



LATVIAN INSTITUTE
OF INTERNATIONAL AFFAIRS

Three Seas Initiative

Mapping National Perspectives

Editors:

Andris Sprūds

Mārtiņš Vargulis

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The publication “Three Seas Initiative: Mapping National Perspectives” offers a collection of articles that discuss priorities of the Initiative from the countries’ perspective. Each of the article identifies both challenges and opportunities to the members participating in the Initiative. The publication provides the reader with an insight into the diversified views on the Initiative, the main shortcomings and the future of the Initiative as envisaged by international experts. Noting the changing international environment caused by the Russia’s aggression in Ukraine in 2022, publication is also addressing how the recent security developments affects the Initiative.

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Address by the President of the Republic of Latvia

Dear Reader,

On 20–21 June the 7th annual Three Seas Initiative (3SI) Summit and 4th annual Business Forum is taking place in Riga.

My decision to host this event is based on the further potential I see for the initiative. The 3SI is unique in its guiding principle – ‘politically inspired, commercially driven’.

Various cross-border infrastructure projects are submitted for funding. They envisage digital, energy or transport connections between the twelve participating countries which are all EU Member States, sometimes involving also neighbours of the 3SI region. The crossborder infrastructure needs of our twelve countries are still great, despite the considerable EU investment over many years. We shall continue to work on attracting more public and private investors to 3SI projects.

There is another dimension to the 3SI, especially in the light of Russia’s war on Ukraine. I believe the 3SI drives the emergence of a new region in Europe, a ‘democratic shield’ against authoritarianism on our common external EU border. Today, as the people, the army, the leaders of Ukraine are fighting for European values and liberty, I envisage that the 3SI region could eventually extend further to Ukraine, as well as Moldova and Georgia.

It is time for us to remind what we have contributed to Europe and what we still have to offer. The 3SI is a problem-solver, not problem-maker region. We have fast growth, resilience, an independent spirit. We have soft power tools, with our history, culture and nature becoming increasingly well-known in Western Europe and, indeed, among ourselves. Now we need more sustainable, secure connections between us to boost our common potential. We need the ‘hearts and minds’ infrastructure in our region.

That is why we held the very first 3SI Civil Society Forum in Riga in May 2022. I wanted to gather the ‘democratic security influencers’ of

the 3SI, whose recommendations will be reported to the political and business leaders at the Riga Summit. In the same spirit, I welcome this publication by the Latvian Institute of International Affairs, which delves into the various motivations and approaches by participating states of the 3SI.

May all roads lead to Riga on 20–21 June and beyond!

Egils Levits

President of the Republic of Latvia

Address by the Minister of the Foreign Affairs of the Republic of Latvia

Dear Reader,

On 20–21 June 2022, Latvia is hosting the Three Seas Initiative Summit and Business Forum.

The Three Seas Initiative (3SI) was born out of a shared interest in developing infrastructure projects and reducing connectivity gaps in the energy, transport, and digital communication sectors on the north-south axis of the European Union. In the years since the initiative was created in 2016, the summits have faced major developments. The Riga Summit will further contribute to this evolution by enriching the discussion with new ideas and solutions. The summit will emphasise the new opportunities that the 3SI is providing along with the existing policies and programmes of the European Union – cohesion has always been a significant benchmark for the initiative.

At the centre of the 3SI Riga Summit will be the presidential meetings and Business Forum. The presidential meeting in Riga will envisage and highlight the next 3SI development vectors of action and emphasise the need to strengthen the region's overall resilience. The importance of well-developed infrastructure throughout the region will also be stressed in the context of the initiative's security policy. Furthermore, the presidents are expected to discuss the possibility of utilising the 3SI as an effective platform for rebuilding Ukraine after the war. During the Business Forum, practical solutions to issues in investment, digitalisation, transport and energy will also be discussed.

As a part of the Three Seas Initiative, the Parliamentary Forum will take place in Riga. The aim of gathering the region's parliamentarians is to enhance common efforts on cross-border projects. The forum will also provide an opportunity to exchange views on how the planning

of 3SI projects can achieve optimal effectiveness when legislative processes are synchronised.

In this publication, you will find a collection of articles written by experts from the member states of the Three Seas Initiative. In addition to promoting the prosperity of the region, their thoughts will serve to build a joint 3SI identity based on the core values of the member states.

I believe that the concepts gathered in this edition will be useful in both highlighting the current potential of 3SI member states while also outlining the future development of the region. These ideas will help to combine vision with action that fosters the sustainable growth and resilience of the region as well as the well-being of the societies involved.

Edgars Rinkēvičs

Minister of Foreign Affairs of the Republic of Latvia

Austria: The bridge-building approach to the Three Seas Initiative – avenues for improvement

Velina Tchakarova, Livia Benko

Russia's war on Ukraine has made the role of the Three Seas Initiative (3SI) more pivotal than ever before, as the security of Central and Eastern European (CEE) energy, transportation and digital infrastructure became a geostrategic matter.¹ Austria occupies a unique position within the 3SI because of its geographic location as well as historic background. The Alpine republic has often pursued a bridge-building approach between the traditional members in Western Europe and the new members of the European Union (EU) from the former Soviet bloc in the CEE. In fact, Austria is the only 3SI member that was not part of the Warsaw Pact or Yugoslavia during the Cold War and thus plays an exceptional role within the framework of the initiative. In this context, Vienna is regarded as a spoiler but also a multiplier of the 3SI synergy effects depending on its future role and contribution.

Energy security

Due to the historical legacy of the Soviet Union, east–west infrastructure is more developed than north–south linkages, which presents a significant obstacle that hinders Europe's efforts to achieve energy independence. Russia has achieved a substantial leverage over the EU due to its gas, oil and coal supply.² With the present energy crisis³ and Russia's aggression against Ukraine, it is more important than ever to reduce the energy dependency of the CEE countries on Russia. The sixth EU sanction package seeks to impose an oil embargo.⁴

Furthermore, Russia's war on Ukraine has accelerated a major energy supply crisis. European gas markets are in disarray and supplies from

Russia in the first quarter of 2022 were 30% lower than in the same period of 2021.⁵ Policymakers are debating the possibility of a complete stop to Russian gas flows to the EU that may lead to a six-fold gas price increase in the first quarter of 2022 compared to the previous year.⁶ Greater competition for liquified natural gas (LNG) supplies is inevitable but a lasting solution to the current energy challenges would be to accelerate energy efficiency improvements among the member states and direct the transition away from fossil fuels towards low-carbon sources of energy.⁷

According to the Commission President Ursula von der Leyen, the EU must become independent of Russian oil, coal and gas and cannot rely on a supplier that explicitly threatens member states. The European Commission's proposal is known as RePowerEU, which highlights the importance of developing renewable energy sources in line with the bloc's climate policy. Moreover, reducing consumption, improving energy efficiency and promoting the use of hydrogen is high on the agenda. It also unveils a plan to invest in sourcing alternatives to the 150 billion cubic metres of natural gas the EU currently imports from Russia each year. According to the European Commission, dependence on Russia can be reduced by two-thirds, or 100 billion cubic metres, by the end of the year by importing more LNG. The EU could import 50 billion cubic metres more LNG annually. Further improvement could be achieved by diversifying pipeline sources, which could bring another 10 billion cubic metres of annual savings in Russian gas imports. The goal is to reduce gas supplies from Russia by 2030. The problem, however, is that Russia supplies about one-third of Europe's gas and stopping energy imports from Russia would cause inflation to rise sharply and plunge the EU into recession. Another major obstacle on the path to a diversified energy portfolio is the fact that the Visegrád Four (V4) countries⁸ and several other European countries, such as Austria and Germany, still rely heavily on Russian gas, which means their diversification would take time.

The LNG infrastructure in Central Europe is also underdeveloped, which exacerbates the problem. The Russian invasion provided the impetus to make such investments to improve the lack of infrastructure. Germany, for example, is aware of the urgent need for LNG infrastructure. Shortly after the Nord Stream 2 cancellation, Chancellor Olaf Scholz announced plans to build LNG terminals in the country. The Visegrád Group are also actively seeking to connect to LNG infrastructure.

Currently, the situation in the energy sector is escalating. Russia has recently expressed its will to European countries and companies that Russian gas must be purchased in its currency.⁹ Russian energy producer Gazprom has already halted gas supplies to Bulgaria and Poland because they had failed to pay for gas in roubles.¹⁰ The war in Ukraine has highlighted the necessity for initiatives that aim at promoting energy connectivity in CEE. Austria, however, does not always share the same geoeconomic interests as the other 3SI members, particularly on key energy and infrastructure issues. For example, many Eastern European countries, which were under Moscow's domination for decades, feared Russia's growing influence in the region and opposed the completion of the Nord Stream 2 gas pipeline. Incidentally, they also favoured LNG imports, including those from the US, which are increasingly expected to reach Europe via Poland's Baltic coast. The gas interconnection between Poland and Lithuania (GIPL) aimed at boosting energy security in the region by connecting the Baltic and Finnish with the Polish markets proved to be a smart investment. The interconnector was launched under the framework of 3SI and already allows Lithuanian LNG to flow to Poland, which is a significant success for diversification in the current geopolitical context.

Contrary to other members such as Poland and the Baltic states, Austria has not diversified its energy supply from Russia, nor did Vienna see any incentive to participate in the 3SI as a way of reducing the dependency of the EU on Russian oil and gas imports prior to Russia's war against Ukraine. The main reason for the lack of interest in energy issues within the 3SI lies in the fact that the country has established itself as an energy hub for Russian supplies to the European market over many decades. Moreover, Austria considered German's most recent energy project, the Nord Stream 2 pipeline, with participation of the state company OMV, primarily as a 'commercial project' rather than a geopolitical instrument by Moscow. Following the war on Ukraine, the dependence on Russian gas supply became increasingly problematic given the debates between all EU members regarding the possible embargo on Russian energy deliveries. OMV also had to book a EUR 1 billion (USD 1.1 billion) negative value adjustment item on the South Russkoye venture in the first quarter of 2022 because of its stake of almost 25% in Severneftegazprom together with Russian gas giant Gazprom which is developing the field in West Siberia.¹¹ Currently,

OMV cannot sell its share because of changes in Russian legislation. OMV also had to write down its EUR 1 billion loan to Gazprom's Nord Stream 2 because the pipeline's operationalisation was put on hold. Furthermore, OMV signalled that it was still considering the Russian demands¹² from Gazprom 'to switch to a new payment method for Russian gas that the company imports under its long-term contract to Austria and Germany, running until 2040'.¹³ OMV chief executive officer Alfred Stern admitted that Austria was 'painfully dependent on the supply of raw materials from Russia'.

However, the diversification of energy sources, and likewise the diversification of energy routes, are of great importance for Austrian interests in the long run. Austria is at the forefront of dependency on Russian gas, as 80% of its natural gas supply comes from Russia.¹⁴ Many countries are looking around for alternatives. Austria is currently interested not only in green hydrogen from the Emirates, but also in LNG. The 3SI may provide workable solutions for Austria which is on its way towards renewable energy sources and a circular economy. There is a large gas pipeline project from Romania to Austria, the so-called BRUA project, that Austria is highly interested in. This pipeline is to supply natural gas to customers in Bulgaria, Romania, Hungary and Austria in the future. In the construction of the pipeline, the 3SI could be of decisive help.¹⁵ Austria consumes around 8.5 billion cubic metres of natural gas a year, four-fifths of which is sourced from Russia via pipelines.¹⁶ If this gas were to be replaced by LNG, around 80 tankers would be needed for Austria alone. The country could purchase LNG in reverse flow via a pipeline from Italy. In the future, LNG could be transported from the terminal on Krk in Croatia to Austria; however, there is no import infrastructure yet.¹⁷ It would be in the Austrian interest to develop this energy connectivity within the 3SI.

Another 3SI member, Hungary, has a considerable amount of unconventional gas resources. A future 3SI project may evolve around the extraction of unconventional gas aimed at decreasing the Russian dominance in energy supplies between Hungary, Austria, Slovakia and Romania. The necessary investment would be more than USD 200 million. The extraction of these unconventional gas resources could decrease the Russian dominance regarding gas supply but this project has not attracted the necessary funding yet.¹⁸

Reliable, sustainable and inclusive connectivity

The 3SI platform has a very high potential and aims to build a coherent and integrated infrastructure in CEE and to help the region overcome development gaps that were historically instigated, as they were under the Iron Curtain after World War II, which severely affected the countries' economies.¹⁹

In general, Austria takes a positive view of the 3SI-led connectivity projects for closer cooperation in CEE, but nevertheless opposes possible 'duplication' due to other EU-funded projects and insists on the EU's leading role in this framework. Austria wants to avoid an overlapping of European structures, funding instruments and approaches based on EU participation. From Vienna's perspective, the initiative offers a good opportunity to support EU efforts to strengthen cohesion and reduce existing regional disparities, for example by expanding infrastructure and improving connectivity.

One of the most significant arguments in favour of 3SI is that Austria could contribute to the development of the transport and digital north–south infrastructure due to its know-how and experience in transport infrastructure.²⁰ The USD 80 billion high-capacity rail and road corridor is being considered to link the ports of Gdansk and Świnoujście with those of Trieste, Ravenna and Ancona, after crossing heavily industrialised areas such as Warsaw, the Upper Silesian coal basin, Vienna and the Po Valley.²¹ Austria plays an important role in the Baltic–Adriatic European Trans-European Transport Network (TEN-T) Core Network Corridor. The projects within this framework are planned to be implemented over the period between 2016 and 2030. It is estimated that the implementation will lead to an increase in GDP over the same period of EUR 489 billion in total. The Baltic–Adriatic Corridor connects major transport nodes such as urban ones but also ports, airports and other transport terminals through key rail, road, maritime and air transport connections from the north to the south between Austria, Czechia, Poland, Slovakia and Slovenia. Italy also participates in this project as a non-3SI country.²²

Another relevant project is the construction of the second railway track to ensure capacity and reliability of traffic to and from the port of Koper. The railway line is part of the Mediterranean and Baltic–Adriatic TEN-T core network corridors, which serves all Central European

countries (Republic of Austria, Czech Republic, Slovak Republic, Hungary). It connects the port of Koper with these countries, and it represents the main port for the Republic of Austria and Hungary and is an important port for others as well.²³

The country sees the added value of contributing to the implementation of already existing plans in the EU, for example in the areas of infrastructure, energy and digital connectivity. One of the 3SI's priority projects is Fairway Danube. The project will modernise hydrological data processing, measuring and alarm systems of the Danube waterway in the sections connecting Austria, Slovakia, Hungary, Croatia, Bulgaria and Romania. It has been announced that the cooperation between the twelve participating countries will be expanded to include digital connectivity in addition to transport infrastructure and the energy sector by 2030. Investment in transport infrastructure within the 3SI is estimated at EUR 290 billion, while the energy sector is expected to reach EUR 88 billion and the digital sector EUR 160 billion.²⁴ Digital connectivity in CEE is one of the three pillars of the 3SI. Government and business professionals from the Three Seas region increasingly consider the risks and opportunities of the current digital transformation, security challenges and their impact on the future of cybersecurity. One of the major advantages of 3SI is the effective cooperation among all the services and institutions working with cybersecurity platforms in this region which has experienced a significant rise in cyberattacks. Cybersecurity is more than just a fight against disinformation; it is also essential in building resilient supply chains and protecting markets. Possible cooperation with Ukraine through the 3SI was discussed and the President of Ukraine Volodymyr Zelensky has been invited to the upcoming summit in Rīga this year. Due to the war in Ukraine, the main topic on the digital connectivity agenda is the security of the supply chain. The situation in Ukraine is a clear indicator to the Three Seas region that supply chain security is of the utmost importance. Examples of the latest successful cyberattacks that have been going through supply chains were shared. For instance, the LMT mobile telecommunications operator joining forces with a high-tech production company Mikrotik was a positive signal in this context.²⁵

The establishment of a network of data centres throughout the investment region of the Three Seas Investment Fund (3SIIF), including

in Austria, is another focus of 3SI; however, it has not received funding yet. The project aims to ensure secure and efficient cross-border connectivity through the acquisition of various regional data centres.²⁶ A similar project is envisioned with regards to the development of an optical fibre network in the entire investment region of the 3SIIF to achieve cross-border connectivity services throughout the region, as part of the Digital Highway Project. The goal is to enable better and more secure data transfer from the north to the south of the region and bridge the gaps in the communication infrastructure.²⁷

Economic growth and resilience of the 3SI region and greater interest among investors

The 3SI is known as a commercially driven platform aimed at improving connections within the twelve EU member states located between the Baltic, Adriatic and Black Seas.²⁸ The 3SI states are some of the fastest-growing economies in Europe. Austria can contribute significantly to the economic growth and resilience of the 3SI region because its 'economic development and infrastructure are relatively more advanced compared to the other member states'.²⁹ The initiative brings 112 million people together in one of the world's most dynamic markets following the Covid-19 pandemic. By 2030, the economy between the Baltic, Black and Adriatic Seas is expected to grow by 35%.³⁰

3SI can also play a supportive role in post-Covid recovery, as investments and new projects under the 3SI in post-Covid Europe will be highly needed.³¹ The EU agreed to provide funding for about half of the planned projects under the 3SI.³² However, more funds are needed given that the financial means required to modernise the CEE region are enormous and to date present approximately EUR 600 billion.³³

The 3SIIF provides economic support to the initiative in developing the region's infrastructure. The Fund was registered on 29 May 2019, in Luxembourg. Its initiators were Poland's development bank Gospodarstwa Krajowego (BGK) and Romania's national EximBank, who were also the first investors. On 16 April 2020, Estonia became the third country to join the 3SIIF, contributing EUR 20 million.³⁴ Poland contributed with USD 875 million and Slovenia with USD 28 million. Bulgaria, Croatia, Hungary, Latvia, Lithuania and Romania have also

contributed with large sums.³⁵ These investments will hopefully help the positive progress of the 3SI projects and will also support the post-pandemic recovery.³⁶ It can be viewed as an investment in both collective and national defence as well as economic growth and an initiative with further potential.³⁷

As of April 2021, nine of the twelve 3SI countries have contributed, amounting to about EUR 1 billion (USD 1.2 billion). The fund's current aim is to raise from EUR 3 billion to EUR 5 billion (USD 3.6 billion to USD 6 billion). One of the main sources of financial support regarding connectivity and other regional development initiatives is the EU. Around EUR 150 billion (about USD 180 billion) was allocated to the member states under the EU's 2014–2020 budget framework in regard to regional development and cohesion funds. The Connecting Europe Facility (CEF), a EUR 30 billion (about USD 36 billion) EU funding instrument also shares the 3SI's emphasis on strategic investments in large-scale transport, energy and digital infrastructure networks.³⁸ The US provides not only political but financial support to the 3SI. The co-founder and largest shareholder of the Investment Fund, the Polish development bank BGK, announced an increase in contributions of EUR 500 million from EUR 250 million. In early February 2021, banks from Lithuania and Slovenia joined the 3SIIF.³⁹ The 3SIIF aims to support the region in catching up with Western European countries, but also to keep up with their pace in the long run. The 3SIIF combines public and private funds to invest in commercial projects. While there are now many projects in which the Fund could participate, the end amounts are still not sufficient enough to invest in all valuable projects.⁴⁰ Against this background, Austria has not yet joined the 3SIIF and is still reluctant to engage with investors within the initiative.

Moreover, Poland was behind a declaration signed by eleven EU states on the need to establish a source of financing at the EU level for the costs of medical services for Ukrainian refugees. It was basically a 3SI minus Austria, which Vienna should avoid in the future in terms of opportunities and potential for regional cooperation.

Geopolitics

The 3SI is one of the boldest and most ambitious geopolitical projects of modern times, aimed at radically changing the destiny of CEE. The initiative is geostrategic in nature because it promises to further integrate and connect this region to Europe's major energy, transportation and communications networks. This will ultimately create new opportunities for the EU to act as a coherent geoeconomic actor in the region and to promote its further modernisation. The objectives of the 3SI are fully in line with the EU's priorities in areas such as digital transformation, improved connectivity and the rebuilding of economies after the Covid-19 crisis.⁴¹

The format is increasingly attracting attention, even though it is designed and implemented at the political level of ministers and is not that much politicised.⁴² Austria occupies a geostrategic position not only in Europe but also within the 3SI initiative. Furthermore, Vienna is a major multiplier due to hosting multilateral forums and international organisations, which may turn be beneficial to the 3SI initiative in terms of cooperation with third partners.

As far as multiplier effects are concerned, the Alpine republic also pursues a geopolitical agenda. If there is a geopolitical role that fits Austria's ambitions in Europe to a great extent, it is the role of a 'bridge-builder', which Vienna has been eagerly exercising since the EU enlargement waves of 2004 and 2007. The EU accession of the CEE countries moved Austria from the periphery to the centre of the EU's borders, combined with a great potential to benefit economically from the new markets in the East. Austria is a strong supporter of the enlargement of the Western Balkan countries and may play a positive role in propagating the importance of a membership perspective for Ukraine among the EU members as well as in Brussels.

In addition, Austria expects the 3SI to raise political awareness of this regional dimension of the European integration.⁴³ Thus, Vienna will continue to support the 3SI as a framework for the definition, development and implementation of common objectives of the countries of the CEE region, which is of utmost strategic importance for its geopolitical and geoeconomic interests. Furthermore, important future announcements are likely to be made at the 3SI summit held in Rīga in June. One of the topics discussed should be the admission of

Ukraine to the 3SI, with Latvia already making such a proposal. The same is true for the Republic of Moldova and for Georgia, who in the past have also experienced Russian aggression.⁴⁴

The growing mistrust towards Russia following the war on Ukraine has led to a shift in Austrian politics. Austria will turn increasingly towards other external actors to diversify its energy, economic and trade ties. The majority of 3SI countries strive for deeper cooperation with the US and Vienna favours the pro-American approach of the initiative as well. Given that the EU and the US will intensify their bilateral cooperation in various fields such as energy, trade, technological transfer or security, the 3SI is emerging as a useful platform for diversifying Austrian bilateral and multilateral relations with the Atlantic allies and partners in CEE.

In this context, the 3SI reveals the overlap of geoeconomic interests between Brussels, Washington and Berlin.⁴⁵ Their interests overlap not only in terms of coinciding geopolitical calculations, but also in terms of building a solid counterweight to China's own Belt and Road infrastructure initiative and the 16+1 initiative in CEE. The China–Europe Land–Sea Express Route includes Hungary, Serbia, North Macedonia and Greece, and connects to the Chinese-owned port of Piraeus. This is a key project of China's infrastructure connectivity in Southeast Europe. Meanwhile, Lithuania was the first country to leave the China-led 16+1 format, calling on the EU to 'move from a divisive 17+1 format to a unifying and therefore much more efficient 27+1 format. The EU is strongest when all 27 member states act together with the EU institutions.⁴⁶

Facilitating the geoeconomic nexus between the north (the Arctic region), where the northern transport route is expected to significantly shorten the global flow of goods, and the south in the Mediterranean region, where member states are seeking new connectivity opportunities with North Africa, is of strategic importance to the EU, the Franco-German engine of European integration and the US. As a result of these realities, 3SI members also emphasise the need for better communication by strengthening political and economic cooperation within the region and within the framework of the EU itself. The 3SI could help erase the traditional division of Europe into West and East and overcome this stigma, which would also benefit EU integration and cohesion towards a unified CEE.⁴⁷ Increasing integration could also

improve the overlapping interests of these countries, which in the long run will strengthen their position in the EU itself.⁴⁸

Countries from the Anglosphere,⁴⁹ the Quad⁵⁰ and 3SI countries have all pushed for infrastructure projects, supply chain reconfiguration and military interoperability, in contrast to China's global Belt and Road Initiative and the 16+1 Initiative in CEE. In this context, the 3SI should develop into a geopolitical and geoeconomic project of both the EU and the US aimed at creating north–south connectivity corridors (Baltic–Adriatic–Black Sea) along transportation, energy and infrastructure routes. This will be necessary for expanding EU–North Africa links and containing the influence of the Dragon Bear (China and Russia). The CEE region has suffered far too long from its satellite role within the Soviet Union during the Cold War and is now in danger of becoming a 'buffer zone' squeezed between Western Europe on the one hand and assertive regional players such as China and Russia on the other.⁵¹ However, the race for new infrastructure, transportation and digitalisation connectivity between the main competitors could lead to more incentives for the EU and the US to engage more actively, which will have a positive impact on the balance of power in this region.

Conclusions and recommendations

In the past, the 3SI, and its potential for enlargement, remained vague; however, Russian aggression has highlighted the importance of the initiative's mandate and the need for a concrete strategy to connect all the Black Sea states. The surrounding countries have to be engaged to help mitigate the current and future threats. Moreover, engaging non-EU member countries in 3SI projects can benefit the EU, especially when developing transport corridors and supporting the much-needed energy diversification. Achieving this would shift the power dynamic in Europe and weaken Russia's geopolitical position.⁵²

The initiative encompasses the most dynamic region in the EU and consists of members that are among the strongest and most vocal supporters of Ukraine. Cooperation formats within 3SI are more important than ever and it is recommended that Austria seizes the opportunity to become a more active member in order to capitalise on emerging synergy potentials.

The following recommendations are proposed:

- 1) Austria should join the 3SIIF and enhance its political profile within 3SI

A total of EUR 600 billion needs to be invested in 3SI infrastructure by 2030 to tackle the imbalance between CEE and Western Europe. The total value of trade of all 3SI countries exceeds EUR 225 billion. It generates about 20% of the GDP of the entire EU community. The 3SIIF aims to support the region in catching up with Western European countries, but also to keep up with their pace in the long run. While there are now many projects in which the Fund could participate, the end amounts are still not sufficient enough to invest in all valuable projects.⁵³ Against this background, it is in Austria's interest to engage with investors within the initiative.

The 3SI is highly decentralised and project-based which suits Austrian interests similar to the Central European Defence Cooperation.⁵⁴ Its ambitious geopolitical and geoeconomic portfolio should not be underestimated. The EU could finance certain projects within the 3SI which are rendered relevant for the Global Gateway and thus could create a counterweight to China's Belt and Road Initiative as well as the 16+1 Initiative in CEE. Not only can Brussels maximise funds that can be facilitated within the EUR 300 billion infrastructure project, but it can also steer concrete projects that will generate synergy effects by facilitating and optimising north–south connectivity which may turn out to be attractive to third countries in West and South Asia (e.g. India).

So far, Austrian participation in the 3SI has been rather low-profile, whereas other 3SI members tend to send state ministers or even state heads to the summits. The fact that the Austrian Economic Chamber has announced the upcoming 3SI summit in Rīga and is recommending that Austrian companies attend the forum and explore business opportunities should be considered as a signal in the right direction. A clear recommendation for Austria in this regard is, that the country should upgrade its participation by financially contributing to the Fund as well as by sending higher-ranked representatives to the business forums and the summits to show an increased presence and interest.

- 2) Austria should immediately start diversifying gas supply from Russia by using existing and potential projects under 3SI

The diversification of energy supply and the reduction of the dependency on Russia has never been as urgent as in 2022. Once seen as a bridge-builder between the West and Russia due to its historical past, neutral status and geostrategic location, Austria can no longer pursue such aspirations given the realities after 24 February. Being significantly invested in the energy, banking and commodities sector in Russia, the Alpine republic will be eager to diversify away from Moscow sooner rather than later following the six packages of EU sanctions against Russia. In this regard, the 3SI is increasingly becoming a useful and beneficial framework in terms of trade and connectivity between the twelve members. Moreover, Austria is seen as the most sympathetic country to Russia after Hungary, a perception that can be shifted thanks to more intensive cooperation with the other countries from 3SI.

3) Austria should urgently catch up in the area of digitization and draw on the experience of the 3SI countries

The country is lagging behind in the field of digitalisation and can benefit from participation in projects dedicated to such topics. Investment in the digital sector is expected to reach EUR 160 billion as one of the three pillars of the 3SI. Austria should draw from the experience of government and business professionals from the Three Seas region dealing with the risks and opportunities of the current digital transformation, security challenges and their impact on the future of cybersecurity. One of the major advantages of 3SI is the effective cooperation among all the services and institutions working with cybersecurity platforms in this region which has experienced a significant rise in cyberattacks. Cybersecurity is more than just a fight against disinformation; it is also essential in building resilient supply chains and protecting markets. Austria should also contribute to the development of the transport and digital north–south infrastructure due to its immense know-how and experience in transport infrastructure and the construction sector.

4) An urgent recommendation for Austria would be to change its general stance on the initiative in geopolitical but also geoeconomic terms

Obviously, Austria was not convincing with its bridge-building function between the West and the East while actively engaging with

Russia. However, Vienna could develop a new formula to connect the 3SI countries with Ukraine and the rest of Europe in Brussels and the West. The Alpine republic should not miss this opportunity to diversify its 'bridge-building' role towards the north–south connectivity corridors instead of sticking to its outdated east–west approach following Russia's war in Ukraine.

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Bulgaria: Sense, sensibility and wariness

Plamen Ralchev

Although generally Bulgaria regards the Three Seas Initiative (3SI) as an ambitious opportunity and this is the message eloquently presented both at state level – by the president and the government – and at business level, a double reading of Bulgaria’s position helps to understand the emergence of a dividing line within the expert community and policymakers. Some circles in Bulgaria, involving those with access to high politics, claim that the 3SI has ambiguities that are hard to disguise. The red line for Bulgaria goes along the economic benefits as opposed to the geopolitical repercussions of the Initiative. There is a distinctive cleavage in Bulgaria between public speaking about the infrastructure development, innovation, economic growth and energy sustainability, on one hand, and public warning that in fact this is a project against Russia, on the other. It is useful to analyse in depth these two opposing lines of arguments.

Bulgaria formally joined the 3SI and undertook engagement at the highest possible level. Hosting the 3SI Summit in 2021, Bulgarian President Rumen Radev emphasised ‘the political will for concerted efforts for accelerated development of the region through improved transport and energy infrastructure connectivity by stimulating public-private partnerships and introducing innovative development models.’¹

At the third summit of 3SI in Bucharest, the first business forum was launched within the Initiative, which turned into a platform for sharing projects of common interest. A joint declaration was signed for establishing a network of Chambers of Commerce and Industry of the member states. On behalf of Bulgaria, the Bulgarian Chamber of Commerce and Industry participates in this format of the 3SI.

On the US initiative, at the Bucharest summit a new forum for cooperation with the 3SI member states was launched – the Partnership for Transatlantic Energy Cooperation. Bulgaria contributes actively to

all the meetings of this format. Representatives of the Bulgarian Ministry of Energy participate in three of the four working groups for energy cooperation.² Economic interests as a driving logic for support for the 3SI suit the arguments used by the most eloquent business consultants, analysts, lobbyists and pressure groups in Bulgaria to advance the idea among the public at large. They also target indecisive decision-makers at the national level to advocate for more active engagement of the country in the Initiative. Among their leading arguments is that infrastructure projects from the Initiative are expected to increase European countries' GDP by 2.5% in the long run.³

Economic development and resilience

The benefits for Bulgaria may not only come from specific projects, if they are successfully selected, approved, funded and implemented, but also from the idea of using the common potential of the member states to eliminate differences between Eastern and Central Europe and as a contribution to cohesion, consolidation and prosperity in the European Union (EU). Overcoming Bulgaria's lagging behind of Central Europe also means avoiding different speeds of development in the EU. It gives us a chance to realise the benefits of our geographical location in order to better connect and interact in the Balkans as well as with the Black Sea countries' region. The Initiative helps to promote a friendly environment for investment and business climate through direct and active business contacts. Deepening the integration between the countries of the region and the joint projects will create many additional jobs.

In his speech at the summit in Tallinn in October 2020, President Rumen Radev actually set out part of Bulgaria's vision as the next host, offering to add to the current priorities educational and scientific connectivity, as well as capacity building and connectivity between young research teams, organisations and universities. 'We can't think only in the perspective of laying pipes and asphalt,' he noted, which was a hint that the US approved its investment purposefully only for energy infrastructure, that is, for the facilities for liquefied natural gas (LNG) and for pipelines. The Bulgarian president also proposed to expand the geographical scope of the Initiative with Greece and

Cyprus, because we have no interest in staying at the geographical periphery and with all infrastructure, energy and digital routes ending at our border. However, what the president tactfully kept quiet about was that the Bulgarian side has done nothing about moving our ideas to advance some projects, for example the Petrohan Pass, a project requested in 2018.

Connectivity missing

According to information from the Ministry of Foreign Affairs, Bulgaria has submitted a total of four project proposals for financing within the 3SI: restoration of project parameters on the Ruse–Varna railway line; building the tunnel under the Petrohan Pass; expansion of the natural gas storage facility in the village of Chiren; construction of the Black Sea highway (Varna–Burgas).

It can be easily noted that transport infrastructure projects prevail and there is no project within the third sector of the Initiative – digitalisation. According to the Director of Investments of Amber Infrastructure Fund, three of them are accepted with priority (Chiren, the Ruse–Varna railway line and the Petrohan tunnel), and by 18 May 2021 there have already been five to six new projects from Bulgaria. The project for the tunnel under the Petrohan Pass faces some challenges, since it had to be coordinated at the Ministry of Environment and Water with two laws (for biological diversity and environmental protection), and it was suspended in July 2021, but following citizens’ protest it has been resumed.

Of particular importance for Bulgaria is the completion of Corridors No. 4 and No. 8. Eurocorridor No. 4 (along E79 in the direction Vidin–Sofia–Blagoevgrad–Kulata border checkpoint) is key to the successful implementation of the 3SI and the only one that passes through EU member states only and provides the link between north and south, between Dresden–Bratislava–Sofia–Thessaloniki. Corridor No. 8 is part of the pan-European road network, continues to Constanta, Vilnius, Rīga and Tallinn, and is a strategically important highway connecting the ports of the Western Black Sea with the Baltic Sea ports, which will provide a very important connection for Bulgaria. Corridor No. 8 will reduce transport traffic by two weeks on the new Silk Road through

Bulgaria to Western Europe. And here the question of US and European policy towards China and divergences in their interests arises.

The states themselves however do not have enough funds because a corridor does not mean only transport connection, but includes roads parallel to the railway line and built infrastructure for the transmission of electricity, gas and internet. The Bulgarian Vision Paper states that the north–south infrastructure corridor can be further upgraded with building value-added links, and it would be appropriate to build a strategic link between the north–south corridor and Corridor 8. From then on however, the method of holding talks will have to change in the future, for example with Greece, whose economic motives against the tunnel under the Makaza Pass are unacceptable and which also does not allow the construction of higher class roads.

Bulgaria also needs other projects that address the criteria of connectivity and can bring benefit to neighbouring countries as well. For example, at 3SI – Unity, Innovation, Connectivity conference held on 8 June 2021 in Sofia the need to build new bridges on the Danube River with road routes and railways was emphasised, justified by the fact that while in individual sections on the river the average distance between the bridges is 5 km and 18 km, the distance between the two bridges on Danube between Bulgaria and Romania is over 300 km.

Until May 2021 there were still no new proposals from the Bulgarian railway administration for projects in this area except for the Ruse–Varna–Burgas–Alexandroupolis route. Bulgarian seaport renovation projects would also meet the approval criteria. Bulgaria lags behind Romania, which expanded and modernised the port of Constanta, for example, even beyond the 3SI. In May 2021 it became known that talks were already under way with the 3SI Investment Fund (3SIIF) for the construction of a port and for acquisition of a second one. Joe Phillips, investment director of the Fund, admitted that their short-term interest is focused on ports and gas storage.

Energy security

In the second sector of the Initiative – energy –only two projects are of course not enough (expansion of gas storage in the village of Chiren and the solar park near Parvomay), but before we receive financing for

an acceptable project, we must be able to formulate our own strategy, and when trying to do so in February 2021 for the period 2030–2050 there were no included recommendations, even those of the EU plans, not to mention the climate change and damage management risks, nor a vision to replace reactors 5 and 6 of Kozloduy Nuclear Power Plant after 2030, nor a vision for the development of Bulgarian industry.

As of 6 June 2021 it became known that the 3SIIF would invest in the largest solar park in Bulgaria – in the village of Karadjalovo near Parvomay with an area of 1000 decares and installed capacity of over 50 MW, owned by an Austrian company. This is the first investment of the Fund in Bulgaria.

Digitalisation

With regard to the third main pillar, digitalisation, although we are a little late, the trend is inevitable: companies are accelerating their digitalisation performance at a faster pace, performing in just two to three years their plans for the five-year period, and accelerating automation to reduce costs: 31% of them are introducing new and modern technologies, 29% are focusing on speed and efficiency activity of production. This optimism should not be reassuring because in the rest of Europe, more than 50% of foreign companies believe they will increase the use of digital technologies in practice in the long-term plan.

Bulgaria has expert potential in this technological field and perhaps it would be appropriate to focus its efforts on artificial intelligence and the quantum computer, which will affect encryption, optimisation, big data storage, detection of chemical compounds, etc. 5G connectivity and optical networks will be a key factor that will help Europe develop at a faster pace its digital economy, digitalisation of services and industrial processes as well as reducing costs.

The idea for establishing a network of Innovation and Research Agencies corresponds to Bulgaria's interests in terms of improving standards. On 9 March 2021 the Digital Decade Action Plan was presented, which was an encouraging signal for a new technological start with ambitious goals to strengthen the digital competitiveness of the EU and reduce its dependence on the US and China. The digital

economy and artificial intelligence have been subject to regulation in the EU since 2018 and since then respective documents have been adopted annually. A number of EU member states have developed their own strategies. The deficit of visionary thinking in different sectors, however, as well as the gap between expertise and public management experience in such large-scale projects will affect the management and implementation of these projects.

Wariness of geopolitics

Comments in Bulgaria on the 3SI outline two extremes resulting from a lack of a timely or a poor information campaign, as well as from the strong fragmentation of public opinion and sharply deteriorating relations between the West (US and EU) and Russia.

One extreme extrapolates the military-political nature and goals. For them, however, there is another 'track' and NATO is on it. Another issue is that the combination of economic and military pressure, of hybrid and military methods by external forces contrary to the interests of the states in the region, can already shape an alarming trend. But to declare 3SI efforts to bring together business, governments and investors, which can bring in three times more investment than a lagging country like Bulgaria can afford to provide itself, to be a 'safe path to war' is a clear ideological pro-Russian bias or disinformation.

Their only argument is that 'infrastructure can be used for an offensive operation' against Russia. Although among these experts are well-known names, expressions like that 'those behind the Initiative will fight with Russia, with the citizens of the participating countries' show complete ignorance of the content and meaning, but also deliberate and gross deception.

