadi groups in the Levant, in particular ISIS, reinvigorated the jihadi movement. Thus, the latest wave of foreign fighters is more numerous than the earlier waves and this time with a significantly larger European component. It involves even younger volunteers, less faith based, with more diverse personal motivations due to its unique asset of a vast proto-state, controlling a large territory.

There is a direct link between the Islamist terrorism of the early 2000s with that of today. Besides, vital jihadist structures of recruitment have not been neutralized by EU authorities. Similarly, between the early 2000s and today, key organizational patterns of the Islamist terrorism activity in Europe – in terms of structure, recruitment and training – does not seem to have changed significantly. Nevertheless, they have evolved.

> The rivalry between ISIS and AQ is unlikely to disappear anytime soon.

Prisons play a critical role in both triggering and reinforcing the radicalization process and have gained in importance as "incubator." It should be stressed that known non-arrested suspects or liberated terrorists from jail since summer 2018 can represent a major threat, as they possibly are highly motivated and trained.

FFs returnees. According to the latest EUROPOL 2018 Report, around 5 000 individuals from the EU were believed to have travelled to Iraq and Syria. About 1.500 returned home and 1.000 were killed. From a numerical point of view, the threat appears less important than feared as no massive return phenomenon has been observed, while the contingent of potential candidates for return tends to shrink, mechanically reduced by the number of deaths in the area and the number of persons detained or imprisoned on the spot.

Women in increasing numbers have travelled to Syria and Iraq since the proclamation of the caliphate. According to recent studies, women often received sniper training, carried weapons and staged suicide attacks. There is an increased awareness that women play a much more active role than hitherto assumed and their threat should not be underestimated as the male contingent is thinning out and being placed under increased supervision by law enforcement authorities.

The ethnic and geographical origin of jihadist terrorists is important in analyzing and monitoring jihadist networks and cell. The increasing radicalization among North African migrants' children born and bred in Europe fueled the emergence of local networks and individuals who wished to join the global jihad. Since the beginning of 2017, a string of jihadist terrorist attacks involved Central Asian

citizens, mainly of Uzbek, Kirgiz and Chechen origin. These former ISIS fighters, including hundreds of Chinese Uighur jihadists active in Syria, could also present a growing risk.

Converts pose serious operational but also cultural and social problems. The percentage of converts appears to be higher for women compared to men. Converts reveal a greater tendency to adopt an extreme version of their new religion.

"Lone wolves" in the strict term of the definition, seem to represent only a small minority. Among 130 individuals arrested in Spain between June 2013 and August 2016 for terrorist activities related to ISIS, only 4.6% became involved alone, i.e. isolated from other jihadists; they were literally lone actors, not just single actors.

The massive waves of illegal immigrants from Syria, Iraq, Afghanistan and North Africa since 2015 have raised fears that ISIS has used them in order to infiltrate Europe with terrorist trained cells. However, recent attacks in Europe have, for the main part, been committed by lone individuals who have not been to a conflict zone. It has been assessed to be more difficult now for terrorists to exploit the migrant flow, owing to increased security measures.

Shia terrorists are not mentioned by European authorities, as well as academic experts, as a potential threat to Europe. However, dozens of pro-Iranian Shia militias, headed by the Hezbollah, whose military branch was designated a terrorist organization by the EU, invaded Syria since 2012 to fight alongside the bloody Bashar al-Assad regime. Their militants could represent a direct threat, as the recent Iranian foiled terrorist attacks in France, Denmark and Norway have proved, or as catalyst for the radicalization of European Shia Muslim youths in the revolutionary Khomeinist spirit.

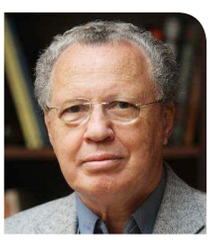
Conclusion

The dramatic rise to power of the Islamic State by the end of 2014, challenged, and arguably eclipsed, al-Qaeda. However, global jihadism after 2014 is rather a bipolar movement, divided between two main camps vying for power and influence. The rivalry between ISIS and AQ is unlikely to disappear anytime soon.

The Paris and Brussels attacks of 2015-2016 have been the only strategically attacks organized by ISIS, in spite of the numerous threats to stage other attacks.

The fascination with ISIS will die out, at least temporarily, as a result of the failure of its state project, which constituted a critical part of its appeal. However, many of the conducive environments that permitted ISIS's success in widely different locations around the world, including Europe, are still very much in place.

Some respite is now offered in which to address the conducive environment. The threat of a renewed major wave of jihadist terrorism in Europe depends on the way we seize the opportunity offered by the decline of ISIS's self-declared caliphate. ■



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For a healthy Baltic Sea, more needs to be done

Expert article • 2489

As seen last summer – unfortunately as usual – with the excessive blooms of blue-green algae caused by eutrophication and that affected most parts of the Baltic, our sea is not in a good shape. Recent findings from a HELCOM assessment of the state of the Baltic Sea corroborate this fact.

It is also clear that our welfare depends a great deal on a healthy sea, with an estimated 4 billion euros alone that could be gained from a Baltic Sea free from eutrophication and flowing into multiple economic sectors such as tourism and fisheries.

Despite all our current efforts to protect our sea and our source of welfare, we still need to do more.

To understand in what condition the Baltic Sea currently is, and to comprehend what actions work and what don't for improving its ecological situation, HELCOM recently carried out its Second Holistic Assessment of the Baltic Sea (HOLAS II), analysing various sectors of the sea's ecosystem in a period from 2011 to 2016.

Based on scientific evidence collected by more than 300 experts from all Baltic Sea countries, the results were published in the *State of the Baltic Sea* report, the most comprehensive baseline currently available on the Baltic Sea's ecological state.

The results show signs of improvement, but good ecological status as ordained by the Baltic Sea Action Plan (BSAP) – the HELCOM strategic tool for a healthy Baltic Sea which was approved by all HELCOM member countries – is unlikely to be achieved by its end date in 2021.

Eutrophication, the oversupply of nutrients in water leading to excessive algal growth that severely upsets the marine environment, is still the major pressure on the Baltic Sea. Despite progresses in nutrient reduction, the report shows that 97 percent of the entire waterbody is currently affected by eutrophication.

Plastic litter is a clearly visible problem along the Baltic Sea coastline, but it also appears under the surface and in many different size classes, with micro-particles being of great concern as they have shown to disrupt the hormonal balance of living organisms. Plastics contribute to deteriorating habitats, causes direct harm to animals and when entering the marine food web.

Other sources of apprehension are pharmaceutical residues, underwater sound and effects from climate change. In addition, the Baltic Sea's overall biodiversity is not in a good state – including marine habitats, marine mammals such as the harbour porpoise and the ringed seal, and fish.

These findings lead to the following questions – why has good status not yet been achieved, and if it can, when it will be achieved?

Restoring the marine environment of the Baltic Sea is not an easy task. The sea shows great sensitivity to both human and climate related pressures, and the recovery time to reach good environmental status has proven to be longer than initially expected.

For example, in the case of eutrophication, nutrient inputs have been reduced since the signing of the Helsinki Convention in 1974, but the internal nutrient reserves in the Baltic Sea still remain high – the consequences of accumulation over the past decades.

On the other hand, the HELCOM assessment also shows that regional cooperation to address the ecological challenges of the Baltic Sea leads to tangible results, and that the Baltic Sea Action Plan (BSAP) is the right vehicle to improve the condition of the sea.

Building on these findings, the HELCOM countries decided already in March 2018, at the ministerial level, to strengthen the implementation of the BSAP and to prolong it beyond 2021 with an updated version.

An evolution rather than a revolution, the BSAP update seeks to become a fit-for-purpose and effective tool for managing today's ecological issues affecting the Baltic Sea, addressing the challenges of the current plan and taking into account emerging concerns such as plastic pollution, disturbance to seabed, and climate change.

The new plan will also focus on closer integration of economic and social benefits, based on the ecosystem approach that acknowledges that we humans are an intrinsic part of the Baltic Sea environment.

The BSAP will also seek to combine, in one consolidated regional strategy framework, the sea-related UN Sustainable Development Goals (SDGs), the Aichi targets on biodiversity, and, for the EU countries in HELCOM, the ecological objectives of the Marine Strategy Framework Directive (MSFD).

Addressing both the different ecological objectives and the major environmental problems in one single plan make the BSAP well-suited to address the environmental challenges of the Baltic Sea.

All in all, the updated BSAP will get us closer to the overall goal – achieving good environmental status for the Baltic Sea. ■

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About HELCOM

HELCOM is a Regional Sea Convention in the Baltic Sea, consisting of Denmark, Estonia, Finland, Germany, EU, Latvia, Lithuania, Poland, Russia and Sweden. The HELCOM Secretariat is located in Helsinki, Finland. The HELCOM mandate stems from a regional treaty (the Helsinki Convention adopted in 1974 and amended in 1992) and covers the whole sea area including the sea bed and the resident biota, and pollution sources that may influence the sea.

JUHA FLINKMAN

Lost but not forgotten – at least we shouldn't

Expert article • 2490

It is highly probable that the reader is already aware of the environmental problems and issues the Baltic Sea has. Eutrophication is intensified by climate change which increases rainfall in the Baltic area and further impairs naturally poor water exchange. Harmful substances are another big scale problem in the Baltic. And of course there is the ever present threat of a major oil accident, as the Baltic Sea, and especially the Gulf of Finland has become a major oil transport route.

In addition to the major problems, there are smaller ones which are not nearly as significant, but on smaller, local scale can be potentially very damaging. One of these lies in the wrecks which litter the bottom of the Baltic Sea.

The Baltic has always been an important trade route. After Czar Peter the Great established St. Petersburg in 1700, this trade has continued to intensify. The Baltic Sea is very difficult to navigate and highly seasonal. Also, every war fought in Northern Hemisphere has also been fought in the Baltic, over who rules the crucial trade routes of this inland sea. Timber, tar and hemp for navies of the sailing era, and Swedish iron ore for the ironclads: The Baltic Sea rim has always been significant source of produce. As an end result, navigational hazards and wars have produced a multitude of wrecks that litter the seabed under the trade routes.

The Baltic Sea, due to its low salinity, coldness and dark deep water causes physical, chemical and biological decaying processes to be very slow, much slower than in oceanic salinities. Hence, the Baltic is a perhaps the most significant source of uniquely preserved underwater cultural heritage. However, the time is ticking, and the rust never sleeps.

Since early 20th century, increasing number of ships, especially warships began to use oil as fuel. Many of these ships were lost in the Baltic during World Wars, especially to mines which were extensively and effectively used. All these wrecks now rest on the seabed, as a mute reminder of war, as historic objects – and forming a potential environmental threat.

At violent sinking, a ship may lose most of its fuel into the sea. However, that is not always the case. A WWII destroyer wreck in the middle of Gulf of Finland may still have several hundred tons of fuel oil in her bunker tanks. Several vessels still carry their fuel. Of course, in comparison to a major sea accident of big tankers colliding or hitting rocks, this is small potatoes. But at the worst possible moment, tens to hundreds of tons of bunker oil may create a significant environmental problem: imagine Gulf of Finland in March-April, sea full of melting remains of sea ice, thousands of returning waterfowl resting among the floes – then add a hundred tons of 1940'es high Sulphur content, wartime oil in the mix.