Another more compelling point from this group of critics is focused on the EU, which as a structure was rather small and already inconvenient, while the small states of the 3SI were easier to manage through the complex of anti-communist mentality and more inclined for radical communication in international relations. But their thesis that a new bloc of countries within the EU is being formed confirms that such critics are not aware of the main goal of the Initiative, which is aimed precisely at the opposite.

Critics and opponents to the 3SI in Bulgaria raise the issue of its geopolitical shadow and that intrinsic geostrategic parameters are set in the Initiative. The problem sparked at the beginning in some countries like Bulgaria where the interpretation of the Initiative was connected with the project from the beginning of the twentieth century of the Polish leader Josef Pielsudsky for the transformation of Poland into a great power against Moscow and Berlin through the unification of the countries between the Black, Baltic and Adriatic Seas. Though gradually these concerns began fading away with the successful launch of the project, they still deserve attention as they remain vibrant and sensitive in countries like Bulgaria where Russian influence is at the highest and presents a serious challenge to Bulgarian national security agencies.

Opponents of the 3SI in Bulgaria claim that through it the US is projecting its energy interest and curbing the stretch of Russian influence. They speculate that the 3SI is creating a Union within the EU against Russia. Some radical critics consider the 3SI as a military project against Russia. Others are prone to wait and see, but highlight that despite the economic rationality of the project, historical and natural conditions predispose Western Europe and Russia to cooperation – Western Europe will hardly survive without Russian natural resources, as well as Russia's future being dependent on Western technologies, innovations and capital flow.⁴

Though this type of critical discourse is limited to leftist intellectuals and experts with explicit or implicit pro-Russian leaning with little resonance in the general public discourse, it is indicative of why the Bulgarian political establishment (including parties in government as well as in opposition) is generally cautious and far less enthusiastic compared to Poland, Romania or other countries involved in the 3SI.

The second type of discourse in Bulgaria regarding the 3SI uncritically announces the benefits that the 3SI would strengthen the EU, or unreservedly supports the role of the US without going into the depths of pursued interests. Just rallying around the slogan that the 3SI will defend democracy is far from convincing, and the technocratic approach of perceiving 3SI as master project management facility does not seem working either. We should be aware of the competing national interests of different member states within the Initiative and develop the capacity to identify and pursue our own specific interests. This capacity within the 3SI is still missing in Bulgaria.

The countries which founded the 3SI in 2016 strongly denied having goals other than those in the three key areas – transport, energy, digital connectivity – and stressed that conditions now are different from those of the last century. In the north–south direction, Central Eastern Europe is relatively underdeveloped in terms of energy as well as in terms of transport. There is no high-speed rail network east of Germany. The 3SI offers excellent opportunities for working in this direction. But the German side rightly emphasises that such informal alliances also have ‘geostrategic parameters’.⁵

In fact, the US does not conceal that they invest in the Three Seas with political and business interests, mainly in order to curb Russian influence in Europe. Poland and Baltic states are believed to channel US interests in the Initiative.⁶

All previous declarations have always stated that ‘the economic presence of the United States in the region can contribute to strengthening the transatlantic connection’. But it is impressive that while the US has invested USD 300 million of the promised USD 1 billion under the 3SI, it is bilaterally investing much more in countries with greater strategic interests. For example, in connection with the signed agreements with Romania and Poland for the development of nuclear energy and related infrastructure, the American EXIM bank will provide a USD 7 billion loan. In Poland alone, six nuclear power plant reactors will be built by 2043. With regard to telecommunications infrastructure, the US is committed only at the level of bilateral relations. The wrong policy of Bulgaria for its nuclear power plants against the background of the huge potential in our northern neighbour means that in years to come we will find ourselves in the position of Germany, forced to supply electricity from France and maintain the highest electricity price, which will affect the competitiveness of the economy. Another important point, however, is that declarations from previous summits have always stated that the 3SI is fully in line with the EU’s efforts to strengthen, converge and overcome regional disparities within the EU, and reaffirms that the Initiative is complementary to the EU strategy and programme, which is already becoming a contradiction given the differences between the countries.⁷

Although the 3SI is an economic infrastructure framework for cooperation with pragmatic intentions, its critics in Bulgaria emphasise that influential actors and partners are designing their own geopolitical

aspirations, which do not always meet the interests of some member states. Only with the accession of Ukraine would the Initiative come closer to the idea of 'Intermarium'.

The idea about Ukraine joining the 3SI has been publicly stated by the executive director of the American Chamber of Commerce in Bulgaria (AmCham Bulgaria), Petar Ivanov.⁸ He announced that the form of the 3SI is to be updated – Ukraine will join the twelve countries after the end of the war, because without Ukraine it will not be sufficient in order to complete the infrastructure. He further added that 'Ukraine will be the catalyst that will help the Initiative gain popularity, but now small steps are needed – to create a secretariat that works constantly, to engage donors fully'. According to Ivanov, the 3SI is not so dynamic, but what is happening in Ukraine will definitely be a turning point for it, whether the Initiative will keep the same name or be somehow supplemented.⁹

Besides AmCham Bulgaria, another prominent speaker in favour of the 3SI is the Bulgarian Development Bank (BDB), which is a shareholder of the 3SI Investment Fund (3SIIF). A commissioned report of the BDB outlines major benefits, factors and drivers of the 3SIIF.¹⁰ Experts highlight the prospects and potential for economic growth and improved connectivity in transport, energy and digital networks, and the benefits this may bring to Bulgaria.

The report points out that economic growth has been strong in the new EU member states since their accession. The area between the Adriatic, Baltic and Black Seas has been a force for higher growth in Europe with noticeably better performance and macroeconomic stance compared to the EU15 particularly in the period after the Global Financial Crisis of 2007–2008 and the subsequent multi-year European Debt Crisis. Notwithstanding the remarkable economic success of the new member states in Central, Eastern and South-Eastern Europe over the last fifteen years, convergence to the EU15 has remained lagging in terms of GDP per capita, incomes, structurally and, overall, contrary to the initial expectations before and at the time of accession.¹¹

Inadequate connectivity and infrastructure create and exacerbate socio-economic and trade imbalances between member states. According to the World Economic Forum, the transport infrastructure in the countries participating in the 3SI remains at a substantially lower level and quality compared to the old EU15 member states due to the fact that the pace of infrastructural development is persistently

insufficient to close the gap. The most noticeable and concerning is the shortfall in Bulgaria and Romania.¹²

The BDB, as well as different NGOs and policy institutes, strives to attract the attention of businesses and policymakers to the 3SI by organising discussions, which shed light on the projects and are a signal to businesses and institutions to join the Initiative. An optimal solution will be sought for investments in the Fund after combining private and public funds, according to Iliya Lingorski, chief economist of BDB.

Joe Phillips of Amber Infrastructure Limited, appointed as the exclusive investment adviser of the 3SIIF, pointed out at a conference in Sofia in May 2021 that the Fund will operate on a fully commercial basis and will remain open to both public and private investors. He specified that the Fund would review three project proposals from Bulgaria, which fall within 3SI priorities. There were another two projects in the field of transport, which did not, however, get priority. In his words, there are other five or six pending projects. According to him, the funding requested by Bulgarian projects is large, but it will be decided which of them will receive support, because the limits are between EUR 50 and 250 million per project. In a single project, between 50% to 70% is debt financing and attracted capital is 15%.¹³ Joe Phillips noted that the investment fund will now only fund projects in the three priority areas, but the provision of digital infrastructure will affect education and social infrastructure, as proposed assessment by governments.

Beata Dashinska-Muzicka of the Polish Development Bank reminded the conference that the idea in the beginning is to receive support for the Initiative at the political level, because the twelve countries participating in it represent 30% of EU territory. She further explained that EUR 600 billion are distributed as follows: EUR 300 billion for logistics and transport – for roads, rail transport, airports and ports; almost EUR 100 billion for the energy sector; and EUR 200 billion for digitalisation that is needed to invest in the security of these sectors.¹⁴

Addressing the same conference held close to the 3SI Summit hosted in Sofia, Bulgarian President Rumen Radev underlined: 'We can unite efforts for the development of the economy and infrastructure for the people, for education, for businesses in the countries, part of the Three Seas Initiative.' The Bulgarian head of state confirmed that countries such as Japan, Qatar and South Korea are already interested in the Initiative.¹⁵

President Radev noted that 'Bulgarian priorities are far beyond geography; they are for smart project development. If we want to see a complete solution to the interconnectedness of the north and the south, we need to think about enlargement, not just geographically. Bulgaria must think beyond the next twenty to thirty years, until we are ready with the new pipelines, roads, digital connections. We need to work with young people, with innovative organisations, and we need to think not only about connectivity, but about smart connectivity.' He pointed out that so far EUR 1 billion has been collected in the 3SIIF from the participating countries and this is not enough for all projects, but they can invest smartly for better results. President Radev also mentioned that 'the key to success is to unite the efforts of governments, businesses, NGOs in all twelve countries to improve the lives of our citizens. Business is the key player.'¹⁶

His words were supported by Kiril Petkov, then minister of economy, currently prime minister of Bulgaria. He believes that coordination in the region is not only necessary, but it will bring the potential of the region to its due level. Kiril Petkov stressed that the twelve EU member states participating in the 3SI represent 22% of the population and generate 10% of GDP of the EU, and such initiatives will increase domestic trade between them, which he says needs improved investment and innovation infrastructure.

The Bulgarian Minister of Economy expressed the opinion that the focus should be on innovation, digital technologies and start-ups. He said that he had talked with the executive directors of the Bulgarian Investment Agency (BIA) and the Executive Agency for Promotion of Small and Medium Enterprises (BSMEPA) with a request to focus their efforts on small and medium enterprises and give them the opportunity to decide which sectors they want to cooperate with and do business with.

Yassen Georgiev, the executive director of the Economic Policy Institute, pointed out that in order to overcome the differences between the regions, the countries participating in the Initiative have projects worth EUR 75 billion, and their total value is expected to exceed USD 1 trillion. So far, the Fund's list includes eighty-nine priority projects, 12% of which are either completed or active. The Initiative is an opportunity for the transport sector, followed by the energy sector and less than 20% of projects are in the digital sphere. Romania, the Czech Republic

and Bulgaria are the most active countries, and 33% of the projects are for connectivity and include countries outside the initiative – the Western Balkans, Ukraine, Finland.

According to Georgiev, the Initiative far exceeds the available resources in the 3SIIF and that is why it is very important to attract private investment. The Initiative must be market-recognisable and combine different sectors. The analyst is also convinced that initiatives can only become sustainable with a bottom-up approach and that needs assessment should come from the private sector.

Sofia Kasidova, adviser to the Managing Board of BDB, confirmed that the projects financed by the bank stimulate green growth of Bulgarian business and in each of them there are requirements for environmental protection. The 3SIIF has the potential to combine with other European instruments for a leverage effect. The goal is to finance commercial projects, but as bankers, Sofia Kasidova says, 'we believe that capital investment in infrastructure is an opportunity to make it more transparent in financing businesses that want to grow.'

Petar Ivanov, executive director of the American Chamber of Commerce in Bulgaria, drew attention to the interest of business, which, however, is interested in return on investment. He would encourage business and the state to find a common ground in the field of tenders for concessions, and he advised that projects at the regional level should be a priority in key cooperation between companies and countries.

Conclusions and recommendations

The 3SI is a political project with economic means that promotes cooperation in infrastructure development in the energy, transport and digitalisation sectors. It aims to improve transport, energy and digital connectivity in the region. It is expected to become a real instrument for social and economic cohesion in Europe in order to compensate for the differences in the development of individual regions of the EU.

In the case of Bulgaria, a task of immediate necessity is countering the opponents and critics of the 3SI. To this end, the economic dimension of the 3SI should be better communicated even justifying its geopolitical rationale, which critics warn about. There is nothing

to be concealed. Geopolitically, it means creating a comprehensive network, which in the field of energy will reduce gas dependency on Russian supplies and will supplement with imports of LNG from the US, Israel and Azerbaijan. Of course, Russian energy interests will thus be affected, and this is the reason for so many voices against the 3SI among the pro-Russian energy lobby in Bulgaria. Anti-3SI speaking includes different types of disinformation and public opinion manipulation, for example, higher prices of gas imports from other destinations, engaging Bulgaria in hostilities against Russia, etc.

It was only in the spring of 2021 that a small expert group was formed to reflect on the issues of the 3SI in public information spaces in Bulgaria, with commissioned specialised publications, and conferences that are still few in numbers, where relatively objective analysis and useful suggestions have been made. Extreme and incorrect estimates shift the focus from the actual problems. Therefore, in such cases there is usually no alternative. The Bulgarian position, which resembles a sea chess game, evolves around coping with a threefold challenge: how to successfully use the granted funds for qualified projects; how to keep close to Brussels; and how to act as a bridge rather than a wall against Russia and the East. This puzzle produces a complicated corollary for Bulgarian politics. Economic dimension, connectivity and digitalisation go more or less undisputed, whereas the geopolitical dimension triggers frictions in Bulgaria.

It is obvious that sophisticated diplomatic skills are needed in a situation when Germany wants to join the Initiative as a matter of balance with the activity of the US and Poland in the region. For Bulgaria it is vital to cater to all, or at least this tends to be the generalist thinking. President Radev's proposals in Tallinn were towards changing the Initiative even more meaningfully. In addition, criticism and proposed actions must be timely and appropriately constructive. The most difficult part of the Bulgarian puzzle with the 3SI is how to mingle sense and sensibility – making sense of its membership in the 3SI, EU and NATO, and archetypal sensibility towards Russia. It is a vital matter of high politics looping, but also a mass public communication challenge. Therefore, the public communication aspect of the 3SI should not go overlooked and unattended.

ENDNOTES

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- ¹⁴ Ibid.
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- ¹⁶ Ibid.

Croatia: In search for visibility and stronger support

Ana-Maria Boromisa, Višnja Samardžija

Croatia, along with Poland, is one of the co-founding states of the Three Seas Initiative (3SI). The former Croatian President Kolinda Grabar-Kitarović and the President of Poland Andrzej Duda launched the initiative at the inaugural summit in Dubrovnik, Croatia on 25 August 2016.¹ The initiative established an informal political forum, intended to function as a platform for economic cooperation. The aim was to facilitate economic and infrastructural cooperation among Central and Eastern European Union (CEEU) members along the European north–south axis, between the Baltic, Adriatic and Black Seas. The idea was that the initiative should serve as a tool for making a better use of the existing structures in the fields of energy, transport and digital communication². The 3SI is a presidential initiative in nature, while the goals are implemented by the governments of the states.

The Initiative links today twelve EU member states (Austria, Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia) which have the status of participating countries, while the US, Germany and the European Commission are supporting partners of the initiative. During the past six years the objectives, the framework and the forms of cooperation within 3SI have been defined³ and implemented in participating countries.

In spite of the fact that Croatia was directly involved in the development and launch of the initiative, the 3SI was not supported later in the country in a way that might be expected. While the former Croatian President Grabar-Kitarović was a very enthusiastic founder of the initiative⁴, the 3SI later faced a low level of political commitment. The change of political leadership in Croatia resulted with more controversial approaches and weaker support for the initiative. The current President Zoran Milanović, elected in February 2020, does not share the same, positive opinion from the start. He is quite sceptical

regarding the 3SI and has argued on different occasions that the Initiative could potentially harm Croatia's external relations, particularly those with Germany and Russia.⁵

Croatia's position on the Three Seas Initiative

The Initiative is today supported by the Croatian government of the centre-right headed by Prime Minister Andrej Plenković (elected as in 2016 for the first mandate and in 2020 for the second). The prime minister advocates the 3SI approach and is dedicated to its strategic goals, particularly after Germany joined the initiative as a supporter. Opposing views and attitudes on various issues, including 3SI, cause conflicts between the president and prime minister⁶.

Regarding the institutional set-up for implementing the initiative in Croatia, the Ministry of Foreign and European Affairs (MFEA) established an independent service for the 3SI in 2020 to coordinate the activities and participation of Croatia in the 3SI on behalf of the government. The scope of work of the service is to monitor the process of the 3SI and to coordinate cooperation among government departments and activities related to the Initiative, as well as to provide assistance for implementation. In cooperation with other state administration bodies, the service monitors the implementation of national infrastructure 3SI projects in the field of transport, energy and digitalisation. The national coordinator of 3SI is the MFEA⁷. The newly established service is a step forward in terms of goals and envisaged activities, but it relies on very limited human resources and has a low level of visibility.

However, there is a lack of knowledge and understanding of the 3SI idea, its concept and goals amongst the wider public in Croatia, for the difference of Poland and some other participating countries where the 3SI is more present in wider public. The projects implemented within the Initiative are not perceived as 3SI outcomes. From the very beginning, communication with the wider public on these issues has been missing in Croatia. There is a lack of serious academic and political debate, research and analysis of the potential outcomes and benefits. As a consequence, there is still limited commitment in Croatia towards 3SI.

It should be mentioned that there are opinions that the 3SI should be taken to a new level in Croatia. The fact that the US is supporting

the Initiative is welcomed and the goal that Europe needs to be independent from Russian energy is considered very important. 'In the new geopolitical circumstances, the 3SI has the potential to give impetus to projects of energy and infrastructural connection of the space between the three seas. With the liquified natural gas (LNG) terminal on Krk, Croatia once again has the chance to make up for the missed opportunity. But success also requires strong political leadership'.⁸

The question is, however, what are the main Croatian interests and the position of the country within this informal political forum functioning as a platform for facilitating economic and infrastructural cooperation among Central and Eastern EU members? As already mentioned, the benefits of this cooperation were not obvious to ordinary citizens when the Initiative was launched. However, following the start of the Covid-19 pandemic, Russia's aggression in Ukraine and new geopolitical circumstances overall, the 3SI cooperation and joint strategic projects focusing economic growth and resilience, energy diversification and independence, sustainable and inclusive connectivity and digitalisation might with additional efforts became closer to the general public.

All 3SI formal objectives are considered to be equally relevant for Croatia. It is hardly possible to identify or select the most important objective for the country out of the existing ones, or make an objective gradation among them⁹. One of the reasons for it is the fact that formal objectives are mutually strongly inter-connected so each of them covers more areas.

Economic growth and resilience of the 3SI region and greater interest among investors

The primary goal of the Initiative is to boost economic growth and resilience of the region by developing transport, energy and digital infrastructure. These three dimensions are crucial for all participant countries, bearing in mind that the 3SI region is lagging behind in economic development in comparison with the 'old' EU member states from Western Europe. All three mentioned components are relevant for Croatia, and included in relevant national documents, such as

the National Development Strategy¹⁰ or the National Recovery and Resilience Programme¹¹.

All 3SI participating countries are EU members. The area of the 3SI participating countries represents almost a third of the EU with a population of 111 million people. All of them (with the exception of Austria) are former transition countries and the majority (all but Croatia and Slovenia) were strongly influenced by the USSR. Despite significant growth in recent decade (the average economic growth in the twelve countries in the period 2015–2019 was 3.5%, compared to 2.1% in the EU),¹² the 3SI countries are still lagging behind the EU average. Their GDP per capita represented in 2018 some 78% of the EU average.

For comparison, Croatia's GDP per capita represented in 2018 only 63% of the EU average.¹³ On the other hand, the EC Winter Economic Forecast for Croatia (February 2022) shows that after a drop of 8.1% in 2020, the real GDP is estimated to have grown by 10.5% in 2021 with output which is above the pre-pandemic level. The recovery in 2021 was supported by exports, with tourism and private consumption playing a key role. In 2022, growth is expected to remain dynamic, at 4.8% of GDP, while in 2023 it is expected to be around 3%. Similar to other EU members, the accelerated rate of inflation in 2022 to 3.5% is worrying, and it is mostly driven by energy prices.¹⁴ However, according to the European Commission Report¹⁵, Croatia has experienced a lost decade in terms of economic catch-up with the rest of the EU. Following a six-year recession and a moderate recovery, the economic output only surpassed the pre-crisis level in 2019.

The infrastructure gap between 3SI participating countries and the old EU members is large, and the transport network among participating states is still inadequate, limiting connectivity. The way of overcoming the mentioned disparities between old and new EU members is seen through developing and implementing Priority Interconnection Projects in all 3SI participating countries, such as gas pipelines, roads, railways and other infrastructure. The mentioned strategic projects are not necessarily commercially viable but are considered important by the states as the precondition for economic growth.

So far, the 3SI has developed a number of Priority Interconnection Projects. The list of projects¹⁶ includes ninety priority projects (as of July 2021) with an estimated investment value of EUR 180.9 billion.¹⁷ These

projects are expected to help stimulate economic growth, develop the north–south infrastructure corridor, align regional disparities within the EU and boost cohesion and unity in Europe. Croatia is well represented in the 3SI Database (project list), having the highest number of its own strategic projects. The database includes seventeen projects in Croatia, and some of them are already implemented (the LNG terminal on Krk).¹⁸ The total value of the projects is almost EUR 1.8 billion.¹⁹ Most of those strategic projects are related to transport, several are in the energy sector and in digitalisation. The implementation of the projects depends on a number of factors, thus it is challenging to link the success or failure of these projects with activities within the 3SI. The participating countries consider EU funds as a possible source of financing and joint application as a way to increase possibilities for EU funding. Finally, it is important to underline that the membership in the 3SI is free of charge.

The Three Seas Initiative Investment Fund (3SIIF) has recently been established to finance key infrastructure projects in the region. Its role is to complement and strengthen the capital deployment of individual Three Seas countries and EU financial instruments. The Fund is a commercial and market driven initiative that will grant a diversified investment and an attractive return to investors. The Fund's goal is to raise between EUR 1–5 billion. Participating countries are invited to contribute to the Fund in order to attract private capital. Croatia has invested EUR 20 million from the Croatian Bank for Reconstruction and Development (HBOR) for co-financing projects. It is the minimal envisaged amount but proportional to the country's level of GDP.

The Business Forum has recently become a trademark of the initiative, as it attracts leading global organisations (International Monetary Fund, World Bank, OECD, others) and businesses. The idea of the Forum is to connect business to business, as well as business to government. The goal is to connect companies with partners, so that private capital also enters into cooperation in this region²⁰. While Brexit has shrunk the EU at the West, new infrastructure links at the East and connection with eastern neighbourhoods and beyond might create interest for companies to invest in this region contributing to changes to the global order and geopolitics.

Geopolitics

The mere geography of the twelve EU member states located between the Baltic, Adriatic and Black Seas gives the 3SI a geopolitical dimension. It can be seen as a buffer or a bridge towards Eastern EU neighbours. The geopolitical importance of the 3SI, which is fully rooted in the EU and supported by Germany and the US, can be evaluated towards other initiatives targeting the same region: namely the EU macroregional strategies – the EU Strategy for the Baltic Sea Region, the EU Strategy for the Danube Region and the EU Strategy for the Adriatic and Ionian Region. Additionally, external strategic approaches should be also taken into consideration, such as the China 17+1 initiative.

Within the EU, the 3SI can contribute to harmonising the views of the participating countries on EU internal issues, but also to external policies. The launch of the 'Geopolitical Commission' of President von der Leyen in December 2019 indicated that political realities are no longer exclusively shaped and produced by states. This emerging context provides an opportunity to the newest member states to shift their role from policy-takers into policy makers. This requires also building coordinating capacity, for which the 3SI provides a forum.

Recent policy shifts in the US and Germany have highlighted the potential volatility of the relevant partners which can translate into changes in Europe's security structure. The rise of China and actors such as Russia that shake up the global order requires increased cooperation among and within the countries to face such challenges and increase resilience.

Within its macroregional strategies, the EU addresses common challenges faced by a defined geographical region. The 3SI connects the Danube, Adriatic–Ionian and Baltic macroregional strategy. By connecting these regions, the EU eastern periphery can be regarded as a geopolitical node, a strategic corridor from Europe and Central Asia, on the one hand, and from the north to the south on the other. Thus, the 3SI provides a forum for geopolitical cooperation and coordination, and also for planning activities in the European context, supported by the Commission (which aims to be geostrategic) and the US. This also includes the formulation of policies and actions regarding the invasion of Ukraine, as Ukraine is participating in the Danube strategy which identifies security as one of its priority areas.²¹

Table 1: Membership of 3SI, 17+1, the Danube Strategy, the Ionian–Adriatic Strategy and the Baltic Strategy

	3SI	17+1	Danube Strategy	Ionian–Adriatic Strategy	Baltic Strategy
EU members	Austria Bulgaria Czechia Croatia Estonia Lithuania Latvia Poland Romania Slovakia Slovenia Hungary	Bulgaria Croatia Czechia Estonia Greece Hungary Latvia Lithuania Poland Romania Slovakia Slovenia	Austria Bulgaria Croatia Czechia Germany Hungary Romania Slovakia Slovenia •	Croatia Greece Italy Slovenia	Denmark Estonia Finland Germany Latvia Lithuania Poland Sweden
Balkan/ accession countries		Albania Bosnia and Herzegovina North Macedonia Montenegro Serbia	Bosnia and Herzegovina Montenegro Serbia	Albania Bosnia and Herzegovina Montenegro North Macedonia Serbia	
Neighbouring countries			Moldova Ukraine		

The 17+1 initiative is part of China’s promotion of the Belt and Road projects and includes the same eleven EU member states as the 3SI, although the twelfth participant country is different (without Austria, but including Greece, see Table 1), and five Balkan countries. 3SI is promoted as a politically inspired, commercially driven platform for improving connectivity between the twelve EU member states, while the 17+1 initiative is the official cooperation between China and the Central and Eastern European countries, and it promotes business and investment relations between China and seventeen participating countries. Thus, the 3SI can be also seen as the EU answer to balance Chinese influence. Since the Croatian Pelješac bridge construction project was awarded to the Chinese company, namely the China Road and Bridge Cooperation in January 2018, Sino-Croatian relations reached a new high point. Since then, and contrary to Croatia’s past

activity and interest, Croatia not only opted to more actively participate in the 17+1 cooperation framework, but even stepped forward by hosting the most recent 17+1 summit, held in April 2019.²² While the Pelješac bridge received financial support from the EU (EUR 357 million of Cohesion Policy) to connect the southern part of the country and Dubrovnik to the rest of mainland Croatia, the role of Chinese contractors has been quite visible. While it could be considered relevant for the connectivity of the 3SI region, the project was not registered to the 3SI.

Cooperation among the 3SI members is also adding to the relevance of the initiative, as they generally put emphasis on the development of their relations with the main external actors involved in the region, rather than with each other. Also, the 3SI members have had different threat perceptions from the 'old' member states, particularly the evaluation of Russia's ambiguous role in the shared neighbourhood. Germany has built up business and economic relations with Russia over the last decades prior to the military conflict in Ukraine, while the new member states predominantly perceive Moscow as one of the main/predominant threats to their security²³. Thus, the view from 3SI can be relevant in defining the EU's policy towards Russia and Ukraine.

The invasion has raised hard power issues for the 3SI region in which the conventional security issues still have priority, due to their defence-related implications. While some of the 3SI projects relate to digital transition and connecting the LNG terminal in Poland with Krk have significant energy security implications, the climate change and digitalisation are not seen as high on the agenda.

Transition towards soft power requires bringing Europe closer to its citizens and an agenda coherent with regional needs and capacities. In this respect, 3SI can serve as a forum for political coordination in the policy fields of interest at the intermediate level, including those relevant for traditional challenges (transport and energy connectivity) but also as climate change and digitalisation.

Energy security

Croatia has recognised the potential of the 3SI for increasing energy security and strengthening the country's relevance in the regional context. The significance of the 3SI for energy security is primarily linked to traditional energy sources (oil and gas), their supply routes, sources and relations with investors.

Thus, one of the key projects for the 3SI region is the LNG terminal on the island of Krk. The terminal became operational in 2021. It was selected as one of the key Croatian strategic priorities at the time the country joined the 3SI. The initiative was already in that early period expected to support Croatia's independence from Russian gas.²⁴ The project was also recognised as a Project of Common European Interest (PCI 6.5.1), with strategic importance for the security and diversification of the natural gas supply in Central and South-Eastern Europe. It is also one of the priority projects under the Central and South-Eastern Europe Energy Connectivity initiative. The financial support received through the Connecting Europe Facility in the form of grants for studies and works has leveraged further public and private investment to a total amount of EUR 182 million.²⁵

The role of the EU in providing financial support has been clearly communicated to the public. On the other hand, the fact that the idea was promoted within the 3SI has achieved limited attention. There were only a few media reports indicating that idea for connecting the Croatian LNG on Krk with the Polish LNG terminal and to achieve a reversible flow that would provide the 3SI countries with gas from the source of their own choice, which can often be cheaper, was promoted by the Atlantic Council and CEEP in 2014. Thus, it is not surprising that the LNG terminal is regarded as a project of the government, supported by the EU and the US, but without mention of the 3SI. The fact remains, however, that 3SI facilitated obtaining the support for the project from eleven participating countries.

LNG enables flexibility of the gas supply, primarily by providing opportunities for using new sources and routes and reduces dependency on Russian supplies. Today, after the embargo on imports of Russian energy sources to EU countries, the energy diversification became crucial issue. The war in Ukraine made the LNG terminals the most desirable projects²⁶. For example, while preparing for a

new energy paradigm, Germany is rapidly developing LNG terminal projects.²⁷

The creation of the north–south connection (the Świnoujście LNG terminal in the Baltic Sea with the Adriatic island of Krk) allows LNG to be shipped from the US, Norway, Algeria or Qatar to the European energy market through a new route, crossing north–south connections beyond the region. The LNG terminal on the island of Krk thus enables the shift of the power-dependency issues and could have implications on relations with the main suppliers – both traditional (Russia) and potential (such as US and Qatar).²⁸

Within 3SI, Croatia also promotes the Ionian Adriatic Pipeline (IAP) project. The project is based on the idea of connecting the existing Croatian gas transmission system, via Montenegro and Albania, with the Trans Adriatic Pipeline system or a similar project. The implementation of the entire IAP project enables the opening of the new energy corridor, with the aim of establishing a new natural gas supply direction from the Middle East and the Caspian region. The IAP will have a bidirectional gas flow possibility, that is, it will be able to provide a natural gas supply from the LNG terminal on Krk²⁹.

The potential of the 3SI for decarbonisation as a way for energy independence and social sustainability is yet to be tackled. Alternative energy sources and energy efficiency can reduce import dependency and geopolitical implications of energy supply. In this respect, the 3SI can support identifying geographical locations of prime interest for the development of renewable energy sources, with a cross-border dimension, connecting infrastructure needs and removing the technical, regulatory and market barriers to cross-border cooperation and hinder renewables deployment.³⁰ This primarily relates to offshore wind power technologies, where transfer of best practices, such as regarding customisation of wind-technologies for specific seas, might be useful.

Reliable, sustainable and inclusive connectivity

Connectivity includes digital, physical (transport, energy) and human dimension. The 3SI focuses on the physical and, to a lesser extent, the digital dimension, while the human dimension is very limited. The 3SI promotes projects to be considered within the EU framework with

the European Structural and Investment Funds, the European Fund for Strategic Investments, which supports integrated investment programmes, and the Connecting Europe Facility that mobilises investments in cross-border infrastructures for transport, energy and digital networks. The role of the 3SI is recognised in the Resolution of the European Parliament on Connectivity and EU–Asia relations³¹. The Resolution stressed that the Connectivity Strategy must be monitored and coordinated with the pursuit of internal connectivity within the EU and between the EU and its prospective members, such as through the Trans-European Transport Network (TEN-T) or the 3SI.

Within the TEN-T, the most relevant for the 3SI are the Baltic–Adriatic, North Sea–Baltic and Mediterranean corridors.³² These are primarily railways and road corridors, while the North Sea–Baltic corridor also includes inland waterways. The North Sea–Baltic corridor connects the ports of the eastern shore of the Baltic Sea with North Sea ports. The Baltic–Adriatic corridor runs from the Baltic seaports of Gdansk, Gdynia, Szczecin and Świnoujście in the north, to the Adriatic ports of Koper, Trieste, Venice and Ravenna in the south, taking in the industrial regions of Central and Southern Poland, before straddling the Czech, Slovakian and Austrian/Slovenian borders on its way south to Italy and Slovenia. The Mediterranean corridor is the main east–west axis in the TEN-T Network south of the Alps, and the only one going through Croatia.

The main bottlenecks and missing links in the Mediterranean corridor include the cross-border links with Slovenia, Croatia and Hungary, and the full integration of the newest member state, Croatia³³, is recognised as a specific challenge. Rijeka port and the rail connection between Ljubljana and Zagreb and Rijeka–Zagreb–Budapest are among the pre-defined Connecting Europe Facility projects under the Mediterranean corridor. Some components of Rijeka port are included as 3SI priorities.³⁴

Croatia has proposed six transport projects related to the port of Rijeka. They should strengthen capacity and the international role of Rijeka's port. In addition, the two-track Rijeka–Budapest railway is very important for Croatia. This would be the most commercially viable investment.

Among river ports, Vukovar is important for Croatia. It could profit from the implementation of the transport projects proposed by the other countries. Namely, Czechia has proposed a strategic project

to connect three rivers: the Danube, Oder and Elbe. The idea is to build a canal that would connect these three rivers, thus making the Danube river navigable from Romania to the North Sea. This project, which is in the implementation phase, is the example of how the projects developed by the other countries could contribute to Croatia's connectivity. Through it, the port of Vukovar would gain in importance, becoming a link with the whole of central Europe³⁵.

In relation to the digital dimension, the role of the 3SI was visible in promoting the US 'Clean 5G Network Security' initiative, aimed at assessing the trustworthiness of telecommunications equipment. This was considered to be an attempt to counterbalance China's impact on data networks and the 17+1 initiative. As a follow-up, on the margins of the Sophia Summit, the Croatian prime minister had a meeting with Amazon Web Services. Following this, a memorandum of understanding was signed, the idea being to develop a regional centre in Zagreb for projecting future data entries.³⁶

Conclusions and recommendations

Along with Poland, Croatia was one of the co-founding states of the 3SI in 2016. The 3SI is understood by the government to be the most important external policy initiative launched by Croatia. During the past six years, the objectives, framework and forms of cooperation within 3SI have been defined and implemented in participating countries.

However, in the first years of implementation the 3SI faced a low level of political commitment and was not supported in the country in the way that might be expected. Today, the prime minister advocates the 3SI approach and is dedicated to its strategic goals, particularly after Germany joined the Initiative as a supporter. Recently the Independent Services for 3SI was established within the MFEA to coordinate the activities and participation of Croatia in the 3SI on behalf of the government. On the other hand, the president does not consider the 3SI beneficial and useful. As the prime minister and president co-create foreign policy, Croatia's position towards 3SI is inconsistent.

In general, there is a lack of knowledge and understanding of the 3SI idea and its concept, goals and activities among the wider public in Croatia. However, following start of the pandemic, Russia's

aggression in Ukraine and the new geopolitical circumstances overall, 3SI cooperation and joint strategic projects focusing on economic growth and resilience, energy diversification, inclusive connectivity and digitalisation might, with strong additional efforts, become closer and more understandable to Croatian citizens. 3SI as a platform for cooperation can facilitate the development of the practical linkages among the nations located between the Adriatic, Baltic and Black Seas that complement EU goals, reinforce the overall resilience of the region and strengthen the transatlantic link.

It seems that there is no clearly defined ranking of official 3SI objectives from the point of view of Croatia. However, based on the interest shown, the number and value of projects included in the 3SI catalogue (implemented and planned), and considering the role of energy security, connectivity, geopolitics and economic growth and resilience in recently adopted development strategies, the authors have attempted to rank 3SI priorities as follows.

- 1) *Energy security* is ranked as a first priority, primarily due to relevance of LNG and the emerging context requiring fast and efficient diversification of energy sources and routes, considering the role of Russia.
- 2) The cooperation within 3SI on TEN-T projects, enabling reliable, stable and inclusive *connectivity* might be regarded by 'core EU' as a buffer towards Russia, which is needed and therefore it is ranked in second place.
- 3) The economic crisis after the pandemic and the need for more efficient catching-up with the 'old EU' members are the reasons for positioning *economic growth, resilience* and attracting the interest among *investors* in third place.
- 4) The fact that *geopolitical* concerns are strongly interlinked and are present in other above-mentioned objectives puts geopolitics in fourth place, but still very relevant.

The institutional set-up for support for the implementation of the 3SI in Croatia needs to be strengthened and better equipped with human resources to be able to play a more active involvement in the initiative.

Together with other participating countries, Croatia needs to actively contribute to networks and connectivity between parliamentary institutions and local authorities. Business forums, through the network of chambers of commerce, can promote cooperation among small

and medium-size enterprises, technology parks, start-up and fin-tech companies, digital data hubs and green industrial zones, which bring added value to the goals of the 3SI.

Communication with the wider public on 3SI issues needs to be intensified to raise awareness among citizens, civil society, academia and political actors of 3SI issues. There is a need to initiate more serious academic and political debate, and to prepare in-depth analysis and research papers focusing on potential outcomes and benefits of the initiative. The lack of 3SI visibility on the websites of all relevant institutions in the country requires diverse additional communication activities.

The benefits of 3SI common projects (LNG as an example) and joint activities in the fields of energy, transport and digitalisation need to be more openly discussed in the country with clear examples.

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Czech Republic: A stalemate and promising circumstances

Vít Dostál

This chapter¹ deals with the Czech Republic's position vis-à-vis the Three Seas Initiative (3SI). Firstly, it analysis Czech interests in the 3SI. Secondly, it lists key opportunities as seen from the perspective of the government or key stakeholders. Thirdly, it introduces the limits of more vigorous Czech engagement in the 3SI. The chapter reflects on the objectives of the 3SI and focuses primarily on the geopolitical aspect. The approach of the new government towards the 3SI priorities and the region of the Central and Eastern Europe is also debated in the chapter. Several recommendations are listed in the final paragraphs of the chapter, as the Czech Republic lacks behind its promises vis-à-vis the 3SI.

Dynamics and development of 3SI in the Czech Republic

Before debating the individual objectives, we need to discuss the Czech approach towards the 3SI since its inception in 2016 as there were number of turbulences that shaped the current image of the 3SI in the Czech Republic. The Czech Republic was not among the proponents of the creation of a new cooperation format in Central and Eastern Europe. Prague considered the number and scope of existing cooperation formats sufficient. The Visegrád Group played a pivotal role for Central European communication and coordination. It was complemented by the Slavkov Triangle of the Czech Republic, Slovakia and Austria. Key role played good bilateral relations with all neighbouring countries, especially with Germany. Therefore, the launch of the 3SI during the first summit in Dubrovnik was given little political priority. However, from the perspective of the Czech diplomacy, it was considered better

to be part of it to know what was being created, than to be out of it with no chances to impact the future shape of the project.²

The preparation of the Warsaw Summit in 2017 brought a greater degree of caution or even clear distance on the Czech side. At that time, the 3SI in Prague was perceived as a Polish political project, which worried Czech diplomacy.³ Poland's new Law and Justice government quickly plunged into conflict with the European Union (EU) institutions, earning the then centre-left Czech government the label of an unpredictable partner. The 3SI was perceived as an initiative that could be used for Poland's power struggle against Berlin and Brussels. The Warsaw Summit was thus held in an atmosphere of caution and distrust on the part of the Czech Republic. The Czech position was also signalled by anonymous comments criticising the 3SI by some senior Czech diplomats.⁴

This reluctant and cautious approach has contributed to the transformation of 3SI. There has been no change in the underlying objectives, which were still to improve the infrastructure connectivity of the region. However, Czech pressure was reflected in the involvement of partners and thus in the political message that the 3SI conveyed. Czech diplomatic activity was confirmed at the Bucharest Summit in 2018, which was a turning point for the Czech position on the 3SI. First, the high-level participation of German and European institutions allayed fears that the initiative could become a vehicle for Polish rivalry with Berlin and Brussels or the germ of a future alternative to the current form of European integration. Second, the announcement of the creation of the Three Seas Initiative Investment Fund (3SIIF) gave tangible content to the 3SI. The general objectives of improving the infrastructure links between the Three Seas region have at least gained some vision of their realisation. The involvement of the US also became more credible, as previously repeatedly stated American goals in the region (e.g. improving pipeline infrastructure) were written into the 3SI. The initiative could thus no longer be seen as a tool of the Trump administration to weaken Europe's political unity.⁵

The 3SI Summit in Slovenia was the first summit attended by President Miloš Zeman. At previous meetings, the Czech Republic was represented at the level of the president of the Chamber of Deputies or minister. In 2020, prior to the Tallinn Summit, the deputy minister of transport was tasked with coordinating cooperation on the 3SI from

government level. This shifted the role from the Ministry of Foreign Affairs to the Ministry of Transport, emphasising the focus on concrete outcomes and the infrastructure dimension. Coordination of the summits still remains the responsibility of the Office of the President.

There was no fundamental change in the Czech approach to the 3SI between the summits in Slovenia, Estonia and Bulgaria. The Czech Republic was reluctant to create a permanent 3SI secretariat and seat and emphasised the focus on practical projects and the original connectivity objectives. On the other hand, it has not been able to inject funds into the 3SIIF. The outgoing government of Andrej Babiš originally wanted to approve this at its last session, but eventually withdrew this item from the agenda and the Czech contribution has not yet been fulfilled.

Although there was no significant involvement of the Czech Republic, the political debate on the Czech approach to the 3SI slowly started during this period, thanks to the upcoming parliamentary elections. Although the 3SI did not become a very important foreign policy issue in the elections, it nevertheless indicated the attitude of key players towards the project.

The SPOLU (Together) coalition mentioned 3SI among its seven foreign policy priorities. It described it as 'a geopolitical platform for strengthening cooperation between the US and Central Eastern Europe'.⁶ The programme also touched on energy security, as it expressed the intention of acquiring a stake in one of the liquified natural gas (LNG) terminals in a neighbouring country, which technically can only be Germany or Poland.⁷ 3SI was also supported by Jan Lipavský, a representative of the second opposition bloc from the Czech Pirate Party, who became foreign minister after the elections.⁸ The manifesto of the new centre-right government endorsed Czech involvement into the 3SI.⁹

Economic growth and resilience of the 3SI region and greater interest among investors

As mentioned above, the 3SI, according to the Czech representatives, should focus mainly on the development of infrastructure in the region.¹⁰ This intention also stems from the Czech reluctance to participate in the creation of significant new regional political cooperation projects, which will be discussed in a later section.

Although the Czech Republic lists infrastructure development as a key aspect of the 3SI, it did not take a very responsible approach to the process of nominating its own priority projects before the Bucharest Summit. The only project proposed was a waterway to link the Danube, Oder and Elbe rivers. This idea has always been strongly supported by President Zeman. However, it has been called into question because of its questionable economic sense and its negative impact on the environment. However, during consultations on possible priority projects of the Czech Republic for the 3SI, individual ministries did not come up with any ideas. In the end, it was the task of the Office of the President of the Republic as the coordinating body to come up with a proposal, and so the president's pet project became an official priority.¹¹

However, the Danube-Oder-Elbe waterway is not perceived as a viable project by other Czech authorities because it does not meet the conditions for 3SIIF funding at the current stage and because it would be a long-term project that needs broad political support. However, the Ministry of Transport considers the improvement of the navigability of the Oder and Elbe rivers as the first steps in the medium term that would bring the construction of the entire waterway closer to completion.¹² With the arrival of the new government after the general election in autumn 2021, though, these plans have been revised. In its programme statement, the government stated that it would 'halt work on the Danube-Oder-Labe Canal'.¹³ Although this clear signal was already given at the beginning of 2022, this change in the Czech approach has so far not been translated into the declared priorities of the Czech Republic within the 3SI.

Another particular element of the Czech approach declaring an infrastructure focus is the absence of a Czech government contribution to the 3SIIF. Despite repeated expressions of interest, the government of Andrej Babiš has not decided to join the Fund and thus support the economic dimension of the 3SI. When it decided to put the topic of the contribution on the government meeting after the last lost elections, it withdrew the item from the agenda after public criticism, especially targeting the Danube-Oder-Labe Canal.¹⁴

Nonetheless, there are other structural reasons for the Czech reticence. Czech entities are accustomed to financing public and private projects through grants, especially under European cohesion policy. For the years 2021 to 2027, a large amount of funds will be available for

the needs of the Czech economy. The 3SIIF with its investment logic is therefore not currently perceived as a highly necessary instrument. Yet, as emphasised by the National Development Bank, which has the 3SIIF in its portfolio, as the relative socio-economic position of the Czech Republic within the EU gradually improves, traditional grant schemes will weaken. In the meantime, Czech entities will have to learn to use other instruments such as the 3SIIF.¹⁵ One of the other advantages of the 3SIIF (and similar public-private instruments) is that, unlike EU funding, it is not strictly linked to other policy priorities, such as climate objectives. For this reason, in the future, interest in 3SIIF resources may come not only from the national but also from the regional and municipal level.

Some Czech officials also see a contradiction in the 3SIIF objectives. On the one hand, it should finance projects that would contribute to the achievement of the 3SI objectives, i.e. to improve the connectivity of Central and Eastern Europe and thus its geoeconomic importance. On the other hand, the Fund itself must seek investments that will generate a profit so that its good results attract other private contributors. The difficulty is that the first objective is political, while to achieve the second objective the 3SIIF must be managed independently without political pressures. Czech officials support any investment in the region and do not limit themselves to the priority projects on the shortlist. They are thus inclined towards strict independence of the 3SIIF.¹⁶

The contribution of this 3SI objective is mainly that Central and Eastern Europe is a natural arena for the Czech export-oriented economy. Trade with countries in the region has been growing rapidly since 2004 and investment in connectivity would further contribute to the development of business relations.

Geopolitics

The geopolitical goals of the 3SI can be seen primarily in two dimensions – firstly, as an effort to establish the 3SI as a counterweight to Western Europe within the EU. Secondly, the 3SI can be thought of as a group of countries that are partners for some non-European countries, especially the US, and also for Japan or South Korea, for instance. Prague does not want the 3SI to become a replacement for

any of the existing formats of Central European cooperation, especially the Visegrád Group. In the context of the war in Ukraine and in view of Hungary's approach to Russia, a debate on the usefulness of the Visegrád Group has been sparked in the Czech Republic.¹⁷ However, it remains the cornerstone of multilateral Central European cooperation.

The 3SI has a place in Czech Central European politics only if it remains complementary to existing formats and if it brings some added value. Any profiling of the 3SI in intra-EU contentions will not be considered as such a contribution. Czech diplomacy does not assess the tensions between the western and eastern parts of the EU arising during the so-called refugee crisis in 2015–2016 positively and will rather try to prevent similar EU divisions in the future.

In this spirit, the Czech Republic also pushed for Germany's involvement in the 3SI as a partner country between 2017 and 2018, both towards some of the countries participating in the 3SI, especially Poland, and towards Germany itself. According to Prague, without the participation of Germany – a key trading partner of the region – the intentions of the 3SI cannot be well implemented. In the future, the Czech Republic would be open to full German membership in the 3SI.¹⁸

One of the political benefits of the 3SI was perceived as the fact that this initiative attracts US attention to the region and thus creates a certain platform for future Central European–American cooperation. The Czech Republic has perceived the loss of US interest in (Central) Europe since the last decade as detrimental. On its own, it has hardly generated interesting projects for Czech–American relations that would approximate in weight the discussions on the Czech Republic's accession to NATO in the 1990s or the negotiations on the deployment of US missile defence elements on Czech territory in 2007–2009. At the same time, the Czech Republic has not been able to meet its defence spending commitments in recent years, thus falling short of US expectations.

Thus, the 3SI was originally conceived as a complement to other projects essential for the Czech Republic (e.g. in the field of cybersecurity), creating a sufficiently strong agenda for relations between Central and Eastern Europe on the one hand and Washington on the other. However, this concept is undergoing a fundamental change due to the war in Ukraine. The US has turned its attention to Central and Eastern Europe and can be expected to show interest in the

region in the coming years, regardless of the 3SI. Moreover, the Biden administration's declaratory support for the 3SI is not yet accompanied by a contribution to the 3SIIF, which raises questions on the Czech side as to how sincere this backing is.

The above geopolitical considerations of the 3SI region, relative to both other EU countries and the US, need to be complemented by the geopolitical perception of the 3SI itself. While this dimension has not been much considered in the Czech Republic, with Russia's aggression against Ukraine, the region is gaining more security and thus political significance for the Czech Republic. In the first half of 2022, bilateral relations between the Czech Republic and Poland were re-established. They were unblocked by the agreement on the expansion of the Polish lignite mine Turów, the new government in the Czech Republic and, above all, the need for coordination in the context of the war in Ukraine. In Slovakia, the Czech army will command a multinational NATO battle group.¹⁹ The Czech army is also participating in the Alliance's enhanced forward presence in Lithuania and Latvia.²⁰ Yet, the only regional format used by the Czech Republic for discussing security issues is the Bucharest format, bringing together the countries of NATO's eastern flank, not the 3SI.

Energy security

Since the inception of the initiative, the 3SI energy security dimension has not been considered very beneficial for the Czech Republic. Although the country has participated in the Partnership for Transatlantic Energy Cooperation,²¹ it has not felt the need to strengthen its energy infrastructure vis-à-vis the 3SI region. Until now, it had been buying gas on the spot market and had an alternative connection to the Druzhba oil pipeline via the Ingolstadt – Kralupy nad Vltavou – Litvínov pipeline to Germany. However, Russia's attack on Ukraine and the articulation of the European intention to free itself from Russian gas and oil have transformed Czech thinking about energy security, which in recent years was considered a settled matter.

The Czech Republic will seek to strengthen alternative oil and gas pipeline routes. In the case of gas, negotiations on the STORK II interconnection are being resumed. This idea was abandoned by both

the Czech and Polish sides in 2016 due to the unprofitability of the project, and now both countries are returning to it as they can bring gas to the Czech Republic from existing or future Polish LNG terminals on the Baltic Sea.

Already the government's manifesto from the turn of 2021 and 2022 spoke about the Czech interest in acquiring a stake in one of the LNG terminals in the neighbouring country.²² The urgency of this move has now increased significantly. The Czech Republic wants to secure its future gas supply, even though it does not have its own access to the sea and cannot build its own terminal. Prague may seek to enter terminals in Poland and Germany.

Central Europe's energy security is now in a very turbulent period. It can therefore be assumed that the importance of this objective for the Czech Republic will increase not only in general but also within the 3SI. However, in the ongoing lively debates on security of supply, the 3SI has not yet been discussed in the Czech Republic and the question therefore arises whether the 3SI has suitable instruments or at least ideas in this area of cooperation. The upcoming 3SI Summit in Rīga will be an opportunity to examine this question.

Reliable, sustainable and inclusive connectivity

The Czech Republic understands transport connectivity in particular in the Central European dimension. As mentioned earlier, the importance of energy interconnections has increased significantly since the start of the Russian aggression against Ukraine, but is not yet clearly anchored in the form of, for example, a government strategy. New transport links are being prepared by the Czech Republic, especially in rail and road transport. In the case of railways, the main focus is on the construction of high-speed railways, which are expected to bring two connections to Poland (Prague–Wrocław and Ostrava–Warsaw) and a connection to Austria and Slovakia from Breclav within the 3SI region. However, the priority for the Czech Republic is to ensure a connection between the largest Czech cities (Prague–Brno–Ostrava) and a connection to Germany.

The road infrastructure with the countries participating in the 3SI is to be complemented by a second motorway connection with Poland

(Hradec Králové–Wrocław) and two connections to Austria (České Budějovice–Linz and Brno–Vienna) by 2030. Austria currently remains the only Czech neighbour not connected by the motorway. However, these plans are not considered in the context of the 3SI. They are envisaged to be financed from European sources and the topic of transport infrastructure is not associated with the potential benefits of the 3SI in the Czech environment.

The only exception was the Danube-Oder-Labe Canal project, which, however, brought some controversy to the whole Czech involvement in the 3SI, as mentioned above. Moreover, the practical unfeasibility of the project has been confirmed by the new government and the only possible option for a new connection is the revitalisation of the Bohumín-Kozle canal. However, this too is facing a number of protests from environmentalists and also from the town of Bohumín.²³

The ICT connectivity dimension is not being intensively considered in the Czech Republic. However, international cooperation in the ICT field is important for the Czech Republic on the issue of building secure 5G networks. The Czech initiative resulted in the development of the Prague Proposals as a direction to secure next generation networks.²⁴ However, even this element did not make it into the Czech involvement in the 3SI.

In the case of connectivity, it can therefore be concluded that the Czech Republic is active in this direction, but does not perceive the added value of implementing these activities through the 3SI formats.

Conclusion and recommendations

The Czech approach to 3SI is now in a transformative phase for several reasons. Firstly, a new centre-right government has been installed. While nominally supportive of the 3SI and clearly committed to developing relations with Central and Eastern European countries, it does not have a sophisticated strategy towards the 3SI. Second, the reality of Central and Eastern Europe has been transformed by the war in Ukraine, which has worsened the Czech Republic's energy security, increased US interest in the region and forced the Czech Republic into a stronger military presence on NATO's eastern flank. Third, the new government is revising some existing infrastructure projects, which has

so far led to the rejection of the Czech Republic's priority project under the 3SI, the Danube-Oder-Labe Canal.

The Czech approach to the Riga Summit may indicate whether a new position on the 3SI is already being formulated. It is also still the case that the responsibility for the approach to the 3SI is spread among several centres. It is a presidential initiative, so the position on the summit is formulated by the Office of the President of the Republic. For transport infrastructure issues, the Ministry of Transport is key. Energy security is handled by the Ministry of Industry and Trade and foreign policy is directed by the Ministry of Foreign Affairs. It is not entirely clear among these actors who should be the leader in formulating the Czech strategy within the 3SI.

Until this is done, the Czech position on the 3SI will not be strong. For the time being, it is still true that even after six years of its involvement, the 3SI has not gained importance in the Czech Republic and is perceived as marginal compared to other Central European cooperation formats.

If the Czech involvement is to be strengthened, it is desirable to consider these recommendations for the 3SI for the Czech Republic as well. The 3SI should remain a loosely formalised, results-oriented, flexible and low-cost undertaking at the political level, as strong pressure for institutionalisation or the creation of a political bloc would discourage less enthusiastic participating countries such as the Czech Republic.

The number of regional initiatives in Central Europe has increased significantly in the last decade, 3SI being one of them. The Czech Republic must therefore analyse the added value of each initiative and look for synergies between them. In this context, the 3SI should occupy a firm place in the Czech Central European policy framework, as it aims to improve connectivity in the region and bring economic benefits to the participating countries.

Despite the increased US interest in Central European security caused by the Russian aggression against Ukraine, the 3SI should continue to be seen as one of the tools for enriching and strengthening the transatlantic link in the economic sphere. Prospective private investment from the US made through the 3SIIF would give the Central and Eastern European region more weight in the eyes of US strategists in the coming decades.

The relevance of the 3SIIF to the region's investment needs is likely to remain low given the massive influx of EU funding and loans over the next decade. But EU resources will increasingly be tied to certain policy priorities, such as climate goals. Moreover, countries will have to adapt to new funding in the future as EU cohesion support will decline. In this context, the 3SIIF could serve as a good test of the ability to use alternative sources of financing for infrastructure projects.

Prague will be looking for new solutions to secure energy supply in the coming years. This is an opportunity to implement some initiatives under the 3SI. The 3SI should also comprehensively address Russia's aggression against Ukraine and the impact on the whole region at the Rīga Summit. Energy security is one of them, but it equally touches on the topic of refugee integration, connectivity and, in particular, assistance to Ukraine in its war effort or reconstruction. Therefore, the Czech Republic should formulate its own strategy towards the Central and Eastern European region, taking into account political, security and economic links. The role of the region for the Czech Republic will grow on these levels.

The Czech Republic must then complete several homework tasks related to its involvement in the 3SI. First, it should appoint a strong coordinator at government level. This person could be tied to a particular ministry (Ministry of Foreign Affairs/Ministry of Industry and Trade/Ministry of Transport) or assigned to the Office of the Government. But it must have a clear mandate given by the government. Secondly, it is necessary to change the Czech infrastructure priority within the 3SI and replace the Danube-Oder-Labe waterway with a feasible project that would be in line with the government's programme manifesto. Thirdly, the Czech Republic should finally earmark funds for the 3SIIF. Fifth, Prague should use the Riga Summit to project the priorities of the Czech EU Presidency onto the 3SI agenda. Topics such as assistance to Ukraine and its reconstruction, securing energy supplies from non-Russian sources, strengthening European defence while maintaining strong transatlantic ties or the resilience of the European economy are very close to many 3SI countries. The Czech Republic should also not forget that it has still not hosted any of the 3SI summits. The organisation of such an event in the near future could be a stimulus for the Czech domestic debate on its own interests in this grouping as well as an opportunity for the next president to present himself or herself in a major international forum, and even in the role of a host.

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Estonia: The increased focus on geopolitics after Russia's invasion in Ukraine

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Although the Three Seas Initiative (3SI) is sometimes described and promoted in Estonia as an economic cooperation project, the current turbulent times have brought up other benefits of the project. Today, in the light of the recent Covid-19 crisis and Russia's ongoing war in Ukraine, Estonia's interests in the 3SI could be briefly described with two keywords: inter-connectedness and security. The former refers to the enhancement of multi-level linkages and connections at the regional level, particularly between Central and Eastern European countries, and the latter relates to the need for obtaining additional security guarantees to the greatest extent possible. The 3SI has a lot to offer in this respect; however, it could also contain some traps and vulnerabilities for the 3SI member countries, including Estonia. This article aims to describe Estonia's most recent views on the 3SI and to discuss both potential gains and pitfalls of the initiative from the Estonian perspective.

Where do the pitfalls for small countries come from? Theoretical consolidations

The conceptual foundations of the Three Seas Initiative could be associated with the theories of functionalism and neo-functionalism. Although the core idea of the Three Seas Initiative originates from the United States and the USA plays an important and strong role in 3SI activities today, the project also has close linkages to a primordial European integration theory – functionalism, which relies on the logic of interdependency.¹ The theory argues that closer ties between

countries and regions create higher economic growth potential and thereby – by diminishing the prominence of the state – also lessen the danger that wars break out. In turn, the neo-functional theory² concentrates on EU integration, and among other features, it outlines the role of the state in integration.

However, there are some critical aspects related to these theories that raise the question of whether this logic might actually not work in the case of the 3SI. The question is, should economic growth and development (including inter-connectedness) be related to the functions of the state? Infrastructure projects could be seen as either a response to an already existing demand or as a pioneering attempt to induce demand by first creating infrastructure. In this respect, the 3SI can be basically seen as putting stress on the role of the state or public sector, which can promote growth by promoting infrastructure. However, it is also vital to understand the wider ideological context of the initiative. In principle, the history of European integration could conditionally be divided into two stages: the first stage extends from the creation of the Coal and Steel Community to the Single European Act (SEA), and the second stage from the SEA to the Eurozone and global crises.³ The first period is characterised by a broad impulse to help member states to achieve economic equality. This was both an aim in itself as well as a precondition for more inclusive and stronger economic growth. This goal was also enhanced by the relatively small differences between the member states who have joined the European integration. The second period, however, carried a different ideology, namely neoliberalism, by which economic growth was perceived as a function of free market economy processes. In this period, member states with much less-developed economies and significantly wider disparities joined the EU. All this raises the question of whether the logic that interdependence enhances economic growth, peace and prosperity works in the case of the 3SI. Alternatively, the process could evolve in another direction based on the logic of imperialism, whereby the core benefits stem from the resources of peripheral regions. So far, to a large extent the 12 EU member countries participating in the 3SI project have more or less taken up a peripheral role and their main activities have been targeted at being better connected with the core of the EU, such as Germany, France, Italy, and the Benelux countries. In this respect, the 3SI ideally carries a wider strategic connotation in

balancing the implicit imperial nature of the EU's recent developments. However, it is also true that at least in the early years after the initiation of the 3SI, Western European countries have been somewhat standoffish about it and expressed the fear that it splits EU countries and breaks the coherence of the union.

Estonia's views on the 3SI: unanimous support in policy circles, but critical views among academicians

Among Estonian public officials and policymakers, the overall attitude towards the 3SI seems to be supportive and maybe even too optimistic. This is well-reflected, for example, in an interview with an Estonian Diplomat at the Ministry of Foreign Affairs, Kaisa Hanna Parel. She says that the initiative has strong and united political support in Estonia, and the reason it is sometimes publicly criticised is related to the problem that the initiative is still relatively unknown outside political circles in Estonia.⁴ In this way, she basically argues that only those people who do not know the essence of the initiative dare to criticise it, while all well-informed and 'wise' Estonian politicians and public officials unanimously support it. This, however, seems to be a somewhat narrow-minded and limited approach, particularly keeping in mind that it seems fully reasonable to ask how the initiative relates to the European Union and what the role and ambition of the USA is in terms of it. It cannot be excluded that such a strong belief in the 3SI among Estonian policymakers and public officials is associated with emotional connections, because very recently, in 2020, Estonia was the coordinator of the initiative and hosted several high-level meetings on this topic.⁵ Furthermore, former President of the Republic of Estonia Kersti Kaljulaid was a strong supporter of the 3SI, which might have also left its mark on the current attitudes of Estonian policymakers and public officials on the Three Seas Initiative.

However, the arguments that Kersti Kaljulaid highlights in defending the 3SI seem to be fully reasonable and are therefore worthy of elaborating further. In an interview, she argued that the 3SI is an initiative that brings together the most dynamic EU member states and promotes this region, which has more than 100 million people and is the fastest growing part of the EU. Kersti Kaljulaid also points to the

fact that so far this region has not fully exploited its economic potential in its mutual relations within the EU. She mentions as an example that 'currently all good roots and connections are from east to west, but there are no good connections from north to south'.⁶ She also strongly opposes the idea that the 3SI could compete with the EU and is convinced that this is a simple but successful 'attempt' to combine public and private resources to achieve development goals. Last but not least, she does not exclude that particular projects within the Three Seas Initiative could also cover countries outside the EU, such as Ukraine and the Balkan countries.⁷

Members of the academic community in Estonia seem to be somewhat hesitant in expressing their views on the 3SI. Some researchers, like Piret Kuusik from the International Centre for Defence and Security (ICDS), are slightly sceptical in terms of what Estonia gets out of the initiative, how the country finds a balance between Europe and the USA, and what the relationship between the 3SI and the 17+1 initiative is (referring to the cooperation network headed by China).⁸ The topic has also been covered by former diplomat and journalist Harri Tiido, with a main focus on the role of Poland in guiding the initiative.⁹

The benefits of the 3SI for Estonia: a focus on economic benefits, investments and energy independence

It is clearly difficult to weight and rank the benefits of the 3SI for Estonia. On the one hand, the Three Seas Initiative is highly important for Estonia for economic reasons. Since the initiative is aimed at developing transport, energy and digital connections on the EU's north-south axis, it is *per se* of vital importance for Estonia as a small country located at the EU periphery. Any measures that increase trade flows within the region and with the neighbouring areas, that enhance competition and security in the regional energy market, that promote the distribution of digital solutions and that make the north-south axis of the EU more attractive in the eyes of potential investors are directly economically beneficial for Estonia. Topics like digital transformation, new technologies and innovative solutions are in any case close to the hearts of Estonians. Next to that, political and economic turbulence

caused by the recent Covid-19 pandemic and Russia's ongoing war in Ukraine have made many countries revise their supply chains to diminish dependency on Russia's energy resources. Estonia is not an exception here, which means that economic opportunities offered by the Three Seas Initiative are basically invaluable for the country to promote its economic growth and to gain energy independence from Russia in times of worldwide disrupted supply changes and Russia's constant blackmailing of its neighbours and partners in Europe as regards energy supply.

However, the most important benefit in this respect might be the regional dimension of interconnectedness. Interconnectedness has a global dimension that has been most evident in the last wave of globalisation since 1970s, but it also has a regional dimension. The latter is best exemplified by the phenomenal achievements of the European Union: the free exchange of goods, services, people and capital has assumed that there are multiple connections among the member states and has simultaneously enhanced those connections. The 3SI departs from a realisation that in the CEE subregion of the EU, despite its remarkable growth rates since its accession to the EU, there is a noticeable dearth in terms of connectivity. In that regard, concentrating on connections within CEE as a subregion of the EU is more than welcome.

This is also Estonia's position: better connectivity within the CEE region is clearly among country's priorities and improves its regional perspectives. The 3SI also matches with Estonia's long-term international strategy of being ever more integrated in international networks. Estonia has high hopes for a lot of the current priority projects submitted to the 3SI, such as the transport infrastructure projects Rail Baltica and Via Baltica, the liquefied natural gas (LNG) regasification terminal in Paldiski, the Estonian Pumped-Hydro Energy Storage project and the synchronisation of Baltic power systems with continental Europe.¹⁰ All these projects should in the long term ensure a high level of economic growth and investments in Estonia as well as increase country's energy independence.

However, to sum up, the greatest benefits of these projects are related to political geography, and in this respect, connectivity can be seen as an aim in itself. Connections with friendly nations along the Baltic land corridor, and on maritime or air routes, are a specific

strength of a project like the 3SI, but one should also not forget about the downsides of interconnectedness, as the Covid crisis and Russia's war in Ukraine have demonstrated. Besides being a source of growth and stability, both the value chains and supply chains that characterise the interconnected world today might also potentially generate instability. Nevertheless, in a modern open world, connectivity among nations of similar values is still favoured.

The greater focus on geopolitics: the political balancing act

In addition to economic benefits, the 3SI has a clear strategic meaning for Estonia, referring to the prioritisation of the initiative as the priority cooperation platform for Estonian foreign policy.¹¹ What makes the 3SI vital for Estonia in this respect is the involvement of the USA in it. Estonia has often declared, particularly in the framework of the NATO Alliance, that good relations with the USA are extremely important for the country, and Estonia does whatever it can to be a trustworthy and reliable partner of other NATO members. In practice, this message is mostly directed towards the USA, since – particularly in light of Russia's war in Ukraine – Estonia expects that the NATO Alliance, led by the USA, will be able to defend Estonia against Russia, should Russia at some point in time decide to attack Estonia. In this respect it seems fully reasonable that Estonia also uses the opportunity to develop close relations with the USA in the framework of the 3SI. The USA is the main security-related priority of Estonia, and regional economic ties that are enhanced and supported by the main security provider (i.e. the USA) offer a strong potential to boost security and peace in the region. Furthermore, the 3SI cooperation format also indirectly competes with the 17+1 format of Chinese-European relations, and, in the context of the latest developments between China and the West, Estonia has every reason to support the alternative that the 3SI offers.¹²

However, as regards geopolitics, there is also a further and much more complicated nuance that should be carefully considered, namely the transatlantic relationship. The initial distancing of the EU from the 3SI was perceived by many, including Estonian politicians and diplomats, as a way of driving the EU and the USA apart. Although the Donald Trump

era has receded and the EU has been more actively involved in the initiative, there still exists a risk that the 3SI could potentially drive the transatlantic partners apart. The risk is certainly higher today, when the USA has taken an active role in supporting Ukraine in its righteous fight against Russia, while particularly the Western European countries have been hesitant and passive in doing the same. It is Estonia's main, albeit indirect, interest to ensure that within this the 3SI cooperation between the EU and the USA will be enhanced instead of being harmed.

Another important geopolitical aspect for Estonia that has emerged, particularly in light of Russia's war in Ukraine, is related to the role of Poland in the 3SI framework. The geopolitical division of power within the EU is clearly changing as a result of the passive, hesitant and sometimes even incomprehensive reaction of 'Core Europe' to the war in Ukraine and the brave and supportive behaviour of Poland in response to Russia's aggression. Previously, Western European countries like Germany have often served as a role model for Estonia, and Estonia has considered Germany as its close ally and trustworthy partner;¹³ however, the behaviour of Germany and France today is highly questionable in the eyes of Estonians, who are currently among the leading countries worldwide in offering military and humanitarian support for Ukraine. Poland, on the contrary, with its strong messages and encouraging behaviour, is clearly an example for Estonia. Thus, the tables have already turned in this sense, and whatever 'Core Europe' hopes, it will be very difficult for them to restore their reputation and position at the EU level, at least in the eyes of Estonians, and maybe even in the eyes of the Central and Eastern European countries in general. Furthermore, for the first time in recent decades, it might actually happen that the term 'Estonia as an ally' could really mean something. So far, although Germany and France have been supportive in their words declaring that Estonia is their close partner and ally, in real terms this had no practical meaning until the war in Ukraine, because in reality these big countries did not need Estonia's support and contribution to push through their interests. This time, however, Poland might actually need the support of Estonia, as well as the other two Baltic countries, to fully develop itself as a 'new core country' that is surrounded by strong partners and allies. In this way, the 3SI framework clearly offers a more balanced alternative to the recent model of Western European countries as core and CEE countries as peripheral regions.

Conclusions and recommendations

To sum up, even though the motivation behind the 3SI could have some strong geopolitical connotations, particularly in light of the current security crisis in Europe, the main thrust of the 3SI is still economic. So far, EU member states from the CEE region have experienced a remarkable trajectory of economic development within the EU, however, at the same time, most of them have also witnessed unfavourable demographic and labour market trends, including the flow of labour force to the more affluent labour markets of the old European member states. Furthermore, the competitiveness of CEE countries has reached a sort of glass ceiling in Europe. These two aspects make economic and social resilience high priorities for the CEE countries. In that regard, the emphasis that the 3SI puts on regional economic development is of the utmost relevance. If the transatlantic partnership will truly work within the 3SI, the promise of making the future of the region more secure will be of direct benefit not only for the CEE countries, but also for the EU and the West as whole.

However, in addition to global geopolitical trends and the distribution of power both in the transatlantic arena and within the EU, the future role of the EU peripheral countries, including Estonia, also largely depends on the decisions that these countries make by themselves. If they choose to be narrow-minded and boring, there is no chance for a better future even when using the opportunities that the 3SI framework offers. The main keyword here is 'cooperation', which will be increasingly forgotten when cross-border initiatives are established. Unlike in the early stages of European integration, today in practice cooperation tends to mean that actors attempt to get the biggest piece of the pie at the expense of the others. However, this should not be the true meaning of enhancing cooperation and integration.

Last but not least, there is another very practical aspect that should not be forgotten when discussing the sustainability of large-scale infrastructure projects that are aimed to connect people, economic agents and countries. As many studies have revealed, these projects should be planned and executed very carefully, by realistically calculating both the costs and the revenues of the projects and making decisions based only on realistic expectation, not emotional arguments. Projects that do not respond to actual needs are not in the interests

of the 3SI project either. For Estonia, the most complicated project in this sense is the Rail Baltica railway project, which incorporates a clear risk that the project could turn into an infrastructural 'white elephant' and become a burden for a country.¹⁴ There are also short-term risks related to the building of the Paldiski LNG terminal, however, in this case the risks are mainly related to the difference of opinion in Estonia between the state and the private company of who should bear the risks stemming from the project. To avoid potential failures and pitfalls, efforts should also be made at the EU level to combine the aim of better connectivity with the renewed cohesion policy in general in the EU, whereby infrastructure projects should be optimised against the backdrop of local needs.

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Hungary: Giving the minimum

Zsombor Zeöld

Ahead of the 2022 Rīga Three Seas Initiative (3SI) Summit, key issues concerning the financial component of the Initiative have not been resolved, and the most important external supporter for 3SI, the US, changed its strategy towards Russia – only to revoke it around late 2021. Due to the 2022 Russia–Ukraine war, external factors are emerging that are likely to affect 3SI’s future. This expands to communication over the framework (that so far has lacked a military angle), and to the posture of key member states on the Initiative itself. With the growing importance of hard security issues and the need to find national answers to these, the Hungarian standpoint over 3SI is not likely to change significantly. Out of the areas of cooperation the Initiative mentions, the Hungarian engagement is likely to grow concerning energy security – but partially for other reasons than just concern for the future of 3SI.

Almost a year after the summit in Sofia, the countries of the 3SI have organised another meeting for the twelve member countries – this time, in the Latvian capital of Rīga. Past summits were unfortunately unable to solve long-standing problems that hindered the development of the Initiative into its full potential. Moreover, during the course of the past year, other problems surfaced or resurfaced that have added to the list of issues standing in front of 3SI’s development. It is not only the renewed Russian–Ukrainian war that affects the atmosphere of the Rīga summit, but also the inability of the US Biden administration to openly support the regional initiative in a way that goes beyond sporadic press statements. These, coupled with the unresolved issues surrounding the financial development of 3SI, yet again put the future of the Initiative in question – in 2022, in a way more serious geopolitical-security policy environment than ever before.

The 2022 Summit provides an excellent opportunity to assess 3SI member states’ opinions on a country-by-country basis. For Hungary, a mid-size member of the Initiative, the task is different for a combination

of domestic and foreign policy reasons. Assessing the standpoint of Budapest, however, is only possible after painting a general picture of 3SI's development and vision on the Initiative.

Inherent problems with 3SI

Since the creation of the 3SI, the European viewpoint on the Initiative differed from Washington's – a country whose attitude towards the regional cooperation was, and still is, essential. Defining the three main areas of 3SI cooperation (energy security, development of physical infrastructure, digital development) was framed in Europe as tools for enhancing economic (and trade) cooperation between Central European states – publicly not admitting to the fact that at least two of the three sectors are directly linked to military issues.

It is likely that the military component of 3SI was a core concern in Washington. Under the Trump administration, the key national security policy position was a pushback on both Russia and on China, which included political steps and had a military (planning) component as well – as the example of the rising importance of the South China Sea showed. Between 2016 and 2022, the US was looking for regional partners and initiatives supporting these goals. In the eyes of Washington, 3SI seemed a perfect European regional initiative to contribute to these goals, but was treated as a European-led one – meaning that (significant) US, financial, support was conditional vis-à-vis the shared goals. The US also expected consistency from the annual 3SI summits: the same level of commitment from countries holding these occasions – namely whether other organisers would step up their efforts to Poland's level of engagement, and whether they would push 3SI forward not only in the year they took up the role of host. In regard to US financial contribution, it is notable that after the 2020 presidential elections (even during the transition phase) Washington significantly cut back the possible support that then-Secretary of State Mike Pompeo pledged to the Three Seas Initiative Investment Fund (3SIIF) during the 2020 Munich Security Conference – downsizing a potential US financial engagement from USD 1 billion to a mere USD 300 million. Concerning the track record of the Biden administration towards 3SI, setbacks do not stop here: no significant, open political support has been mentioned

since President Biden has taken office – the most recent example of this that during the president’s April 2022 visit to Warsaw, 3SI was not named in openly available speeches and statements. As 3SI is a low-hanging fruit for enhancing transatlantic cooperation, this was a surprising move.

It is likely that changes in grand US strategy (which, until late 2021, did not consider Moscow a main threat to Washington and shifted resources towards Beijing)¹ affected its standpoint on 3SI – the most visible example of this was the waiving of sanctions on the Nord Stream 2 pipeline in May 2021. Introducing a climate component to the 3SI-supporting, separate initiative Partnership for Transatlantic Energy Cooperation (then P-TEC; now P-TECC) can be treated as lip service, especially when paired with the passing of the USD 3 trillion infrastructure bill of 2021 that earmarked the spending of significant resources in the home US market for digital and physical infrastructure development. It is very likely that this step affected the possible amount of US government-related financial resources to be spent in European markets.

Changes in US foreign policy did not go unanswered by some 3SI members: they also started shifting their China policies. Following the Czech government’s example, Lithuania decided to open official relations with Taiwan in October 2021 resulting in three actions: severing ties with China, the beginning of Taiwanese investments in the country in January 2022 (in the industry and technology sectors), and securing a USD 600 million export credit agreement with the US in November 2021. From a strict 3SI standpoint, the latter can be considered as an act of ‘blackmailing’ US foreign policy that could have led to unnecessary rivalry between 3SI members.

Another looming problem concerns the development of 3SIIF which in 2022 not only lacks the capital itself deemed necessary, but needs to decide on core issues (e.g. whether allocated resources from Country ‘A’ can be used to fund a joint project of Country ‘B’ and ‘C’; or how to divide allocated funds between the three pillars). Due to the nature of financial planning, very limited information is available to the public about these issues.

The 2022 Russian–Ukrainian war started to bring some 3SI-related questions yet again to the surface. During the 2019 Ljubljana Summit, agreement was made to link 3SI membership to European Union (EU) membership. As Ukraine has now delivered its EU membership questionnaire, 3SI will also need to address this issue in the coming years.

Hungary and 3SI as it currently is: viewpoint, domestic drives, general approach

Being a mid-sized country, it is not only the political approach that shapes Hungary's approach to the 3SI, but geography as well. The negative component of the latter is the country's landlocked nature: regarding 3SI's energy security pillar, it means that Hungary is (at least partially) reliant on neighbouring 3SI members when it comes to non-Russian-origin energy sources. On the other hand, due to its geographical position and geography, developing transport infrastructure has been the key priority of Hungary vis-à-vis the Initiative.

The Viktor Orbán-led government's political approach towards the regional format has been lukewarm since its creation: not only has not Budapest undertook the role of hosting an annual summit so far, the country has treated the Initiative as one of the regional ones that Hungary is interested in – and less important than compared to, for example, the Visegrád Group.