The technology to recover oil from wrecks is available, and already has been used in the Baltic. However, these operations are not cheap. And the difficulties do not end there. Most significant warship wrecks were at full battle readiness when they met their fate. Guns loaded, ready ammo racked and available, depth charges loaded in throwers, reloads stacked by. Torpedoes in launcher tubes, possibly mines on deck rails, ready to be launched. And in most cases, the whole thing is wrapped in a few pelagic trawls and gillnets. In the relatively shallow waters of the Baltic Sea, trawls and gillnets stick to wrecks, becoming derelict fishing gear (DFG), "ghost nets". In addition to effectively killing fish and marine mammals for years, they together with unexploded ordnance form a very effective obstacle for oil removal operations.

The wrecks are there, slowly rusting away. While they do not form the biggest threat to the environment of the Baltic Sea, we should not forget them despite they are out of sight. Removal of oil from wrecks costs an order of magnitude less than removing the same oil from sea or shores. To start somewhere, at least the locations of potentially environmentally hazardous wrecks should be established, and their present condition assessed and recorded. There already is a wealth of data produced by general and specific seabed surveys, such as Nord Stream gas pipeline surveys which produced a significant dataset of seabed around the pipelines, including many wrecks which may be environmental threats. Authorities responsible for seabed surveys are intensifying the efforts of gathering information of these wrecks. Also, in the Baltic there are many volunteer groups of recreational and technical divers researching sunken cultural heritage, i.e. wrecks. There are many volunteer diver groups who successfully monitor and remove ghost netting from wrecks. Combining the resources of authorities and volunteer groups could be utilized increasingly for wreck monitoring in future.

Lost but not forgotten – Because if we do, they may remind us in a rather nasty way. ■

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ROLF LADAU

What does sustainability mean in the corporate world in 2019?

Expert article • 2491

The perception of sustainability has become much more concrete in the business world in recent years. There is a clear shift in the approach: sustainability work no longer consists of separate projects, but it is more comprehensive. Nowadays, we talk about sustainable business.

Paulig has a long-term commitment to sustainability. In 2014, we set ourselves a goal: all of our coffee beans should be supplied from verified sustainable sources. At the start of this year, we were happy to note that we had accomplished our goal — all of the over 50 million kilograms of green coffee that we source every year comes from verified sustainable sources. Our other goal is that by the year 2025, all our coffee packages will be made from renewable, plant-based raw materials. Paulig's coffee and food production facilities in Finland and Sweden are powered with biogas. And with our recipes, we want to achieve not only great and unique taste but also simplicity and naturalness. Today, less really is more in ingredients lists: The shorter the list, the more attractive the product!

Sustainability should be perceived as an integral part of the company's operations, taking into account the entire value chain. This is challenging, but partial optimisation does not yield concrete results when it comes to sustainability.

In December 2018, I visited three countries of origin: Uganda, Kenya and Tanzania. I saw how coffee is cultivated, what our sustainability work means in practice and what each stage of the process is like. I visited several production facilities and met dozens of partners and farmers. I gained personal insight into our sustainability work, coffee cultivation practices, and sourcing. During my journey, I saw how coffee farmers were taught new methods and techniques on a very practical, hands-on level. Our efforts can also be seen in the farmers' everyday lives as increased profitability and well-being. For example, they get access to clean drinking water and education for their children.

New food solutions needed

The UN's Intergovernmental Panel on Climate Change (IPCC) report, which was released last autumn, made the future of our planet seem rather dark and provoked fruitful discussions here in the Nordic countries. One could say that almost every consumer nowadays has at least a latent understanding of the change. Therefore, people are more willing to accept new products and ways of working.

The grim facts about the state of our planet motivate the younger, highly aware generation to create completely new kinds of products and technical innovations that address the challenges of climate change. In the future, people will harness their energy and expertise to combat ecological problems. And corporate sustainability work will also become more tailored: individual needs will be taken into account more closely at each stage of the production chain. This is what I strongly believe, and I am looking forward to the exciting new innovations.

Sustainability work is never ready, it is an endless process with no end in sight. This makes the whole endeavour challenging, as can be seen in social discussions about sustainability. Because the end is nowhere to be seen, the discussions tend towards the negative. This is understandable. After all, there is always room for improvement.

However, many companies work hard to promote sustainability with impressive results. Examples of successful sustainability work are already out there. I hope that discussions on sustainability work would reflect this, with a greater emphasis on successes. This would inspire people and companies to take new concrete measures, creating a circle of good.

We cannot overcome difficulties with hopelessness and negativity. The Western business world needs an attitude shift: companies should dedicate themselves to work for and share hope of a brighter future. ■

ROLF LADAU
CEO
Paulig

PAULIG
Exploring Great Taste

Facts about Paulig

International family-owned food company founded in Helsinki 1876.
Key markets: Nordic countries, Baltics, Russia and Central-Europe.
Sales in 2017: 929 MEUR
Personnel: 2.000 in 13 countries
Brand portfolio: Paulig, Santa Maria, Risenta, Gold&Green

MIKKO ALI-MELKKILÄ

In rye we trust – Kyrö Distillery Company

Expert article • 2492

Sauna is an integral part of Finnish culture and our way of living in Finland. It is a democratic room where usually rank and achievements play little role, a place to have both cheerful and serious discussions and sometimes even important decisions are made there. Sauna might have even played a key role in the decision-making related to Finland's future in the Cold War period. During President Urho Kekkonen's reign (1956 – 1982) the term "sauna diplomacy" became famous. Kekkonen entertained many international VIPs such as First Secretary of the Communist Party of the Soviet Union Nikita Khrushchev in his sauna in Helsinki.

In 2012 another significant event took place in a sauna in Finland. A group of friends had organized a get-together and a bottle of American rye whisky was being sampled while enjoying the sauna. The excellent taste of the rye whisky received many compliments. Besides sauna, rye also has a special place in the hearts of Finns; we consume six times the global average of rye in Finland and rye is a cornerstone of Finnish cuisine. The fact that nobody was producing rye whisky in Finland led to a lengthy discussion and eventually to an idea.

Setting up an all-rye distillery in Finland felt like a good idea the following day as well, even though none of the five friends had any experience from alcohol industry. After a lot of research into the art of distillation and other curiosities of spirits business and after writing quite a few business plans, a company was founded. Soon after, the distillery found its home in an old dairy in the village of Isokyrö in Western Finland.

The first distillation of Kyrö Distillery Company took place in 2014. The liquid was a rye spirit, which would become whisky after a minimum of 3 years of barrel aging. While the whisky was aging, rye gin production also began. A small business started to emerge, distribution being created bar by bar and the sales were progressing roughly according to expectations.

The gin turned out to be really good. In 2015 Kyrö Napue Gin was selected the "World's Best Gin for a Gin & Tonic" by the International Wines and Spirits Competition (IWSC), a highly acclaimed authority in the wines and spirits business based in London. None of the representatives of the IWSC had ever heard of the distillery or the gin before and instructed Kyrö to try to get prepared before the award was announced in a few weeks' time. As much gin was produced as possible, but the resulting surge in demand was only met fully in a year's time when the gin production capacity had been increased to a totally different level. The company has enjoyed considerable success ever since and employs today around 35 people in Finland and some 10 more internationally. The downside of the gin success was that no whisky was distilled and put to barrels for almost a year. In late 2016 the production lines for whisky and gin were separated and thus only in 2020 any relevant quantities of whisky will start to be released.

The market size in Finland for super-premium (rye) spirits was never big enough to justify the required investments in setting up a new distillery. As global markets were targeted from the beginning, exporting began soon after production had started. Today Kyrö is exporting to 30 different countries globally in Europe, Asia and Northern America. The products can be found in some of the most respected and prestigious cocktail bars around the world from Tokyo to Moscow, London and New York; an extraordinary achievement for a company this young with founders (all of them still working full-time for the company) who were all introduced to alcohol business together with the company. The international expansion has been done in a meticulous way by focusing first only on creating awareness for the brand through placements in the top tier cocktail bars. Only when a certain position in the market has been gained with the professionals, i.e. the bartending community, have products been carefully launched at a super-premium price point to a wider market of consumers.

Kyrö Distillery Company brand is built around stories about sauna, friendship, rye, risk-taking, personal growth, Finland and many other true stories. The high-quality spirits produced in an uncompromising way come in highly distinguishable, designed and minimalistic packaging, supported with clever and humorous marketing communication with a Finnish touch. The Kyrö story, only in its beginning, intrigues and fascinates people. Rather than sales, the main goal of the company's mission and resulting business model is to encourage and recruit people to join and take part in the Kyrö story.

While the current focus in 2019 is largely on the gins, careful preparations are being made for the launch of the company's eventual main product whisky, to be released in growing numbers starting from 2020 onwards. Kyrö Distillery Company continues to make considerable investments to further expand the capacity of the whisky production. A new whisky aging warehouse was finished in 2018 autumn and a new distillery building will start production in 2019 summer, providing the means for the company to become a mid-sized player in the world of spirits in the coming years.

After a decade in the wines and spirits business, I had the opportunity to join the Kyrö story in May 2019, to head the sales of the company. I am looking forward to a great journey in creating the world's best-known rye distillery.

P.S. I encourage You to visit our distillery in Isokyrö, Finland! ■

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ELISA MIKKOLAINEN

Reducing the environmental footprint of shipping in the Baltic Sea

Expert article • 2493

The Baltic Sea is one of the busiest traffic areas in the world. 15 percent of the world's seaborne freight is transported in the Baltic Sea. According to HELCOM statistics (*Assessment of Maritime Activities in the Baltic Sea, 2018*), there were nearly 8'000 ships operating in the Baltic Sea in 2015. 48 percent were cargo ships, 22 percent tankers, 5 percent passenger ships and 4 percent container ships. The number of port calls in 2015 was almost 295'000.

The need to protect the unique and sensitive environment of the Baltic Sea has been long recognized. The International Maritime Organization (IMO) has designated the Baltic Sea as a Particularly Sensitive Sea Area (PSSA) in 2005. The main international instrument to regulate shipping is The International Convention for the Prevention of Pollution from Ships, known as MARPOL, which is also the central source of environmental shipping law. MARPOL has designated the Baltic Sea as a special area which means that certain regulations are stricter in the Baltic Sea than elsewhere. Moreover, the coastal states in the Baltic Sea have signed a special Convention on the Protection of the Marine Environment of the Baltic Sea Area. The anti-pollution regulations of this so-called Helsinki Convention apply to all ships operating in the Baltic Sea regardless which flag they fly.