If we examine the Hungarian stance on 3SI from the standpoint that the format was created to counter Russian and Chinese malign influence in the Central European region, there are three main possible reasons for the lack of deep Hungarian interest. Hungarian (historical) experience and geographical position resulted in the assumption of a 'minimum' position in some cooperation formats – participation does not result in a deep engagement. Moreover, it is possible that Hungary's standpoint can be, at least partially, explained by internal factors (e.g. the fragmented governmental structure supporting the Initiative or the overshadowing by other regional foreign policy goals), or – given the Hungarian policy of 'Opening to the East' involving China and the deepening of Hungarian–Russian bilateral relations marked by, for example, the International Investment Bank's presence in Budapest – by foreign policy ones: Budapest treating the development of these connections as more important than mustering support for 3SI. I believe the answer lies a little closer to the first (however, using open sources, it is not possible to find an exact answer to the extent of the second factor). Key areas connected to the three main goals of the 3SI have been divided between various Hungarian ministries: for example, energy and energy security-related issues were handled by

four resorts (the Ministry of Foreign Affairs and Trade, the Ministry for Innovation and Technology, one minister without portfolio, and one government plenipotentiary). The two ministries mentioned have some responsibility concerning infrastructural development, the latter being in charge of digitalisation issues.

On its nominal value, the Hungarian EUR 20 million contribution to 3SIIF is not ‘shockingly’ low, but shows that Budapest negated a population-based proportionate approach to the extent of financial contribution to the Fund. In essence, given that Budapest deemed other regional cooperation formats important, its approach to 3SI can be described as ‘giving the minimum’ – with the exception of infrastructural development.

Energy security

In recent years, not completely independent from some US efforts, steps that various 3SI members (e.g. Poland, Slovakia, Romania) took concerned three aspects of energy security: the development of underground natural gas storage facilities, limiting Russian and Chinese influences in the supply of nuclear fuel rods, and enhancing energy efficiency.² Resulting from the 2022 Russian–Ukrainian war, two developments can already be seen in May 2022: ending a years-long issue, part of the Neptun Deep underwater gas field on the Black Sea became a Romanian acquisition, and the development of the Alexandroupolis liquified natural gas (LNG) terminal (yet another entry point for US LNG for Europe) in Greece and connecting infrastructure has been sped up. It is not unlikely that the long-standing rule-of-thumb that market actors will not take part in the development of physical infrastructure will change. On the other hand, Europe faces the problems of securing natural gas, and possibly oil, from non-Russian sources – concerning volume only, the USA cannot, and most likely will not, step in as the sole supplier. (Under the Trump administration, the goal was to force Gazprom to act as a responsible provider, not to bar them from the European market.³)

The main Hungarian goal is twofold: to secure the necessary amount of resources to fulfil the needs of the industry (as a side note: rising energy prices and the war forced the main Hungarian fertiliser producer,

Nitrogénművek Zrt, to suspend its operations), and to provide energy to the population at a reasonable price.⁴ Tools to achieve these goals are either connected to EU policies (e.g. enhancing energy efficiency), or are dependent on other 3SI countries.

With regard to natural gas, the literal bottleneck is the transition capacity of natural gas interconnectors, and their possible development. In recent years, some planned projects that could have yielded positive results for Hungarian energy security have been delayed. One of these projects concerns Hungarian–Romanian energy cooperation (e.g. enlarging the Romanian–Hungarian interconnector) – due to the ongoing war, its future might bear fruit, but the project’s development is more in the hands of Bucharest than Budapest. It is not unlikely that the Romanian decision to buy ExxonMobile’s investment in the Neptun Deep project might be one of the driving factors for developing joint Romanian–Hungarian projects – however, it needs a change in the Romanian approach that, in some instances in recent years, treated a more prominent Hungarian role as a security threat to the country.⁵ Another possible entry point of non-Russian natural gas to the Hungarian market is likely to be via Poland and Slovakia – once, according to the plans, the Polish–Slovakian interconnector is completed in 2022.

However, it is the financial nature of the development of such projects that acts as the main question – and affects not only Hungary but other 3SI members as well. Before the 2022 Russian aggression in Ukraine, it was a widely shared notion that non-state market actors are not willing to invest in large infrastructure projects that are aimed at enhancing energy security. It is not unlikely that the war will change this approach (the first sign of this is the case of the Alexandroupolis LNG terminal); however, the issue of enlarging already existing capacities (e.g. interconnectors) would still be open. It is likely that the enlargement of these interconnectors would be the main subject for Hungary.

As of May 2022, if the planned and possibly planned investments are completed in time, the discussion in Hungary concerning energy security is likely to move from natural gas to oil and nuclear. No matter how rational the Hungarian government standpoint is on opposing the *complete and imminent* ban of Russian-origin oil in the EU, external factors (such as a changing EU position that is pointing towards the

complete ban of Russian-origin energy resources) might force the hands of the Hungarian government in the coming years to change its current approach, and either look for other suppliers or enter a costly process of altering the oil refineries to other type(s) of oil (here, it is not the origin, but the sulphur content and the density of the oil that matters). This step, once taken, is likely to limit the available governmental funds to achieve other goals outside of the realm of energy security.

With reference to energy security and the Hungarian standpoint, a distinction must be made. In recent years, the Hungarian government could have done more in limiting the country's exposure to Russian-origin sources – especially regarding the planned expansion of the Paks nuclear power plant whose plans, according to media information, might be unchanged even in May 2022. However, in realising some of these plans, Budapest was heavily reliant on other 3SI members (e.g. Romania and Croatia). It is likely that the main challenge for Budapest in coming years will be how to find a balance between needed changes (such as detaching from, some, Russian sources) in a way that would not hinder the Hungarian economy that was, at least partially, built on energy-intensive sectors (such as the automotive industry).

It is not unlikely that offsetting these issues might be possible inside the framework of 3SI; however, in May 2022 there are both external and internal factors that make it difficult to even assume a possible, growing level of Hungarian engagement towards the energy pillar of 3SI.

Economic growth and resilience of the 3SI region

Pushing back on Chinese, and to a lesser extent Russian, economic influence was one goal that decision-makers on both sides of the Atlantic thought 3SI could be used for. Inside the Initiative, the digital sector became the forefront of limiting Chinese presence in the Central and Eastern European region – steps taken by 3SI governments in recent years concerned, inter alia, limiting Huawei and other Chinese companies in taking part in the development of 5G networks, and attracting foreign (Western) capital.

This created competition between 3SI members regarding whom to attract. Companies such as Microsoft or Google, on the other hand, made rational choices regarding where to invest (Poland). 3SI's overall

problem was twofold: the underdeveloped nature of 3SIIF as a 'vessel' for attracting possible investors, and the lack of an external (non-regional) financial source to contribute to building up the resilience of the region. In relation to the second factor, the US was first unwilling, then had reservations to be the sole 'financial patron' to the region, and about providing a *Marshall plan*-like solution. The 2021 Lithuanian case mentioned previously showed not only that 'blackmailing' the Biden administration is possible when it comes to a pushback on China, but that the step attracts investors who consider Beijing a threat and are willing to invest in IT and advanced technology (Taiwan).

3SI members, however, all being at the semi-periphery of the EU, are exposed to the same challenges Western EU members are facing – the main difference being the more limited amount of financial resources available to tackle these problems (e.g. carbon emission reducing, etc.). The 2022 war is likely to lead to the securization of food security, the return of larger-scale national military spending – all affecting even theoretical possibilities of economic growth. The main challenge for 3SI countries is whether they can either invest in high-added value sectors or find willing investors for the same goal to avoid economic shrinking and rising inflation. Concerning this, given a more-inward turning US, it remains an open question whether there is a non-regional investor that makes a political decision not only to take a firmer stance against Beijing but is ready to invest in the 3SI region. Regarding a 'pure' business approach, in the course of some Polish-organised conferences that were dedicated to the future of 3SI, the business side deemed it key to find investment areas that are resilient to inflation, and are related to metallurgy, for example.

From the 2010s and under the Orbán governments, Hungary chose a path that did not focus on high-added value sector development. Besides the defence industry, the main area to attract foreign direct investments was the automotive industry and sectors connected to it, the main investors originating from Germany and the Republic of Korea.

The picture is complex: publicly available information states that defence industry R&D capacities will be developed in Hungary, there are plans to create a super computer cluster, and the creation of an EV (battery) plant by the Korean company SK Innovation can also contribute to the country's economic growth. On the other hand, the 2018–2022 Orbán government not only welcomed Huawei in the

development of the 5G network in Hungary, but signed a memorandum of understanding with said company that involves the digitisation of education, 5G and wired network development, and extends to solutions related to smart cities. Based on this, it is more than likely that the Orbán government does not see China a threat in the digital sector – this is likely to limit the country’s international cooperation vis-à-vis one of the pillars of 3SI.

As well as IT (and also resulting from the ongoing war), it is likely that the Hungarian government will have problems with sectors or companies that are linked to 3SI’s transport pillar, for example. Two particular cases stand out: ISD Dunafer, the country’s leading steel manufacturer (that, even before the war, was stuck in a battle over management issues of Russian and Ukrainian circles), and Dunakeszi Járműjavító, a company that renovates and produces train carriages (the firm is 50% owned by the Russian Transmashholding).

In recent years, the main driving force for attracting foreign direct investment to Hungary was the large subsidiary schemes the Orbán government provided that did not consider the origin of the investors a security risk. It is not likely that the war has changed the general regional picture, and we might see potential investors who are willing to enhance their regional ties based on the assumption of countering Russian or Chinese capital in Central and Eastern Europe. On the other hand, as capital tends to follow rational decisions, these assumptions might be premature. On the brink of a possible economic recession, for Hungary – a country that invested in building up more industrial production capacities in recent years than R&D ones – the main challenge is whether it is possible to attract more high-added value investments to strategic sectors during times where the country is competing with other 3SI members as well.

Linked to a possible economic recession stands the issue of an enhanced Hungarian contribution to 3SIIF. In May 2022, due to the growing internal problems of the Hungarian economy (the threat of growing inflation, the possibility of a governmental restructuring programme), it is unlikely that the Hungarian state budget would be open towards allocating more funds to the Investment Fund.

Concerning the above-mentioned memorandum of understanding signed with Huawei, the date of signing (26 October 2021) is particularly interesting, as on the same day, Prime Minister Orbán opened the

last section of the M30 motorway linking the town of Miskolc with the Hungarian–Slovakian border. With the completion of M30, the full Hungarian section of Via Carpathia – one of the flagship projects of the 3SI – has been completed. (It is not unlikely that the same-day announcements show the balancing position of the Hungarian government between ‘maverick’ policies and regional policies that Budapest found advantageous to follow.)

Reliable, sustainable and inclusive connectivity

Although participating states do not admit to it, 3SI connectivity flagship projects, such as the standard-gauge Rail Baltica railway, Via Carpathia, or the Polish ‘national’ flagship of the Solidarity Transport Hub airport, are all dual purpose plans serving both commercial and military purposes. Before February 2022, their commercial nature was highlighted (ensuring the creation of a long-needed north–south infrastructural axis and linking the Baltic States to Central Europe via European-gauge rail), but the chances are that the current Russian–Ukrainian war will affect this approach. The military rationale behind the development of these project was to ensure first the rapid development of troops stationed elsewhere to the region via air (and their equipment via rail), then their intra-regional rotation mainly via road and rail. If we examine the rapid US deployment to Poland using the Rzeszów–Jasionka airfield, or the transport of heavy equipment from Germany via Poland, Poland becoming a logistical hub for heavy equipment inbound to Ukraine, the military component is visible.

Concerning the three 3SI pillars, Hungary has done the most regarding physical infrastructure development, and has completed all the motorways (along the E71 and E79 European roads) that are all part of Via Carpathia. There is no publicly available indication that Budapest ever admitted to the military nature of the projects.

Following their completion, it is an open question as to what plans Budapest could consider starting and completing. Railroad development projects mainly concern the east side of the country (parts of the main railroad between Budapest and the Hungarian–Ukrainian border), and the controversial Belgrade–Budapest development project that utilises Chinese money. (From a security policy perspective,

one other problem regarding the latter is that it directly links a NATO member with its non-NATO counterpart.) As of May 2022, an open question concerns possible Russian involvement in the development of a (cargo) railroad ring around the Hungarian capital – this, however, concerns an east–west development axis.

A May 2022 decision puts the development of the high-speed road network into the hands of a concession that will be responsible for system enlargement for thirty-five years – according to earlier plans that envision the development until 2030, another north–south axis linking Slovakia with Slovenia and Croatia, one corridor linking Budapest directly with the Hungarian–Croatian border, and two corridors linking Hungary up with Romania are missing.

Regarding the use of the network for military reasons (and, especially in the light of the ongoing Hungarian military reform that envisioned new equipment, e.g. main battle tanks, that are way heavier than their post-Soviet counterparts), one key component is missing: bridge development – so far, only one complex project has been publicly announced, in late February 2022 (shortly before the war’s outbreak).

In addition to the government plans to buy back the country’s main airport located in Budapest, a similar development strategy can be seen concerning the development of regional airports. These plans are ongoing (in late 2021, sporadic media coverage mentioned the, possible, enlargement of airports in, for example, Debrecen, Pécs, Békéscsaba), and are likely to be realised either by using Hungarian funds, or by a combination of national and EU resources.

Geopolitics

Derived from the original goals of 3SI (pushback on malign Russian and Chinese influence), the Biden administration’s approach did little to no good to support cooperation. By shifting resources towards Beijing, Washington weakened its posture towards Russia, and the US political planning was caught off-guard by the February 2022 war. It is likely that this renewed interest in Russia will be only temporary (and will last until Germany finds its new role vis-à-vis both the EU and Central Europe as well). It is likely that the geopolitical future of 3SI will depend on the following factors:

- German position towards the region
- the future of the European strategic autonomy
- the success of Polish foreign and military policies in striving for a regional leader position, at the expense of Germany
- the future of Ukraine's EU membership
- larger processes that affect 3SI as a *regional* cooperation.

With the idea of the Swedish and Finnish NATO accession, it is not only the regional focus that is shifting towards the north, but the focus of the planning towards military and hard security issues as well – something that was not openly attributed to 3SI. From the perspective of a regional balance, Germany's choice to spend more on the military goes against Polish interests: Warsaw wants to attract as much attention to itself and its own (regional) policies as possible, in a relatively short timeframe that lasts until a possible German consolidation, and has allocated diplomatic and economic resources for this goal. However, as of May 2022, the role of 3SI in Polish foreign policy is seemingly unclear: as a 'low-hanging fruit', the topic was not openly mentioned during President Biden's Warsaw visit, raising some questions about the perseverance of high-level political support towards the Initiative (however, in Polish–Croatian and Polish–Romanian inter-governmental discussions, the issue was present). Concerning strategic autonomy, it is not only the military dimension that matters, but the industrial capacity (chemical industry and other heavily energy dependent sectors included), and R&D. In the end, at least a good part of the questions would boil down to tackling financial issues – including a Ukrainian EU accession process that, upon completion, would lead to EU funds channelled to Kyiv, possibly limiting the budget of other EU goals.

Concerning Budapest, a myriad of external factors affects, or with good probability will affect, the national standpoint. Hungary's position towards the geopolitical aspect can be described from two angles: a strategic level one (including relations with the US, Russia, and China), and from a regional one. In the case of the former, Hungarian–US relations have been deteriorating since the Biden administration assumed office, and it is not unlikely that the level of cooperation will stay at the same level as it currently is. On the other hand, there is no public indication in early May 2022 that the elected Orbán government will cease the level of economic engagement with China,

and discussions concerning the future role of Russia in the Hungarian economy are also exposed – due to Hungary’s EU membership – to external factors.

As an EU member, Hungarian foreign policy and foreign policy planning need to find answers to all these questions, the most important of which concerns regional policy as envisioned by Budapest in the coming years. With the discussion turning towards military issues, Hungarian regional policy suffered a dire setback: the Visegrád Group (V4), the main regional format for Budapest, is unable to handle military security issues. An additional issue for Budapest is that in recent years, V4 became *the* regional cooperation for the Orbán-led governments, leaving little room for others (such as 3SI).

Due to the war, Hungary – at least partially – needs to redesign both its regional policy and Hungarian–Polish bilateral relations. In the coming years, due to the rotational presidency and the end of the Hungarian tenure in mid-2022, Hungary will have limited opportunities to actively steer V4 towards certain directions, and the fate of the organisation will be more in the hands of a Slovak, a Czech, and a Polish presidency. Moreover, Hungary must meet with a Poland that, since February 2022, has started to play on a larger international field – as of May 2022, it is unclear what consequences this will have for 3SI. It is not unlikely that if Warsaw decides to continue promoting 3SI, one of the possible Hungarian steps to ease bilateral issues between the two countries could be an enhanced role in the framework.

The issue of Ukraine consists yet another problem for Hungarian foreign policy. The matter is twofold, and extends not only to the unsolved problems of the Hungarian community in Ukraine but to Budapest’s communication (and the difference between actions and communication) vis-à-vis the ongoing war.⁶ No matter how long a possible Ukrainian EU accession would be, should it be completed, it would by definition bring forward questions for 3SI as well. So far, only a small handful of 3SI projects have considered Ukraine as a participating state. As of 2022, there is no experience as to the enlargement of 3SI: no formal procedures, no deadlines, and more importantly no publicly available plans as to how to involve the ‘newcomer’ into projects that are already running, or how to handle its possible accession to 3SIIF (taking into account all previously mentioned issues in regard to the financial organisation). Given the

general state of Hungarian–Ukrainian relations, a unanimous decision concerning the Ukrainian 3SI membership seems to be more unlikely than likely.

Another open question for Budapest is how to reassess relations with the EU. Putting aside topics related to Russia, two issues stand out: the future of German–Hungarian (economic and political) relations, and a possible change in the EU foreign policy decision-making process. Given the presence and proportion of German capital in Hungary, it is likely that the former would play a role in formulating Budapest’s standpoint towards 3SI; the latter – if implemented – does not concern the coalition-building capacities of the Hungarian diplomacy, but could limit Budapest’s foreign policy vis-à-vis external, non-European actors.

Conclusions and recommendations

As of May 2022, writing about a possible future for 3SI is difficult, mainly for three reasons. The 3SI was created as an operational level framework derived from assessing the strategic level (great power competition between the US, Russia, and China) and with the aim of finding regional solutions that could be fitted into a larger framework. 3SI, however, was insufficiently backed by tactical decisions and steps (such as resource allocation for 3SIIF). The 2022 Russian–Ukrainian war showed that the future of the Initiative would be at least partially dependent on answers given to external threats. Before the 2022 Rīga 3SI summit, it is unclear whether (1) the renewed US interest in Russia would be permanent – but it is more likely to be temporary; (2) how a possible Swedish and Finnish NATO accession would change the operational framework of the region (the semi-periphery would grow, regional centre of gravity would definitely move north; in addition to hard security issues becoming more important); or (3) the financial issues and 3SIIF-related open questions would be resolved by 3SI member states. A remaining open question concerns whether, under a Russian and Chinese threat, a foreign investor would make an investment decision that is based not solely on economic factors but political as well (such as Taiwan in the Lithuanian case) – if so, answering the last point is likely to be easier. However, after the US infrastructure bill passed, the pool of such potential investors became smaller.

At the crossroads of these three factors is the Polish standpoint. Warsaw, as a creator and a staunch supporter of 3SI, needs to decide whether to grow its ambition level towards the Initiative – there is no clear indication for this.

For Hungary – a country that has been historically closer to being an adopter than an initiator, and a member state whose foreign policy was at least partially built on joining an initiative to avoid being left out – the main challenge concerns general foreign policy planning. During previous Orbán-led governments, Budapest's foreign policy was good at making tactical decisions, but it was difficult to analyse these steps from a strategic level. This flexible approach generally allowed Budapest to craft another line in foreign policy in times of need. In February 2022, the Hungarian tactical-to-strategic perspective clashed with top-down planning, leaving Hungarian foreign policy at a standstill – in regard to its future involvement in various regional cooperations (hence the uncertainty about V4's future), and in finding answers to developments threatening the very basis of Hungarian foreign and domestic policy (e.g. the possibility of upholding Russia as a key energy supplier to Hungary, or relations with the EU).

The new, fifth Orbán government was formed in late May 2022, and opted for a structure that divided economy and energy-related issues between various resorts. 3SI-related topics could be easily fitted into the portfolio of at least three separate ministries. Until the structure starts working, it should not be expected that the new Hungarian government would decide on emphasising 3SI. Concerning internal factors, given the general stance of the Hungarian economy and macro-economic indicators, it is unlikely that Budapest will allocate more financial resources for 3SIIIF. On the other hand, some government plans that have been publicised point towards the development of elements (e.g. airfield development) that can be fitted into (and not driven by) a 3SI framework.

Yet another issue is the attractiveness of the Hungarian economy in the eyes of foreign investors. Past experience shows that business decisions made in relation to Hungary were made on an economic (and not on a political) basis. An open question remains as to the future of (1) Russian capital already present in the country, and (2) the already announced Hungarian–Chinese joint investments.

It is likely, therefore, that an external dimension will be the main deciding factor in Hungary's future approach towards 3SI areas of cooperation – and not necessarily towards the cooperation itself. Budapest has completed minimum goals inside 3SI's connectivity pillar, never deeply shared 3SI's geopolitical approach, and upheld energy and economic ties with Russia and China. It is possible that Budapest will allocate resources to solve issues concerning energy security, but mostly out of necessity. It is not unlikely that the rapid (and, to some extent, short-sighted) change in EU policies⁷ towards Russia would force Budapest to allocate resources to solve energy security issues. However, as Hungary is a landlocked country, some steps are only possible if its 3SI neighbours (Romania and Croatia) share the same goals, and are ready to cooperate with each other.

In light of all these (for instance the most likely presence of competing interest groups/ministries inside the government, a myriad of external, pressing factors ahead of Hungarian foreign policy, a non-clear future for Hungarian regional policy, a foreign policy approach that so far has lacked a hard security aspect), it is basically impossible to give recommendations. However, in the shadow of the Russian–Ukrainian war, it would be still a desirable path to rework Hungarian core documents such as the National Security Strategy – once it is completed, it is possible to develop a comprehensive, standalone regional foreign policy strategy. This could aim at finding answers and developing scenarios *inter alia* for the Visegrád Group or for 3SI. A follow-up recommendation concerns this regional approach: work on scenarios that assume (1) the devaluation of the Visegrád Group in the mid-term; (2) the need to find an 'alternative' regional format for the V4.

May 2022 events concerning the sixth sanctions package (the future of Russian oil and natural gas on the EU market) showed that the issue of energy security is becoming *the* key priority for Budapest. In the light of governmental communication over the issue, it must be noted, however, that the reasons behind this mainly concern domestic political reasons.

ENDNOTES

- ¹ Biden, J.R. Jr. 03.2021. US National Security Strategic Guidance. *Interim National Security Strategic Guidance*. <https://www.whitehouse.gov/wp-content/uploads/2021/03/NSC-1v2.pdf>
- ² Khakova, O. 10.10.2019. Transatlantic energy cooperation gains momentum at the second P-TEC ministerial. *Atlantic Council*. <https://www.atlanticcouncil.org/blogs/new-atlanticist/transatlantic-energy-cooperation-gains-momentum-at-the-second-p-tec-ministerial/>
- ³ Background talk with a US Department of Energy representative. 2019. Washington DC.
- ⁴ 'Rezsicsökkenetés' ('utility cost reduction') provides e.g. gas and electricity at a predefined price for non-industrial consumers – the difference between this price and the actual one being paid from the state budget.
- ⁵ Besides the role of the Romanian off-shore law (the same whose faultiness led ExxonMobile to leave the country), it is likely that the Romanian press was keen on putting pressure on Romanian governments as to 'whom to sell national resources'.
- ⁶ In short, it is really hard to find common ground between Budapest's communication and the actual actions done by Hungarian institutions. The Hungarian political communication stressed that the country is unwilling to let its own airspace and land be used to the transport of lethal weapons (the governmental decree [1120/2022. (III. 7.) Korm. határozat] allows these transports to other EU and NATO member countries). Without the electricity system regulator MAVIR Ukraine would not and could not have joined ENTSO-E.
- ⁷ No matter how understandable the EU's approach to limit payments to an aggressor Russia, European institutions should also work on ensuring the feasibility of European industry and industrial output.

Latvia: Engagement in the Three Seas Initiative and prioritising geopolitics

Imants Lieģis

There is a popular Latvian saying that could be attributed to Latvia's participation in the Three Seas Initiative (3SI): 'ne mana cūka, ne mana druva', which means 'it's not my pig, nor my crop'. In other words, 'I don't have a dog in the fight' and therefore 'it doesn't concern me and I won't get involved'. This Latvian phrase characterises Latvia's initial engagement in the 3SI. The idea to establish this new forum was first promoted by the Polish and Croatian presidents on the eve of the UN General Assembly meeting in New York in September 2015. Latvia's foreign minister attended that first event along with other presidents and ministers from twelve European Union (EU) countries from the Adriatic, Black and Baltic Sea regions.

A disinterested engagement was reflected by the level of attendance at the first summit launching the 3SI in Dubrovnik in 2016. Latvia was represented by the director of the Transit Policy Department of the Ministry of Transport at what was, after all, supposed to be a meeting of heads of state. The 'wait and see' approach meant that Latvia's interest at the start appears to have been derisory. Given that the follow-on summit in Warsaw in 2017 secured the attendance of president Trump, not surprisingly the president of Latvia also showed up. The annual event saw the Latvian level of representation again drop to that of foreign minister at the Bucharest Summit in 2018, although in parallel Latvia began eyeing the importance of the economic dimension of 3SI by signing a memorandum of understanding on the establishment of the Three Seas Initiative Investment Fund (3SIIF) along with five other countries.

A national coordination group for the 3SI at Latvia's Ministry of Foreign Affairs was established only in September 2020 with the aim of giving recommendations about and organising Latvia's engagement in the 3SI, and coordinating Latvian interests within the initiative.

Latvia's involvement has, since then, matured sufficiently to result in Rīga hosting a 3SI Heads of State Summit and Business Forum in June 2022, with a Civil Society Forum taking place in May. Following an initiative from Latvia's *Saeima* (Parliament), a Parliamentary Forum of 3SI members of parliament and like-minded countries will also run in parallel to the Summit and Business Forum. These events now offer a platform for Latvia to display its interests in this regional initiative, make use of the opportunities offered by 3SI and deal with current challenges faced by the region and beyond.

Virtually no regional or global organisation in Europe has been left unscathed by Russia's eight-year war against Ukraine developing into a full-scale military assault against the whole country on 24 February 2022. The 3SI is no exception. The fact that seven of the twelve 3SI countries border either Russia or Ukraine means that ongoing brutal war has inevitably affected the agenda. Therefore, for the purpose of this paper, the current 3SI objectives offering opportunities and challenges for Latvia will be considered in four groups as follows:

1. geopolitics
2. economic growth, regional resilience and investments
3. energy security
4. reliable, sustainable and inclusive connectivity.

There are no clear dividing lines amongst these four areas, but there is rather an overlap and blurring of such lines of separation.

Geopolitics

The first priority for the 7th 3SI Summit and Business Forum in Rīga is stated as being 'high-level US participation'. This itself is an indication that Latvia regards the 3SI primarily as a geopolitical project. America, Germany and the European Commission have partner status in 3SI. Germany's President Steinmeier is due to attend the summit in Rīga. President Trump attended the second 3SI Summit in Warsaw in 2017. The Latvian Foreign and Security Policy Yearbook 2022 also recommends a strong push by Latvia's Foreign Ministry to ensure the presence of President Biden at the Rīga 3SI Summit given that 'whilst China remains the main strategic challenge, it is Russia that continues to pose the biggest threats to Europe and Europe's Euro-Atlantic partners'.¹

Latvia's foreign policy has, since 1991, been grounded in engaging US interests in Latvia. Latvia considers that the 3SI is primarily a politically inspired platform with the US being the main strategic partner. Since 2004 and accession to NATO, the main tool to retain US interests has indeed been in the defence and security sector through the transatlantic link of the Alliance. Hence the 3SI is currently being used as an additional tool to engage the US, as reflected in the following quote: 'Latvia's priorities in the context of cooperation with the United States remain unchanged: strengthening of the US military presence in the region, promotion of cooperation in the digital and technology field, as well as a more active US involvement in the Three Seas Initiative'.²

Strengthening European national security and its ties to the US through the 3SI has also been acknowledged as being of relevance to the US. A Congressional Research paper points out that 'In November 2020, the House of Representatives passed a bipartisan resolution "expressing support of the Three Seas Initiative in its efforts to increase energy independence and infrastructure connectivity thereby strengthening the United States and European national security" (H.Res. 672, 116th Congress)'.³ The mutual interests of the 3SI and the US will not necessarily secure the highest US level of attendance – the presence of President Biden – at the Rīga Summit on 20–21 June. It seems unlikely that he would spend ten days in Europe, given that he will undoubtedly attend the NATO Summit in Madrid on 29–30 June. The president would be more likely to combine his trip to Europe with a visit to Kiev following the visits by his Secretaries of State Blinken and Defence Austin to Ukraine on 24 April and the First Lady on 8 May. This essentially means that Latvia will have been pushing for the presence at the 3SI Summit of either Vice President Kamala Harris or, at a minimum, Secretary of Commerce Gina M. Raimondo.

Latvia's foreign minister has also stated that 'the Three Seas Initiative creates better preconditions for the region's security'.⁴ This year, regional security would be given an extra focus by the presence of Ukraine's President Zelensky in Rīga. He has formally been invited to attend in person. If Russia's war is still in an active phase, he would clearly not attend, but join online. Because the 3SI consists only of EU member states, Ukraine's push for EU candidate status, strongly supported by Latvia, could again be highlighted at the Rīga Summit,

even if the membership aspirations are replaced instead by decisions about the renewal of post-war Ukraine. Especially as the EU Commission is also a partner of 3SI and will be represented in Rīga by the Executive Vice President Commissioner Valdis Dombrovskis.

Irrespective of the ongoing war, there have been pre-existing geopolitical or 'politically inspired' interests surrounding the 3SI since its inception which extend over and above engaging the US. It is pertinent to be reminded of these in considering Latvia's interests. One of them is the promotion of a stronger north–south coalition as a counterbalance to the Franco-German 'motor' which is often perceived with negative connotations, particularly relating to French ambitions surrounding EU sovereignty and Germany's overreliance on gas supplies from Russia through the Nord Stream pipelines. Both of these aspects have been affected by Russia's war in Ukraine. With the re-election of President Macron for a further five-year term, his ambitions for greater EU sovereignty will continue to be promoted by France. Germany has halted the finalisation of the Nord Stream 2 gas pipeline and is working on a reduction of reliance on energy supplies from Russia in concert with EU partners, but at a politically reduced pace. Germany is formally a partner of 3SI; France is not, but has been invited to attend the summit. Whilst many EU policies cannot be advanced without agreement by the Franco-German motor, Latvia has not shied from expressing opposition to greater EU autonomy in defence, or to the Russian–German Nord Stream project. Nor has Latvia shied from direct contacts with German and French partners, as noted by the anticipated presence of President Steinmeier at the summit and the invitation extended to France's foreign minister to attend. The level of French attendance is in doubt given elections and the process of a change of government. The 3SI can certainly be used as a forum to clip the wings of attempts to maintain dependency on Russia or attempts to lessen US and transatlantic engagement in the defence of Europe.

Poland, as the sixth largest EU country by territory and fifth largest by population, also has regional ambitions which may not always tally with the interests of Latvia. No doubt in formulating and announcing the idea of the 3SI in 2015, the year of their taking up office, Poland's President Andrzej Duda and President Kolinda Grabar-Kitarović of Croatia had both domestic considerations and geopolitical aspirations in mind. Hence, perhaps, the initial caution by Latvia to fully engage.

From a geopolitical, strategic and security perspective, Poland plays a particularly crucial role within the Baltic Sea part of the 3SI region. This is based on its history of over one thousand years (e.g. former Empire together with Lithuania; founder of the Solidarity resistance movement in the Cold War) and geography (Baltic Sea country with a land border with Germany, Ukraine, Russia (Kaliningrad), Belarus, Slovakia and Czech Republic). 3SI was established in 2016 during turbulent years, given the Brexit referendum in the summer of 2016 and the election of controversial President Trump in the US in November 2016. Poland's government since 2015 has been dominated by the Law and Justice Party. Labelled as 'populist', it has crossed swords with the EU over the compatibility of EU law with Polish law and related issues about EU funding for Poland.⁵

From a Latvian perspective, whilst the Polish endeavours to enhance the transatlantic link (as illustrated by Trump's presence at the Warsaw Summit) can be viewed positively, there could be concerns that Poland's regional ambitions and spats with Brussels could have negative consequences in the EU context. But such negative elements are being overshadowed this year by Poland's crucial and laudable role in helping Ukraine on the political, military and refugee front.

China has also figured as a factor in the development of the 3SI, to the extent that it can serve as a counterbalance to the influence of China's financial infrastructure investments and diplomatic assertiveness through the Belt and Road Initiative. This has been noted by the US.⁶ In spite of a large overlap between China's 17+1 format (engaging mostly Central and East European partners) with the 3SI countries, the original flirting between the two initiatives has subsided since the initial contacts, when China was invited to, and indeed represented at, the 3SI Summit. The 17+1 format has recently been reduced to 16+1 with the departure of Lithuania and indications are that EU participants within this format may prefer henceforth to rely more on dealing with China at a full EU 27+1 level.

Latvia's position about relations with China has at times been ambivalent, for example, with attempts to develop transport services going east along the China–Europe land transport route.⁷ But dreams about China's investments in Latvia's infrastructure, culminating in the Chinese prime minister's presence in Rīga in 2016, have since evaporated. Funds from Latvia which were due to be allocated to projects with China

were switched to the 3SIIF. Today's orientation seems firmly anchored in a pro-US approach towards China, with a focus moving away from allowing any foothold for China in Latvia. As illustrated, there are other geopolitical factors affecting the agenda of the 3SI meetings in Rīga. An interesting counterbalance to China is emerging in view of potential participants at the summit from Japan. Canada's foreign minister has been invited so as to firm up the transatlantic link, especially bearing in mind Canada's lead role in the NATO Enhanced Forward Presence battalion based in Latvia. Hence Latvia is expanding the interests of like-minded countries to this regional format.

Economic growth, regional resilience and investments

Latvia's foreign ministry, in non-public working documents has indicated that, from the very beginning, Latvia has supported the creation of the Initiative's economic dimension. This dimension is entrenched in the 3SIIF, which complements EU financial strategies and supports priorities in the fields of climate, green mobility, transport, digitalisation and energy. Rather than from 'the very beginning', it would perhaps be more accurate to say 'since 2018' when, as already mentioned, Latvia was one of six 3SI countries signing up to the establishment of the 3SIIF. To date, two of the six (Czech Republic and Slovakia) have not committed funding, whereas Latvia agreed on a 20-million-euro commitment, the majority of which has been paid in.

Last year, Latvia's foreign minister recalled that the 3SI region experienced a set-back in its development during the Cold War, when the infrastructure and economy were weakened and depleted.⁸ This seems to indicate that Latvia views the 3SI as an additional economic instrument within the EU to counter the effects of the Cold War. From today's perspective, it seems apparent that the primary focus will be on EU instruments and funds to alleviate the negative effects of two crises. EU money will be utilised to the maximum, firstly, to assist with recovery from the Covid-19 pandemic and, secondly, to deal with the considerable economic consequences flowing from Russia's ongoing war against Ukraine.

Latvia's current economic priorities within 3SI are reflected in the information about the summit, where the following aspects

are highlighted: a) strengthening a genuine EU level cohesion and resilience of the region; b) development of projects in the region that promote sustainable connectivity of infrastructure as well as economic growth; c) attracting public and private investments for the development of the region's connectivity.⁹ The prospects for good long-term investments for businesses were also stressed by Latvia's president in November last year when speaking at EXPO2020 Dubai, at a special meeting devoted to the 3SI Summit and Business Forum.¹⁰ Moreover, Latvia is actively pitching for US investors to participate in the Business Forum, according to Latvia's ambassador in Washington.¹¹ The primary vehicle for investing in large regional infrastructure projects is the 3SIIF. The fund has been created and is run by the Amber Infrastructure Group in London, with the Latvian financial development institution Altum¹² representing Latvia within the consortium. Altum is interested in ensuring that investment projects for the fund are viable and sustainable, and not based on 'wishful thinking'. This applies as much to Latvian projects as those from other 3SI countries.

Established in 2019 with an initial commitment of 500 million euro from development banks in Poland and Romania, the fund was set up as a financial platform for developing infrastructure projects in the energy, transport and digital communication sectors, in order to promote economic growth and cooperation prospects within the region. 3SI members have pledged around 1 billion euro to the fund. The Trump administration has also pledged up to \$1 billion in support, but payments into the fund have yet to be finalised. In February 2021, a bipartisan group of members of the US Congress urged the Biden administration to continue the previous administration's pledged financial support for the 3SI and called on the approved \$300 million investment to be finalised. The summit in Rīga will provide an opportunity for that investment to be finalised. Apart from strengthening cooperation and improving infrastructure within the region, the fund's goal is to provide profit to its investors. Professional and independent entities are responsible for the fund's investment process.

Institutions representing the Three Seas countries, international financial institutions and private investors from all over the world are able to invest in the fund. It is estimated that the fund will ultimately have at its disposal from 3 to 5 billion euro, investing in projects worth

a total of up to 100 billion euro. The 3SIIF funds are complementary to public money and EU funds.¹³ Latvia has pledged 20 million euro, of which part has been paid. Three countries – Austria, Czech Republic and Slovakia – have not yet pledged to pay into the fund. Riga organised a fund conference in February 2020, with representatives from 3SI countries teaming up with Latvian governmental and business colleagues. Clearly, the planned Business Forum will present an opportunity to focus on Latvia's eight projects submitted to the fund, namely:

1. Rail Baltica
2. Development of a wind farm project
3. Introduction of smart outdoor lighting technologies
4. Development and implementation of mobility solutions
5. Construction of a part of the Via Baltica project
6. Construction of a coastal liquified natural gas terminal
7. Development of cross-border optical fibre network
8. Development of cross-border network of data centres.

None of these projects from Latvia have yet been operationalised or granted finance by the Amber Infrastructure Group. Two projects from Poland (transport) and Bulgaria, Czech Republic and Slovakia (sustainable energy) are currently up and running, with a third from Estonia (digital infrastructure) pending. At the 3SI Summit, Latvia will be endeavouring to obtain payment (or pledges) by all 3SI countries into the investment fund, ensure the payment pledged by the US materialises and push to attract private investments into the fund. Other like-minded countries will also no doubt be lobbied to invest in the fund, with an interest from Japan already having been expressed.