Due to above framework, shipping companies must comply with strict regulations when operating in the Baltic Sea. Ships' emissions to air have been significantly reduced since a special control area was established for Sulphur oxides in 2005. The reduction has been achieved onboard the ships by switching to cleaner fuels and cleaning the exhaust gases. A similar special control area on Nitrogen oxides will come into force in 2021. Several shipping companies have adopted voluntary measures to reduce their emissions and carbon footprint, for example by optimizing vessels' speed and consumption, maximizing cargo intakes, minimizing ballast voyages, and using alternative fuels.

Besides emissions to air, ships generate also operational waste: oil and chemical tankers clean their cargo tanks, and bulk carriers their cargo holds. The ships generate sludge, bilge water and other oily mixtures. In the Baltic Sea, it is compulsory for the ships to leave ashore all waste which cannot be legally disposed to sea. Some types of washing waters can be discharged to sea according to MARPOL regulations. Because of the special area status of the Baltic Sea, the washing waters can be legally discharged to the sea at very low concentrations, at a sufficient speed not too close to the nearest land and only where the water is deep enough. The number and volume of oil and chemical spills have been effectively reduced due to regular checks by authorities as well as satellite and airplane surveillance by all Baltic Sea states.

Ships generate waste although they would be not moving or carrying any cargo: the crew onboard acts like any household ashore, producing food waste, sewage, plastic, paper etc. No garbage can be legally discharged into the Baltic Sea. However, the ships are allowed to dispose food waste and untreated sewage into the sea. Although this is in line with MARPOL regulations, food waste and sewage are a source of nutrients and therefore extremely harmful because of eutrophication, a major concern in the Baltic Sea.

In order to prevent and abate pollution, the Helsinki Commission (HELCOM) has made a special recommendation to be implemented in national legislation of the contracting countries. Practically all ports in the Baltic Sea follow the "No Special Fee" -system: the ports apply a fee covering the cost the reception, handling and disposal of ship-generated waste. The fee is payable by the ship irrespective if the ship leaves any waste ashore or not. The system is designed to give a clear incentive to all ships to leave the waste ashore rather than dispose it to the sea.

The European Commission is presently revising the Port Reception Facilities Directive which aims at efficient reception and handling of ship-generated waste at ports. Ports would be obliged to arrange a separate waste collection for different kinds of waste. Unfortunately, it is quite common that crews sort the waste onboard the ships, but ports are not able to adequately manage it. The revised directive would place additional pressure on ports to engage in circular economy and recycling.

There are also other upcoming regulations which will reduce the environmental footprint of shipping. The convention on ballast water management entered into force in 2017, and latest by 2022 all ships in international traffic must be equipped with a system managing their ballast water and sediments. The regulation is aimed at preventing the transfer of harmful organisms and pathogens between sea areas. The Baltic Sea as a brackish water basin with low biodiversity is especially vulnerable to invasive species. In addition to ballast water tanks, organisms travel long distances attached to vessels' hulls. Shipping companies fight biofouling with special coatings in order to decrease drag, fuel consumption and emissions, and obviously to prevent species entering new marine environments.

Maritime traffic generates not only emissions to air and discharges to the sea, but also noise. Ship engines and propellers are a source of underwater, low-frequency noise. This aspect has barely been included in international regulations. Because the noise levels depend on ship's design and machinery, the regulations affect mainly new-buildings. So far, there are not too many tools regulating existing fleet, only recommendations on speed and route selection in sensitive areas.

Much has been done to improve the environmental aspects of shipping, but a lot of work remains for the coming years. Cooperation of the states around the Baltic Sea is vital. HELCOM is a decisive instrument to combine efforts of the nine coastal member countries and to protect the marine environment of the Baltic Sea area. ■

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Baltic cooperation in marine spatial planning

Expert article • 2494

The beginnings of the most recent chapter of Baltic collaboration date back to the seventies of the twentieth century and are related to the signing of international marine environmental protection conventions, an area least burdened by political divisions that impede the development of multilateral relations. Cooperation gained momentum at the end of the eighties and the beginning of the nineties of the twentieth century following the disintegration of USSR and the emerging political transformations in Central Europe. These processes led to EU expansion covering nearly all countries around the Baltic Sea and eliminated many stumble blocks impeding cooperation in the past. Nevertheless, not all problems disappeared and new ones appeared. Though the ratification of conventions for protection of the Baltic Sea environment brought positive results, it is quite clear that the challenges of growing anthropopression and the reconciling of varies interests require new forms of international cooperation. In the first decade of the twenty first century, the area of marine spatial planning provided such new planes for collaboration.

Marine and coastal areas are becoming areas of dynamic human activity related to wind energy, pipeline transport and marine shipping, fishery and aquaculture. These activities may be complimentary, neutral or give rise to conflicts in using the particular water basins. Insufficient coordination may lead to rivalry for the most attractive areas and generate pressure for valuable resources and the consequential continued degradation of the marine environment. Such a development trend would lead to the reoccurrence of the "tragedy of the commons" – a mechanism described fifty years ago by G. Hardin. Marine spatial planning is to counteract such a scenario. This type of intervention in the political and market mechanism of utilizing sea resources is a complex tool for controlling all processes affecting coastal and sea areas for ensuring sustainable development.

Marine spatial planning is a key tool in EU integrated maritime policy. Public authorities and other stakeholders can coordinate actions and optimise the use of maritime space to the benefit of the economy and the marine environment. The EU Maritime Strategy Frame Directive provides grounds for marine spatial planning in scope of environmental protection regulations. It imposes the duty on all Member States to reach a good status of the marine environment by 2020, to apply the ecosystem approach and to guarantee the attainment of a good status of the environment.

The Baltic Sea marine spatial planning experience indicates that the process should account for the specifics of particular waters – not only the natural environment but also the interests and aspirations of coastal societies. Consulting and the involving of stakeholders are therefore necessary in the process of developing, implementing and evaluating plans. The marine spatial planning experience gained in international Baltcoast, PlanCoast and BaltSeaPlan projects, among others, were of fundamental significance in implementing and developing Baltic spatial planning. The HELCOM-VASAB taskforce for maritime spatial planning provides a regional cooperation platform for Baltic Europe countries towards coherent implementation of these plans. The EU strategy for the Baltic Sea Region (EUSBSR) assigned an important role to the taskforce in promoting marine spatial planning among all Baltic Sea Member States and in developing a common approach to transnational cooperation in this scope.

European Baltic countries strive to collaborate with Russia in preserving the natural and economic environment of the Baltic Sea. In terms of marine spatial planning, these embrace mainly Finland, Sweden, Germany and Poland. Several projects were performed by partners from Poland and Russia. They refer to maritime cross-border cooperation on the Vistula Lagoon, the water basin split by the Polish-Russian border. Although a long-term regional cooperation strategy was not adopted, the outcome may in the future improve the residents' life standard; stimulate mobility of local society, and the economic development of the Vistula Lagoon. Both Polish-Russian cross-border basins – Gulf of Gdańsk and Vistula Lagoon – are exposed to growing anthropopressure and increasing conflicts over the use of resources. The ongoing work on the spatial development plan for Polish sea areas revealed five existing and 17 potential conflicts related to the existing/planned ways of using the sea.

A key benefit of marine spatial planning performed up to date is the exposed complexity of the problem. On one hand, it revealed the need to reach short-term economic benefits necessary for uninterrupted functioning of the economy, and on the other the need to curb anthropopression and mitigate conflicts on use of sea resources for ensuring long-term stability of marine ecosystems that also contribute to the prosperity of coastal societies. Success and failure also depend on the stakeholders' ability to cooperate internationally. Awareness of such needs in Baltic Europe seems to be sufficiently mature to continue successfully works already initiated. ■

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JAN FELLER

Data is the new lamp oil

Expert article • 2495

Since 2014, Germany has regained its position as Finland's most important trade partner both in imports and exports. Only few know that Finland exports more goods to Germany than to North-, Central and South America combined. The economic relationships have undergone substantial changes over the years, and the biggest change is likely to be happening right now.

The economic ties between Germany and Finland have been an important building block for the prosperity of both countries for centuries. Long before Finland became a nation of its own, the country was a major producer of furs and lamp oil. Thanks to the Vikings and their trade, Finnish lamp oil ended up as far as the Middle East: A popular trade route, the *Austrvegr*, passed through the Finnish archipelago, via the Dnieper river, and ended as far as in Baghdad. The Vikings laid the foundation for the Hansa network, that helped transport a large share of Finland's exports, many of which went through Germany. Quickly, the Hansa became Finland's gate to the world.

After World War I, Germany was dependent on export to be able to pay for reparations. At the same time, young country Finland had to ramp up its own economy. By 1921 Germany was already Finland's most important source of imports. In the following decades trading between Germany and Finland consisted mainly of exchanging Finnish wood against German manufactured goods.

Technology surpasses wood

During the second half of the 20th century trade became gradually more balanced towards an intra-industry exchange of similar products and product components. By the turn of the millennium, the electrotechnical industry surpassed the forest industry as the largest export sector, making up about 1/3 of total exports. For the first time since furs and lamp oil, Finland's exports to Germany also included a significant amount of consumer products. And as the 2009 crisis developed, mobile phone exports began to decrease dramatically.

The most digital country of the world

Another change in trade relationships has been making its way into the headlines gradually, and it likely has its roots in the downfall of Nokia's mobile phones business. Finland is now one of the most digital countries of the world and is frontrunner in the EU's most important asset for digitalization: a competent workforce. Combined with the fact that so far, many German companies have been rather slow when it comes to digitalization, this has opened up a tremendous amount of opportunities for Finnish companies. From smart energy grids and weather forecasts for autonomous cars to augmented reality solutions for factory shop floors and autonomous robots for agriculture, Finnish companies are helping to digitalize German small and medium enterprises – Germany's famous "Mittelstand". And it's not only the Mittelstand that has found Finland. German startups are visiting the Slush startup conference in larger numbers every year to be part of the flow of innovation and investment that goes through Pasila every November.

Finland is now one of the most digital countries of the world and is frontrunner in the EU's most important asset for digitalization: a competent workforce.

The mindset to support change

When Germany's president Frank-Walter Steinmeier visited Finland in September 2018, he was particularly interested in how Finland prepares for the future of work: A future where artificial intelligence is expected to impact the jobs of 30 percent of Finland's workforce. Steinmeier was impressed by the same things that German companies in Finland commonly list as the country's strengths: Finland's education, infrastructure and mindset. The education system continuously adapts itself. Latest examples include private initiatives such as the "Elements of AI", an online course on artificial intelligence accessible for everybody, as well as the Hive Helsinki coding school. Finland's digital infrastructure is enabling high speed internet access even in the most remote summer cottage, creating possibilities for smart energy efficiency solutions. And the Finnish mindset has helped the country to create market leaders in various industries: a new technology is usually seen as a possibility, not as a threat.

German-Finnish digitalization partnership

In 2016 Finland's and Germany's chambers of commerce established a digitalization partnership. The idea was simple: Finnish digital solutions would be used to help German SME's. The project would grow sales for Finnish companies on the one hand, and create an innovation flow to Germany on the other hand. The demand has been high: For the 14 Finnish companies that joined the program so far, over 400 meetings were arranged with potential German customers in a period of 18 months. Three of those companies have already established a subsidiary in Germany.