Energy security

Although the 3SI was established, amongst other things, to reduce connectivity gaps in the energy sector, it seems doubtful that it can provide added value in the short-term situation when the question of Europe's dependency on energy from Russia has become so acute. Indeed, Russia's escalatory war may turn out to be a blessing in disguise to cut off the supplier whose income has been used to fund the brutal military actions against Ukraine. For Latvia and other 3SI countries,

it is the crisis of war itself, rather than the existence of 3SI, that has presented an opportunity not to be missed to achieve greater energy independence.

As noted already, two of the eight Latvian projects submitted to the 3SIIF relate to the energy sector – developing a wind farm project and building a liquified natural gas (LNG) terminal. Neither of these projects have become operational within the Amber Infrastructure Group, which manages the fund. What are the opportunities and challenges within 3SI in the energy sector? Efforts to increase energy independence are crucial to the region as a whole and Latvia in particular. Latvia has been purchasing some 90% of its gas from Russia. In line with EU sanctions and the clear need to diversify, the Latvian Parliament recently voted to ban Russian gas supplies completely by 1 January 2023.¹⁴

Latvia has been slow in reducing its dependency on Russian gas and only now is pushing ahead with decisions about building its own LNG terminal. There have been estimates indicating that such a terminal could be ready no earlier than the summer of 2023, which in itself may prove to be an unrealistic and unattainable time frame. The government is in the process of deciding where such a terminal should be located and who will construct it. Any shortfall during this transition period is likely to be accessed via the existing Lithuanian LNG terminal, or the one scheduled to be built this year at Paldiski in Estonia.

Doubts have been expressed about the need for Latvia to construct an LNG terminal, which could become a 'stranded asset' within a decade, given the need to move towards renewable energy supplies during a time frame when there will also be a reduced requirement for gas. There are also estimates that the Klaipėda LNG terminal could in fact supply 80% of the gas needs of all three Baltic countries. Prior to upcoming elections in October 2022, there may be pressure from some quarters in the current Latvian government to push ahead with the LNG project in Skulte, which has been on the agenda for a number of years. It would be preferable to consider alternatives, but if the project is pursued, it should be solely on a commercial basis without any government financial support, so as to avoid the Latvian taxpayer having to fund it. In the long term, it seems more logical to opt for prioritising the wind farm project within the 3SI.

Infrastructure and the source of supply are issues that require urgent attention and are being prioritised in the lead-up to the

3SI Summit. The Latvian president's participation with his Lithuanian and Polish counterparts at the official opening ceremony of the Gas Interconnection Poland–Lithuania (GIPL) linking the Polish grid with a route to Lithuania's LNG terminal on 5 May 2022 indicates how politically significant supply routes have become for the region with the prevailing need to 'break free of Russia's influence'.¹⁵

Although the UK is not formally a partner of the 3SI, there are unconfirmed reports about the attendance of Foreign Secretary Truss at the meetings in Riga with indications about the UK interest in using the summit to promote the use of nuclear energy as another option to achieve energy security. Whilst the question about nuclear energy has not surfaced on the political agenda in Latvia, the presence of the UK Foreign Secretary at the summit would be a welcome addition.

Russia's full-scale war in Ukraine has given the necessary impetus for Latvia to urgently improve the situation in energy security. Latvia was 'pushed', but did not 'jump' at previous chances to voluntarily reduce dependency on Russia. This was probably due to pressure being exerted on previous Latvian governments by former politicians (e.g. former Prime Minister Aigars Kalvītis) and others who took up lead positions in energy companies which represented Russian interests. Internal political decisions about alternative supplies and the switch to renewables lie ahead. Given the external and independent assessment of infrastructure projects within the 3SIIF, the opportunity to focus more on renewable supplies through 3SI should be utilised. This approach ties in to EU policies to reduce dependency on fossil fuels. Such a long-term choice would help to strengthen the Latvian economy as well as making it more stable and predictable. An increase in north–south infrastructure within the 3SI could help Latvia reduce geopolitical vulnerabilities because of the heritage of links to the East.

Reliable, sustainable and inclusive connectivity

At the beginning of the year during the annual foreign policy debate in the Latvian Parliament, Latvia's foreign minister acknowledged that 'The Three Seas Initiative was established in order to develop important infrastructure projects and reduce connectivity gaps in the energy, transport and digital communication sectors on the north–south axis

of the European Union'.¹⁶ The brief mention of the 3SI Summit and Business Forum in Rīga was made towards the very end of the minister's address to Parliament.

The opportunities and challenges from improved connectivity within the 3SI region of some 110 million inhabitants offer the chance to untap the continuing potential for economic growth. The 3SI virtual summit organised by Estonia in 2020 emphasised the concept of smart connectivity through expanding digital components for infrastructure in energy and transport.¹⁷

Energy security, as discussed already, is an intrinsic part of connectivity. How else is Latvia tapping into any other opportunities for economic growth through greater connectivity? Latvia's connectivity begins with our neighbours to the north and south. Latvia's geographical location between Estonia and Lithuania has meant that connectivity through Baltic cooperation is part of Latvia's DNA. It also means that this is a value to be offered to partners further afield in the 3SI area. Latvia needs to use its current positive engagement to reach out to the partners with whom we have been less connected. Transport connectivity with, for example, Romania and Bulgaria is poor. Romania and Bulgaria do not have embassies based in Rīga, just as Latvia is not present on the spot in Bucharest or Sofia. The 3SI gives an opportunity to connect directly with the Visegrád countries individually, at a time when Visegrád as a four-country entity is confronted with internal problems.

In the run-up to the 3SI Summit, US chambers of commerce in Latvia and Bulgaria teamed up with Digital Poland and Google to host a digital conference on 28 April 2022. It highlighted the need to cooperate in the digital area, boost cross-border connectivity and secure smart energy, transport and digital networks.¹⁸ A further focus on connectivity took place with an event organised by the Latvian and Polish embassies in London on 12 May promoting business opportunities in filling the north–south connectivity gap in the energy, transport and digital sectors and engaging the 3SIIF.¹⁹

One of Latvia's priority projects in 3SI is Rail Baltica, where rail connectivity is the order of the day and offers opportunities for connectivity and economic growth. The UK–France Eurotunnel and the Oresund bridge linking Sweden and Denmark are examples of projects producing vibrant regional economic benefits which were

not necessarily evident during the planning stages. Rail Baltica itself has been bedevilled by management problems, with the three Baltic countries failing to allow an independent, professional structure to lead the project and stand above national interests. The Rail Baltica element from Latvia that has been submitted to 3SI relates to the Salaspils freight terminal. There seem to be doubts about whether this project will gain funding from the 3SIF. The project may well lack sound economic justification as it envisaged linking the east–west rail and road connections with Rail Baltica’s north–south connection. It is not clear that Salaspils is perceived as being a hub/logistics centre which attracts interest beyond Latvia’s borders. Circumstances today mean that both rail and road freight between Latvia and Russia will continue to diminish, thereby placing in doubt the commercial prospects for combining the east–west and north–south routes through Salaspils. The Salaspils project has also failed to attract private investments during almost the last ten years, which presumably would make it unattractive to potential investors looking for profits within the 3SIF. The inherent difficulties surrounding Rail Baltica may well handicap the project in its attempts to gain additional financial support from the 3SIF.

Conclusions and recommendations

Continuing to engage the US in the 3SI must remain as a priority. Latvia needs to make full use of the 3SI as a forum that rejects attempts to maintain dependency on Russia or attempts to lessen US and transatlantic engagement in the defence of Europe. Given the multiplicity and variety of interest and issue-based groupings within the EU, Latvia will not need to emphasise that 3SI is a type of counterbalance to the Franco-German motor. Bearing in mind the mixed geopolitical messages coming out of Berlin, Latvia will need to carefully nurture Germany’s partnership with the 3SI.

Poland’s role as a strategic regional actor that strengthens the transatlantic security link, forms part of NATO’s eastern flank with the Baltic states and supports Ukraine means that Latvia must continue to use the 3SI as a tool for supporting Poland’s regional role. Latvia should help to ensure that Ukraine stays on the 3SI agenda in the short term,

especially given Ukraine's location as a crucial Black Sea country and its expressed interest in joining the group. Ukraine could be offered a type of special partnership status to 3SI, given that membership itself is confined to EU members.

Latvia needs to get the acceptance of support for Latvian projects by the 3SIIF. The Latvian taxpayer may well want to know what returns Latvia will receive from the 20-million-euro investment into the fund. Altum should continue with its strong engagement with the fund. If the summit fails to secure the finalisation of the \$300 million US investment and to obtain payment (or pledges) by all 3SI countries into the investment fund, these outstanding matters must be further pursued by Latvia. Latvia should also continue with efforts to encourage like-minded countries (Japan, the UK) to invest in the fund.

Given the urgency to pursue a policy of reducing regional energy dependency on Russia, Latvia can use the 3SIIF as an additional financial instrument to achieve this goal. Instead of focusing on the construction of an LNG terminal, the use of which could become redundant within a decade, Latvia needs to instead focus on developing renewable energy supplies within 3SI. Opportunities for reducing reliance on fossil fuels through 3SI projects will need to dovetail with EU policies and financial resources. In the long term, it seems more logical that Latvia opts for prioritising the wind farm project within the 3SI. The LNG project should only be pushed ahead if it is a commercially viable project that the Latvian taxpayer avoids subsidising. Moreover, Latvia needs to pursue a positive engagement of connectivity with the less well-known partners within 3SI, such as Romania and Bulgaria. Diminishing east–west connectivity needs to be further replaced with north–south connectivity, where the 3SI offers clear political and economic opportunities.

Latvia has successfully broadened the outreach and expanded the boundaries of 3SI to encompass civil society and the parliamentary dimension. The parliamentary and civil elements must stay focused on the priorities relating to economic improvements for the region rather than being bogged down by other aspects. An indicator of success at the Rīga meetings may relate to the payments into the 3SIIF by member countries and the US. The regional and geopolitical relevance of the 3SI will continue to be enhanced as a result of Russia's expanded war against Ukraine.

Latvia has recently used all available resources through the President's Chancery, the Ministry of Foreign Affairs and Altum to lobby the 3SI agenda both in North America and Europe. The recent impetus for Latvia's greater involvement and commitment to 3SI appears to have come from President Levits, who no doubt appreciated the apt description of this format – 'politically inspired, commercially driven'. Rather than waiting to see how 3SI develops further, he realised that there were advantages to be gained by Latvia from the commercially driven element. Latvia now has 'a dog in the fight' of the 3SI and, as shown by the events organised in Rīga in May and June 2022, is fully engaged. 'Ne mana cūka, ne mana druva' no longer applies to Latvia's approach to the 3SI.

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Lithuania: The search for synergies

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In order to understand better Lithuania's attitude towards the Three Seas Initiative (3SI) it is necessary to take into account its more general attitude towards regional integration and subregional cooperation. Lithuania as a full fledged member of the European Union (EU) is deeply committed to the European project. The Lithuanian political elite sees the preservation and strengthening of the Union itself as a vital national interest. At the same time Lithuania is involved in various formats of subregional cooperation. However country's attitude towards subregional cooperation is more selective. At the same time it was possible to observe rather differentiated behaviour towards different subregional groupings. In 2021 Lithuania decided to pull out of '17+1' bloc in Eastern Europe¹. Meanwhile Lithuania's attitude towards the 3SI was steadily positive since the very beginning of the Initiative.

This case presents not only practical, but also interesting theoretical puzzle on the causes, purposes and motivation of involvement of certain countries into various subregional structures and how this involvement interacts with the wider regional structures. In order to solve this puzzle, it is important to agree on theoretical concepts. Firstly, the hierarchy of these entities should be noted. On the one hand, there is the EU, as the main regional entity, which has been entrusted by its member states with a wide range of economic, social and political tasks and has been given extensive (in some cases even supranational) powers. On the other hand, it is nevertheless clear that states are not fully satisfied with this and still see enough reasons for creating smaller 'subregional' entities, like 3SI, which may pursue some additional objectives and tasks of interest of the participating states and which are not fully covered by the main regional entity.

The concepts of 'regionalism' and 'subregionalism' are quite widely used and discussed in the research literature. Studies of 'regionalism' are more developed. All the literature on European integration can be

considered as part of them. 'Subregionalism', on the other hand, is also a fairly common term, but according to Shintaro Hamanaka, who has produced a comprehensive review of the concept of subregionalism, 'the exact meaning of the term, especially how it differs from other terms, such as regionalism and microregionalism, is unclear'.² According to the researcher, this is due to the fact that, on a global scale, it would be difficult to classify all forms of cooperation between states into 'regional' and 'subregional'. However, relying mainly on the results of three major previous research projects,³ the author suggests a distinctive concept of 'subregionalism' based on the goals and motivations of the participating states. Shintaro Hamanaka argues that the same variables can be used to identify cases of regionalism and subregionalism, but their meanings will vary from case to case.⁴

For the sake of clarity, we will review criteria, linking them closely to the cases in the EU and the 3SI, which we equate to the cases of 'regionalism' and 'subregionalism' in this context:⁵

- *Design of political and economic cooperation.* While in the case of regionalism (EU) the design of the cooperation is defined exclusively by the member states themselves, in the case of the 'subregional' 3SI the participants usually refer to the wider EU project and emphasise the complementarity and synergy of their initiative.⁶
- *Members or participants.* In the case of regionalism, the number of participants will always be higher than in the case of subregionalism. In this case, we have twenty-seven EU countries in contrast to twelve 3SI participants.
- *Leading party.* In the case of regionalism usually the founding states execute a lead. EU member states are the real masters of the Union even if they are using a relatively powerful agent such as the European Commission. In the case of subregionalism, there is no such strict clarity. While leadership can continue to be at the disposal of member states, cooperation could be more open, involving substate entities, business, civil society, international institutions or even other 'external' states outside regional organisation. For instance, in case of the 3SI the participation of the US is highly welcomed.⁷
- *Space with boundary.* In the case of regionalism, the boundaries of the structure are defined by the borders of the participating

member states, as it is in the case of the EU. In the case of subregionalism the formal borders are less important than the natural geographical or economic boundaries (e.g. the Nordic-Baltic group). The geographical dimension of subregionalism schemes opens up the possibility of participation not only for the states but also for their constituent components, such as not the whole of Germany, but the individual German Länder. In the case of the 3SI, we again have a geographical criterion, as the participating states are located in the space between three seas – the Baltic, the Black and the Adriatic.

Thus, bearing in mind all these modalities, the case of Lithuania's participation will be examined further in the text. The text will show how, from Lithuania's perspective, efforts are being made to contribute to maintaining the rational and synergistic nature of the interaction between 'regionalism' and 'subregionalism' in the planning and implementation of 3SI objectives and projects.

Lithuania and 3SI objectives

The 3SI was formally launched by the Polish President Andrzej Duda and the Croatian President Kolinda Grabar-Kitarović, with the very first summit of this young European format taking place in Dubrovnik in 2016. Since then annual summits of twelve heads of states have been organised every year, providing the political inspiration and oversight of this framework. Lithuania has taken part in the 3SI right from its inception. President Dalia Grybauskaitė lent her support to this Initiative by joining her fellow colleagues in Dubrovnik and emphasising Lithuania's intention of deepening the engagement with this multilateral cooperation platform. The 3SI's core objective of improving the infrastructure among its member states and closing the economic gap between Western and Eastern Europe was highly welcomed by Lithuania. After all, Lithuanian authorities, together with other members of this Initiative, were perfectly aware of huge infrastructure needs in this part of Europe, with the International Monetary Fund estimating 1.15 trillion € for the total infrastructure costs for the Three Seas region.⁸

Drive for energy security

While the 3SI comprehensively focuses on fostering transport, energy and digital infrastructure, investments in energy infrastructure and diversification were generally viewed as higher priorities for Lithuania in the beginning.⁹ After all, Lithuanian accession to the 3SI coincided with its drive for energy independence, and deliverance from Russian gas supplies, which had long been used as a political weapon aimed at trying to coerce Lithuania (dependent on Russian gas until then) to alter its value-based foreign policy. In autumn 2014, the first liquified natural gas (LNG) terminal in the eastern Baltic Sea, the so-called floating storage regasification unit (FSRU), with the symbolic name of 'Independence', was commissioned in the Lithuanian port city of Klaipėda, allowing Lithuania to fulfil its energy diversification goal. This LNG terminal was built to ensure Lithuanian consumers could still get gas even if political relations with Russia soured to such an extent that supplies from the East had to be switched off. The story of Lithuania's 'Independence' could offer a useful case study for other countries in the region of the Three Seas looking to pivot away from Russian gas¹⁰. LNG is pumped onto the vessel from a transport ship where it is turned back into gas for use or storage. FSRU systems can be built relatively quickly – project lengths are estimated between one and three years – and generally require fewer planning permits than a permanent land-based equivalent. They can be moved from place to place and swapped out for bigger or smaller units as needed with comparative ease. Importantly, they also allow a country to pick and choose where its LNG supplies come from: Lithuania currently sources much of its LNG from Norway, the US and Qatar.

Vindicated with this success in the area of LNG, Lithuania Has been also spearheading efforts with other energy projects, such as a submarine power cable between Klaipėda in Lithuania and Nybro in Sweden, known as NordBalt (also formerly as SwedLit), achieved in 2015, the purpose of which was to facilitate the trading of power between the Baltic and Nordic electricity markets, and to increase supply and energy security in both markets. Synchronisation between the electricity grid of the Baltic States and Continental Europe's TSOs (European transmission system operators) was also finding its way to the political agenda around those years, attesting to the pioneering role

that Lithuania was playing in the Three Seas region in terms of energy diversification and explaining why energy security could be considered as one of the most important objectives for Lithuania in the first years of the 3SI. The latest achievement, which only reinforces this thesis, was the successful launching on 1 May 2022 of the Gas Interconnection Poland–Lithuania (GIPL) pipeline between Poland and Lithuania, allowing for the physical transmission of gas flows and helping to integrate the Baltic States and Finland into the European gas market. This latest infrastructure project constitutes another milestone in the history of the development of energy independence between Lithuania and Poland and in the region in general, especially in the context of securing a reliable gas supply in the current geopolitical conditions, when we witness a major disruption unfolding with Russia, which chose to isolate itself from civilised international community by waging a war on Ukraine and overtly blackmailing and threatening some EU member states with the cessation of supplies of energy resources.

Transport connectivity

However, energy security was not the only priority of Lithuania in terms of infrastructure development. Another important domain, which traditionally attracted the full attention of the Lithuanian authorities, was transport connectivity. It is not a coincidence that among the eight priority interconnection projects identified by Lithuania in the compiled database, serving as a pool of projects that should be carried out in order to improve the connectivity of the Three Seas region, four belonged to transport domain, with other four pertaining to energy.

In the area of transport within the Three Seas region, Lithuania was clearly adhering to the logic that the east–west transport infrastructure, which remained more developed as part of the Soviet legacy, had to be replaced with a greater emphasis on north–south linkages, just as the dominance of east–west pipelines and limited alternatives to those pipelines have been factors in Europe’s continued dependence on Russia in the area of energy. Evidently, all four Lithuanian transport projects in the above-mentioned database (Viking Train, Rail Baltica, Via Baltica and 5G cross-border transport corridors for connected and automated Mobility (CAM) in the Baltics) were aiming at reinforcing the north–south vector and increasing the collective connectivity of the Baltic

States with Poland and the wider central European region. President Gitanas Nausėda, who for the first time took part, virtually, in the 3SI Summit in Tallinn, opted to project continuity with his predecessor Dalia Grybauskaitė by reiterating the importance of geopolitical aspects in relation to the transport and energy infrastructure in the region. He mentioned that energy and transportation are the strategic sectors for Lithuania, which ensure economic growth and national security. Further, he highlighted that Lithuania has been already undertaking several pan-European infrastructure projects such as Rail Baltica, Via Baltica and the synchronisation of the electricity grid with continental Europe and the connection of the gas distribution network with Poland.

Digital and cybersecurity

With energy and transport projects clearly taking centre stage in the list of Lithuania's priority projects submitted to the 3SI database, the absence of digital connectivity projects has been somewhat salient in the beginning. However, lately Lithuanian's attention has also started shifting to digital and cybersecurity. When attending the last 3SI Summit in Sofia, Bulgaria on 9 July 2021, the Lithuanian President Nausėda was very explicit in pointing out that while creating vibrant digital economies it is important to stay protected from cyberattacks as well.¹¹ In fact, since 2019 Lithuania has been trying to put an emphasis on the creation of very practical tools aimed at dealing with cyber emergencies. Upon the initiative of Lithuania as a lead nation, the EU's Cyber Rapid Reaction Team (CRRT) was founded in 2020 by a handful of like-minded EU member states, most of them part of the 3SI (Lithuania, Croatia, Estonia, Poland, Romania and the Netherlands), in the framework of the Permanent Structured Cooperation of the common security and defence policy of the EU.¹² It was conceived as a very practical tool, oriented towards addressing cyber emergencies and cyber crisis management, a sort of cybersecurity rapid response force, agile, on stand by and ready to deploy the necessary toolkits. It came to prominence recently, right before the Russian aggression on Ukraine, when upon Ukrainian request it was activated by the EU in February 2022, and although the physical deployment of CRRT was suspended, its alert and monitoring level has been maintained, assisting Ukrainian authorities in identifying support needs.

Another expression of growing Lithuanian involvement in cybersecurity issues on a regional scale was the creation in 2020 of the regional cybersecurity centre in Lithuania's second biggest city of Kaunas, with a strong US involvement and with the participation of Ukraine and Georgia.¹³ Furthermore, in the framework of the 3SI itself and in collaboration with Poland, a seminar on boosting cybersecurity was held in Vilnius, with the participation of representatives of four countries – Latvia, Estonia, Poland and Lithuania – offering to explore further cooperation in the field of cybersecurity and to assess the region's capacity in developing secure and resilient solutions, through dialogue and cooperation between public and private entities. Cybersecurity in the 3SI framework could also be linked to a development of telecommunication technologies of tomorrow and the implementation of 5G corridors, as part of the wider EU Trans-European Transport network. For Lithuania a regional approach to those kinds of projects could be a perfect way to proceed and would allow private companies to seek joint solutions.

Economic growth

The objective of economic growth of the Three Seas region and greater interests among investors has also been positively perceived by Lithuania. In January 2020, Lithuania formally adhered to the Three Seas Initiative Investment Fund (3SIIF) by making an EUR 20 million contribution via its National Promotional Institution (VIPA). Lithuania takes part in all the governing bodies of 3SIIF and encourages its companies and business entities to seek opportunities with this capital fund as an alternative financing instrument to foster growth and connectivity in the Three Seas region.

Geopolitical dimension of the 3SI

However, while adhering to the formula that the 3SI is an economically driven and politically inspired framework, Lithuania has always put a stronger emphasis on the geopolitical nature of this unique subregional format.

European framework

From the outset, one of the recurrent elements in the position of Lithuania towards the 3SI has been the prominence given to the role of the EU in this project. Indeed, Lithuania sees this intra-European connectivity initiative, with all twelve participants belonging to the EU, as a great opportunity to strengthen regional cooperation and deepen EU integration. Therefore it has always been of utmost importance for the Lithuanian authorities that the Initiative operates in accordance with EU policies. As long as this criterion is met, Lithuania expects the Initiative to positively contribute to the EU market and increased connectivity among EU countries. Furthermore, Lithuania would endorse even tighter cooperation between the EU and the Initiative than is currently the case.¹⁴ Besides the political participation in the summits of high EU officials, Lithuania would welcome the actual contribution of European specialised financial institutions, such as the European Investment Bank or the European Bank for Reconstruction and Development, to the 3SIIF. To Lithuania's liking, this coalition of twelve EU member states is also underused in Brussels and could better advocate for the goals of the Initiative there, by working more closely with various EU institutions. After all, whether we want it or not, the main vehicle to address the connectivity gaps within the 3SI region and implement large-scale strategic interconnection projects will be EU instruments and the funding avenues they offer, be it through Trans-European Transport and Energy Networks, Connecting Europe Facility, Recovery and Resilience Fund and others.

Beyond Europe

Another fundamental political point in the attitude of Lithuania within the 3SI was the emphasis on the transatlantic dimension, which has been systematically reflected in all interventions by Lithuanian leaders attending the high-level events in this framework. At the summit in Sofia, President Nausėda unequivocally stated that the 3SI serves as a platform for enhanced regional cooperation with the US, which also makes the whole of Europe stronger.¹⁵ It should be noted that fostering strong transatlantic ties has always been at the core of Lithuanian foreign policy across all international formats and is equally

prominent in the context of the 3SI Lithuania has been in favour of more active US involvement in regional projects and the 3SI activities, be it bilaterally, or through a US financial contribution to the 3SIIF. The Lithuanian authorities appreciate and welcome the strong political support that the 3SI has been enjoying from the previous and current US administration as well as bipartisan support in the US Congress.

In terms of geographical reach and geopolitical approach, Lithuania has always advocated for the convergence of the 3SI with other like-minded partners across the globe, who have a similar approach to values-based connectivity and aim to offer quality infrastructure to various regions in the world. Therefore, a closer association to the 3SI framework of such partners as the United Kingdom, Japan, Republic of Korea, Canada and others has always been strongly supported by Lithuanian authorities. According to Vilnius, the investment potential embedded in some of the leading financial institutions of those major world economies would certainly be able to significantly contribute to increasing the overall capital value of the 3SIIF and would help to achieve its goal of reaching the target size of EUR 3–5 billion. Moreover, involvement of those countries in the 3SI could contribute to the consolidation of the emerging, worldwide trusted connectivity alliance, with its two biggest pillars, the US-inspired Build Back Better World initiative and the EU Global Gateway programme, taking centre stage.

Eastern Partnership

Another very clear priority for Lithuania in terms of the geographic outreach of the 3SI was its closest vicinity with the three associated partners of the EU from the Eastern Partnership countries in particular. It should be said that despite the strategic importance of the Black Sea region, the 3SI politically only consists of EU member states, even though the format does not set any formal limitations to non-members. In January 2021, in a joint statement the presidents of Ukraine and Moldova reaffirmed their interest in joining the 3SI and later on, on 19 July at the Batumi Summit, all three countries – Ukraine, Moldova and Georgia – underlined the importance of the Three Seas framework for the region.¹⁶ From Lithuania's perspective, the greater assistance that this framework could offer to those three countries as well as other hopefuls from the Balkans, by extending the connectivity

projects, could help to better anchor those states physically with the EU and would allow for better mobility and connectivity of the north–south axis of Central and Eastern Europe. In this regard, Lithuania has been setting an example by undertaking practical steps, such as the creation of the above-mentioned regional cybersecurity centre, with the participation of Ukraine and Georgia.

Micro-regional component

It is interesting to note that in terms of the correlation of regional, subregional and micro-regional or local dimensions of the 3SI, Lithuania has also been actively taking part in the so-called 3SI Forum of Regions, initiated by the Lubelskie *voivodeship* (region) and composed by five Polish voivodeships: Lubelskie, Mazowieckie, Podkarpackie, Podlaskie and Świętokrzyskie, joined by the Lithuanian regions Alytus and Marijampolė, and the city of Panevėžys, the Presov Region from Slovakia, the Hungarian Hajdú-Bihar County, as well as five Romanian regions: Călărași, Caraș Severin, Dolj, Maramureș and Timiș. The signing of a formal interregional agreement establishing the Network of Regions is planned to be achieved in 2022, with the participation of the Lithuanian municipalities mentioned above, and would encompass the adoption of the network's statute, creation of specialised sections for transport, tourism, economy, etc., admission of new members from other 3SI countries, implementation of joint projects from available EU programmes and a series of events on local level.

Conclusions and recommendations

After reviewing Lithuania's participation and interests in the 3SI, it is easy to note that among all the main objectives so far, priority has definitely been given to energy security. Lithuania has learned the painful 'lessons' of unilateral dependence on one supplier and has focused as much as possible on solving the problem of energy independence. Initially, in implementing the LNG terminal project, Lithuania did not receive the support of either the European Commission or neighbouring countries and had to rely on national resources. However, now that the geopolitical and geo-energy situation has changed dramatically, it has

become a role model not only for its neighbours, but also for the EU's largest economy – Germany. Cooperation within the framework of the 3SI opens new opportunities and perspectives for Lithuania not only to further strengthen energy security, but also to profitably participate in the regional energy market.

On the other hand, with significant progress in the problem of energy security, other 3SI objectives – transport connectivity, economic growth and cybersecurity – should naturally receive more attention in the future. Lithuania, along other countries in the region, is gradually realising that this initiative should positively affect its national security. For Lithuania, the 3SI should follow primarily national security aims and strengthen defence capabilities in the region through the reinforcement of physical and digital infrastructure interconnected between the twelve countries of this format and also with the western part of Europe. Besides that, the 3SI projects may become increasingly relevant from the perspective of the security architecture in the region since they include infrastructure projects that can contribute to the strengthening of the military logistical capabilities of the NATO forces deployed in the region and the improvement of overall infrastructure resilience.

But the biggest changes, no doubt, will be in geopolitics. Geopolitics is the main stimulus encouraging Lithuania not only to support but also to actively operate in the subregional 3SI format, as here Lithuania sees the greatest added value to the already existing European 'regionalism' format. Russian aggression and the war in Ukraine are changing the total regional paradigm. The 3SI and the north–south axis is becoming a backbone of subregional dynamics. Furthermore, the 3SI reveals itself geopolitically particularly relevant in the context of Lithuania's withdrawal from the so-called '16+1' format of cooperation between China and Central and Eastern European countries and the resolute determination of Lithuanian authorities to pursue a values and democratic standards based approach towards interaction with non-European countries through regional and subregional frameworks.

Finally, the case of Lithuania is interesting not only in a practical political but also in an academic sense, as it significantly contributes to solving the puzzle of 'subregionalism' mentioned at the beginning of this text. It provides a better understanding of why countries already involved in 'regionalism' (in this case in the EU) nevertheless choose to join additional formats for subregional cooperation (in this case the 3SI).

ENDNOTES

- ¹ Lau, S. 21.05.2021. Lithuania pulls out of China's '17+1' bloc in Eastern Europe. *Politico*. <https://www.politico.eu/article/lithuania-pulls-out-china-17-1-bloc-eastern-central-europe-foreign-minister-gabrielius-landsbergis/>
- ² Hamanaka, S. 2015. What is Subregionalism? Analytical Framework and Two Case Studies from Asia. *Pacific Focus*. *Inha Journal of International Studies*, vol. 30, no 2, p. 389
- ³ Gamble, A., Payne, A. eds. 1996. *Regionalism and World Order*. Basingstoke: Palgrave; Glenn Hook, Ian Kearns (1999), *Subregionalism and World Order*, Basingstoke: Palgrave; Shaun Breslin, Glenn Hook, eds. (2002), *Microregionalism and World Order*, Basingstoke: Palgrave.
- ⁴ See. Hamanaka, S. 2015. Op. cit, Table 3 on p. 397.
- ⁵ It should be noted that the term 'subregionalism' is used here only in an academic sense and not in a practical political sense. Commonly the concept of 'regional cooperation' or 'regional effort' is used instead of 'subregionalism' in the Three Seas Initiative's formal and informal discourse.
- ⁶ See Paragraph 3 of the Joint Declaration of the Sixth Summit of the Three Seas Initiative, Sofia, 08.07.2021. <https://3seas.eu/event/joint-declaration-of-the-sixth-summit-of-the-three-seas-initiative>
- ⁷ Ibid.
- ⁸ Ari, A. et al. 2020. Infrastructure in Central, Eastern and Southeastern Europe: Benchmarking, Macroeconomic Impact, and Policy Issues. *International Monetary Fund*, p.15, footnote 7. <https://www.imf.org/-/media/Files/Publications/DP/2020/English/ICESEEBMIEA.ashx>
- ⁹ Kornis V. 31.01.2022. Lithuania's position on the Three-Seas-Initiative. *Friedrich Naumann Foundation for Freedom*, *Guest Commentary*. <https://www.freiheit.org/central-europe-and-baltic-states/lithuanias-position-three-seas-initiative>
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- ¹² European Defence Agency. 24.02.2022. Activation of first capability developed under PESCO points to strength of cooperation in cyber defence. <https://eda.europa.eu/news-and-events/news/2022/02/24/-of-first-capability-developed-under-pesco-points-to-strength-of-cooperation-in-cyber-defence>
- ¹³ Ministry of National Defence of the Republic of Lithuania. 2021. Regional Cyber Defence Centre officially starts work. <https://kam.lt/en/regional-cyber-defence-centre-officially-starts-work/>
- ¹⁴ Valerie Kornis (2022), op. cit.
- ¹⁵ Media Center of the President of the Republic of Lithuania (2021), op. cit.
- ¹⁶ Davlachelidze, M. 27.10.2021. The importance of joining the Three Seas Initiative for Georgia, Ukraine and Moldova. *Foreign Policy research Institute, Eurasia program, Intern Corner*. <https://www.fpri.org/article/2021/10/the-importance-of-joining-the-three-seas-initiative-for-georgia-ukraine-and-moldova/>

Poland: Regional leadership stunted by governance dilemmas

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The Three Seas Initiative (3SI) is the Polish answer to the infrastructure deficiency gap in Europe, especially on the north–south axis. Poland, in order to maintain its leading role in the 3SI, promotes the necessary governance upgrade that would allow it to deliver greater investment in and visibility for the 3SI success story. It may also consider boosting the European dimension of the initiative, which has been lost due to ongoing struggles with the European Union (EU) over the rule of law. Leaving aside its grand historical narratives for emphasising the usability and uniqueness of this format in the context of EU macro-regions will also allow Poland and Central and Eastern Europe (CEE) to deliver added value also to its neighbourhood, and especially to Ukraine, by embedding it in the ongoing connectivity plans for CEE.

The economic growth and resilience of the 3SI region and greater interest among investors

Poland, due to its geographic position in the centre of the 3SI, has much to gain from the development of north–south connections within the 3SI region. This is why its priority projects focus so heavily on the development of these routes and this was the driving force economically for it pushing for the 3SI initially in 2016. Since the 2004 accession into the EU of Poland and eight other 3SI member countries (Austria joined in 1995, Bulgaria and Romania in 2007, and Croatia in 2013), the primary focus was put on developing east–west connections in all forms of infrastructure due to the closest economic and industrial centre being Germany. At the same time, the Visegrád Group (V4), established in 1991 to nurture the westward political and military direction of Czechoslovakia (before the Velvet Divorce),

Hungary and Poland, has been working on the centuries-long ambition to improve north–south connectivity and cohesion, with a window of opportunity to accomplish those goals opening after their EU accession.¹ Poland plugged its industry into German supply chains as this was the quickest path towards the development of the country. This path of development was mirrored throughout the region. Starting its economic transformation in the 1990s on borrowed money from the US, Germany and other EU countries, it achieved levels of growth that placed Poland among the top five trade partners for Germany by the early 2020s.

One criticism of developing the north–south connections in Central and Eastern Europe is that it can never be as economically feasible as east–west connections due to current trade routes within Europe. This macro-region-wide infrastructure deficiency, which blocks the further economic development of the whole EU, was the primary policy objective forwarded by the Polish government when setting up the 3SI. It is important to underline that it was set up in accordance with the grand EU objective of fostering connectivity on the continent. Until today, there has been no railroad connection between Estonia and Poland – the Rail Baltica route is only in construction and the railroad infrastructure between Warsaw (Poland) and Sofia (Bulgaria) is so poorly developed that it takes twice the time to cover that route in comparison to the Paris–Warsaw route (which is twice the distance).

The lack of satisfactory trade between CEE actors has been attributed by Poland to subpar infrastructure, and it was assumed that if a functioning route existed then trade would increase, along with profits for investors. The most ambitious innovation of the 3SI was the creation of an investment fund. The Three Seas Initiative Investment Fund (3SIIF) is a private fund exclusively advised by the UK-based Amber Infrastructure Group and registered in Luxembourg.

The 3SIIF was an innovation brought about at the 2018 3SI summit in Bucharest to be a practical way of leveraging national investment plans, propelled primarily by hundreds of EU funds allocated from national chapters of the EU budget to the macro-regional level. The funding of 3SI connectivity projects is expected to be a mix of private and public funds, with the initial funds coming from the national development banks, to be bolstered by global investors at the next stage. As of May 2022, the fund is yet to receive donations by all the members of the 3SI

(Austria, the Czech Republic and Slovakia are missing), but the bulk of the seed funds have been provided by the Polish Bank Gospodarstwa Krajowego (Polish National Development Bank, BGK) along with the Romanian investment bank in the amount of over EUR 500 million.² The objective of the fund is to raise an estimated EUR 3–5 billion, which makes Poland the largest investor in the fund, and the US administration has promised to match the amount, which would increase the visibility and reliability of the investment fund. The fund's first project was acquiring a 100% interest in Cargounit, the largest private locomotive leasing company in Poland.³ This investment is always mentioned as an early success of the fund in its presentations for investors.⁴ The fund has many connections to Poland, which is to be expected as Poland is the initiator and main driver behind the 3SI. Beata Daszyńska-Muzyczka, President of BGK, is also the Chairperson of the Supervisory Board of the 3SIIF and appears in most events connected to the 3SIIF. But after the initial Polish investment, the fund has yet to fund another project in Poland, instead choosing to fund projects in Slovakia, Estonia and most recently Romania.

Priority projects

3SI cooperation is based on a set of priority projects which each government sets out and which are supposed to have benefits for more than just one country in the 3SI. Priority projects became a part of the 3SI in 2018 with the summit in Bucharest. Although the idea of the priority projects was to shortlist a concrete set of projects for the 3SI, this did not happen – the Czech Republic, for example, only put forward a very unpopular project, the Danube–Oder–Elbe Connection (something Poland has prioritised as well), while other countries such as Hungary put forward many projects which were entirely within their borders and quite small in scale. Poland currently has ten priority projects which meet the above-mentioned criteria, and it has been actively reporting on them. Although the digital element of the 3SI has been proclaimed as one of its three key areas, for Poland the priority projects almost exclusively cover energy and large scale infrastructure, with only the 3 Seas Digital Highway being the exception.⁵ The Digital Highway was introduced by Poland and sets the broad goal to '[create]

cross-border cyber resilient digital infrastructure projects (the 3 Seas Digital Highway) that enable better and more secure data transfer from north to south of the region and bridge the gaps in the communication infrastructure, including fibre optics and 5G technology infrastructure.’ As was agreed upon in the Ljubljana summit of 2019, yearly reports on the priority projects by each country are published on the 3SI website.⁶

Rail infrastructure plays an important role in Poland’s plans for the 3SI, as is evidenced by the first 3SIIF investment and the prominent role that rail plays in Poland’s priority projects. One successful priority project is the planned expansion of the ‘Amber Rail Freight Corridor’, which is a corridor between Poland, Hungary, Slovakia and Slovenia. The project helps facilitate freight shipments between all countries involved and connects Slovenia’s Adriatic port to Hungary’s and Slovakia’s Danube ports. Developing freight infrastructure within the region is in Poland’s economic interests as its rail industry is the largest in the region, with PKP and PKP Cargo being two state-owned railway companies. PKP Cargo is hoping to expand its role in Europe as the facilitator of EU-Chinese rail freight trade, as it already has an advantageous position due to the dry land port of Małaszewicze on the border with Belarus.⁷

Another railway project is Rail Baltica – although this is not considered to be a Polish project, it has much to offer the country. Rail Baltica is a shared priority project of Poland and the Baltic States and envisions linking up the Baltics (and possibly Finland) to the rest of the EU by rail.⁸ The Baltics up to this point have had an issue with connections to the EU by rail due their rail networks having wider gauges due to their occupation by first the Russian Empire and then the Soviet Union. Any rail connection between the Baltics and the rest of the EU will go through Poland. Such rail infrastructure would open up new markets and new trade, which would all flow through Poland and give Polish railroad companies new opportunities in the Baltic markets.