Next, the partnership will focus on innovations in the area of "Smart Building". Germany's 21 million buildings make up one of Europe's largest market for smart building solutions. Be it the three-dimensional modelling of buildings (BIM), solutions for increasing the efficiency of use of resources, or virtually any digital solution helping to make building or maintenance more efficient, the demand is high and can be met by Finnish solutions.

The economic relationship between Germany and Finland is still as important for both countries as it has been since the Vikings sailed. Today, however, we can experience a deeper and possibly more balanced relationship than ever before. Products, services, and innovations are moving from and to both countries, driving prosperity and creating the level of competitiveness we need to thrive. ■

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IEVA TETERE

Looking forward: Latvia after dramatic financial industry shake

Expert article • 2496

Macro landscape

After wiping out almost one fifth of the GDP during the crisis, Latvian economy has managed to grow eight year in a row and heal the wound of the crisis. 2018 has been another successful year for Latvian economy managing to grow by 4.5%. During these years we have seen tremendous structural changes in the economy and managing imbalances. During last years the loan deposit ratio and debt to GDP has shifted from one of the worst in Europe to one of the best. A lot of efforts have been put in developing export. One must admit that EU funds are crucial for the economic development of Latvia. Global uncertainty and severity have been triggering deleveraging process, but finally lending is gradually accelerating.

As growth have been balanced in all three Baltic countries, we are well prepared for the next stage of economic cycle. The development of Baltic financial sector has demonstrated positive developments and growth mainly based on good growth of real economy. According to SEB Latvia chief economist Dainis Gašpuitis this year GDP growth will slow down to 3.5% for Latvia, while Lithuania and Estonia SEB economists forecast growth of 3%. Private consumption is still the significant growth driver. EU funding will play as stabilizing factor, especially in construction though this sector is heating up. Weakening external demand will show up in slower export expansion. Inflation will remain rather low in Baltics. SEB economists forecast 2.9% inflation in Latvia and 2.5% in Lithuania and Estonia. Another challenge to face across the Baltics is the heating up labor market, surging wage pressure as well as low productivity growth. With relatively low investment appetite it is crucial for further competitiveness. Another challenge is to invest in producing and exporting high value goods.

Lending

Baltics and specifically Latvia was severely hit during the recent crisis. When the world had a financial crises Latvia faced internal real economy crises as well due to overly optimistic forecasts regarding the future growth and fairly loose lending culture. Deleveraging as well as deep drop of real estate prices was the negative outcome of the crisis. Lending index conducted by Finance Latvia Association reveals the banking sector ability to lend at the highest level in 10 years. Ability to borrow has peaked as well. And yet rigorous experience has profoundly changed the society's attitude to debt that leads to more pragmatic approach and more balances willingness to borrow by that maintaining lower leverage and utilization of loan facilities.

KYC and AML

Recent crisis has affected those banks and financial institutions working with high risk nonresidents. Despite the forced closure of the third largest bank last year, Latvia has successfully managed risks and avoided turbulence. It has very limited impact on GDP growth as well. Share of non-resident deposits (September 30) dropped to 20.5%, and was 3.2 bEUR, down from 8.1 bEUR beginning of 2018. Non-EU deposit share remained only 10%. Despite the high risk nonresident deposit amount have been decreased, we see need to put more efforts in improving enforcement of the law, more focus on investigation of economic and financial crime, as well as money laundering.

Overall change in banking sector is ongoing from 2016. During last 3 years we see the turning point when the attention is focused on tackling the cause and environment of Latvia to be used for money laundering purposes. Banks previously working with high risk country nonresidents now are revising their business models, looking for new niche opportunities in financial services.

Moneyval evaluation

At the end of August of the last year European Council Moneyval committee responsible for regional supervision of money laundering prevention published the report on Latvia covering the evaluation of actions Latvia has performed to combat the money laundering and terrorism financing risks. Moneyval committee issued the evaluation in 11 areas. In two areas the evaluation was critical and not in line with the best practice. From overall 40 recommendations 13 of them were directly related to financial sector. This one of the biggest risks to Latvian economy. So all the attention from the government and supervising authorities should be fully concentrated to deliver on agreed action plan eliminating identified weaknesses. This has to ensure the positive evaluation during this year.

Future perspective of the industry

Latvia and other Baltics countries remain early adapters in financial technologies and services. Latvia was among first countries in Europe to introduce instant payments. We see also open banking concept as an opportunity not a threat. One can see that start up community support and cooperation, fintechs, hackathons are just few of deliveries by banking industry during 2018. We have decided to embrace the innovation with Innovation centers and accelerators. Currently we do not see that Latvia have reached a breakthrough in artificial intelligence, but applying robotics where possible in banking and global services is something that we are extremely proud of. ■

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DARIA AKHUTINA

CBSS – Background and vision for future cooperation in BSR

Expert article • 2497

The Council of the Baltic Sea States was established in 1992. In the beginning, only two members of the CBSS were European Union members – Denmark and Germany. The initiative was taken by the then Foreign Ministers of Denmark and Germany, Uffe Elleman-Jensen and Hans-Dietrich Genscher. They stated that "in light of political changes in Europe, the dream was to create a forum, which could serve as a driving force behind political and economic stabilization and cooperation in the new Baltic Sea region." According to the Copenhagen Declaration, the founding document of the CBSS, the goal was "to strengthen the cohesion among these countries, leading to greater political and economic stability, as well as a regional identity." The Council was a first attempt at building confidence and relations based on trust in regard to the new political realities of the region. By the end of the 90 -s and the mid-2000s, the situation in the Region had dramatically changed with the majority of the CBSS Members States entering the EU. Currently, there are only three CBSS member states that are not EU-members states. Thus, the Council of the Baltic Sea States (CBSS) has fulfilled many of the objectives set in 1992, it remains a structure with a rather unique potential, which especially applies to its comprehensive membership, encompassing EU members and non-members, including Russia, as well as the European Union. No organization, other than the CBSS, currently has the mandate to initiate and organize a high-level political dialogue within the region and at the same time, facilitate the practical cooperation through joint project activities and networking. These two key directions complement and gain from each other. In 2013 CBSS established its own Project Support Facility Fund, very much designed to support people-to-people actors, including academia, municipalities and NGOs from all CBSS Member States.

The Council was a first attempt at building confidence and relations based on trust in regard to the new political realities of the region.

The CBSS three long-term priorities, which were revised in 2014, are Regional Identity, a Sustainable & Prosperous Region, and a Safe & Secure Region, remain highly relevant and envisage the involvement of both governments and civic actors.

Apart from a revision and streamlining of priorities in 2014, there was a realization that the CBSS on the approach to 2020 still needed to decide what it was best placed to achieve from 2020 onwards towards 2030. For that reason, the Foreign Ministers of the Member States and a High Representative of the European Union invited the CBSS to appoint an independent group of Wise Men and Women entitled the "CBSS Vision Group" with the task to elaborate a report with recommendations for a vision for the Baltic Sea Region beyond 2020 and especially on the future role of the CBSS. The "CBSS Vision Group" was established in Reykjavik on 20 June 2017 and started its work to solve this apparent connection between what has been achieved, what is being accomplished currently, what is the potential moving forward, and what has to be updated and re-shaped.

The Vision Group's work has resulted in the **Vision for the Baltic Sea Region beyond 2020**. This report was presented on 18 June 2018 in Stockholm at the Meeting of CBSS Foreign Ministers. The Member States expressed their continued support for the mission of the CBSS while also emphasizing the need to focus on restoring trust in the region.

According to the "Vision Report" the CBSS has potential of becoming a "real driver, facilitator, initiator and coordinator of regional cooperation across the region|" performing "as a hub for stimulating political dialogue, the exchange of experiences and best practices as well as finding partners for an efficient implementation of concrete projects".

The Vision Group stated that we would need a Region with a strong regional identity, based on sustainable development, ecological awareness, better inclusion, prosperity and social cohesion, human security and safe societies as well as regained trust.

In line with Vision Group's recommendations, in 2019, CBSS and its Secretariat continue to strengthen the areas under long-term priority Sustainable and Prosperous Region as Science, Labour and Maritime.

In February 2019 the CBSS' Latvian presidency will host the High-Level Meeting on Science in Riga followed by the Baltic Science Network (BSN) Project final conference and the CBSS Baltic Sea Science Day aiming to promote the CBSS Science Research and Innovation Agenda, contributing to the visibility of the Baltic Sea Region as a leading science-research-innovation area worldwide.

The EUSBSR Flagship "Baltic Sea Labour Forum (BSLF) coordinated by CBSS, getting a new impulse by starting the Project "BSLF for Sustainable Working Life", recently supported by European Social Fund and focused on demographic change, lifelong learning and ageing labour force. The Annual BSLF Round Table will be held back-to-back with BASTUN and CBSS/BSLF Coordination Group on Labour and Employment in March in Hamburg.

In 2018 the CBSS Expert Group dealing with maritime issues got the updated mandate and became entitled as the Expert Group on Sustainable Maritime Economy (EGSME). It strives to facilitate the cross sectoral interaction among governments, academia and industries/ businesses. In April 2019 the Latvian Presidency of CBSS EGSME together with EU DG Mare is going to hold a Conference on "Development and implementation on sustainable maritime economy: opportunities and challenges of small and medium ports in BSR".

CBSS is well placed to enhance the strategic cooperation among

key actors in the regional cooperation dealing with the areas where such interaction brings an added value gaining from the synergies and knowledge exchange. The CBSS's Network of strategic partners includes the Northern Dimension Policy including its partnerships and other initiatives. Helsinki Commission (HELCOM), the Nordic Council of Ministers (NCM) and other regional councils - the Arctic Council (AC) and the Barents Euro Arctic Council (BEAC), EU Strategy for Baltic Sea Region (EUS BSR) and its Policy areas and Horizontal actions, some of which are currently coordinated by CBSS.

"The Baltic Sea region has the possibility to remain, also in the new geopolitical situation, a regional platform for dialogue and cooperation, regarding economic, social and security standards and policies related to encouraging a vibrant regional civil society". CBSS jointly with its cooperation partners will strive to make the contribution in this regard. ■

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The Baltic Sea Region: Looking forward

Expert article • 2498

Over the past two decades, the Baltic Sea Region – from the Baltic states to the Nordics – has developed into an integrated, high performing economic region. It is called the 'top of Europe' for a good reason.

The Baltic Sea Region economies have performed strongly since 2000, out-pacing many of their European peers. As a group, they have averaged a GDP growth rate of 2.7% relative to 1.6% for the EU28 as a whole.

And even in a challenging post-crisis environment, the Baltic Sea Region economies have performed well – growing faster than the broader EU group. This growth performance has been led by very strong growth rates by the lower income Baltic Sea Region economies. On average, the Baltic states have grown at close to 4% since 2000.

This has enabled a process of strong income convergence. Across the Baltic Sea Region, the gap between the per capita GDP of the bottom three countries and the top has reduced from a multiple of about 4.5 in 2000 to a multiple of about 2.5 today.

And the strength of this convergence process has out-paced other parts of Europe. For example, the three Baltic states moved from an average of 30% of the EU 15 average income in 1995 to 60% today (on a PPP basis), more rapidly than the small central and eastern European transition economies that moved from 45% to 60% of the EU average.

Deepening integration within the Baltic Sea Region has been integral to the economic success of the region. Over the past two decades, there has been substantial growth in cross-border flows of goods and services, capital, firms and people. Regional connectivity has also been strengthened in multiple ways, from infrastructure to regional institutions.

This regional integration has supported the integration of Baltic Sea Region economies into the broader European economy. This has allowed the lower income members of the Baltic Sea Region to more effectively take advantage of the opportunities of the Single Market.

But there are several emerging challenges and opportunities that these economies will need to respond to in order to sustain this recent performance. For one thing, many Baltic Sea Region economies are facing aging populations. A greater contribution will be required from labour productivity growth – and at a time when productivity catch-up gains are less available because the Baltic Sea Region economies are closer to the income frontier.

In addition, the open economies of the Baltic Sea Region will need to respond to emerging challenges and opportunities in the global economy. First, there is rapidly increasing global competition – which means that the Baltic Sea Region economies will need to work to sustain a competitive edge. China's global export share has risen from 3% to 10% since 2000, and it is increasingly moving into knowledge intensive activities in which several Baltic Sea Region economies have traditionally had an advantage. There are many new sources of competition.

Second, the global economic and political environment that has supported Baltic Sea Region growth is facing a series of risks – from protectionism, to the weaponisation of international commerce through sanctions, to heightened geopolitical uncertainty. Open economies are deeply exposed to these dynamics. Many Baltic Sea Region economies were impacted by the Russian sanctions, for example, and are exposed to the threats of further protectionist measures.

And third, disruptive technologies such as automation and AI are bringing a series of new growth opportunities as well as the potential to disrupt labour markets and economies. There are clear opportunities in terms of productivity, which will overcome the negative impact of aging populations and high labour costs across the region. But capturing value from these technologies will require significant investments in skills and in new business models.

In response, there are three types of action that are important for the Baltic Sea Region economies. First, policies to improve national competitiveness and to position individual Baltic Sea Region economies to respond to increasingly intense global competition and disruptive technologies. This will involve ongoing investments in research, innovation and human capital; reform of labour markets and social insurance; fiscal discipline; and maintaining an external orientation. There needs to be an intense focus on lifting labour productivity.

Second, actions to further strengthen integration in the region and to respond to new opportunities, such as the potential to lead deeper connections between Europe and Asia. For example, the emergence of the Arctic Route offers many new opportunities to the region. It is instructive that many of the Baltic Sea Region economies are in the lead in Europe in terms of developing economic relationships with China and other parts of Asia.

Third, acting to develop a coherent voice on regional and global issues of common concern. There is some evidence that this is beginning to happen. For example, the joint statements released by the so-called 'Hanseatic League 2.0' – the Finance Ministries of Denmark, Finland, Sweden, Estonia, Latvia, Lithuania, as well as Ireland and the Netherlands – on issues relating to European reform. As existing regional and international institutions come under stress, the Baltic Sea Region economies will need to think creatively about establishing new platforms.

The international economic and political environment is changing rapidly, and this will have a meaningful impact on the open economies of the Baltic Sea Region. In order for these economies to sustain their 'top of Europe' performance, determined efforts will be required at home and abroad. ■

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ALEXANDER SEBENTSOV

Which lessons could be learned from cross-border cooperation?: A view from Russia

Expert article • 2499

Geopolitical confrontation seems to leave no chance for optimists hoping for a positive development of relations between Russia and the EU. However, many experts draw attention to the fact that cooperation in the neighborhood remains one of the few areas where a positive agenda remains. Extensive experience of interviews with actors of cross-border cooperation and analysis of Federal and regional media discourse in the border regions allows to outline the fundamental changes that have occurred on the Russian side of the border with the EU.

First of all, it should be noted that cross border cooperation today is one of the few forms of depoliticized dialogue between communities on both sides of the border. This form of dialogue does not allow for the emergence of a such a deep division at the local level that exists at the "big policy" level. The practice of interviews with local experts combined with the study of regional and federal discourse shows that local border communities in general are much less affected by negative stereotypes about neighbors. Everyday close contacts with neighbors, as well as vulnerability to the political and economic decision of the central authorities, make them look at the picture drawn by the Central media in a different way. Regional publications also pay more attention to the positive experience of cross border cooperation than to the politicized issues of bilateral relations.

Another important result of cooperation is the large number of accumulated institutions and formats of cooperation on the border of the EU and the Russian North-West. On the one hand, this situation is criticized by many experts and direct participants in cross-border cooperation, who sometimes find it difficult to say which institution is actually working and which is not. On the other hand, the abundance of institutions allows to neutralize "transaction costs" in cross-border cooperation, which are associated with socio-economic, political and even mental differences. Having the ability to reproduce itself, network communities create quite stable connections between border cities, creating a kind of "framework (structural system) for cross-border cooperation".

Russian practice has also shown that the abundance of institutions and actors involved in cooperation can create a significant synergetic effect, which, even in conditions of strong centralization of power, allows local communities to promote their own interests at the federal and regional level. So, many of the problems characteristic of the TACIS/INTERREG 2004-2006 (lack of co-financing programs from Russia, visa and legal barriers) were addressed with participation by the federal government in signing agreements for the next programs (ENPI CBC Programs 2007-2013 and 2014-2020 ENI CBC Programs). The cross-border cooperation programmes themselves were a real breakthrough, opening up additional opportunities for local communities to implement their own cross-border initiatives.

In the 1990s and the first half of the 2000s, many Russian experts considered cross-border cooperation as a model for the possible integration of Russia with European countries, and the term "cooperation laboratories" and "cooperation ground" was applied to the Republic of Karelia, then to the Kaliningrad region. Despite the current situation, it may not be necessary to abandon this approach. Firstly, the situation of confrontation can't be eternal, and the warming of relations in the future will require a positive agenda, which in the current situation can provide cross-border and cross-border cooperation. Secondly, given the attention paid by the Central authorities to the situation on their border regions, it is hoped that the positive experience already available today will not go unnoticed. Thirdly, cross-border cooperation remains a kind of stabilizing factor in international relations and reminds us that we still have something to lose. ■

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Prospects for enhancing transport communication between the border regions of Russia and Poland

Expert article • 2500

The border between the Russian Federation and the Republic of Poland is of increased research interest, as it is a zone of interaction between the EU and the largest in size and territory of the neighboring country of a non-member of the European Union - the Russian Federation[1]. Despite the difficult political and economic background, the development of cross-border cooperation remains an important item on the agenda of bilateral relations between Poland and Russia. This is confirmed by the launch of the next round of the Russia-Poland cross-border cooperation program 2014-2020. In the context of the predicted activation of cross-border cooperation between neighboring regions of Russia (Kaliningrad region) and Poland (Warmia-Mazury and Pomorskie voivodship), an important issue is the effectiveness of ensuring passenger transport links between border regions of neighboring countries.

The existing transport infrastructure in the Kaliningrad Region of the Russian Federation and the neighboring provinces of the Republic of Poland makes it possible to use four different types of transport in providing passenger services: road, rail, air and sea (coastal). But currently, of the four types of transport, only the automobile mode of transport is involved in providing cross-border passenger traffic on a regular basis. Automobile and bus traffic across the border is provided through four functioning automobile checkpoints, the total capacity of which is 6,700 vehicles per day. After the suspension of the local border movement regime in the middle of 2016 between the neighboring regions of Russia and Poland, the intensity of crossing the state border has a steady downward trend. At the end of 2017, the total number of crossings of the Russian-Polish border was 4.2 million crossings, which is 8% lower than the 2016 figure. And if we compare the figure for 2017 with the level of 2014 (the WFP mechanism was in place and the highest border crossing indicator was recorded, since 2002 - 6 million crossing), then it can be noted that the border crossing intensity decreased by 30%. Currently, road transport as a whole provides for the existing need for passenger traffic between the border regions of Russia and Poland. However, the experience of the implementation of the WFP mechanism clearly showed that with the increasing intensity of crossing the state border, the existing transport corridors are not enough. It is necessary to create project transport capacity and diversify passenger transport flows between the Kaliningrad region and neighboring voivodeships, which will have a positive effect on improving the quality of transport services and reducing their cost for passengers due to increased competition between different types of transport.

There are various projects, both national and international, the implementation of which can diversify the possibilities of passenger transport between border regions. Several projects, each of which represents a different type of transport, have high chances of successful implementation in the short or medium term.

1. Project to launch a regular passenger train service. Until 2013, regular passenger rail service was provided within the Kaliningrad-Berlin route (through Poland), but ceased to function due to various economic, infrastructural and technological constraints. In early 2018, a test railway route was organized from Kaliningrad to Gdansk. This gave reason for the resumption of negotiations between the Polish and Russian partners on the launch of the route on a regular basis. At the initial stage, it is planned to launch regular communication at regular intervals once a week (Saturday) with the possibility of increasing the frequency for summer time and other periods of increased demand for crossing the Garnetz (New Year holidays, “long weekends”, sports or cultural events, etc.).

There are various projects, both national and international, the implementation of which can diversify the possibilities of passenger transport between border regions.

2. The project of launching a cruise and ferry service through the international port of Pionersky (Kaliningrad region). In the Kaliningrad region, an international maritime terminal for receiving cruise and cargo-passenger ships is being built at Pionersky. The project, which is scheduled for completion in 2020, will allow for the reception of cruise ships and ferries in the region. And if cruise shipping is more focused on providing tourist flows, the ferry service, which can also be launched along the three-hedge-Pionersky line, will be able to provide regular passenger-and-freight services. The project of the ferry service can be implemented in the medium term, only after a detailed study of the possible demand for this type of message in the Kaliningrad region and border regions of Poland.

3. The draft regular air service between Kaliningrad and Gdansk. The launch of regular aviation routes between Kaliningrad and Gdansk seems promising. On the basis of the Gdansk city airport, a powerful airline hub is being formed, offering a wide range of routes throughout

1 The study was performed at the Immanuel Kant Baltic Federal University with the financial support of the Russian Science Foundation. Project № 18-17-00112 «Ensuring economic security of Russia’s western border regions in the conditions of geopolitical turbulence».

Expert article • 2500

Europe, which is becoming more and more popular among residents of the Kaliningrad region. The regular flights between Kaliningrad and Warsaw, established since 2018, make it possible to optimistically consider the idea of launching the Kaliningrad-Gdansk aviation route in the medium term. This transport corridor will not become a significant alternative to the existing transport corridors, but will create the necessary diversification and, as a result, a competitive environment in the passenger transportation sector between various types of transport while ensuring Russian-Polish cross-border cooperation. ■

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Marking of goods and the Eurasian common market

Expert article • 2501

In conditions of increasing international competition, it is increasingly obvious for the entire post-Soviet space that it is necessary to form a single market for goods and services of the EAEC. This process can contribute to the elements of the community, connecting the states of the Eurasian zone (natural, technological, labor, intellectual resources, production cooperation, joint use of transport communications).