The key infrastructure project that has been closely connected to the 3SI since its inception and is of particular interest to Poland is known as Via Carpatia. Via Carpatia is a highway that would connect Klaipėda, Lithuania with Thessaloniki, Greece and run through the entirety of the eastern part of the 3SI – Lithuania, Poland, Slovakia, Hungary, Romania and Bulgaria. The Polish government has already secured funding for building the road through its territory, but one

of the main objectives of Poland is to have Via Carpatia added as a Core Network of the EU's Trans-European Transport Network (TEN-T), which would massively increase the funding for the entirety of the project. The reason it is currently not part of the core network is due to the way the TEN-T network is agreed upon, through the balancing of geographic and economic needs for a particular network. Currently, TEN-T is going through a possible redesign, and with proper lobbying from the region it could be possible to have Via Carpatia added to the TEN-T Core Network, which would open up many more funds as well as give the project the institutional oversight of the transnational EU instead of being under the auspices of individual states, some of which (Slovakia and Hungary) seem to be not so keen on prioritising this project. The project is key to Polish interests due to the potential trade and development it can bring to the eastern regions of Poland, which are traditionally agrarian and less developed than the central or western parts of the country. It also happens to be the most loyal voting base for the ruling PiS government.

Aside from transit infrastructure, the other big area in which Poland sees a large amount of potential for itself economically is gas infrastructure. Poland's state-owned PGNiG has the strategy of becoming a gas broker within the region, with the strategic benefit of having the region move away from Russian gas. To this end, Poland has spent considerable resources diversifying its gas in the past few years, with LNG ports in Świnouście and a planned Baltic pipeline from Norway. One of Poland's largest goals with the 3SI other than infrastructure is to build gas interconnectors with Lithuania and Slovakia to be able to sell non-Russian gas to the landlocked countries of Central Europe and to the Baltics along with Finland. Another neighbour for which Poland has strategic hopes is Ukraine, which does not have LNG ports and could be cut off from Russian gas at any time. Currently, the reverse flow to Ukraine is only possible from Slovakia, and therefore Poland is looking to open an interconnector with Ukraine, being one of the key providers of gas to its largest continuous neighbour.

Poland – as the initiator, the largest funder and the country with the most ambitious 3SI projects – sees a lot of economic potential in the cooperation. The projects, though they have economic merit, cannot be disconnected from the national strategic element that drives the most ambitious projects. Large-scale infrastructure and energy

projects stand to benefit the national industries of Poland, namely the state-owned railway company PKP (PKP Cargo) and the gas company PGNiG. Poland, being the largest state within the cooperation format and with the largest state-owned companies in these strategic fields, stands to gain the most from this economic interconnectedness, yet it remains to be seen if it will reach its ambitious goals and whether these goals will collide with the ambitions of its neighbours, who could fear economic and political influence coming from their larger neighbour if interconnectedness in the region is developed solely according to Poland's vision.

Geopolitics

The backbone of Poland's security policy after 1989 can be found in the articles of Juliusz Mieroszewski (also known as 'Londyńczyk') in Jerzy Giedroyc's Polish exile paper *Kultura Paryska* (Parisian Culture). The most influential article being *Rosyjski "kompleks polski" i obszar ULB* ('The Russian's "Poland issue" and the territory of the ULB'), where ULB refers to Ukraine, Lithuania and Belarus.⁹

The fundamental theory is that Poland can only be secure if it is surrounded by independent democratic nation-states that are free from Russian or other foreign imperialist domination. This particular angle on ULB has been developed and elaborated further in *Kultura Paryska* to also include the project of liberating Czechoslovakia and Hungary from Russian imperialism (as well as the most ambitious stipulated hopes for the Russian nation-state itself to be liberated from its imperial legacy) and laid the foundations for underground cooperation between the main democratic opposition actors in the region.

The Visegrád Group, which materialised after its founding members successfully coordinated the withdrawal of the Red Army from their territory, laid the foundations for a common understanding of the security strategy and helped pave the way to NATO and later to the EU. The Visegrád Group along with its grassroots cooperation, supported by the International Visegrád Fund among others, remains the backbone of regional identity and planning, although several parallel regional formats have emerged since and will probably continue to emerge, while others lose prominence (e.g., the Central European

Initiative, the Slavkov Triangle, the Central Five, the Bucharest Nine, the North Baltic Eight, etc.).

Over the three decades of its independence, Polish foreign policy has always prioritised two European formats, in which Poland saw its strength through interconnectivity in Europe: the Visegrád Group and the Weimar Triangle, the latter of which had France and Germany on board but was largely unfulfilled in terms of political and policy coordination when compared to the former format. Additionally, over the past decade or so Poland has been actively involved in cooperation in the Baltics, building up the strength of that cooperation upon the premise of interconnectedness across Europe. Such platforms have been serving as a pivot for larger ambitions within the EU through joint initiatives for policy frameworks such as the Eastern Partnership (initiated jointly by Sweden and Poland to be later embraced by regional partners and eventually the EU overall) or the Bucharest Nine (for CEE positions within NATO, initiated with Romania).

The 3SI can be viewed as Poland's further attempt to create real material connections between CEE countries in the EU, thus leading to closer economic and political ties and helping to achieve the overarching geopolitical goal of being surrounded by friendly democracies. As an initiative by the president of Poland, 3SI policies were not initially executed by the relevant national governments, and it has been updated in that respect over time. In the case of Poland, the presidential format has followed the previous track record of Polish presidents hosting larger CEE delegations of national leaders in Warsaw and representing their voices to global stakeholders, especially to the US. However, previous formats of CEE groupings lacked a cohesion of objectives and status, as there was a mix of EU countries and non-EU counterparts.

Poland, due to its size and location, is simultaneously a large country in its own region, but at best a medium-sized one when it comes to the whole of the EU. A country of slightly over 38 million people (as the preliminary results of the 2021 census show¹⁰) and a land area of 312,679 square kilometres makes it by far the largest in terms of size and population of all 3SI countries. But not when compared to Western Europe, as Germany has a population of roughly 83 million and France 67 million. Not to mention the size of the economy of Poland's Western European neighbours. This has sparked a debate in Poland about its

role in Europe and the proverbial dilemma of whether to be a relatively small fish in a big pond or to be a big fish in a smaller pond (this being Central Europe). Those in Poland's foreign policy community who are more connected to the previous ruling party of PO stressed Poland's relationship with Germany and France, creating the Weimar triangle, while the more conservative PiS stressed firstly the Visegrád cooperation format and are viewed as the architects of the 3SI, this being the culmination of their geopolitical view of Poland's place in Europe, as the leader of the Central European region.

Before Brexit process started, the current PiS government pivoted from Germany towards the UK in their coordination on EU policy; this direction had to be reversed only a couple years later, but with much hesitancy from Warsaw towards Berlin. While post-Brexit Europe only emphasised the potential role of Poland in coordinating positions with smaller countries on future EU policy directions, the PiS government has also emphasised their bid for CEE to become the leading actor in Europe in terms of the transatlantic partnership, countering Joe Biden's strategy to build transatlantic relations primarily through Germany. The PiS government strategy was based on the assumption that Donald Trump's administration would not choose the same path for their relations in Europe and would in comparison elevate CEE's position in transatlantic relations. In reality, neither of these two strategies is fully integrated due to the ongoing war in Ukraine, in which Poland's role as the main response hub has given it a natural leadership position in CEE and Germany, and which has shown, despite lamentable political communication, that it is an indispensable element of security architecture and responses to the needs of Ukraine and CEE.

The most compelling argument for Poland's ambition for Via Carpatia is the military implications of the project. All countries along the route are NATO members, but due to the existence of the Carpathian Mountains and a low state of development, there is no large scale infrastructure connecting the Baltics to Romania and Bulgaria; for the hypothetical defence of the eastern flank, this could be disastrous as there would be no way to move people and equipment efficiently along the entirety of the front.

Looking at the geography of the 3SI region from the Polish perspective, the only natural border on the east–west axis is the Oder River, which has not hindered infrastructure development and made

the building of east–west connections much easier. This is not the case for a north–south connection between Poland and the southern countries of the 3SI. In between lies the large Carpathian mountain range with its highest peaks, the Tatra mountain range, being Poland's most ancient border.

The traditional routes around this mountain range go through extreme border points connecting to the Czech Republic and going further towards Vienna, but there is no significant infrastructure in the east that connects Poland and the southern 3SI countries, as for these regions it was much easier to go westward through the Great European Plain into the economic hubs of Germany and Austria than to cross the Carpathian mountains to the much poorer regions to the south. This poses a challenge for the 3SI – just as the creation of the road networks through the Alps, it requires large sums of resources that the region might not be willing to spend unless through large-scale pan-EU funding schemes, such as those the CEE region enjoys today.

In terms of geopolitical analysis, Poland is considered only through a fatalist lens that subjects it to the great power game of global players. Its current strength has been formed primarily through an agile build-up of networked interdependence that is aimed at defying these geopolitical narratives. Despite the ongoing clash with EU institutions over the rule of law, Warsaw is continuously emphasising the primacy of international law and rule-based order, which are preconditions of security for a country that is largely exposed from the point of view of geopolitical risks. Nevertheless, the narrative of geopolitical analysis has recently been popularised, especially among analytical circles close to right-wing optics. It has also been instrumental in finding common ground between policy influencers of US origin and the CEE region in the context of the global competition between the West and the revisionist powers (Russia and China). With the Chinese format for CEE cooperation falling under the 17+1 brand, the 3SI has been considered as a better alternative and a quite important element of the US global strategy, approved by both main parties. Poland, demonstrating its firm commitment to the US as a key transatlantic ally in Europe, considers the 3SI to be a pillar for further economic and security cooperation across the Atlantic.

Energy security

Currently in the 3SI region there is an overwhelming reliance on Russian gas. Between 2014 and 2019, there was a 16.5 billion cubic-metre increase in the volume of imported Russian natural gas to 3SI countries, which marked nearly a 50% growth in consumption. As the economies of Central Europe grow, the need for energy grows as well, leading to imports from outside the region, namely Russia. There is around a 50% energy dependency on Russia on average across the region, with a steady increase since 2000 (when it was 44%). As economies grow, the need for foreign energy imports increases and the region needs to find supplies from outside. This reasoning has also consolidated the common V4 position on their nuclear energy strategy; while Poland is still the only one that does not have such a power plant, the rest of V4 is planning to maintain, modernise and expand their nuclear power sources.

Poland recognised the need for diversification early on due its to belonging to the Warsaw Pact and being completely dependent on Russian gas flowing through the Yamal pipeline. This absolute dependency led to Poland being one of the highest payers for gas within the entirety of the EU. Gas diversification was one of the main catalysts in Poland for the formation of the 3SI in the first place, along with Croatia, which was working on an LNG port in Krk in 2016. One of the original visions for the 3SI was to create a gas network through the east of the EU from Krk to Świnouście, giving all the countries traditionally dependent on Russian gas the ability to buy from the international LNG market using the Polish and Croatian LNG ports. Poland still hopes for this gas network to become a reality, and with the current war in Ukraine it has a historic opportunity to push this ambition for regional gas diversity forward, as evidenced by the visit of Polish President Andrzej Duda to Slovakian President Zuzana Čaputová in May 2022, during which swift action on an interconnector between Poland and Slovakia was promised. Poland also is looking to be a primary energy broker for the region through the state-owned company PGNiG and is planning to build a gas interconnector with Ukraine, helping the country move away from Russian gas as quickly as possible.

Poland's energy policy for the 3SI so far has been highly gas-focused, without any priority project that concerns green energy. One part of

Poland's energy mix which is not mentioned in the 3SI but should be much more deeply looked into is its reliance on coal, much of which is imported from Russia.¹¹ Coal constitutes around 40% of Poland's energy mix, making Poland one of the dirtiest energy producers within the European Union; while the diversification of gas supplies has been a priority for this government, relatively little has been done to substantially reduce the amount of coal used in the production of energy in the country.

Poland and the 3SI countries as a whole would have much more to gain energy-wise if more of an emphasis were placed on diverting away from gas and fossil fuels rather than mere diversification. As far as diversification is concerned, unless the US becomes the sole supplier of LNG, it will likely mean trading Poland's dependence on one autocratic energy-rich neighbour to a series of autocratic energy-rich countries such as Saudi Arabia or Qatar.

Reliable, sustainable and inclusive connectivity

While the importance of the region in trade is already significant and ever-growing, its infrastructure, both in quality and quantity, is far behind its Western counterparts. While east–west connectivity has been prioritised as the most profitable route for commerce, the north–south connection has been left relatively overlooked within the general plan for EU infrastructure, and the Trans-European Transport Network (TEN-T) has a clear gap in north–south connectivity in the 3SI region. An example of this disparity can be seen in how a theoretical train ride would look from Warsaw to Paris vs Warsaw to Sofia. According to Rome2Rio, a train ride from Warsaw to Paris which is almost 300 kilometres further than the distance to Sofia, is only 15 hours and 40 minutes long with two transfers.¹² A trip from Warsaw to Sofia can take over 34 hours to complete and requires 4 transfers. This perceived gap between north and south is currently being discussed between some 3SI member states and the EU as a necessary project that must be included in the TEN-T (which would lead to significant development funds from the EU).

The need for such connectivity is clear from an inclusivity perspective, and many perceived historical and ethnic issues could

be addressed through beginning the proper process of dealing with not only the legal opening of borders, which is already the case for all members of 3SI, but also the creation of rail and road infrastructure that could make a rail or car trip from Warsaw to Sofia as feasible as it already is between Warsaw and Paris. But in order to achieve the same level of cohesion as has been achieved between Germany, France and Italy, the rail and road infrastructure in the 3SI region should become somewhat comparable with its Western counterparts. While the case for the inclusiveness of these connectivity projects is clear, the sustainability and reliability of Poland's – and therefore the entirety of the 3SI's – projects are questionable.

While the Polish projects and the 3SI as an ambition for Poland as a whole revolve around the idea of inclusive connectivity, as each project must benefit more than one state in the 3SI and ideally as many as possible, the sustainability and reliability of connectivity is still a fundamental question. The north–south connection, while clearly necessary from a strategic and military point of view as the initiative comprises of almost all of the eastern flank of NATO (with the exception of Greece and Turkey), there may not be as much necessity for intra-3SI trade as such connections would warrant. Amongst all the regions that a potential Via Carpatia would go through, there is no real economic demand for such a connection, which is the reason that the EU has not adopted it into the Core Network so far.

The benefits of such north–south connections could be vital for the immediate connectivity of the Western Balkans and the Eastern Partnership (most importantly Ukraine and Belarus in Poland's case), but furthermore, it would naturally extend the connectivity of Finland and Greece. With the creation of an eastern north–south connection of such size, it would be much easier to feasibly connect the trade systems of Poland's eastern neighbours with wider EU trade systems as well as Poland's Baltic ports.

The reliability and sustainability of these projects are also an issue in Poland due to the perceived nature of the 3SI in Polish politics. Due to the presidential offices being the backbone of the initiative, and with presidents being elected by popular vote in eight of the twelve 3SI members, the initiative and its projects run the risk of being politicised and scrapped or significantly downsized as a result of the election of an opposition candidate. In Poland, the 3SI is very seldom spoken of

by the opposition, and those who do know of the project view it as a PiS pet project. This is a symptom of the Polish political scene and the polarisation both of Polish societies and of Polish politics. The 3SI is unlikely to continue if Poland as a country were to stop pushing for it as the largest donor and proponent, and this is the largest risk to the sustainability and reliability of the project.

Conclusions and recommendations

Poland, as the largest and most influential player in the 3SI, would benefit from emphasising the European dimension of the 3SI by giving it the status of a macro-region of the European Union. Macro-regions are a European tool that all current members of the 3SI already belong to. Poland, Lithuania, Latvia and Estonia are all part of the Baltic Sea macro-region, while Slovenia, Croatia, the Czech Republic, Slovakia, Hungary, Romania and Bulgaria are all members of the Danube macro-region. Becoming a macro-region would have the added benefit of having a macro-regional strategy created to deal with common challenges and opportunities. This would help formalise the initiative and address the issue of politicisation that the initiative suffers, particularly in Poland, due to being tied to the president in particular and to the ruling party in general. Having it more formally be a part of and recognised by the EU would make the initiative more resilient and have the added benefit of giving voice to the regions that these large-scale projects all affect.

The 3SI should emphasise the European dimension of the initiative by also setting more ambitious goals regarding the Core Network Corridors in the Trans-European Transport Network plan with milestones in 2030 and 2050. This would allow much-needed north–south connections such as the Via Carpatia to be implemented and regulated on the EU level, obligating countries who are currently stalling projects to complete them as well as opening the possibility of getting more EU funding for these costly projects.

Poland has also been among the advocates of establishing a secretariat as a possible way of institutionalising the format in order to give it longevity. As the projects mainly concern infrastructure that requires years of constant funding and oversight, it would be in Poland's interest to have an institution that continues the format,

achieving funding as well as longevity in terms of other countries whose presidencies may change or whose ambitions may shift.

The strained relationships with other V4 partner countries, first due to Poland's perceived subjugation to the particular policy line led by Hungary, its internal troubles with the rule of law and inconsistent EU policy (shifting from Germany to the UK and then back to Germany, as well as voting against its own politician Donald Tusk to remain the EU President) have weakened bonds between the Czech Republic and Slovakia, whose policies have been clearly distinct from the direction formulated in Budapest. The two latter states still have not internalised the 3SI agenda and do not participate in the investment fund yet, but with fairly good chance that it can be changed in the future.¹³

Furthermore, Austria has traditionally been reluctant to accept Polish leadership in the region, but it is likely to catch up in this and other formats due to the continuous increase of economic interdependency through trade – Poland has a rising role in the ranks of Austria's main trade partners, which translates to an increased intensity of political interactions.

Poland has understood the challenge of misperceptions and divergent optics which present a long term risk for the 3SI sustainability and cohesion. As a response, on 18 September 2021, the State of Poland Foundation, which is set up as a government-organised non-governmental organisation, has organised the Three Seas Generation Freedom Conference (GENFREE)¹⁴ bringing together primarily youth, think tanks and media representatives from across the 12 participating countries. In its rationale it has listed a number of projects which would help bring about public opinion cohesive views on 3SI on board including a) Creating TV and film productions, both to promote tourism, history, issues connecting the region's countries and product placement (all categories), b) Promoting various historical figures, especially those that played an important role in multiple countries across the region, c) highlighting examples of past cooperation between nations within the region, d) Creating a network of experts and ambassadors promoting the 3SI, or e) creating an atlas of mutual positive stereotypes. It remains questionable if the proposed modes of action including the GONGO operator would be fit for purpose.

At the same time, a comparable Polish initiative by non-governmental actors – for the disclosure, by the authors of this chapter – has taken

shape in 2022. On the 20–21 May 2022 the Latvian President of this year's 3SI forum has hosted the first-ever Civil Society Forum organised by the Latvian Transatlantic Organisation (LATO) and set up on the recommendation to engage a broader array of civil society actors (such as business associations, researchers and democratic security advocates) for the purpose of providing a third-leg format for the Initiative focused on the Western values and principles: 'The CSF provides a support mechanism for strengthening democracy, security and sustainability, building links of mutual benefit between the Member States and their partners – both in and out of Europe. This means supporting civil society in the 3SI by protecting democratic principles and values, such as public participation in decision making, maintaining the transparency of political and economic decisions, and involving citizens in regional and European initiatives.'¹⁵ That framework has reflected the recommendations of the strategic foresight project published a year earlier in the *Visegrad Insight* report: *Towards the 3SI Civil Society Forum*, July 2021.¹⁶

Ultimately, the 3SI is an open format. Connectivity across the region as seen from the far north and the far south geographical borders are in the best interests of non-3SI EU members like Finland or Greece as well as non-EU neighbours as well. While it was initially not considered as a format with future prospects for Ukraine – and this was even initially protested by policy advisors in Poland when Ukraine was mentioned in that context by the Atlantic Council fellows in 2021 – there is a way to include more countries from the Eastern Partnership and Western Balkans (Ukraine and potentially Belarus will be much better connected to Polish infrastructure if such connections are built now) later on.¹⁷ Today, this idea – starting with Ukraine – is also advocated for as one of the policy responses to Russian aggression (see the *Visegrad Insight Report: Russian Invasion of Ukraine. How Nine Central and Eastern European Countries Will Respond*, February 2022¹⁸) and has already been embraced by Polish leadership, most prominently manifested recently in the speech by the Polish president in the Ukrainian parliament on 22 May 2022¹⁹.

The 3SI is at a crucial point in its development, and Poland must look beyond its current political divides to achieve the longevity such a project requires to come to fruition. Tying the 3SI to the EU and not closing it to further expansion from for example Ukraine would give it

the longevity and stability that it requires to come to fruition and to be the antidote to the age-old issue of north–south connectivity in the Central and Eastern European region.

ENDNOTES

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Romania: Transforming the Three Seas Initiative into a strategic opportunity. A short overview

Mihai Sebe

The end of the Cold War and the advent of democracy in Central and Eastern Europe brought new hope to a region that up till then was the playground of the great powers. As the process of European and Euro-Atlantic integration moved forward, the states in the region seem to be clearly on the path towards a better future. The necessary reforms that were adopted by their national governments brought the societies closer to the Western model, while providing extra security, at a level never seen before in the region. After the 1999 and 2004 NATO enlargement in the region, as well as the European Union (EU) enlargement of 2004 and 2007, the Central and Eastern European states seemed to be at the apex of their international prestige and influence.

Yet soon after, the international competition became more intense and started to affect the region as the states needed to take sides, while facing once more potentially existential threats to their sovereignty, such as energy dependence, that can be used to influence national decisions, etc. For that purpose, they resorted to a creative foreign policy meant to preserve the existing international order based on multilateralism, human rights and the pre-eminence of international law, an order that was more than favourable to the post-communist states, with a difficult past marked by injustice, international diktats and a general disregard of their sovereignty. For that purpose the Three Seas Initiative (3SI) was created, as a way to enhance regional cooperation.

This article intends to present the role of Romania in the 3SI. It is an exploratory article, a report of what was done and what needs to be done, that intends to be the starting point of further, more in-depth analysis. Why Romania matters and what is the (potential) role of Romania would thus be the key questions that guide this article. In

order to provide a tentative answer, an analysis of official statements, scientific literature and similar sources was effectuated, in an attempt to provide an empirical and descriptive answer to be used later on for more related papers.

The 3SI. What it is about?

The 3SI is a flexible and informal political platform at the presidential level, bringing together the twelve EU member states between the Adriatic, Baltic and Black Seas (Austria, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia). The initiative aims to increase convergence and cohesion, while reducing the economic development gap between different areas and EU member states, by increasing interconnectedness in the region, in the fields of energy, transport and digital. The basic principles of the 3SI are: promoting economic development, increasing cohesion at European level and strengthening transatlantic ties.¹

In fact the 3SI comes in a region with a historical background of regional cooperation, known as *Intermarium*, the land between the Baltic and Black Seas in Eastern Europe. The area is the last unabashed rampart of Western civilisation in the East, and a point of convergence of disparate cultures.²

From Romania's perspective, this project can be seen as based on a single most sustainable relationship, between Romania and Poland. In fact it is a continuation of the interwar alliance project between the two nations having as a starting point the 1921 defensive alliance. 'This alliance was the first collective security project at regional level and, ultimately, our first strategic partnership.'³ It would further be developed after the end of the Cold War by the signature of the Strategic Partnership in 2009, and its renewal in 2015, being based on a political-diplomatic dialogue and substantial economic and sectorial cooperation.

Romania's interest in the 3SI initiative was obvious from the very start as it took part in the first Dubrovnik Summit in 2016 with a delegation led by the then Minister of Transportation Sorin Bușe,⁴ a political signal that, at the time, the 3SI had a strong economic and infrastructural significance, a pragmatic one rather than a political one. For that purpose, the Dubrovnik Declaration seems to have fulfilled the

expectations, as the emphasis was put on the cooperation 'on specific cross-border and macro-regional projects of strategic importance to the States involved in energy, transportation, digital communication and economic sectors in Central and Eastern Europe'.⁵

This statement was in line with a previous 2015 meeting held at New York by the leaders of the riparian states bordering the Adriatic, Baltic and Black Seas, where Romania's President Klaus Iohannis underlined the importance of the Three Seas region, perceived as connecting the region with the wider world. The president of Romania stressed the importance of energy security and the interconnection of transport corridors (road, naval, air), which must unite not only the states of the Black, Adriatic and Baltic Seas, but also the citizens of this European region into an area of prosperity and economic stability. At the same time, President Klaus Iohannis stressed that, for the interconnection project to be a success, action should be taken on three levels. First, states must act to advance their own interconnections with neighbours; second, action should be taken to promote transport corridors on the north-south and east-west axes; and, third, the Three Seas region should also aim for global integration with both Central Asia and Africa and the enlarged Euro-Atlantic region.⁶

The 2017 Warsaw Summit saw an increase in the level of representation. The US President Donald Trump attended the Summit, and Romania started to see the opportunity represented by the 3SI, resulting in it being represented by the Romanian President Klaus Iohannis. The Summit was a success from the national point of view as it was decided, in unanimity, upon the proposal of the president of Romania, Klaus Iohannis, to organise the 2018 Summit of the 3SI and the first edition of the Business Forum in Romania.⁷

It was then when Romania formulated a clearer vision on what we expect from the 3SI, a vision shared by all the political mainstream parties. Romania sees the 3SI as a useful tool for modernising the region, which must be developed in such a way as to support unity and cohesion within the EU. Regional interconnectivity must be part of and contribute to the process of European integration. Thus, projects for the regional interconnection of transport infrastructure, energy and digital markets, especially on the north-south axis, must be in full compliance with EU policies. And to eliminate some of the confusion that has been created in some Western chancelleries, the Bucharest Format is intended to discuss

issues of common defence on the Eastern Flank. The 3SI has no military and defence component; it is intended for regional civilian development. Therefore, we participate in two important regional formats, one on the dimension of collective defence, the other on the dimension of regional development.⁸ Another proof that reflects the newly gained importance of the 3SI is the fact that it was for the first time officially mentioned in Romania's Ministry of Foreign Affairs Activity Report in 2017.⁹

The Bucharest Summit and why it mattered

The Bucharest Summit of 2018 was important both because of its decision to enhance the 3SI practical importance, as well as because of the high level representation that brought together a transatlantic vision, as well as a more Eurocentric vision on the future of the region.

From the European perspective, the speech of Commissioner for Regional Policy Corina Crețu, at the opening of the 3SI Summit, underlined the economic approach focusing on cohesion and convergence: 'it is essentially about lessening the gap between Western and Eastern Europe.' For that, two prerequisites are needed: a strong EU budget and the right resources at the right place ('to the regions still struggling with high unemployment, especially amongst young people; to the regions who are on the frontline of the refugee crisis; to those who suffer the most from the side-effects of globalisation and technological change'), and in that scenario the 3SI plays a crucial role in ensuring the success of connectivity projects.¹⁰

A similar perspective was that of the then European Commission President Jean-Claude Juncker who underlined the virtues of cooperation and spoke about the need for investment in the development of infrastructure as well as in the area of energy supply and natural gas transportation.¹¹

Another first at the Bucharest Summit was the presence of a German official, invited by the Romanian president. Heiko Maas, the chief of the German diplomacy at the time, underlined Germany's desire 'to be a bridge builder and moderator in the spirit of European unity', while proposing increasing Germany's involvement in the initiative.¹²

What is also worth mentioning is the competitive vision of a closer US relationship as the US Secretary for Energy Rick Perry was among

participants at the event. He underlined the need for stronger cooperation and emphasised that ‘the United States supports the core principle of energy diversification as a key pillar of the 3 Seas Initiative’, promoting the development of the ‘critical infrastructure for a North–South energy corridor’ that in retrospect seems to be the right one.¹³

Speaking on Romania’s behalf, President Klaus Iohannis underscored the main objectives: ‘pro-economic development in the region, pro-European Union and pro-transatlantic ties’ and the need of interconnectivity on the north–south axis.¹⁴ The 3SI progressed then from concepts to practical aspects as seen from the organisation, for instance, of the first edition of the 3SI Business Forum, as well as from the decision to create the 3SI Network of Chambers of Commerce and the signing of the Letter of Intent in relation to the establishment of the Three Seas Investment Fund (3SIIF).¹⁵

It was a defining moment for Bucharest as emphasised by the Polish side: ‘from this moment on in the development of the Three Seas, Bucharest has been striving to present to the public as the third driving force behind the Initiative (after the initiators, Croatia and Poland)’.¹⁶ It was a success since it was, according to the Romanian MFA, a summit with high stakes including economic (promoting the priority implementation of major regional interconnectivity projects; facilitating the relationship of economic actors in the 3SI region and beyond, in order to identify new business opportunities), policy (developing resilience and strengthening the EU through growth), economic and social convergence (between EU member states, as well as substantiation of the economic dimension of the transatlantic relationship), image (increased visibility for Romania, at regional and Euro-Atlantic level, in the period immediately preceding the taking over of the Presidency of the Council of the EU). At the same time, the Bucharest Summit also marked the confirmation of the European dimension of the Initiative.¹⁷ Moreover a list of priority projects was adopted.¹⁸

After the Bucharest summit

The fourth Summit and second Business Forum were held on 5–6 June 2019 in Brdo and Ljubljana respectively, and were meant to put into practice the Bucharest Summit decisions. For Romania it was an

opportunity to further enhance what was decided in Bucharest, with a focus on energy security in the region, especially the Bulgaria–Romania–Hungary–Austria (BRUA) interconnector.¹⁹

The Covid-19 pandemic forced the organisation of a hybrid summit as the Three Seas Virtual Summit and Web Forum held in Tallinn on 19 October 2020 was the fifth summit to be held, but the first organised in a unique hybrid format.²⁰ Romania attended at the highest level through the virtual participation of President Klaus Iohannis who stated: ‘Romania’s main objective is the implementation of strategic interconnection projects, an important step being the completion of the first phase of the natural gas transmission project – the so-called BRUA project and the transition to the implementation of the second phase. In the field of transport, I would like to emphasise the special economic and strategic importance of the railway line called Rail2Sea, which connects the ports of Constanța and Gdansk, as well as the trans-European road route Via Carpathia.’²¹

Finally, the most recent summit was held on 8–9 July 2021 in Sofia, Bulgaria²². As was the case during the previous summit, the focus of Romania was on the infrastructure projects, the Rail2Sea and the Via Carpathia.²³ What was of importance for the Romanian side was the presence of and dialogue with the US Congress delegation to the summit. It was a signal of US support for the 3SI and an opportunity for Romania to insist in favour of US support for a series of projects. ‘President Klaus Iohannis stressed the importance for Romania of the implementation of the Rail2Sea and Via Carpathia projects and called for a substantial US involvement, including financial, in these projects, in order to strengthen its economic presence in the region, especially through such projects of strategic nature.’²⁴

Economic growth and resilience of the 3SI region and greater interest among investors

The 3SI has a series of strategic objectives and Romania plays an active part, yet national involvement differs in accordance with the objective. As of 2021, Romania had registered a total of seven projects in various stages of implementation.²⁵

Projects related to the economic growth and resilience, as well as similar ones, came to fruition as a result of an insight of the founders of 3SI – that the north and the south are not connected due to their communist past. ‘The initiators of 3SI remarked that the Soviet Union had built land or rail access routes that connected only Russia to these states, but not between them, which led to a premeditated poor north–south connection behind the Iron Curtain. In general, Moscow saw a movement of troops from east to west and thus did not build anything that would directly connect the occupied countries after World War II.’²⁶

As the above mentioned objectives are broad and transversal, in this author’s opinion they require a dual approach: they require a strong internal reform agenda and a strong internal support. Given this, many of the transport projects are, from a formal point of view, at the top of the agenda.

Two projects that stand out and that have been repeatedly mentioned throughout the years by the officials are the *Via Carpathia* and *Rail2Sea* projects, while the *Fairway Danube* is less frequently mentioned. These are projects for which there is a constant interest in attracting funding not only from the EU but also from the US as they are considered vital in the recent context.²⁷ The Romanian sections of these corridors have been mentioned in the national investments programmes for transportation.²⁸

Via Carpathia is intended to create a transport corridor from the northern part of Europe to the south through the Republic of Lithuania, Republic of Poland, Slovak Republic, Hungary, Romania, Republic of Bulgaria and Hellenic Republic (Greece). On the Romanian territory, it involves the construction of new infrastructure along most of its length or modernisation of some existing roads. The estimated total budget is EUR 11.31 billion (85% secured), as of 2021. *Via Carpathia* represents a strategic infrastructure project which captures the essence of the 3SI approach: pro-economic growth, pro-transatlantic (it will better connect EU and NATO member states) and pro-European, by filling an important existing connectivity gap in terms of transportation in this region.²⁹

The *Rail2Sea* project aims to construct a railway line between the port of Gdansk and the port of Constanța, crossing four countries: Republic of Poland, Slovak Republic, Hungary and Romania. The total necessary investment is estimated to be EUR 13,832.36 million without VAT of which EUR 5,873.13 million is secured. The railway route has a great commercial potential because it unites the most important industrial

centres (Timișoara, Craiova, Bucharest) from Romania with the port of Constanța. The funding of some segments in this route has a special commercial value, having a very high efficiency and thus fulfilling the conditions for financing on 3SI. The development of this system would reduce the transit times on the Constanța– Curtici corridor by at least two hours; the digital infrastructure related to this investment would become the main voice and data traffic network, which is linked to an urban agglomeration of over 3.5 million inhabitants. This investment will include passages, tunnels, and multimodal and intermodal stations, all of which are duplicated by digital infrastructure and, of course, with Smart City technologies for each and every part of the infrastructure. The railway lines can be used also for the transport of passengers between European states from the 3SI region in safe and security conditions.³⁰

Finally, *FAIRwayDanube* has, as its general objective, the elaboration of coordinated action plans for the implementation of the Master Plan for the Fairway Rehabilitation and Maintenance on the Danube River and its navigable tributaries, developed within the EU Strategy for the Danube Region. The project aims to contribute to an increased safety, efficiency and environmental friendliness of inland navigation. In Romania, the project aims to develop and acquire databases for information obtained from hydrology, hydrography, signalling, electronic mapping; computing systems and dissemination of water level forecasts; innovative technologies by monitoring the signalling scheme using aids to navigation equipment, the use of autonomous land, air and water systems as a support for current administration activities; and procedures and systems for identifying and monitoring factors influencing airworthiness on the Romanian Danube sector. The total amount of the project is EUR 21721347 out of which EUR 8704098 is allocated for the Romanian administrations, Lower Danube River Administration (AFDJ) and the Administration of the Navigable Canals (ACN). The project is financed through the Connecting Europe Facility.³¹

Geopolitics

As seen above, Romania is focusing more on the 3SI from an economic point of view and less from a geopolitical perspective. There is the strong desire to bring together both the EU and the US in the region, as seen from the previous summits' manifestations and declarations.

Recently a series of expert discussions in the region started the debate of a more political role for the region in the great power competition of the twenty-first century, yet this political component needs to be more crystallised. Issues such as how the 3SI deals with the war in Ukraine and with the possible inclusion in the region of Ukraine, Republic of Moldova and Georgia are still incipient.

Energy security

Energy security is of the utmost importance for Romania in the region and a national priority as such. The most recent initiative in this area is in the field of nuclear energy as Romania wants to attract US support in order to 'deploy "first-of-a-kind" US-built small modular reactors (SMR) by 2028'.³² It is also an official priority in the current governing programme: 'Completion of a first SMR project in one of the partner countries of the Three Seas Initiative (I3M) is essential to demonstrate the effectiveness of the strategy for replacing coal-fired power plants with SMRs. Romania has all the prerequisites for the first development of SMRs in the region on a 50 Hz system and maybe become a hub for the production of SMRs in the region, as well as a base for training and support operation of this new technology in other countries under the Three Seas Initiative'.³³

Yet before SMR the main focus from the energy point of view was the BRUA gas transmission system meant to improve interconnectivity in the region and to reduce energy dependence. The BRUA project implies the development on the territory of Romania of the National Gas Transmission System along the Bulgaria–Romania–Hungary–Austria corridor (BRUA Phase 1 and 2), the enhancement of the bidirectional gas transmission corridor (BRUA Phase 3) and finally the development on the territory of Romania of the Southern Gas Transmission Corridor for taking gas from the Black Sea shore (Tuzla-Podisor). The total budget is EUR 14.55 billion (0% secured) as of 2021. The implementation of the BRUA project will ensure permanent bidirectional flows between the interconnections of the Romanian National Gas Transmission System (NTS) with Bulgaria and Hungary.³⁴

Reliable, sustainable and inclusive connectivity

The element of novelty brought by the 3SI initiative is the emphasis put on the development of the digital infrastructure of the region. This development in the ICT sector would benefit both the region and the EU in its capacity as a global actor. Moreover, ensuring better interconnectivity would enhance the digital expertise of the region's ICT hubs and their coordination capabilities and provide them with the necessary collaborative input that could compensate for the lack of capital invested in research and development.

One such project with which Romania is involved is the *Digital Platform on monitoring hydrographic bases in the 3SI region* that aims to create an intelligent digital platform for real time monitoring of water from hydrographic basins in the 3SI region, digital modelling of pollutants, water discharge, risk analysis, calculation and monitoring of water currents. The budget is EUR 2.5 million (0% secured) as of 2021.³⁵

Another project is the *Transportation stock exchange in the 3SI region* that wants to create an intelligent digital platform with possibilities to transpose transport services and international expansions, real time transport of goods for the optimisation of transport services, the evidence of provisions and accessing information about the tariffs, special services, incident evidence and transport journal. The total budget is EUR 4.5 million (0% secured) as of 2021.³⁶

As can be seen from the above mentioned objectives and official statements, not all of them have the same practical importance in the Romanian programmes. The focus remains as mentioned earlier on the pragmatic side of the 3SI with a direct focus on digital and transport as well as energy connectivity

Conclusions and recommendations

The 3SI has an immense potential in the region given the common historical and geographical references as well as its level of ambition and human resources. It is a singular integration initiative, which originated in the region and which has a series of long-term objectives. In order to realise north–south connectivity, time and money are required, yet the rewards are greater than all the efforts necessary.