In this regard, the problem of marking goods in the Eurasian Economic Union is very relevant.

The introduction of marking of commodity groups will be carried out in a notification procedure and with its implementation in one member state of the EAEC, and when distributed throughout the whole territory of the EAEC. That is, each state must first notify other members of the EEA of plans to introduce on its territory the marking of a group of goods to consider the possibility of other countries joining the control system. In addition, the possibility of any country to initiate the introduction of such a measure throughout the entire territory of the EAEC is envisaged. The final decision is taken collectively.

In the Russian Federation, a pilot project for the labeling of fur products has been implemented since August 12, 2016, has already shown good results. The state system of marking of goods is realized using radio frequency identification. All participants are connected to the system: from the manufacturer to the retailers. For non-compliance with the established procedure, administrative and criminal liability is provided. Thus, information about the goods at the stage of production or importation into the country falls into the marking system, where it is possible to track and further movement of the product.

The information obtained not only helps the tax authorities to monitor the completeness and correctness of calculating and paying taxes to the budget, but also allows buyers to verify the authenticity of the goods through a regular smartphone.

The free mobile app “Verification of product labeling” allows anyone to get complete information about the product by reading the QR code. If the product data is not available or it does not correspond to the product being checked, it is possible to send a violation message directly from the application. The information goes to the control and supervisory authorities, which will conduct the proceedings.

The Russian Tax Service has integrated the marking system with the information system of customs authorities, since there are about 640 registered importers.

With the expansion of the tracking system of goods to the borders of the entire EEA, as well as the inclusion of new product groups in it, the costs of the operator will increase many-fold. This circumstance led to the need to transfer this function to another organization on the rights of public-private partnership in the future. While this company since January 15, 2018 administers the system of marking of tobacco products. From June 1, 2018, it is planned to identify the movement in the territory of the Russian Federation of the following commodity group - footwear. At the level of the EAPS, it is intended to begin marking with shoes, medicines and jewelry.

Universal coverage of goods by marking in the EAES will allow:

- to protect the population from the acquisition of poor-quality, falsified and counterfeit goods;
- Strengthen state control over the turnover of goods, which will increase tax revenues to the budget without changing the tax legislation in terms of raising rates and introducing new taxes.

In addition, these steps will allow us to move from the existing format of bilateral mechanisms for regulating commodity flows between the EEA member countries to the creation of a multilateral mechanism for free trade in goods and services, which will certainly ensure the formation of a common market throughout the Eurasian economic space. ■

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Chinese investments in the Baltic Sea region

Expert article • 2502

Chinese investment activities in the Baltic Sea region have seen an increase over recent years. This corresponds well with the overall growth in Chinese investment in Europe over the past decade, a trend fueled at least in part by growing restrictions imposed in the United States under the Donald Trump administration.

Despite this uptick, the Baltic Sea region does not rank among the prime destinations of Chinese FDI in Europe. According to a study conducted by Baker McKenzie, Sweden was the only regional state included in the top 10 destinations for Chinese investment in Europe in 2017. Moreover, Nordic-Baltic states only received 5 percent of overall Chinese investments in Europe in 2017 according to Rhodium Group. Looking at the entire period 2000-2016, Finland stands out as having seen the most significant growth in Chinese investment, rendering China Finland's most important trading partner in 2017.

Chinese investments in the region encompass infrastructure and logistics, technology and agriculture among other things. An notable example of Chinese investments in the region was Geely's 2010 acquisition of Swedish automobile company Volvo Cars (in 2017, the same company also acquired a major stake in Volvo Trucks). Other Chiense investments are still pending. For instance, Chinese investors have expressed interest in participating in the Rail Baltica project, a railway project to connect the three Baltic states, and in building out a container terminal in the Port of Klaipeda in Lithuania.

The Baltic Sea region is strategically significant for Beijing as it is one of the end point for the Belt and Road initiative, a massive project launched by President Xi Jinping in 2013 aimed at connecting Europa and Asia through trade and infrastructure. Moreover, China sees potential to link the Baltic Sea region to the "Polar silk road" it seeks to establish in the Arctic region to connect European and Asian shipping lanes. Having become an observer member to the Arctic Council in 2013, China recently published its first-ever Arctic policy white paper in January 2018.

Furthermore, Estonia, Latvia and Lithuania are all part of the 16+1 framework which Beijing uses to engage with countries in Central and Eastern Europe and which has been criticized by some EU officials as attempting to divide European countries. In November 2016, Riga was the host for the annual CEEC-China (16+1) summit.

While China's economic and diplomatic presence in the region is accordingly expanding, it is not without controversy. Across the West there is currently a growing debate over unfair Chinese economic and trade behavior. These include strategically motivated investments, massive state subsidies, forced technology transfer, and cyber-attacks and espionage. Recent examples of controversial Chinese investments in the Baltic Sea region include efforts to build a deep sea harbor in the Swedish town of Lysekil and an airport on Greenland. Both projects were halted due to their controversial nature and security concerns. The Swedish Security Service has previously expressed concerns about Chinese investments in the country and the risk for forced tech transfers.

Another set sticking point relates to China's digital inroads in Europe, especially when it comes to building out 5G infrastructure. Norway has recently announced that is considering excluding the Chinese technology company Huawei from participating in the country's next generation telecommunications network due to security concerns such as the fear for backdoors into the equipment which could enable espionage. The United States is actively pushing its European partners to refrain from working with Chinese companies on 5G due to such security concerns.

This raises the issue of investment screening on national security grounds, something which all regional states except for Sweden and Estonia have some form of legislation about already in place. Norway recently finalized a new investment screening regime allowing authorities to vet foreign investments based on national security considerations. Finland first introduced stricter controls of foreign investments into the defense sector and other critical sectors back in 2012. Efforts to promote regional coordination on investment screening are also underway. During a meeting in Oslo in October 2018, Nordic leaders agreed to pursue a joint approach to investment screening. This is a sea change compared to only recently, especially taking into account that the Nordic countries are among the most market liberal and free trade oriented in Europe.

Ultimately, it strongly behooves Baltic Sea countries to continue scrutinizing Chinese trade and investment practices in the region. A coordinated approach to investment screening between regional states should be developed to ensure consistency. China also deserves to become a regular topic in NB8 formats so as to promote speaking with one voice on China-related matters. Finally, the Nordic-Baltic states in the EU should seek to play a leading role in shaping a common European strategy toward China that carefully balances managing security concerns with maintaining commitment to free and open global trade.

As great power competition between the United States and China likely intensifies in coming years, it is essential that the countries in the Baltic Sea region pay close attention to broader geopolitical developments and adopt strategies that aim to protect national interests and maintaining a rules-based international order. ■

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ALEXANDER G. DRUZHININ

"One Belt – One Road": New opportunities for the Baltic Sea Region?

Expert article • 2503

On the scale of the modern globalizing economy, the Baltic region is one of the most developed and stable of its macro-regional components. It is actively forming both by the processes of European integration and by the multifaceted, complex, full of contradictions dialogue in the 'Russia-West' system. The nine Baltic sea States (including Russia) account for 3.9% of the world's population and 8.3% of GDP (PPP) of the planet. In the four of them (Germany, Sweden, Denmark and Finland) GDP per capita exceeds the world average from 2.5 to 3 times; in the rest (Lithuania, Estonia, Poland, Russia and Latvia) the level of economic development is also higher than the world average (from 1.6 to 1.9 times). Demonstrating the pronounced differences in the socio-economic and residential dynamics of its regional and country segments, the Baltic region as a whole is a powerful 'clot' of states, corporations and solvent demand of the population (16 million people are concentrated just directly in the coastal metopolitan areas of the Baltic Sea). Also this region is a significant transport 'corridor'. It is here that place, where powerful logistics nodes are localized (some of them are included in the Top 100 largest ports in the world), the trunk sea pipelines operate and build. Also the Baltic region is geoeconomically interesting and attractive for China, which in the last two decades has become a 'locomotive' of global economic growth (China's share in world GDP at the official exchange rate for 2000-2015 increased from 3.6 to 15%) and increasingly demonstrating, in this regard, leadership potential and ambitions (including reformatting and integration of the Eurasian space in the framework of the mega-project "One Belt – One Road", proclaimed in 2013).

China, of course, needs (and will continue to feel the need) to ensure a stable transport and logistics 'link' with Europe as a still economically strong region. At the same time, marine freight, including the Baltic sea, will continue to be fundamental (due to the incommensurability of marine and rail tariffs). It is characteristic that at the end of 2017, the countries of the Baltic region (minus Russia, where the other, the Far Eastern-Siberian logistics prevails in cooperation with China) accounted for 7.2% of the total volume of Chinese exports. At the same time, against the background of the general reduction of imports by the Baltic countries observed in the last five years — the sale of Chinese goods is growing not only in Germany (its share in Chinese exports reaches 5.1%), but also in Poland, Latvia, Lithuania. This fact itself creates motivation for investments in transport, infrastructure and logistics projects within the "One Belt – One Road" project. The strategy of geographic diversification of activities is basic for China (taking into account geopolitical risks). At the same time, it will be combined with the priority attention to the segments of the Baltic coast, which are geo-economically most important for China, they are: German, Polish and Russian ones (the latter is already well 'mastered' by Chinese business, as it possesses a powerful St. Petersburg agglomeration and the presence of the largest Baltic sea ports: Ust-Luga, Primorsk and St. Petersburg). Chinese investments in transport, production and other assets will be 'supported' by the growing tourist flow from China to all the main historical and cultural centers of the Baltic region. All this will preserve the transport and transit potential of the Baltic region, support (and restructure) the basic economic segments of its coastal cities (including those experiencing intense depopulation: Riga, Daugavpils, Liepaja, etc.).

The likely positive impact of the "One Belt – One Road" project on the economy of the Baltic States (and their coastal cities, regions), however, should not be overrated. The Baltic region (despite its attractiveness and significance) is only one of the many areas of Chinese economic interests (including European ones, implemented within the framework of the EU — China transport initiatives, the "China + 16" Alliance, etc.). In addition, despite the presence of such a powerful and dynamic leader as Germany, the Baltic states steadily 'surrender' their former positions in the world economy. While in 2000 the total share of the Baltic sea countries (without Russia) in world GDP reached 8.1 %, in 2015 it reached only 6.7 % (at the official exchange rate). In the situation of the inevitable further 'shift' of economic activity in the countries of South and South-East Asia — the Baltic region is able to maintain its geo-economic importance (including one for China, its transport and logistics and other strategic initiatives). But it is possible only by integrating into transcontinental, cross-Eurasian integration projects and logistics schemes, prolonging its integrity, stopping various (geopolitically and geocultural motivated) disintegration processes and risks (primarily in the 'Russia – West' system). Even in the significantly increased (since 2014) geopolitical turbulence, the Baltic region is able (and should be able!) remain a space for constructive cooperation between EU countries and the Russian Federation. The implementation of the project "One Belt – One Road" will create additional motives and opportunities for this. ■

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The trap of neighbourhood – Finland's image in Estonia and Estonia's image in Finland

Expert article • 2504

Tight connections between Finland and Estonia are praised in every oration. Nevertheless, strong ties in culture, history, and economy can also trap us. We don't stop to think if we have the correct image of one another. I call this proximity blindness.

We know each other of course very well. But comparing to the amount of interaction, work and tourism, we achieve less than we could. We still kind of suffer from unfamiliarity caused by the occupation of the Soviets.

The Soviet Union did it's best in order for Finns and Estonians to forget their common history and everlasting connection. Today this would be called as information war. It systematically caused oblivion. The Soviet Union took it as far as even killing the dead - they trampled on old graveyards.

Even now it is not easy to identify what is the impact of selective memory. The Soviet Union collapsed but occupation in one meaning succeeded: the connection over sea was disrupted. We grew away.

Television was the window to the free world

Finland existed in occupied Estonia, of course. Television brought the butcher's and American TV-series to the other side of the bay. That meant "fake news" to the occupier and a surreal dreamland for Estonians.

For Finnish Cold War children Estonia faded away. Those who spoke on behalf of Estonia in Finland were often blamed as far-right extremists. But the biggest impact was forgetting about Estonia. The existing lack of interest is a remnant of this.

The perception is still tenuous what kind of help was sent from Finland during Soviet stagnation years. It was necessary to keep quiet. An image of a cold hearted Finland was created this way.

Interaction multiplied already during the last years of the Soviet occupation. Estonians saw two pictures now: ordinary Finns giving support and official Finland avoiding. Both of these images were true, but neither of them offered the whole truth.

Media waving the Estonia-card and Finland-card

According to studies we tend to make up country images at around 20 years. Many nowadays decision-makers grew up when Finns were primarily "drunken reindeers" and Estonia had mafia feuds. Maybe this explains why conversation in Estonia about Finnish tourism is focused on alcohol, although studies show that alcohol doesn't play such a role anymore.

Almost 100 000 Estonians live and work in Finland, but in media they are the most invisible minority. "Talsinki", twin capital economic region has already merged into one, but in public discussion it has diminished to discussion about the tunnel.

It is now one generation since the end of the alienating occupation. Border crossing is frequent. Simultaneously the Estonian media don't have a single permanent correspondent in Finland. The Finnish media at least have a couple in Estonia.

Finland is closely followed by the Estonian media, but mainly by media quotes. Domestic, problem concentrated Finnish media picture doesn't reflect ordinary Estonians observations of Finland as a safe welfare state. Again we have to different images of Finland.

When information is insufficient, it is easy to use it to own advantages or media click hunting. I call this as a use of Estonia-card or Finland-card. It creates division which is also good material for hostile information operations.

To part of the Finnish media, Estonia is only seen as a stage for security politics. This also shows the lack of interest. This is why Estonia was also under the spotlight in 2014 after annexation of Crimea. Lavish stories and "green men" were searched in Narva. To no avail.

"Booze rally" news are typical examples Estonia-cards that are used more for news-entertainment than representing reality. Other Estonia-cards in Finnish discussion are Estonian tax model or success story of digitalisation. Media stories are mainly one-sided, and narrative is to blame Finland.

Half truth becomes the whole truth when you knowledge is inadequate. In those occasions we exchange the wrong companionship. And even more, supports information war.

Centennial celebrations as game-changer

Fortunately, nowadays our mutual country images are in good progress. Mutual centennial celebrations in 2017 and 2018 were extremely good landmark. We both had good reason to stop and listen to each other's stories, to concentrate on each other's histories, refresh memory and fill in gaps of ignorance. And what was most important: we expressed equality in our relationship.

The best cure for underachieving is interaction. Working in Finland or shopping in Tallinn is not enough. For the bigger picture you need sit down at the kitchen table. Very good milestone took place in May 2018, when the governments of Estonia and Finland hold a joint meeting to celebrate the 100th anniversary of both countries.

We can't afford to have a tenuous image of one another. Underachieving literally costs money as unused opportunities of the merged economic region and tourism. The real collaboration starts when when orations change to better knowledge of possibilities and shared interest. ■

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THOMAS KARLSSON

Alcohol trade across the Gulf of Finland

Expert article • 2505

Border trade with different kind of commodities has been around as long as there have been borders. The extent and volume of border trade is steered by the same logics as trade in general and influenced by what kind of goods and at what prices these goods are sold for in different places. Simply put, cross-border trade exist where there are strong enough push and pull factors to get people to buy and transport goods from one country to another. Consequently, border trade is often fuelled by large price differences in certain specially taxed commodities, like alcoholic beverages, gasoline or tobacco.

Within the EU there are nowadays very few artificial hindrances of border trade and therefore cross-border purchases between member states have been steered mostly by price. This has also been the case regarding cross-border trade with alcohol between Finland and Estonia. As price differences are of great importance for the volume of cross-border trade, also alcohol taxes are highly relevant.

Several factors determine the volume of cross-border trade in alcohol. These factors are:

- the magnitude of price differences,
- geographic circumstances at the borders,
- existence of import quotas,
- strictness of border controls,
- traffic infrastructure, the amount of population residing near the border, and
- travellers' motives for crossing the border.

Although border trade of alcoholic beverages exists in all of Europe in various degrees, the Nordic and the Baltic countries have during the 2000s become a hotspot for cross-border trade of alcohol. This development has partly had to do with the building of the single European market and the abandoning of quantitative quotas for travellers' imports of alcohol within the EU. The import quotas were fully abolished in the Nordic countries in January 2004, only five months before Estonia became a member of the union.

Although Finland lowered their alcohol taxes by an average of 33 % in March 2004, alcohol imports from Estonia to Finland skyrocketed after Estonia became a member of the EU. From 2003 to 2004, alcohol imports increased by about two thirds and the following year the increase continued. Since 2005 alcohol imports to Finland has fluctuated between 6 and 10 million litres of 100 % alcohol per year. Of all alcoholic beverages brought to Finland by travellers every year about 60 to 85 %, depending on the beverage is bought from Estonia or from a ship sailing the seas between Helsinki and Tallinn.

In Finland, total alcohol consumption per capita was 12 % higher in 2005 than in 2003. Despite the tax cut, alcohol imports doubled between 2003 and 2005. Meanwhile, domestic sales of alcoholic beverages increased as alcohol had become substantially cheaper due to lower taxes. The state, however, collected 29 % less tax revenues on alcoholic beverages in 2005 than in 2003. Also alcohol-related harms and especially alcohol-induced liver disease deaths increased substantially. The events that took place in 2004 clearly show that paying taxes and yielding revenues in one country and creating harms and alcohol-related costs in another is an integral problem with cross-border trade in alcohol.

During the past few years, travellers' alcohol import from Estonia to Finland has been quite stable and even declining. This can at least partly be contributed to the several tax increases made in Estonia during the past few years. The most significant of them took place in July 2017, when taxes on beer were increased by 70 %. These tax increases explain most of the decline in alcohol imports from Estonia in recent years. In 2018 between 6 and 7 million litres of 100 % alcohol has been imported annually. Imports of beer, ready-to-drink beverages, ciders and wine have been on the decrease, whereas alcohol imports of spirits and intermediate products have increased.

Travellers' alcohol imports has during the past decade transformed from a "race to the bottom" regarding alcohol taxes towards increasing taxes both in the Baltic countries and Finland. In Lithuania taxes on beer and wine were increased in March 2017 by 112 % and 111 % respectively and taxes on distilled spirits by 23 %. Estonia will continue to increase taxes on alcohol until 2020. As a drawback, the tax increases have sparked cross-border trade of alcoholic beverages from Latvia, where also alcohol buying Finns have in a small scale found their way. However, also in Latvia there are plans to increase the alcohol taxes in the future.

Is then alcohol trade in the Baltic Sea region a problem, and if it is can the problem somehow be solved?

As long as it is affordable or at least feels advantageous to bring less expensive alcohol from another country, the phenomenon will persist. To solve the problem by simply harmonizing tax levels downwards is not a viable solution. Although a tax reduction could reduce alcohol imports, it would also:

- increase overall alcohol consumption,
- increase alcohol-related harms and costs, and
- reduce alcohol tax revenues.

Currently, there are no quantitative restrictions on alcohol being transported for personal use from one EU country to another. The only restriction is that the alcohol may not be resold. There is, however, the possibility for individual countries to use guide levels that are indicative, but not legally binding. These guide levels, which are in force in Finland, are: 10 litres of spirits, 20 litres of intermediate products, 90 litres of wine and 110 litres of beer. On the EU level a decision to halve or even lower the guide levels would not solve the problem but it would certainly help. ■

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Sustainable tourism and heritage destinations in the Baltic Sea Archipelago

Expert article • 2506

Being one of the fastest growing economic sectors worldwide, tourism brings with it many advantages. When properly managed tourism contributes to economic growth, creating jobs and wealth, and can lead to better protection of the environment and many local social benefits, as well as preservation of cultural heritage. The Baltic Sea Strategy policy area for tourism, for example, aims to develop the Baltic Sea region as a common tourism destination. However, tourism always has an impact on both the economic and environmental surroundings, as well as various social-cultural impacts. The unique ecological characteristics of the Baltic Sea, in particular, make it a sensitive and vulnerable ecosystem, exposed to environmental load and high pressure of use. How should these risks be taken into account when planning for sustainable tourism in the archipelago?

Sustainable tourism – a misnomer?

The European Strategy for more growth and jobs in coastal and maritime tourism aims to stimulate the economic and sustainable development of the tourism sector, at the same time promoting growth and creating jobs. As both coastal and maritime tourism are on the rise, so are the challenges brought by an increasing number of visitors. Sustainable growth, therefore, is the key to both offering jobs and keeping environmental pressure within acceptable limits.

When people travel, an impact of varying degree is always left to the destination. In a way, therefore, sustainable tourism is a misnomer. This realization should still not prevent harnessing tourism for wider sustainable development goals: recognizing the negative impacts of tourism and finding ways to prevent environmental harm, as well as preserving important cultural heritage.

As both coastal and maritime tourism are on the rise, so are the challenges brought by an increasing number of visitors.

Potential exists for more sustainable tourism in the Baltic Sea Region

In essence, tourism overall and in the Baltic Sea Region in particular depends on sustainability. The Baltic Sea is a particularly vulnerable environment, prone to the impacts from the inflow of travelers. The archipelago environment accommodates diverse habitats and ecosystems and fosters a cultural heritage spanning back centuries. It is therefore essential that the potential effects of tourism development are thoroughly assessed before implementation, and the highly sensitive and interdependent marine ecosystem with its unique flora and fauna are protected.