What started out as an infrastructure completion based project is now a project based on solidarity and cohesion. If it can overcome the obstacles generated by divergent national interests, the need to identify the required resources and a possible leadership competition, the 3SI can bring a positive result to European cohesion and strengthen the European economy.

The 3SI is a project that must not remain stuck in the bureaucratic mind-set of a project-orientated structure. Giving its political support, the 3SI can evolve further into becoming an engine of regional development, especially in the context of granting Ukraine, Republic of Moldova and Georgia the status of EU candidate countries. The 3SI can expand faster than the EU and include these three countries as an antechamber of the EU.

We need to put our individual differences/backgrounds aside in order to do something more in the region and also we need to have the bigger picture in mind as the 3SI needs to be put into the global context in order to fully understand its potential in world competition. For that reason, we need to understand that the war in Ukraine does not only have a local or regional impact but a global one (for instance if we take into consideration the global food crisis generated by the war). For that purpose, a series of analyses should be carried out in order to see how to reorganise economic circuits and production supply chains in order to become more resilient and self-sufficient.

A Permanent Secretariat may be of use in order to coordinate investments in the region. The 3SI is a great hope in the region and it should focus more on attracting investments also from Japan and South Korea, not solely from EU funds and the US. Further attention should be invested in developing the financial infrastructure of the region and in its consolidation.

Putting together the digital resources of the 3SI can compensate for the insufficient investments funds needed for big ICT projects and new technologies development. A common pool of intellectual and physical resources in the digital sector may prove decisive in shaping the digital future, enhancing the research on artificial intelligence and so on.

The 3SI should also pay particular attention to the most important yet the most vulnerable resource – the human resource. We need in the region better human-centred policies, to create a safe and friendly space, with guaranteed access to quality educational and medical

services as a must, alongside all the perks of a modern society, for all citizens in order to keep them here, convince those who have left to return and also to attract skilled human resources from all over the world, based on the region's needs. In the end it is about creating throughout the 3SI a series of democratic and social states that would become a model for the future.

The 3SI is becoming the powerhouse of the EU because of its structure and has a bright future ahead as long as it takes the initiative and creates a political identity. The future is yet to be written; however we have all the ingredients needed for success.

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Slovakia: Strengthening regional position and addressing new challenges

Lucia Mokrá

The fundamental objective of the Three Seas Initiative (3SI) is connected to the cooperation of states for the development of infrastructure in the energy, transport and digital sectors. There are objectives focused on the increase of new investments, economic growth and, last but not least, energy security. The Slovak Republic and its foreign policy in particular, determined by the government's programme declaration but also by medium-term strategy, establishes the basic framework of its activities also in this international initiative. The Slovak Republic since 2020 has adopted or revised a number of strategic documents and framed the discussion as well as concrete policies (especially European policy, but also security and defence policy) at the centre of discussion and policymaking. Given the specific nature of European politics, which is very much a domestic agenda with a direct impact on Slovak citizens, the government has already made a strong pro-European and, in the context of security policy, transatlantic stance when it was inaugurated. Since then, we can again explicitly see concrete pro-European steps, which during the last decade were rather an implicit part of domestic policy and in many cases subsumed under the general concept of foreign policy. The changing foreign policy environment, significant stimuli as well as the behaviour of some actors, including specific states, have brought many questions to the formulation of Slovak Republic's foreign policy in the medium term, including the need to innovate, for example, migration policy strategy or security strategy. The content and scope of these strategies are also strongly determined by the Slovak Republic's membership of the European Union (EU), but also in the light of various regional collaborations; therefore we analyse how the Slovak Republic's foreign policy priorities, particularly security and economic ones, have shifted in the new decade.

Security policy in the EU and Slovak position

The Security Strategy of the Slovak Republic of 2005 was adopted after the Slovak Republic's accession to the EU and NATO and identifies a broad spectrum of threats – 'failing states, the growth of power influence of some countries, the use of information technologies for terrorism, the proliferation of weapons of mass destruction, etc., and basically "timelessly" names the security interests of the Slovak Republic, the goals and means of security policy'.¹ At the same time, the Slovak Republic security strategy contains a provision which foresees its revision 'as necessary to reflect fundamental changes in the security environment'.² We consider that the developments in Ukraine since 2014 in particular represent a fundamental change in the security environment in Europe of a long-term nature, which was also confirmed by the government of the Slovak Republic adopting operational measures to minimise security risks in 2014 (e.g. Government Resolution No 236/2014) and continues through the current ongoing aggression on Ukrainian territory. These had been reasons, together with others identified as follows, to revise the Security Strategy of the Slovak Republic, which had been only partly achieved. The renewed strategy had been unanimously adopted by the government of the Slovak Republic in 2017, but never got to the parliament (the National Council of the Slovak Republic).³ The aim of the presented material was to replace the Security Strategy of the Slovak Republic from 2005, thus responding to fundamental changes in the security environment and new security threats. The strategy itself reflected the interconnectedness of the internal and external dimensions of security and thus the need for a comprehensive approach to security policy, while the continuity of the pro-European and pro-Atlantic orientation of the security policy of the Slovak Republic, based on a broad political consensus, remains the main basis of the strategy.⁴

The security challenges which have been present in Europe since then, including pandemics, cyberattacks and the invasion of a sovereign neighbouring country, led the new government established in March 2020 to prepare after sixteen years a new strategy, which was adopted by the National Council of the Slovak Republic on 27 January 2021.⁵ The Security Strategy notes that global security has deteriorated in a number of ways, which has a direct impact on the security and resilience of the

Slovak Republic. The threats and challenges we face are, according to the strategy, increasingly complex, interconnected, immediate and have greater implications for the Slovak Republic's security. The strategy recalls that the global pandemic, particularly in 2019–2020, has made some vulnerabilities more visible. It has also accelerated and deepened already existing trends of weakening multilateralism, renewed geopolitical rivalry, assertive pursuit of individual interests and the continued instability in Europe's neighbourhood and regional crises around the world. Accordingly, we identify the following areas which the Slovak Republic, within its transatlantic security setting, considers the most significant as potential risks for the country as well as for the neighbouring EU territory.

Russian aggression – from Crimea annexation to invasion in 2022 – changes in the security and challenges to energy sector

Slovakian relations with Russia could be characterised as getting colder up to 2014, after the Crimea annexation by Russia, in contradiction to international law. The Slovak Republic had also presented its position by supporting the UN General Assembly Resolution calling upon states not to recognise changes in the status of the Crimea region⁶ and confirming that the Slovak Republic considered Russia's behaviour a violation of international law.

The Slovak Republic takes a strong stance on obligations coming from international law and has always supported the UN in the adoption of strategic political positions by UN General Assembly Resolutions⁷ as well as in a unified way supported the EU position adopted in the area of external relations of the EU to Russia. The particular questions formulated by the High Representative of the Union for Foreign Affairs and International Relations of 25 February 2022⁸ in relation to the illegal annexation of Crimea and Sevastopol had been also communicated by Slovak political representatives.

Nord Stream 2 and the Slovak position. Contemporary relations between Slovakia and Russia are following EU policy goals, including the draft of the Nord Stream 2 project, which had been mainly supported by Germany. The Slovak Republic was together with other Central and

Eastern Europe (CEE) countries not strongly in support of the building of Nord Stream 2 because of the draft proposal to connect Russia and Germany through the Baltic Sea region and bypasses the transit region of CEE. 'The Nord Stream 2 is designated to be another key gas pipeline supplying Europe with Russian gas (together with Yamal-Europe, Brotherhood and Nord Stream pipelines). The announcement of building a twin-sister to Nord Stream was made in 2015 by Gazprom jointly with five major European energy companies, and ever since it is one of the most controversial and dividing projects in the EU. Nord Stream 2 copies the route of the Nord Stream, connecting Russia directly with Germany (bypassing transit countries), and should double the existing supply capacity of Nord Stream.'⁹

With negative implications especially to Slovak energy security, the Nord Stream 2 project was perceived as the practical implication of the Russian ambition to impact European policies by using gas supplies. 'It is the completion of the second Nord Stream that will enable the Russians to transport 55 billion cubic metres more gas to Europe than before. In 2019, for example, Russia exported up to 135 billion cubic metres of gas to the EU, of which 95 billion were consumed by German consumers alone.'¹⁰ As Wertlen argues, 'Russia plays an important role in the EU's energy security discourse'.¹¹

The latest events of 2022 and Russia's invasion of Ukraine confirm the usage of energy transit as a geopolitical tool. The EU including Slovakia had adopted a strategic position and the Commission announced to radically decrease dependency on Russian gas within two years at the latest.¹² The Commission's REPowerEU plan¹³ in a precise way introduces the ambition to eliminate Europe's dependence on Russian gas by 2030. It focuses on two main objectives: ensuring the security of the gas supply and accelerating the deployment of renewable energy sources, including energy efficiency measures. These measures are designed to reduce Europe's dependence on Russian gas by two-thirds by 2023. Although the Slovak position in the Council is clear, there is some mitigation by Slovak MEPs in relation to the cut in Russian gas, as presented in recent interviews.¹⁴ In sum, the message to transfer to more sustainable energy resources and the necessity to simultaneously eliminate fossil fuels and dependency on Russia is however present. As one MEP states: 'Cutting ourselves off from Russian fossil fuels is both a necessity for our European future and our moral obligation towards Ukraine.'¹⁵

The gas and oil embargoes also dominated the EU's open proposals as part of the fifth package of EU sanctions towards Russia. It is their disconnection or the cut of imports that would cause significant economic problems for Slovakia's industry, which is 100% dependent on oil and 86% dependent on gas. Despite the announced efforts of some countries not to support sanctions against Russia, the fifth package of sanctions includes a coal ban.¹⁶ However, proposals to restrict gas or oil supplies are still under negotiation, not least in the wake of Russia's demand for payments only in roubles, which contradicts the sanctions already adopted. Some member states have already presented the possibility of vetoing such measures, as this could fundamentally jeopardise the functioning of a country and its economy. Among the countries under discussion is Slovakia, where the united position of the governing coalition is subject to the agreement of the coalition parties and, given the economic impact, is currently generating a very broad debate, with strong political, even electoral, potential.¹⁷

Digital challenges and cyber attacks

"The need for the concept of cyberspace stems from the natural human need to place objects, events and processes into space. Today, cyberspace serves to satisfy a wide variety of human needs, from information gathering, to socialization, to entrepreneurship, to crime."¹⁸ The cyberspace and digitalisation is present also in the security sector and today even more frequently became under the threat of cyberattacks. Cyberspace became integral part of security also within the NATO definition, alongside "with three traditional military battlefields (land, seas, air) a fourth battlefield – space had been added, and subsequently the existence of cyberspace had been identified as the newest one."¹⁹

Cyberattacks and disinformation campaigns had also been identified by the Slovak authorities as threats to the security environment and therefore a new law regulating protection before cyberattacks and the enforcement of the strategic priorities connected to digital development had also been adopted. In line with the national legislation on cybersecurity (Law no. 69/2018 Coll. of laws), the following measures were adopted: a national cybersecurity strategy and a single cybersecurity information system, as well as security measures and a

cybersecurity assurance system, monitoring and auditing compliance with this law. Having efficient national legislation allows for a very transparent way of dealing with the situation of an identified breach of the cybersecurity environment in Slovakia by the expulsion of three Russian diplomats in October 2020, after the Slovak Information Service published a report on hybrid threats and disinformation campaigns.²⁰ Although the expulsion of diplomats and the use of persona non grata status is considered a serious disruption of friendly bilateral relations, even the 2020 expulsion did not stop Russia from continuing its illegitimate and illegal activities on the territory of the Slovak Republic. In March 2022, the Ministry of Foreign and European Affairs of the Slovak Republic decided to reduce the number of Russian diplomatic staff in Slovakia by 35 diplomats, in line with Article 11 of the Vienna Convention on Diplomatic Relations. As argued by Minister Korčok: 'This step is a necessary reaction to the continuation of activities of the Russian Embassy staff, which are contrary to the Vienna Convention on Diplomatic Relations, the interests of the Slovak Republic and the development of partnership relations with the Russian Federation. In this context, we regret to note that, following the previous expulsions of Russian diplomats in the last two years, the Russian diplomatic mission has shown no interest in acting correctly on our territory.'²¹

Cyberattacks have highlighted problematic areas in digital security in Slovakia. Despite the 2018 legislation, the reality has shown that the lack of a developed digital environment may have contributed to abuses by foreign powers. Thus, the government's programme declaration listed the development of digital services, the digital economy and the digitalisation of society among its key priorities. The Programme of the Government stated the following obligation: 'To support the development of digital services in the state, the government will review the regulatory burden and remove outdated regulations that hinder the development of the digital economy. The government will also support new developments that contribute to new forms of digital economy. The government of the Slovak Republic will ensure an appropriate legislative framework to ensure that public administration is prepared and equipped for the adoption and use of digital technologies and will create the conditions for a qualitative change in the functioning of public administration based on the principles of digitalisation. The government of the Slovak Republic will also translate these objectives

into long-term strategies for the new EU programming period in line with the Digital Transformation Strategy of the Slovak Republic.²²

Special attention as well as modification is required for the cybersecurity of critical infrastructure, where the recently adopted Slovak Republic security policy has put into practice the government's priority aimed at the development and protection of critical infrastructure and thus fulfilled the commitment from the programme declaration: 'Information and operational security and protection of critical infrastructure is a critical factor in the increasing computerisation of society. The Slovak Republic government will conduct a thorough audit of cyber and information security and critical infrastructure. Government security policy by systematic measures will encourage investment in 'know how', technology and a workforce experienced in cyber and information security.'²³ As one of the security priorities, cybersecurity had been assigned to a newly established department within the Ministry of Investments, Regional Development and Informatisation of the Slovak Republic.

Migration policy

The Slovak Republic considers uncoordinated migration to be one of the identified security risks according to the 2020 Government Programme, although it considers migration to be a natural part of human existence. The 2015 migration crisis has exposed many of the risks associated with unmanaged migration flows and the EU's uncoordinated approach. The government of the Slovak Republic aims to focus its efforts on ensuring that the legitimate interests of the Slovak Republic are taken into account in the formulation of a new European migration and asylum policy. The government therefore intended to assess the possibilities of centralising these agendas in one place for more efficient management on the national level and had prepared and approved a new Migration Policy for the period to 2025.²⁴ According to the document 'Migration Policy of the Slovak Republic for the period to 2025', the Slovak Republic underlined as the requested strategic priorities in the field of migration 'mainly labour mobility, ensured by legal framework and managed in accordance with the needs of the Slovak economy, the reintegration of Slovak citizens coming from

abroad, integration of foreigners into Slovak society, as an integral aspect of successful, managed migration, and an effective approach in the area of return policy. In the field of migration, the Slovak Republic also ensures the granting of international protection in accordance with the legal order and to provide assistance in the humanitarian field and in developing countries.²⁵ What is actually not addressed in almost any manner but related to migration policy, are the economic or fiscal aspects of migration. The Slovak Republic has been predominantly a country with experience of out-migrants, but nowadays, also due to the decline in the birth-rate, it is struggling with the new phenomenon of a missing (skilled) workforce. Legal migration, especially economic migration, or the effective management of the process of reception of persons fleeing persecution and seeking asylum, is a tool by which the Slovak Republic can contribute both to the fulfilment of its international human rights obligations and to the filling of jobs.

How attractive is the business environment in Slovakia?

These strategic security challenges, also set out in the Security Strategy, are framed by contemporary geopolitical challenges. However, in terms of international positioning, these are not only security challenges, but also related political and economic challenges. Thus, every political representation is faced with the challenge of ensuring economic growth and presenting the country in a way that makes it not only interesting but also economically attractive to investors and innovation.

The Slovak Republic is no exception and keeping the economic environment attractive requires constant investment in the working environment, strengthening the rule of law, but also supporting economic development. According to statistics, the Slovak Republic experienced the highest average growth of added value in the industrial production in the Central and East European countries.²⁶ As proof of this statement we can use an indicator of GDP development over the last 5 years²⁷:

Year	2016	2017	2018	2019	2021
Real GDP growth	2,1%	3,0%	3,7%	2,5%	4,9%

A healthy economic environment requires investment in development directly from internal sources, mainly for two reasons: to ensure continuity of development and to foster innovation, but also to ensure that the national economic environment is competent and attractive to investors. For these reasons, the Slovak Republic and its governments over the past decade have also introduced specific activities and measures to improve the quality of the business environment and make external investment more attractive.

These measures may include the adoption of Research and Development related tax regime in 2015, launch of official dual education system in 2015 and decreased corporate income tax rate to 21%, electricity price discount for energy intensive manufacturers in 2019 or new social legislation on taxes and social contributions which always enters into force by January 1st of actual year. With the pandemic restrictions, the acceleration to introduction of Kurzarbeit mechanism for ensuring retention of jobs during the crisis had been adopted.²⁸

At first insight, it would seem that the Slovak Republic has all the prerequisites and is a significantly attractive investment environment. In terms of international economic evaluation in the European Union area, in 2021 it represents the 1st place in the EU in the export of goods (76.3%) and the 4th place in the export of goods and services together (85.7%).²⁹ The official presentation materials informed about the fact, that Slovakia ranks no. 12 in the world in the Open Markets Index assessing openness to trade, trade policy settings, FDI openness and trade-enabling infrastructure.³⁰ However, to draw overall picture, there are other sources on the state of the business environment in the Slovak Republic. Every year the Government of the Slovak Republic discusses the material Report on the state of the business environment, which contains an assessment of the state and development of the business environment in the Slovak Republic in comparison with its evaluation by the World Bank (Doing Business) and other international evaluation organizations and at the same time to specify and point out some problems affecting the quality of the Slovak business environment and to propose measures for their elimination or mitigation of their impact. The last available report for 2020 indicates that economic activity has been negatively affected by the measures put in place to prevent the spread of the coronavirus. A downturn in the economy was recorded during 2020, and the Slovak economy is expected to continue to develop

negatively in the future due to the impact of the COVID-19 pandemic in the context of the restrictions. For this reason, the government is also preparing and adopting measures to support the business environment both from the state budget and from EU funds. According to the Report on the State of the Business Environment in the Slovak Republic for 2020, measures to reduce the cost of electricity, which are also proving crucial at present, and support for the co-operation of business entities with research and development organisations are among the most important. These were intended to support innovative projects, but administrative complexity and, in principle, infrastructural unpreparedness severely limit this essential measure in its application. Financial support from the European and investment structural funds appears to be an important contribution to the development of the economy as well as to the attractiveness of the business environment. However, the Slovak Republic has long had problems both with the absorption of funds from the so-called EU funds and with subsequent corrections. A new instrument at the level of financial support from the EU – the Resilience and Recovery Fund – creates significant scope for the future. And although the Slovak Republic has submitted its National Recovery and Resilience Plan and strategic materials to the European Commission for approval among the first Member States, to date, in several areas, the calls themselves have not even been launched.

The Recovery Plan for the Slovak Republic includes component 14 (out of 18 overall), which includes activities and measures that are aimed at improving the business environment. Among them, efficient public administration and digitalisation are considered as strategic areas.³¹ The Slovak Republic thus plans to support measures to reduce the regulatory burden on business, to adopt new legislation to unify and computerise the isolation procedure process, to reform the public procurement system and to invest in the digitisation of processes over the next 2 years. This would create space for making the business environment more attractive. However, the limitation in terms of the above, based on the data from the previous evaluation of the use of financial resources from EU funds³², is precisely the low rate of use and the excessive burden on the final beneficiaries. From the point of view of effective implementation, it is thus essential that the Government of the Slovak Republic adopts measures that will also be applicable and admissible from the point of view of recovery and resilience in the

current economic environment, which is still facing the challenges and negative impacts of the aforementioned security crisis, the energy crisis and also the humanitarian crisis in connection with Russia's aggression in Ukraine.

Conclusions and recommendations

The Slovak Republic is one of the slowest to respond to new security threats in the Central and South-Eastern European grouping. The adoption of the Security Strategy in 2021, sixteen years after the original strategy was adopted in the wake of a clear Euro-Atlantic orientation, highlights the problems associated with the national political scene and its explicit expression or implementation of concrete actions in a flexible and targeted manner towards specific threats. The post-2020 period has brought challenges for Slovakia that have had to be addressed in a fundamental way. Pandemics, new cyber threats, energy shortages related to the crisis situation in Ukraine, culminating in Russia's illegal invasion of its neighbouring country, have forced political leaders across the political spectrum to adopt a new Security Strategy for Slovakia, but also to act.

The last two years have confirmed that Slovakia has the capacity and capability to act, including the adoption of legislative changes to meet its foreign and security policy commitments to the EU, but also to its citizens. In this context, it is necessary to draw attention to two topics in which, however, the Slovak Republic has a different security set-up compared to neighbouring countries. These are energy resources and migration policy. In terms of energy resources, the Slovak Republic is still inclined towards the use of 'traditional' fossil energy resources, similar to Poland, although in this area we also see a shift towards the adoption of policy decisions related to the transformation of the so-called mining regions. However, the smooth transfer to the use of alternative resources is still a long way off. At the same time, in the area of reducing dependence on gas and oil from Russia, we see a resistant attitude on the part of one of the coalition parties in Slovakia, similar to that of Hungary on this issue. Given that the Minister for the Slovak Republic can only vote in the Council in the way that the Slovak government, as a collective body under the Slovak Constitution, has

obliged him to do by resolution, there is still political room for a national consensus to be reached in a way that is compatible with the European Commission's proposal. In the area of migration policy, however, we continue to see a rather rigid attitude of the Slovak Republic towards the management of migration and its perception as a security risk. Even the government's own programme statement continues to point to the necessity of external border security, managing migration on the basis of the principle of subsidiarity and a strict approach to the adoption of European legislation limiting migration, which, in a narrower sense, could border on the principle of non-refoulement. However, the Russian invasion of Ukraine has shown the practical solidarity that the Slovak Republic has been able to implement in the case of migration from Ukraine, in a similar way to other countries in the region, including Poland, Hungary and non-EU Moldova. Within this framework, I see room for the adaptation and implementation of a migration policy that is not primarily perceived as a security risk, but which distinguishes between legal and illegal migration, especially of an economic nature, and refugees fleeing to the safe space of an EU member state in order to save their own lives and human dignity.

On the other hand, in the area of economic development and the ability to respond to new economic challenges, including in the context of recovery and strengthening resilience as a way of coping with the consequences of the pandemic crisis in particular, the Slovak Republic has demonstrated a strong ability to respond in a proactive and professional manner. The excellent level of elaboration of the National Recovery Plan and its approval also creates room for strengthening the economic environment, but also for strengthening actors and combating new economic, security or cyber threats in the wake of digitalisation in a number of policies and in the public space in general.

With its geographical location in the centre of Europe, the Slovak Republic enjoys a strategic position. In terms of security and stability of the political and economic environment, it was considered one of the safest and most stable countries for the period 2021³³. A combination of other factors, such as membership in the European Union, Eurozone and NATO, undoubtedly contributed to this assessment. From an economic point of view, there are valuable mainly factors such as a cost-effective, skilled and loyal labour force with excellent multilingual skills or the openness of the economy.³⁴ Declared attractive investment

surrounding is rather existing in number of schemes, but the reality differs. The Slovak Republic has a long way to go to actually deliver on its plans, both in the economy and in strengthening the security environment. Social, political and economic developments in the country and in the region point to the need to have a responsible degree of flexibility in the targets and indicators set to respond to new challenges, including unpredictable ones such as energy resource constraints, armed conflict, cyber-attack or democratic backsliding.

However, even with flexibility and the ability to make decisions in response to current developments and challenges or even threats, it is important to point out that a country, and any governing political elite at any given time, must have a framework and benchmarks for its actions. The adoption of strategic documents, follow-up action plans and implementation without excessive administrative burdens, especially in the digital age, will create the space for real implementation aimed at eliminating threats, including their negative impact on citizens. However, with such tools comes accountability and the space to enforce it. Economic challenges and security threats should thus be regularly assessed and the subsequent application of further measures should be based on expert judgement, of course in a strategic geopolitical context. This means, however, that from long-time perspective strategies have to be based on fundamental values and their protection. Precisely those values that we share with other countries, whether in the European Union or in other respected international organisations.

However, subsequent policies and specific decisions must be responsive and reflective of emerging and rapidly evolving situations, weighing both positive and negative impacts and making decisions for the benefit of the whole country. An example of the necessity of rapid action in the conditions of the Slovak Republic would be secure digitisation and the creation of a cyberspace capable of reflecting security threats, or legal, regulated migration with a positive fiscal effect.

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See more info: EUROFUNDS: Slovakia has used less than half of the European money, nine billion euros remain to be spent by the end of 2023. *Office of the Government of the Slovak Republic*. 2021. <https://www.partnerskadohoda.gov.sk/eurofondy-slovensko-vyuzilo-z-europskych-penazi-necelu-polovicu-do-konca-roka-2023-zostava-vycerpat-este-devat-miliard-eur/>

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Slovenia: High interest in the complementarity of the Three Seas Initiative with EU regional development frameworks

Ana Bojinović Fenko

Slovenia positions itself within the Three Seas Initiative (3SI) based on its general understanding of the origin and potential outcomes of the initiative. First, the 3SI is understood as the US initiative originating from the interest of the Trump administration to balance the power of the Chinese 16+1 initiative that had been launched towards Central and Eastern European Countries in 2012.¹ From this outlook, 3SI for Slovenia represents an important platform for strengthening transatlantic relations not merely in terms of foreign policy economic or security interests but, most importantly, as the commitment to the Euro-Atlantic community of liberal democratic states and friends in the international community.² Slovenia does not have its own foreign policy capabilities to organise a response towards 16+1. Therefore, it has duly taken the initiative as a collective response to Chinese global interests (and those particular to Europe) within its traditional multilateral strategy prioritising European forums. The Slovenian political elite and society have been highly committed to EU values since the democratisation movements in the 1980s.³ Therefore, the Slovenian political elite views the Chinese 16+1 initiative, which might economically represent good opportunities, with scepticism based on foreign policy reservation towards authoritarian political regimes. Additionally, Chinese investment projects in many other countries of the world, including the nearby Western Balkans, have caused rather negative socio-political experiences confirming that disrespect of EU-based standards in economic and business practices is detrimental to local society and to the state governance itself.

A second – outcomes oriented – ground for Slovenian positioning towards the 3SI is the objective development interest. 3SI has since

its establishment in 2015 been understood as an economic-business and infrastructure development opportunity that could help Eastern Europe to catch up with the more developed north-western part of the EU.⁴ To some extent, Slovenia therefore strives 'to develop 3SI in the direction of getting more attention and even power to Central East Europe for a more connected Europe'.⁵ The current Slovenian Foreign Policy Strategy (henceforth the Strategy)⁶ from December 2021, which is largely based on the Strategy from 2015, defines Slovenia as a Central European and Mediterranean country at the heart of the Alpine-Adriatic-Danube area, three macro-regional strategies (Adriatic–Ionian, Alpine, and Danube strategy) and at the crossroads of Western and South-Eastern Europe. The Strategy mentions the 3SI only once, in the 'Slovenia in Central Europe' section.⁷ As a Central European country, the Republic of Slovenia has centuries-old historical, political and cultural ties with other countries in the region. It is strongly connected to this area economically and in terms of traffic. For the port of Koper – as the core port of the European Trans-European Transport Network (TEN-T) network – Central Europe is a natural hinterland. The Strategy directly refers to the 3SI within this context: Republic of Slovenia is strengthening political cooperation with all Central European countries, especially Austria, the Czech Republic, Hungary, Slovakia and Poland. Given its geopolitical position, the Republic of Slovenia is a natural partner of the Visegrád Group countries. Cooperation focuses on strengthening economic, transport (in particular ensuring adequate railway links between the port of Koper and Central Europe) and energy links between the Baltic and the Adriatic, including within the Three Seas and the informal C5 groups.⁸

For Slovenia, integration into the trans-European transport network, the port of Koper and the connection to the Baltic–Adriatic transport axis has been a high priority specific foreign policy goal since its inclusion into the EU. However, there exist other, more traditional and established regional initiatives in the EU/Europe in which Slovenia actively participates, for example the Adriatic–Ionian and Danube regions, and EU's macro-regional strategies. For this reason, as the 3SI is the most recent, it has not (yet) been assessed as more promising. One of the reasons for that is also the unclear financial framework of the 3SI.⁹ More concretely, there is much more identified financial needs than resources assured therefore insufficient funding is currently a

significant challenge.¹⁰ Therefore, despite some 3SI objectives being in line with Slovenian long-standing foreign policy goals, especially on regional connectivity, Slovenia is 'particularly committed to running parallel 3SI and macro-regional strategies of the European Union'.¹¹ On this ground, Slovenia 'aims to develop the 3SI investment projects towards their active implementation within the EU's financial instruments'.¹²

In short, Slovenia sees the 3SI initiative as an additional international forum to implement two of its strategic goals: first, being a reliable member of the liberal values and interests-based transatlantic Alliance. The second goal is the Slovenian position as a core EU member state of a more integrated and regionally equally developed EU, whereby implementation of the 3SI should be complementary to already existing and EU-led regional development frameworks.

Analysis of Slovenia's stance towards the four objectives of the 3SI

Among the four objectives, Slovenia prioritises the strengthening of transport, energy and digital infrastructure in the 3SI countries.¹³ Because of the less developed infrastructure of the Central East European (CEE) region compared to west Europe, stemming from historical reasons, Slovenia understands the infrastructural development of the '3SI region' as oriented towards two aspects. One should include the strengthening of infrastructural connectivity within the region and the second should focus on the connectivity of the region with the western part of the EU. 'It is in the vital interest of Slovenia as a country located at the crossroads between west and east and north and south to integrate as much as possible into modern European infrastructural connections. Only in this way can Slovenia use all the potential offered by its geographical location and EU membership'.¹⁴

As the 3SI operates based on creating a list of projects to be eligible for 3SI financing, Slovenia strives for its own identification of such strategic national and regional projects and their active implementation. The country has up to now submitted six such projects:¹⁵

- three projects in the field of energy (second track Divača–Koper and reconstruction of the Ljubljana railway hub)

- two projects on connectivity (the gas connection between Slovenia and Hungary, the improvement of the electricity network between Slovenia and Croatia, and the liquefied natural gas (LNG) terminal connection from Croatia to Poland)
- one project in digitalisation (5G digital motorway).

Slovenia also assured its financial participation with the amount of EUR 23 million via SID banka – the Slovenian export and development bank.¹⁶ As the 3SI financial resources and management are yet to be organised, Slovenia prefers to keep its ongoing long-term engagement in several of the EU-led regional frameworks. Thus, Slovenia ‘wishes to redesign the list of 3SI projects in a way to include projects which could in the future be financed with the EU investment funds in cooperation with investors in transatlantic cooperation, all in line with the EU policies’.¹⁷ At the fourth 3SI summit, organised in Slovenia in June 2019, Slovenian President Borut Pahor stated that: ‘The initiative is fully in line with the European Union’s efforts to strengthen cohesion and overcome disparities between EU regions. It is complementary to the existing EU strategies and programmes’.¹⁸ In the analysis below, I focus on the four 3SI objectives and offer a more detailed analysis of the most important objective from the perspective of Slovenia, namely ‘reliable, sustainable and inclusive connectivity’.

Economic growth and resilience of the 3SI region and greater interest among investors

Slovenia’s interests

As a small state, Slovenia is often less attractive to foreign investors. The solution to this challenge that Slovenia has incorporated into its economic diplomacy is to present itself as part of a larger region with good potential for economic growth. Slovenia assesses that the 3SI can assume such a role of a larger region very well, as it is one of the fastest-growing regions in Europe and the world.¹⁹ The potential of the region is offered by its infrastructural development, which can only be achieved through fairly even investment in all the countries of the region. By coordinating infrastructure projects, the 3SI region represents an interesting investment opportunity for foreign public and private investors. Slovenia understands that by cooperating with 3SI countries, it could increase its economic resilience directly due to

the reduction of its dependence on other countries (of the EU common market) and indirectly through higher economic development, yet this expectation is mainly linked to the Slovenian primary goal, namely developing connectivity infrastructure.²⁰

Opportunities identified by Slovenia

Slovenian links opportunities for economic development mainly to 3SI's project in the field of connectivity infrastructure. Here, Slovenia sees considerable untapped potential for deepening economic cooperation with individual 3SI countries. The emphasis is put on the 'importance of the south-western part of the 3SI region in terms of the Mediterranean and Baltic–Adriatic core corridors and the key strategic role of the location of the Port of Koper in this context'.²¹ Another identified direct development opportunity are the negotiations on the revision of the TEN-T which are ongoing this year, and could enable balancing of the planning of transport corridors.²²

Geopolitics

Slovenia's interests

In terms of the global power struggle in interest spheres, Slovenia has reacted to the Chinese 16+1 initiative with reservations from the perspective of the greater global influence of authoritarian states²³ and potential negative social and political consequences brought about by the Chinese type of investment and development cooperation policy. Slovenia sees its and other 3SI states' participation within the US initiative as a firm support to NATO and the EU's common values,²⁴ such as respect for human rights, democracy, the rule of law, and also EU market standards and investment practices, especially transparent public tenders and loans or grants conditions. Support of EU values is the most important domestic and foreign policy value for Slovenia who strives to be the core EU member state also in this regard.²⁵

As for the European geopolitical power struggle, Slovenia does not hold a historical experience of the two blocks bipolar Cold War system as it was part of the former Socialist Yugoslavia leading the Non-Aligned Movement. Additionally, Russia had never challenged Slovenia territorially or politically; thus Slovenia holds a rather positive historical, cultural and political inclination towards Russia. 'In the light of Russia's

aggression against Ukraine, a group of ministers for the digitisation of the 3SI countries has been formed within the initiative, which is directly involved in helping Ukraine and is in regular contact with the Ukrainian side. There have also been concrete deliveries of telecommunications equipment to Ukraine'.²⁶ Additionally, unlike many CEE countries, Slovenia has not been able to develop any meaningful bilateral political partnership with the USA as a potential 'protector' state and thus primarily cooperates with the US within multilateral forums, NATO being the closest one.²⁷ For this reason, in addition to the above-mentioned location-originating transit interests, the participation of Slovenia within the 3SI has to be primarily understood as yet another strengthening of the EU and NATO as the most relevant regional international organisations of states to whom Slovenia is friendly. The Slovenian Foreign Ministry explains the country's geopolitical view on the 3SI as follows: Economic development of the 3SI countries is therefore in the strong interest not only of the EU, but also of other Western countries who share common values. Greater economic development will give the 3SI countries a greater ability to defend these values, threats to which come mainly from the east. As the 3SI countries are located in the eastern part of the EU, one could say that strengthening them in all aspects is essential for successful defence against authoritarian countries in the east. EU Member States have thus begun to adopt the 3SI as leverage to strengthening the Union.²⁸

Opportunities identified by Slovenia

I refer to an opportunity relating to improving Slovenian–Croatian bilateral relations that the interlocutors from the Slovenian MFA have not identified, yet bears relevance in the CEE regional cooperation context. Slovenia has an unresolved bilateral border dispute with a neighbouring country, Croatia. The latter continues to deny implementation of the international arbitration decision on the issue from June 2017. As the EU institutions (the Commission and the Court) have decided the matter remains outside their legal competence, it seems that this international legally binding decision remains within the hands of inter-state politics. Having in mind that Slovenia itself is not capable of forming regional let alone (external) big power support in general,²⁹ the country needs to actively make use of any relevant plurilateral frameworks. This is particularly true in case of 3SI, where Croatia,

in alliance with the regional power Poland, offers active engagement based on US leadership and threatens the further marginalisation of Slovenia within the EU. To summarise, although 3SI is primarily a framework in terms of global geopolitics, for Slovenia it could also represent one of the relevant forums of political weight in the region of CEE. I underline that this potential rests merely in the realm of informal state-to-state relations as the European Commission has clearly shown it will not be addressing (publicly) the issue within the 3SI. For example, during the fourth 3SI summit in Slovenia, in June 2019, the at-the-time outgoing European Commission President Juncker at the event's press conference did not want to answer a reporter's question on the Slovenian–Croatian border dispute at all but rather simply left the press conference.³⁰

Energy security

Slovenia's interests

In comparison to the EU-27, Slovenia has a higher share of nuclear energy and of renewable energy resources (mainly hydro), but a significantly lower share of natural gas.³¹ Crnčec and Bojinović Fenko in a recent analysis and evaluation of the Slovenian position within the EU energy policy establish that Slovenia is a rather atypical country also within the CEE region.³² Slovenia is highly energy independent from Russia compared to other CEE countries. This gives the state a unique political and economic position of understanding Russia primarily as an economic partner rather than as an economic or security threat, yet this stance obviously became politically impotent after the Russian aggression on Ukraine in March 2022. Another Slovenian energy-related peculiarity is the fact that the state possesses a Cold War-inherited advantage: it is the only CEE country that operates a US Westinghouse nuclear power plant reactor. This fact has since 2020 become prominent in relations with the US as Slovenia considers building a new nuclear power plant in line with the EU decarbonisation strategy and its own aim to become climate neutral by 2050. The MFA believes that 'the main purpose of strengthening energy infrastructure in the 3SI region is to strengthen energy security'. However, with the particular energy situation in mind – relative independence from Russian gas imports and potential US-related nuclear power cooperation –

Slovenian interests within the 3SI in the energy objective are rather weak. The state did not take the initiative with a particularly promising new framework of energy cooperation as its own energy mix situation is stable. The country joined the initiative in a rather reactive fashion, based on regional inertia with a lack of any specific expectations.³³ In this fashion, Slovenia submitted within the 3SI two national energy infrastructure projects that had long been identified as relevant within several other regional initiatives or investment frameworks, but lacked market interest for co-funding to be launched into realisation.³⁴

Project Gas connection between Slovenia and Hungary. The purpose of the first project is 'to establish the return route of gas with the Hungarian gas market, connecting gas markets, reducing price differences and increasing security of supply in Slovenia. The scheduled start of operation is October 2025. It involves cooperation by the system operators of the gas system in Slovenia and in Hungary, and companies Plinovodi and FGSZ'.³⁵

Project SINCRON.GRID. This project involves the Croatian and Slovenian electricity system and distribution operators – Eles, HOPS, SODO and HEP ODS. 'With the increasing integration of decentralised renewable energy sources, both in Slovenia and in Croatia, there is a lack of sources of flexibility needed to regulate the electricity system. The project establishes international cooperation on smart grids, enables more efficient integration of distributed generation, improvement of voltage quality, inclusion of additional sources of system services and better control over the transmission and distribution network. The project is expected to be completed in autumn 2022'.³⁶

LNG terminal connection from Croatia via Slovenia to Poland. At the fourth 3SI summit meeting in Slovenia, another project has been revealed, aiming at improving energy security via diversification of sources through the construction of pipelines in the region to connect new LNG terminals with all states in the region.³⁷ The MFA defines this project as 'one of the most important 3SI infrastructure projects'. This is the North–South Gas Corridor, which will connect the LNG terminal on Krk in Croatia with Świnoujście in Poland, and then further on connect to the Baltic gas pipeline. Yet, the biggest challenge identified remains financial sources for such huge infrastructure projects.³⁸ Additionally, experts are rather critical about the potential outcome of any of the projects listed above. They claim the projects have been simply added

on the list, in line with having been listed on several other occasions of (sub)regional cooperation initiatives.³⁹ This means that Slovenia did not construct or apply for any new energy-related projects within the 3SI, but rather sees 3SI as yet another forum where demanding and risky development projects remain ‘wishful thinking’. In terms of energy security, the 3SI did not increase Slovenian expectations or actions.