It should be borne in mind that sustainable tourism unavoidably entails some trade-offs. It may happen, for example, that favouring local produce in archipelago destinations may increase the number of trips made to the mainland to retrieve the needed foodstuff instead of wholesale procurement. In such cases, a trade-off has to be made between economic and ecological sustainability. While some actors in the sector may find it difficult to balance between competitive economic activity and the protection of the environment and cultural heritage, embracing sustainability also brings a competitive advantage as the demand side for responsible travel is on the rise. The number of sustainability aware tourists is steadily growing and ecological standards are becoming an important selection criteria when booking a holiday.

Developing sustainable destinations and preserving unique cultural heritage

The Footprints of Defence in the Archipelago project (“DefenceArch”), funded by the Interreg Central Baltic 2014-2020 programme, was designed for the development of thematic tourism based on the defence of the archipelagos of Turku, Åland and Stockholm in pilots located at the Gålö seal station, the Bomarsund fortress area, Archipelago Centre Korpoström and the southern tip of the fortress island of Örö. The overall objective of project was to develop existing, though almost untapped defence historical resources of these destinations into appealing and sustainable destinations by increasing the awareness and experience value of the visitors. The project thereby contributed to EUSBSR, especially PA “Tourism” and PA “Culture” by utilizing cultural and natural heritage resources of archipelago in order to create an attractive and sustainable joint tourist attraction in the Baltic Sea.

Sustainable development was one of the core horizontal objectives of the DefenceArch project and all aspects of sustainability – cultural, ecological, economic and social – in BSR tourism were analyzed and embedded in the actions and outputs of the project. At the **Bomarsund** fortress in Åland, for example, the tourist experience was enriched by providing both information, navigation and guidance via the Coastal Past mobile application developed by the project for its destinations. The goal of the mobile app is to provide useful information on the sites for the tourist in an easy-to-use format. This

means not only loading the tourist with ample information and details but also allowing the tourist to experience the sites without harming the natural values by keeping people on the correct routes.

The **Gålö** seal station near Stockholm, then again, faced some rather different challenges regarding sustainable tourism development. Gålö is owned by a party - the Stockholm Archipelago Foundation - that is already well-established in sustainability issues. Gålö nature values were already well known and there was pre-visit information available on them. The state of the site infrastructure, however, was rather poor and there was a risk that some of the existing, historically valuable constructions might not be safe enough to be preserved. The renovations that took place at Gålö however managed to sustain the unique history of the site. The refurbished accommodation perfectly captures the WW2 era atmosphere and the re-construction of the pier that was used for training the seals carefully resembles the original constructions. In addition, sustainability of activities is strongly promoted by the newly elected entrepreneur running the site.

Being a massive industry, tourism is an important part of the efforts to achieve sustainable development. Concerted efforts are however needed to direct both entrepreneurs and tourists alike towards more sustainable choices and solutions. Tourism development should thus be a continuous process whereby the various long-term objectives of development and their impacts on the environment are taken into account systematically. In the Baltic Sea region, tourism thrives on marine and coastal environments that are often fragile and finite, as well rich cultural heritage both in tangible and intangible that needs to be preserved. Preservation of nature and culture should be seen as a tool to valorize our heritage instead of regarding sustainable actions as limiting growth and development. ■

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LEA KIVELÄ-PELKONEN

Responsible tourism – solution to complex challenges?

Expert article • 2507

Could Responsible Tourism provide solutions to the complex challenges we are facing today? Based on my versatile 30-year experience in Travel & Tourism industry, I must say I have really been inspired by recent developments in tourism, particularly in Responsible Tourism. Personally, I have had the chance to participate in most stimulating and challenging tourism development projects that apply the principles of Responsible Tourism in practice. Let me take you on a short tour to the fascinating world of Responsible Tourism.

What is Responsible Tourism?

The leading expert in this field, Harold Goodwin describes it: **"Responsible Tourism is about using tourism to make better places for people to live in and better places for people to visit, in that order."** In other words, the needs and welfare of the local people come first, and visitors come second. In Finland, we should see Responsible Tourism as means to create jobs and welfare to remote rural areas where other forms of employment are increasingly scarce. Responsible Tourism can also be regarded as a logical counterforce to overtourism which has generated negative impacts for the local communities e.g. in Barcelona and Iceland and which we want to avoid.

Responsible Tourism is different from sustainable tourism in that it focuses on what businesses, governments and people do to maximise the positive economic, social and environmental impacts of tourism. In Finland, we take Responsible Tourism development seriously. It is included in the Government Programme, and nearly 800 tourism enterprises are already committed to operate responsibly. Finland is also an active member of ICRT (International Centre for Responsible Tourism).

Economic, Environmental and Social Responsibility

The Cape Town Declaration (2007) recognises that Responsible Tourism takes a variety of forms, e.g.

- generates greater economic benefits for local people and enhances the well-being of host communities
- improves working conditions and access to the industry
- involves local people in decisions that affect their lives and life chances
- makes positive contributions to the conservation of natural and cultural heritage embracing diversity
- provides more enjoyable experiences for tourists through more meaningful connections with local people, and a greater understanding of local cultural, social and environmental issues
- provides access for physically challenged people
- is culturally sensitive, encourages respect between tourists and hosts, and builds local pride and confidence.

Responsible Tourism: Case Ruka Valley smart wooden holiday village, Kuusamo

Let me share with you a practical example, a project where I was involved as the expert of Responsible Tourism. A multi-professional team of experts, all members of Solved's (www.solved.fi) international network, created a concept and operative plan of a carbon neutral, car-free, plastic-free, smart and unique wooden holiday village for the ski resort Ruka in Kuusamo. The holiday villas and cottages respect the local history and cultural heritage. They will be built of local wood, thus supporting local, small-scale wood-processing industry, while cutting transportation costs and emissions.

The building project, as well as the tourism products and services, are designed to be as sustainable as possible, providing new jobs to the local community. Food & beverage offering is based on local food, wild food, fish and game, berries and mushrooms, all fresh from the pure nature. Local Rural Women provide guided tours and courses for visitors to identify the best mushrooms and berries and prepare tasty meals of them. Local fishing and hunting club members offer guided fishing and hunting excursions as well as courses on fish cleaning, game meat cutting and how to prepare delicious meals of these local ingredients. Local artisans provide visitors with courses on thread dyeing with herbs, knitting, weaving, wood handicrafts etc. Encouraging entrepreneurship, especially for women, through micro-loans and other financial incentives, has proven to be successful to empower local people.

Kuusamo, located 800 km northeast of Helsinki, has the unique advantage of being a gateway to three large National Parks with untouched nature and wilderness with its animals – a genuine paradise for nature lovers. Buildings and trails in the area are placed so that access to nature is ecological and easy by foot, bike, skis or snowshoes. Silent and emission-free excursions by electric snowmobiles offer visitors a unique chance to enjoy the breath-taking beauty and tranquillity of the untouched wilderness.

Tourists are also offered a chance to offset the carbon emissions caused by their long-haul flights, by taking part in a guided excursion to plant trees. For the forest industry, this is an efficient way to distribute reliable, fact-based information on our forests and the real impact of annual harvesting.

Responsible Tourism in vulnerable Baltic Sea archipelago

Another exciting project that I was recently involved in was the development plan of two islands off the coast of Helsinki (Vallisaari & Kuninkaansaari). The islands had previously been used by the Finnish Defence Forces and they were not attached to Helsinki's electricity, heating, water, sewage and waste management system. The City of Helsinki wanted to transform the islands into attractive recreational areas for inhabitants and tourists alike, and arranged an open Innovation Competition to collect the latest innovations and

solutions for energy, water and waste management. The goal was that the two islands would operate sustainably, possibly even as self-sufficient units.

I was the tourism and business development expert in the multi-professional team of experts, formed by Solved for this project. The other members of this team provided the multi-disciplinary know-how of environmental sustainability solutions. Our task was to evaluate the 12 development proposals submitted by various contestants and suggest the winners to the jury. This was a most inspiring and eye-opening experience, and I was particularly impressed by the outcome of the competition. The awarded proposals presented ambitious, holistic concepts and versatile advanced solutions.

In this process, I discovered that there is a significant amount of Cleantech and Smart tech know-how and expertise in Finland, both in universities and in businesses. This know-how is of vital importance when developing the vulnerable Baltic Sea archipelago according to Responsible Tourism principles. This know-how and the practical solutions are valuable assets in international export markets as well, especially since Finland has recently been awarded as the leading country of Circular Economy. ■

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KARI LIUHTO

The National Baltic Sea Forum of Finland in Turku

Expert article • 2508

The security situation in the Baltic Sea region (BSR) has been worsening during the past few years – most dramatically after the escalation of the Ukrainian crisis in 2014. The Western countries and Russia have organised massive military exercises in the vicinity of the BSR. Furthermore, Russia has strengthened its military might in the Russian exclave Kaliningrad by e.g. installing new missiles and constructing bunkers in this military outpost. Is the tense security situation going to push the non-allied nations of the BSR, Finland and Sweden, to collaborate more closely with each other or even with the NATO countries of the region, i.e. Denmark, Estonia, Germany, Latvia, Lithuania, Norway, and Poland? Is Finland's €7–10 billion acquisition of the approximately 60 fighter aircrafts going to bring Finland closer to Sweden or NATO in its military co-operation?

The BSR covers approximately five percent of the global trade and the Baltic Sea is among Russia's main energy export routes, as the lion's share of Russian oil is shipped to the West through the Baltic Sea and the region will become Russia's main natural gas export route once the Nord Stream 2 commences its operations. On the other hand, the weakened economic growth of Russia and the sanctions between Russia and the West have slowed down the economic interaction between the EU and Russia. Will the BSR become a unique place where the European Union and the Eurasian Economic Union co-operate or a region where these two unions clash economically? Can environmental threats and new ways of thinking and acting, e.g. the circular economy approach, bring the European Union and Russia closer to each other or will an iron curtain descend across the BSR once again?

In order to enhance the exchange of ideas and free dialogue, the Centrum Balticum Foundation organises the 12th annual National Baltic Sea Forum of Finland at Turku School of Economics on 25 March 2019. This high-level event tackles future challenges linked with the security, economic development, and environment of the BSR. The conference brings together some 250 ministers, politicians, businessmen, and academics from around the world. Minister of Finance Petteri Orpo will give a keynote speech at the forum.

The programme of the forum and the registration form can be accessed from the links below. The participation is free of charge.

Welcome to Turku to change the Baltic Sea region for the better! ■

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National Baltic Sea Forum of Finland 2019: "Future Challenges of the Baltic Sea Region"

Programme:
http://www.centrumbalticum.org/en/bsr_forum_2019/programme

Registration:
http://www.centrumbalticum.org/en/bsr_forum_2019/registration

The Centrum Balticum Foundation:
The Centrum Balticum Foundation was founded in 2007 to communicate, coordinate, and connect Baltic Sea region co-operation. The foundation aims to connect and build bridges between actors and issues. The foundation works for facilitating regional co-operation and coordinating expertise. Information, hottest news, and policy-oriented reports on the BSR are found on the foundation's website. (http://www.centrumbalticum.org/en/news_room/publications/bsr_policy_briefing).

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