Opportunities identified by Slovenia

Contrary to expert assessments, the MFA’s official stance towards energy projects is rather optimistic. In particular, they expose one project, namely the Croatia–Poland LNG terminal connection, which is of Slovenian interest for transit purposes. ‘A project of this scale will strengthen the energy security of each country in the 3SI region. Energy projects are the ones for which foreign investors have shown the most interest so far. An example of such an investor is the United States or its Development Finance Corporation (DFC), which acts as the United States Development Bank. DFC wants to invest in 3SI almost exclusively in energy projects. It is most keen to finance renewable energy sources and projects that contribute to energy security and diversification of resources’.⁴⁰

Reliable, sustainable and inclusive connectivity

Slovenia’s interests

Due to its central geographical position in Europe, the country is interdependent with all parts of Europe in terms of transit; thus participating within 3SI could offer a boost to its comparatively underdeveloped (logistical) infrastructure.⁴¹ At the fourth 3SI summit meeting in Slovenia, the country put on the agenda the question of connectivity between the north and south of the EU integration, namely between the Baltic, Adriatic and Black Seas. Among 3SI objectives, improving transport connectivity has been most exposed by Slovenia.⁴² Below I present Slovenian interests within the two strategic projects that the country has submitted to the 3SI project list.

‘Second track of the Divača-Koper railway line’ project. Of the total transhipped goods in the port of Koper, about 60% of the cargo is brought or taken by rail. Increasing market shares in existing hinterland markets and growing market shares in relatively new markets,

especially in southern Germany, requires reliable and better hinterland connections, especially by rail. The cargo port of Koper and other important northern Adriatic ports – Venice, Trieste, Ravenna, Rijeka – are of interest for overseas cargo, especially for cargo coming from Asia via Suez. It arrives at the northern Adriatic ports about a week earlier than the competing northern European ports (Rotterdam, Antwerp, etc.).⁴³ The existing single-track electrified railway line between Koper and Divača is the only railway connection between the port of Koper and the hinterland. The capacity of the line is limited due to the technical equipment, and the line capacity and transportability are also affected by extraordinary events and measures implemented on the line. Especially in the summer months, traffic is limited by meadow and forest fires, which are often the result of sparks when trains brake on the tracks. The nature of the terrain means that landslides are also common. The aim of the project is to remove the bottleneck on the Divača–Koper railway section in order to ensure the long-term capacity of the railway transport infrastructure in Slovenia and consequently increase the economy's competitiveness. After construction, the second track will be 27km long and will run on demanding terrain, leading through eight tunnels and through several bridging structures. According to the schedule, the main construction works on the project will be completed by the end of 2024; the project will be completed by the end of 2025 and put into operation in 2026.⁴⁴

'Reconstruction of the Ljubljana railway hub' project. The Ljubljana Railway Hub (*Ljubljansko železniško vozlišče – LŽV*) is a connection and a crossroads of various international, national and regional rail passenger and freight transport lines. LŽV is part of the wider Ljubljana Transport Hub, which also includes road and indirectly airport traffic. LŽV consists of the main passenger railway station Ljubljana and the main freight railway station Ljubljana Zalog. In addition, it consists of an even larger number of regionally important passenger and railway stations and stops. These include: the Ljubljana railway station, Ljubljana Zalog, Ljubljana Moste and Ljubljana Šiška stations (including the lines between these stations).⁴⁵ In parallel with the LŽV, the operational project 'railway area of Ljubljana stations' has been established. From a traffic point of view, the Ljubljana station is an important generator of passenger flows; at the same time it is also an important transit station for freight transport, as it is the final, initial or scheduled station

of the main and regional railway lines. It is also part of the TEN-T core network and is included in the Mediterranean and Baltic–Adriatic core corridors.⁴⁶

Opportunities identified by Slovenia

‘Today, the Port of Koper provides the shortest time for cargo to travel from Shanghai in China to Munich in Germany. Shorter sea navigation time by 5 to 6 days is a key competitive advantage of Koper over European North Sea ports. In 2030, the throughput in the Port of Koper is expected to amount to 35 million tons, which means that due to the current inadequacy of the existing Divača–Koper railway line, road freight traffic will increase by approximately 20 million tons. In sum, Slovenia expects that in 2030 there will be 2 times more trucks from the Port of Koper on Slovenian motorways than today.’⁴⁷ The MFA in general assesses that ‘reliable, sustainable and inclusive connectivity will contribute to Europe’s greater prosperity, security and resilience’.⁴⁸

Conclusions and recommendations

In this final section, I provide a reflection on the chapter’s overall findings. I conclude with a look forward at how Slovenia’s perception regarding the 3SI could further evolve and what circumstances could affect it.

Slovenia is a country that has reacted to 3SI according to its foreign policy strategy: primarily based on its values and secondly in line with its strategic interests. In terms of values, 3SI represents for Slovenia a strengthened collaboration among a Western group of states in the context of global activities of authoritarian powers, such as China. According to responses to the Russian aggression in Ukraine that 3SI states have already organised, one can conclude that these responses also aim at limiting the Russian threat to liberal values. In this regard, a strong common standpoint of Euro-Atlantic states, including CEE states with a recent authoritarian past, is of particular importance and makes the 3SI highly relevant. For this reason, in the summary Table 3.1 below I have marked geopolitics as the value-based importance of 3SI objectives. Following that, Slovenia values balanced economic cooperation in Europe and sees 3SI as an opportunity to contribute to

eastern EU member states catching up with the western ones. Energy security is the least important Slovenian value because of Slovenia’s rather high independence from gas imports and high percentage of renewable energy in its energy mix. Connectivity to states in central and Eastern Europe does not feature as a political value in Slovenia but rather as a central European transit location and history-based economic cooperation interest. From the perspective of 3SI project implementation, therefore, the interest of Slovenia is highest in relation to the objective of reliable, sustainable and inclusive connectivity. Energy security follows, because of the interest in extending and modernising existing gas pipelines including LNG logistics.

Table 3.1: Summary of the importance of the 3SI objectives for Slovenia’s interests.

3SI OBJECTIVE	Economic growth & resilience of the 3SI region, greater interest among investors	Geopolitics	Energy security	Reliable, sustainable & inclusive connectivity
IMPORTANCE according to value-based interest of Slovenia	2	1	3	4
IMPORTANCE according to 3SI project implementation-interest of Slovenia	3	4	2	1

1 – most important

4 – least important

According to interviewees,⁴⁹ the biggest challenge to 3SI projects remains establishing a viable and stable financial framework with resources to match the current disproportion between the demand and available financial resources. Despite the fact that Slovenia has identified and submitted six projects within the 3SI initiative and has contributed EUR 23 million, there is still no prospect let alone assurance that these projects are to be financed. Also, some of these projects are already in motion, like the Divača–Koper railway line which is under construction. In this regard, a substantive argument given by Slovenian expert public officials on the need to treat the 3SI projects

complementary to the already existing EU frameworks for regional development and cohesion potentially indicates a reference also for financial complementarity between EU regional projects and 3SI project realisation.

As other more immediate and pressing circumstances preoccupy the CEE, the EU and NATO from March 2022 (Russian aggression), one presumes that hard security challenges might take priority over connectivity or building investment opportunities. On the other hand, we have seen a swift new trajectory of the EU to reduce dependence on Russia, which promises potential boost in energy security cooperation.

The final recommendation I would propose to the 3SI from the perspective of Slovenia is the following. One can observe that the transition from socialism and communism did not only leave the CEE countries with challenges of economic underdevelopment, but also with weak consolidation of liberal democracy. At least the behaviour of V4 governments, especially Polish and Hungarian and Slovenian from March 2020 to its change in April 2022, explicitly expose instable democratic institutions and even authoritarian tendencies. With Chinese extreme authoritarian domestic governance on the one side and Russian foreign policy aggressive behaviour on the other, the CEE governments illiberal digressions is not the worst that the EU has to deal with. Yet, this should not be the reason to settle in 3SI with pragmatic policy and focus only on issues less sensitive to political values, such as infrastructure, energy, business investments, transport etc. A recommendation would be to link the 3SI projects of economic development with value-based conditions, such as for example transparent public procurement, anti-corruption measures, oversight by and collaboration with expert civil society, including independent science and tertiary education institutions not only from CEE region but from the entire EU and also from the US as the 3SI initiator.

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The Three Seas Initiative: A case for America's economic statecraft imperative

Anthony B. Kim

Latvia recently hosted the latest Three Seas Summit and Business Forum. The June Three Seas Initiative (3SI) meetings provided a timed opportunity for the 3SI partners to work together to reboot and revitalise their partnership and willingness to elevate the 3SI to the next concrete level at a crucial juncture. Advancing pragmatic policies that enhance collective defence and economic security based on shared values of democracy and economic freedom must continue to be a focal point for Washington's strategic interaction with the 3SI countries in coming months and years.

Launched in 2016, the 3SI covers twelve countries around and between the Baltic, Black and Adriatic Seas: Austria, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. It is designed to promote connectivity among nations in the critical region by supporting infrastructure, energy and digital interconnectivity projects, with the ultimate goal of strengthening their security and economic integration with the rest of Europe. If pursued in timely fashion and implemented successfully, the 3SI can and will do as much for Central and Eastern Europe – indeed for Europe as a whole – as membership of NATO.

This multidimensional infrastructure and regional connectivity project driven by the twelve 3SI countries and the US has been an obvious geopolitical opportunity. The perceived benefits are more than economic. It is in the clear interest of both the US and the Three Seas countries to remain united in effectively confronting Russian aggression and navigating the challenges of economic growth and energy security.

The case for the 3SI has been regarded as compelling. As the US State Department once noted, 'a secure, prosperous, and resilient

Three Seas region is key not only to binding the countries of Central and Eastern Europe more closely with the rest of the European Union but also to the United States'.¹

Perhaps, not surprisingly, that is why the 3SI has received strong bipartisan support in the US since its inception, and despite the ongoing Covid-19 pandemic and other challenges, the initiative has continued to gain momentum, albeit slowly, over recent years.

However, the strategic need for the 3SI and its success has been significantly elevated in light of the recent invasion of Ukraine by Putin's Russia. Unquestionably, 2022 has turned out to be the most critical year in transatlantic relations since the end of the Cold War three decades ago. Russia's unprovoked invasion of Ukraine on 24 February 2022, has brought new urgency to the necessity for defence and economic cooperation between the US and its European allies in the context of NATO and beyond, which calls for greater cooperation in the sphere of economic and energy security through the 3SI.

Washington will only be able to meet the demands of a new era of regional conflicts and global struggle if the US builds on the strength of the transatlantic Alliance, which remains more central to its security than before.

To that end, the 3SI is vital and serves America's security and economic interest. More substantial and proactive US support for and involvement in the 3SI, reinforced by political will and decisiveness of the 3SI partners in Europe, is necessary for the success of the initiative. The Three Seas region boasts some of America's most ardent and reliable allies. A more prosperous and better integrated Three Seas region would yield a stronger Europe, one more economically resilient and better capable of working with the US in addressing both regional and global challenges.

The 3SI matters to the US more than ever

Indeed, a heightened level of urgency to making the 3SI really operational has been injected since Russia's invasion of Ukraine. A strong, prosperous and secure Europe is in America's interest, and the 3SI can and should play a role in enhancing the transatlantic bond to a next level.

The US has indicated notable support for the 3SI over the past years. Since 2016, officials from both Republican and Democratic administrations have expressed diplomatic support for the 3SI, and high-level US officials have joined its annual summits. From Washington's foreign policy perspective, the 3SI strongly merits to be viewed as the most significant political and economic policy initiative to emerge in Central and Eastern Europe since the enlargements of NATO.

The strategic objectives of the 3SI largely aligns with a number of key US security and economic goals that have received Washington's interest and support. In a broader geopolitical context of strategic concerns, particularly concerning Russia and China, a growing number of policymakers in Washington have viewed US involvement with the 3SI as an integral component of American's existing diplomatic, security and economic cooperation with the countries of Central and Eastern Europe.

As a matter of fact, the 3SI has garnered a notable degree of US government support and elevated engagement. The US strategic interest in this linkage has been clear: to bolster the economic sovereignty and resilience of all the countries involved in the Initiative and to enable them to withstand Russia's efforts to manipulate its smaller neighbours through economic and energy levers.

The Trump administration had been vocal in its support for the 3SI as an opportunity to strengthen the economies of key US allies in the region and to lessen the region's dependence on Russian energy imports, a key US concern. In 2017, President Donald Trump became the first US president to attend a 3SI meeting. As noted by the president at the time, 'The Three Seas Initiative will transform and rebuild the entire region and ensure that your infrastructure, like your commitment to freedom and rule of law, binds you to all of Europe and, indeed, to the West'.²

In addition to political support, the US made efforts to help spur private investment in some of the projects. During the 2018 Bucharest Summit, then US Energy Secretary Rick Perry announced a new 'Partnership for Transatlantic Energy Cooperation' initiative to help 'raise these projects to the top of the political and economic agenda for their wider visibility and attractiveness'.³ The US energy secretary noted his hope that "the 3SI could attract substantial investment from US and

multinational businesses to work in partnership with governments to build new energy and transportation infrastructure."⁴

At the Munich Security Conference in February 2020, then Secretary of State Mike Pompeo announced an US commitment of USD one billion in matching funds to the Three Seas Investment Fund (3SIIF).

Highlighting that the US is firmly committed to forward-looking engagement with its partners in the initiative during the October 2022 Three Seas Summit in Estonia, Secretary Pompeo underscored that 'the United States has skin in the game, and we look forward to every member of the Three Seas Initiative contributing as well'.⁵ Reaffirming US support for the free market-based efforts 'to expand energy, digital, and transportation infrastructure in a way that will improve economic security for generations to come', Pompeo further noted: 'America is with you.'⁶

Equally notable has been support from the US Congress. In November 2020, the House of Representatives passed a bipartisan resolution 'expressing support of the Three Seas Initiative in its efforts to increase energy independence and infrastructure connectivity thereby strengthening the United States and European national security'.⁷

In December 2020, the Development Finance Corporation (DFC) approved a USD 300 million investment in the fund to be used 'primarily for projects focused on energy security'.⁸ This investment authorization was "facilitated by the European Energy Security and Diversification Act of 2019, which eases country-income-level restrictions for certain energy infrastructure projects in Europe."⁹

In February 2021, bipartisan members of the US Congress urged the Biden administration to push forward the previous administration's pledged financial support for the 3SI and called on DFC to finalise its approved USD 300 million investment, in particular concerning infrastructure deficiencies that make the 3SI region 'overly dependent on Russia and China for energy and economic needs'.¹⁰

Since 2021, the Biden administration has likewise given strong rhetorical support to the 3SI. In his videoconference remarks on the 3SI summit in Bulgaria last year, Secretary of State Antony J. Blinken reaffirmed the US' robust support for the goals of the 3SI. Blinken's message was reinforced and amplified by the virtual speech to the summit by President Joe Biden who declared that the US will be an 'unfailing partner' of the 3SI countries. President Biden further noted, 'There is incredible potential for increasing cooperation and

connectivity among this group that will enhance the security and prosperity of the region and, quite frankly, benefit the world.”¹¹

Given the strong support from the highest levels of the Biden administration, however, US implementation of its support for the 3SI needs to be elevated and more practical. Indeed, the 3SI matters more than ever in light of Russia’s unprovoked invasion of Ukraine. The US should seek to play an elevated leadership role in advancing the 3SI, which will should be considered as another critical pillar of transatlantic cooperation in terms of both defence and economic security in a new era of global challenges highlighted by Putin’s hostile Russia.

Over the past decades, the US and its allies in the Three Seas region have made the strategic choice to defend the principles of the free-market rules-based order in the region. However, now that choice must be reinforced with stronger commitment and concrete action in order to confront grave security and economic challenges injected by Putin’s Russia.

The overall landscape in the region has been unambiguously changing. With the risks to US interests increasing on a number of key policy fronts that include economic and security dimensions, US leadership is being tested both by new challenges confronting the region and by uncertainty about America’s own policies, particularly concerning trade and investment.

The US cannot decide for the countries in the Three Seas region whether to uphold and defend the rules-based order. Nevertheless, the US should make the decision an easier one by demonstrating renewed leadership in the region, by choosing to remain actively engaged in the region as an indispensable partner through economic and commercial engagements. A strong and focused partnership requires leadership that can go deeper than a set of talking points, to the tough and highly complicated issues facing the region.

Time to forge strategic partnerships that center on economic freedom

Economic engagement is essential for America’s engagement with the Three Seas region and other parts of Europe. However, it will be hollow without Washington’s leadership in trade and investment. In

fact, more than ever, trade and investment issues meld foreign policy and economic policy. There are many areas of potential cooperation, but without vibrant commercial links and practical entrepreneurial interactions, economic cooperation between the US and the Three Seas countries cannot flourish.

Fundamentally, a network of vibrant free markets, underpinned by the rule of law, accountable government, regulatory efficiency and market openness, fosters the spirit of constructive partnership among the countries that share values and economic bonds. At the heart of defending the principles of the rules-based order and ensuring broad-based economic dynamism is the task of advancing economic freedom. Economic freedom sustains competitiveness and thus economic prosperity for the countries that embrace freedom-enhancing policies.

Market openness is a critical pillar of economic freedom. In an increasingly integrated global market, countries with more open markets benefit from the free exchange of commerce and thereby enjoy greater economic prosperity. This multidimensional relationship is well documented in the Heritage Foundation's Index of Economic Freedom.¹² More specifically, consumers and producers who live in countries with low barriers to trade and investment are better off than those who live in countries with high barriers. Reducing those barriers remains a proven recipe for prosperity.

In fact, it is notable that Latvia's economic freedom score has risen significantly over time and is now well above the regional and world averages, according to the Index.¹³

Latvia's ongoing transition from a one-time Soviet satellite state to a more vibrant and market-oriented economy has been facilitated by openness to foreign trade and the efficiency of business regulations that promote entrepreneurial dynamism. The Northern European nation has maintained fiscal discipline and enhanced its banking sector. As policymakers in the US and Europe think about how to effectively revitalise economic dynamism, Latvia is well positioned to strengthen our understanding of how to successfully navigate the crisis.

Moving forward, particularly given the clear relationship between economic freedom and economic dynamism, the overarching objective of America's strategic economic interaction with the Three Seas region must be to facilitate the expansion of vibrant trade and investment environments that provide the best chance of translating

opportunity into prosperity. A strong economy undergirds a strong national defence, and a vibrant economy is an imperative source of strong defence. Capitalising on all opportunities to deepen practical trade and investment relations is in the mutual interests of Washington and the countries of the Three Seas region.

While each of the twelve countries has undergone different phases of transition over the past decades, by and large they as a group have turned away, dramatically so, from the collectivist philosophies of socialism and communism and embraced a variety of free-market policies that have led to growing prosperity and stability. Having secure, stable and economically viable strategic partners in the Three Seas region is in America's security and economic interest.

In deepening engagement with the US, the 3SI countries should implement reforms that open them further to international investment and strengthen their institutions. Central to the task of advancing economic freedom and an enabling business environment in the region must be committed economic statecraft that creates a more inviting playing field for US companies and private investors, as well as ensuring US leadership in market opening and high-standard rulemaking.

Needless to say, Washington cannot provide countries in the Three Seas region with the political will that they need to transform their economies according to free-market principles. However, by getting more directly and practically involved in critical policy dialogues, the US can and should ensure that its constructive engagement is taken into account.

Washington can also engage at the technical and practical level in a way that enables countries to advance their economic development. Fundamentally, America's economic relationship with the region will be exercised best through the private sector: the catalyst for real, meaningful economic transformation.

In the end, if it is to be a credible leading force in the Three Seas region, the US has to prove itself a positive and dependable actor, not a reactive and unpredictable one.

The 3SI must be cultivated to be an antidote to Russia's energy coercion

Unambiguously, the crisis in Ukraine underscores the elevated importance of the initiative for the US and its allies in Europe. The ongoing barbaric conflict in Ukraine imposed by Putin's Russia has ushered in a new era for energy security. Russia's war against Ukraine has shocked Europe into re-evaluating long-decided policies, including the phasing out of nuclear power, the curtailed use of important European fossil fuels, and, most critically, Europe's reliance on Russian energy.

Also notable is that strategies that would have normally taken years or decades now must be formed and executed far more urgently. It also presents a unique opportunity to forge an unprecedented cohesion to address future energy security threats, particularly at a time when Russia is instigating European countries to compete for limited alternative supplies and clash over sanctions guideline.

European countries' governments, particularly driven by the 3SI countries, and the US must act swiftly to form a resilient strategy against Russia's energy security offensive while making progress on mid- and long-term initiatives such as deployment of new routes and sources. The 3SI aims to spur economic growth, reinforce economic resiliency and energy security, and deepen regional connectivity – including with Western Europe.

In the current geopolitical context, intensifying US efforts to secure energy connectivity through the 3SI is far more critical and deserves immediate concrete action. Fundamentally, America's economic relationship with the region will be exercised best through the private sector, the catalyst for real and meaningful economic transformation.

Regardless of how the Ukraine calamity plays out, it is undeniably clear that Russia's autocratic dominance as an energy source for most of Europe has given Moscow outsized political and economic leverage. It has been weaponised against many of America's transatlantic allies and partners.

Indeed, in the face of Russian aggression and manipulation of energy markets, the transatlantic community needs to upgrade and secure energy supply chains. It needs a vibrant private energy sector that delivers reliable, affordable energy.

Everything needs to be in the mix of that effort, to ensure robust US exports, natural gas exploration, and the facilitation and renewed adoption of greater nuclear energy. In facilitating much-needed greater energy cooperation and connectivity independent of Russia's influence, the 3SI can and must play a vital role and must be enhanced accordingly, particularly with the US becoming a more proactive anchor investor.

The path forward

The upcoming months will likely prove a pivotal moment for 3SI – either with tangible outcomes starting to magnify, or with the initiative fading away as a missed opportunity due to a lack of political will. The 3SI will allow the US to build strengthened business, energy and geopolitical ties to the emerging Europe region.

A stable, secure and economically viable Europe is in America's economic interest. Some of America's oldest and closest allies are in Europe. The US shares with this region a strong commitment to the rule of law, human rights, free markets and democracy. The economies of Europe, along with the US, account for almost half of the global economy. The US and Europe are each other's principal trading partners. The US and Europe are each other's top source of foreign direct investment.

History shows that a stable Eastern Europe means a stable Europe as a whole. This is why making the 3SI meaningfully viable is so strategically crucial to the US. From a broader and long-term perspective, since the end of the Cold War, the US has repeatedly tried to hand the job of securing the peace of Europe to the Europeans. But with Russia forever on Europe's door, that job is too big for Europe alone. While remaining committed to NATO in word, the US has downsized its military presence in Europe. This yawning gap between words and deeds has emboldened Russia, with results now obvious in Ukraine.

The European failure has been equally obvious, if not more. By refusing to spend enough to fulfil NATO commitments, and failing to recognise that a feckless multilateralism would never deter Russia or China, European nations have virtually invited Russian aggression and Chinese exploitation.

Because of these failures, the current challenge is formidable. The US and its European allies, spurred on by Russia's naked aggression against Ukraine, must act to reverse the errors of past policies as rapidly as possible by building the deterrence and prosperity that will be the foundation of peace in the transatlantic world.

Time to make the 3SI pragmatically operationalised

As demonstrated by the current Ukraine crisis, the 3SI countries are partners of critical importance to the US, both politically and economically. Having secure, stable and economically viable strategic partners in the Three Seas region and beyond is in America's security and economic interest. To that end, elevating US support for the 3SI – which encompasses a strategic, long-term outlook for energy resilience and independence for Europe – is a valuable economic and security approach to counter Russia's energy weaponisation.

In fact, there is an added urgency to the initiative. If the US were serious about helping Europe to be peaceful and prosperous, Washington would really need to gin up some momentum behind the 3SI. This year is likely the crucial year when the US and its allies will decide whether the 3SI remains just a diplomatic agenda or can become a serious pragmatic project. Grasping and capitalising on all opportunities to further deepen practical trade and investment relations is in the mutual interests of Washington and countries in the Three Seas region.

It is indeed in the interest of long-term transatlantic foreign policy objectives to take a multifaceted approach to building greater economic relationships and security, and upholding the shared values of democracy and the rule of law, together with like-minded, willing allies around the region. The 3SI can play an important role in achieving those goals.

The global relevance and significance of the regional initiative, especially in relation to current security threats in Europe, has never been clearer and sharper than now. Advancing pragmatic policies that enhance economic dynamism and energy independence should be a focal point for Washington's strategic interaction with the 3SI countries. Now is the time to act on that. It is in the clear interest of the US to follow through discussions of the 3SI Summit in Riga, Latvia, to elevate the initiative to a next practical level.

Conclusions and recommendations

In crafting a coherent and comprehensive road map that will advance the region's strategic interest of enhancing economic prosperity through greater private-sector engagement and regional connectivity in the Three Seas region, the 3SI countries and the US should work together to:

- Keep the US pledge made at the 2020 Munich Security Conference regarding matching US funds. The US commitment of USD 1 billion in matching funds for the 3SIF shows that the US is serious about stability and security in Europe. As reinforced in June 2020, the United States is 'proud to have pledged substantial funding to implement this important initiative and call on others to join us'¹⁴. It is a concrete example of much-needed practical leadership in the transatlantic community. The administration should continue thinking strategically and keep this commitment to advance US economic, security and geopolitical interests in partnership with the 3SI countries.
- Implement greater pro-market, pro-investment policies in the region. Despite notable progress, a number of countries in the region need to be encouraged to adopt policies that will lure private investment and spur market-led economic growth and development. Greater economic freedom means freeing untapped entrepreneurs and unleashing the 3SI countries' economic potentials, which are necessary for sustained growth and development. They should be encouraged to adopt greater free-market policies that facilitate development that is led by the private sector, because the real long-term transformative investments in the critical region will come ultimately from the private sector.
- Amplify a bold, consistent narrative about the benefits of market liberalisation and openness. This narrative should highlight the positive consequences of economic freedom, including its positive impact on individual states, the value of imports to the national economy, the realities of the global value chains and their value to the US and the Three Seas region as well as the constructive effects of economic growth on overall development.
- Elevate existing security engagement and economic interaction with more committed outreach. The US starts with massive advantages, not the least of which are decades of positive

engagement in the region, world-class investment and business practices, a global profile, military alliances, and partnerships. The list of advantages the US has is long. Yet the US can and should step up its own game considerably. Washington's evolving efforts to become more deeply engaged in the Three Seas region, raise the American profile and elevate its participation in the region are very well advised.

- Strengthen enduring alliances and build on nascent ones by increasing measurable economic opportunities and collaboration. Without a discernible trade component, particularly America's leadership in building a predictable trading environment, it would be an empty gesture. The US needs substance, and the substance that counts in a concrete and practical way is trade and investment led by the private sector, among other dimensions.
- Exercise strategic flexibility and incentivise reforms. Washington should work with the Three Seas countries proactively to facilitate dynamic trade, open investment environments, transparent agreements between nations, and improved connectivity to drive regional ties. That is in the interest of the US and of the countries in the Three Seas area. But the US can be strategically flexible in its approach – not needing formal agreements in every case. The US and countries in the region have a mutual interest, for instance, in helping small and medium-size businesses, including those in the financial sector, grow and compete regionally as well as globally. Positive actions in this regard can be taken by the US and individual 3SI countries on independent timetables.
- Consider opportunities to fund 3SI projects that advance America's interests. The US should consider better and more strategically utilizing the DFC for 3SI projects that advance US economic, security and geopolitical interests. Once again, fundamentally, the 3SI is and should be a practical platform for attracting private-sector investors, but the initiative's ultimate success also undoubtedly hinges on building public-private partnerships.
- Encourage continued contributions to the 3SIIF. To date, nine of the twelve 3SI members have contributed to the fund. The US should encourage every member to contribute, while also encouraging wealthy non-members, such as France, Germany and the UK, to make similar matching contributions to the US.

Grasping and practically capitalising on all opportunities to further deepen practical trade and investment relations is in the mutual interests of Washington and countries in the Three Seas region. The US and the Three Seas countries must remain steadfast in their determination to ensure that the evolving strategic partnership grows stronger as they move forward together.

More than ever, particularly in light of Russia's unprovoked invasion of Ukraine and its evolving geopolitical context, the US should take a multifaceted approach to advancing its transatlantic foreign policy interests, building greater economic relationships and upholding the shared values of democracy and the rule of law through the 3SI that should rely on 'fairness, transparency, and mutual benefit'¹⁵.

Those words must be followed with action. US political and economic support for 3SI are in line with America's national interest, and Washington should be urged to sustain them over the long term and must elevate its practical engagement with the allies of the Three Seas Initiative.

The time to act on that is now.

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Conclusions: Putting together the puzzle by mapping national perspectives

Andris Sprūds, Mārtiņš Vargulis

In modern European history, there have been a number of geopolitical and geo-economic initiatives aimed at strengthening the prosperity and competitiveness of particular regions, both in Europe and in the wider international environment. Not all of them have been successful or long-lasting. Many have lost meaning and relevance, which has resulted in them being transformed or ceasing to function altogether. The Three Seas Initiative (3SI), launched in 2016, is one of the more ambitious initiatives in recent times, incorporating several dimensions and aspects and taking a long-term view to strengthening cooperation between the Baltic, Adriatic and Black Sea countries.

Several years after the launch of the initiative, we can already say that it has undergone a major transformation, both in its strategic vision and also as a result of national ownership and interest. As this publication demonstrates, each of the 3SI countries had, if not varied, then at least different approaches and interests in joining the initiative at its inception. Whether it was due to a reluctance to remain outside of the club or, conversely, a desire to become a leader in a particular community of nations, each of these countries has had different interests and aspirations.

As several contributors to this publication point out, this is potentially one of the biggest challenges that the 3SI will face in the future. Namely, what unifying factors will encourage and motivate countries to invest both financially and politically in the further development of this initiative. It is hoped that these strategic questions will be answered at the Rīga Summit and future 3SI summits. Whatever the challenges and the different perspectives of countries may be, the 3SI must not be allowed to become 'just another' initiative in Europe that ceases to exist if countries lose interest.

At the same time, it must be noted that there is a consensus among the authors of this publication that, although there are significant differences in national interests, the 3SI region is generally more united than it might initially appear. This is due to the shared history of the region, the geopolitical challenges it faces and the EU integration that has already taken place at one stage or another of EU enlargement. This initiative therefore serves as a tool to strengthen a common position *vis-à-vis* the countries of Central and Western Europe. At the same time, it cannot be denied that there is internal competition between the 3SI players. However, as argued by several authors of this publication, this is a positive form of competition that encourages each member state to strengthen its position by developing its national economy and competitiveness.

The mapping of national perspectives can be broadly divided into the following gradations, as shown in the table below.

	Economic growth & resilience of the 3SI region, greater interest among investors	Geopolitics	Energy security	Reliable, sustainable & inclusive connectivity
Austria	3	4	1	2
Bulgaria	3	4	2	1
Croatia	3	4	1	2
Czech Republic	2	2	2	1
Estonia	2	1	3	4
Hungary	4	3	1	3
Latvia	3	1	2	4
Lithuania	3	1	1	3
Poland	3	4	1	2
Romania	1	3	2	1
Slovakia	1	3	2	4
Slovenia	3	4	2	1
	3	4	1	2

Table developed by the authors

Gradation: from 1 as the main priority to 4 as the least one

As we can see, energy is coming to the fore. Reliable, sustainable & inclusive connectivity as a determining factor is important, but not absolutely above other interests. The 3SI is seen as a multidimensional entity, with each member state seeking to maximise the benefits to its advantage. It is expected that national positions may change significantly, firstly as the geopolitical situation changes, and secondly as the activities of the 3SI transform, becoming more attractive to national companies. The ability to offer multiple strategic objectives and benefits is certainly seen as a strength of this initiative. These varied lines of activity show not a lack of focus, but the strength and attractiveness of diversity.

The initiative was launched mainly due to the international environment and external factors (US involvement, and attempts to reduce the role of Russia and the PRC in the region). To be successful in the future, it needs to be based on both bottom-up and top-down approaches. First of all, the attractiveness of the initiative for businesses, its impact on financial and economic cooperation, and its advantages compared to other EU 'carrots' will play an important role. The initiative has reached the stage where it should have practical benefits and interest from the public perspective. And its story is not only about big projects, but also about day-to-day cooperation and the ability of countries to make the 3SI attractive to national influencers.

The analysis of several countries presented in this publication shows that one of the most important carrots, and a precondition for development, will be the opportunity offered by the initiative to boost economic prosperity and thereby strengthen its position, firstly regionally and secondly at European level. In this context, the reluctance of a number of countries to contribute sufficient financial resources to the initiative's overall pot, as well as the failure to coordinate and promote the involvement of local businesses in the absorption of these resources, has a negative impact on the position of the initiative as an attractive component of cooperation. In this context, it is the ability of national governments to provide the necessary support to the initiative, clear messages to the public, and coordination between influencing parties that will determine the long-term viability of the 3SI.

With only a few states as exceptions, the lack of coordination is one of the most important gaps preventing the development of the initiative, firstly at a national and secondly at a regional level. Only a few

of the countries have established coordinating bodies that on a day-to-day basis, by understanding and being in contact with 3SI partner countries, are able to provide the necessary information between governmental and non-governmental organisations and companies. By setting up separate focal points, this takes the overall 3SI position 'to another level' nationally. It also allows appointed people to focus their daily work on issues that directly affect the activities of the initiative. The ability to update, prioritise and make the necessary financial contributions when establishing the coordinating elements will determine the success of each country in absorbing and reaping the maximum (including financial) benefits from the 3SI.

Moreover, as the country mapping shows, although the 3SI operates at the level of presidents, in several countries it is the line ministries that play the biggest role. This approach has not always been worse or less effective. Rather, it is the story of how a particular 3SI 'leader in charge' in a particular country is able to consolidate the other political players and convince them of the need for the 3SI at the national level. As this publication demonstrates, a higher level of representation does not necessarily mean more successful activities. At the same time, the ambition of most of the member states to 'elevate it to the highest possible level of representation' shows that the initiative has the potential to become an important agenda item at the highest possible level.

While the future of the initiative will largely depend on its member states' belief in the development of the 3SI and their national willingness to engage with it, it should be noted that two distinct actors will continue to play an important role. Namely, this story is about Germany and the USA. Germany, which currently has observer status, can significantly strengthen the initiative and the overall dynamic. As the most important business partner for most of the 3SI members, Germany has an interest in seeing the region develop and in strengthening its competitive position. At the end of the day, this would also strengthen Germany and its economy. Therefore, increased German involvement, especially in financial terms, would significantly change the development and attractiveness of the initiative, including from the perspective of the countries that are part of the initiative. However, for a complete shift of German focus to take place, the 3SI needs to be able to deliver mutual gains and benefits.

As for the USA, its involvement has been essential since the beginning of the initiative. Although initially viewed with concern from several

national perspectives as an attempt by the Trump administration to use the 3SI as a counterweight to China's growing influence in the region, the country's presence and involvement, including financially, has been essential to the overall development of the initiative. In this context, it should be noted that with the change in the US administration and the overall geopolitical setting of Russia's aggression in Ukraine, the US's leadership and focus is to some extent disappearing. As several of the authors in this publication point out, this may be crucial – firstly, for the overall development of the initiative, and secondly, for the willingness of specific countries to engage in the initiative. The presence of the USA, both politically and financially, will play a decisive role. Without US involvement and leadership, other actors, in particular China, may be tempted to fill this geo-economic and geopolitical vacuum to advance their own interests. It should be pointed out that US involvement must also provide practical input and cover. Only then can it be seen as a sufficiently reinforcing element.

Beyond these strategic challenges, the Rīga Summit should provide clear answers on a number of issues: financial funds, energy, and Ukraine. Although development funds were initially put forward as one of the key elements of attractiveness, country case studies show that few countries are now making full use of the financial resources made available by the 3SI.

The second important pillar is energy, which has become particularly relevant in the context of Russia's aggression in Ukraine. There is a relatively common viewpoint, both nationally and at the European level as a whole, that a solution to dependence on Russian energy resources must be found. That is to say, it is necessary to do everything possible to minimise this cooperation, including as a way to affect Russia's financial situation. In the context of the 3SI, energy is a widely discussed subject. One of the focuses of cooperation is directly related to the attempt to find a solution to the dependence of these countries on Russian energy resources, which could be addressed through closer cooperation and regional solutions within the 3SI. In this context, it should be noted that the Rīga Summit should be used to build on this existing united and consolidated vision and to start developing regional projects to address the long-standing and long-postponed issue of dependence on Russia. In this context, the frameworks identified by several countries in the publication certainly serve as good starting points for an even stronger

and more empowering regional policy for north-south connectivity. Successfully addressing this will require significant national financial investment as well as the mainstreaming of sub-regional projects at the regional level.

The third important pillar relates to Ukraine's potential links with the 3SI countries. As evidenced by national sentiments, it cannot be ruled out that in the future Ukraine's formal inclusion in the initiative could be confirmed; but more important than formal status at the moment is to think about how to support Ukraine's post-war recovery through 3SI mechanisms and cooperation. The 3SI should have its own Marshall Plan for Ukraine, as the 3SI countries make up Ukraine's primary market connections. Including them in economic-financial projects, as well as in the promotion of an energy policy, would generally facilitate and accelerate Ukraine's integration into Europe in practice. Here, the 3SI and its member states must play an increasingly important and proactive role.

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