



Weekly Briefing

Estonia economy briefing:
The Tallinn-Helsinki tunnel? Apply next time!
E-MAP Foundation MTÜ

China-CEE Institute

Kiadó: Kína-KKE Intézet Nonprofit Kft.
Szerkesztésért felelős személy: Chen Xin
Kiadásért felelős személy: Huang Ping

 1052 Budapest Petőfi Sándor utca 11.
 +36 1 5858 690
 office@china-cee.eu
 china-cee.eu

The Tallinn-Helsinki tunnel? Apply next time!

Quite a number of previous ‘economic’ briefings have had something on the Tallinn-Helsinki tunnel, an expensive infrastructural ‘Godzilla’ that comes and goes, leaves and returns... Peter Vesterbacka, a top-class entrepreneur from Finland, and *FinEstBayArea*, a development project that is associated with him, made plenty of headlines globally, pushing forward a bold idea to build the Helsinki-Tallinn underwater tunnel as well as four station areas interlinked with it¹. The project was launched in 2016, and the obvious idea was to boost and broaden the region’s economic development in a highly innovative way.

By the end of July 2020, it was reported that Jaak Aab (*Centre Party*), Estonian Minister of Public Administration, had a plan to propose to the country’s Government **not to proceed** in initiating the designated plan for the Tallinn-Helsinki tunnel and the artificial island². There would be no better person than the Minister himself to elaborate on this decision, and here is his take on the issue:

I appreciate the developer’s ambition and innovative plan to establish an important connection between the two countries. [...] However, in the light of the information known to the state authorities today, we have reason to doubt that the given project can put into practice for environmental, economic and security reasons. In addition, the creation of a transnational connection is only possible if both countries are willing and cooperate comprehensively. For this reason, it is necessary to agree on the common interests of the two countries before designing the tunnel.³

The report on the news showed that the Estonian side had a consultation with “Finland, other ministries and sectoral institutions, including experts in security”, finding that the project “is not implementable and not in the public interest for several reasons”⁴. On a more concrete note, a financial coverage-related reason was declared as “missing for the conduct of a planning procedure, the assessment of impacts and conduct of surveys”, meaning that “[t]he sources of

¹ ‘About’ in *FinEstBayArea*. Available from [<https://finestbayarea.online/about>].

² ‘Aab: The Tallinn-Helsinki tunnel is possible as a project between two states’ in *Rahandusministeerium*, 31 July 2020. Available at [<https://www.rahandusministeerium.ee/en/news/aab-tallinn-helsinki-tunnel-possible-project-between-two-states>].

³ Jaak Aab in ‘Aab: The Tallinn-Helsinki tunnel is possible as a project between two states’.

⁴ ‘Minister proposes not to initiate spatial plan for Tallinn-Helsinki tunnel’ in *ERR*, 30 July 2020. Available from [<https://news.err.ee/1118509/minister-proposes-not-to-initiate-spatial-plan-for-tallinn-helsinki-tunnel>].

financing of the construction of the tunnel and the artificial island are unclear”⁵. In general terms, there is always a major question of who pays the bill, and the Estonian Government is clearly not satisfied with the fact that the project’s developer, *FinEst Bay Area Development OÜ*, is likely to be significantly depended on foreign investors. Prime Minister Jüri Ratas (*Center*), however, did not cut all the perspectives off for the project to eventually succeed:

What we have been talking to our Finnish counterparts all along is that this project must be carried by the ministries of both countries. So, we support the progress of this project. However, specifically the proposal of this private company to initiate a special state plan, for various reasons we did not support it today.⁶

In principle and on paper, the *FinEst Bay Area*-promoted initiative had nothing to do with the other major regional project, which have also had some difficulties in the process of taking off the ground, the *Rail Baltica*. At the same time, according to common sense, the two ideas had to be interlined in mind, since the Helsinki-Tallinn tunnel, in order to be signed off for existence in a not so populated region, simply needs to have the *Rail Baltica* as its logical ‘continuation’. Arguably, a ‘Helsinki-Tallinn’ infrastructural stretch is, by far, incomparable with a ‘Helsinki-Warsaw’ line, which represents a completely different scale of development and offers a much greater range of opportunities to fully exercise political economy. This kind of logic, in fact, has recently been confirmed by Kristjan Kaunissaare, coordinator of the *Rail Baltica*, but he also underlined a number of discrepancies in the whole framework. Kaunissaare noted that “the failure to initiate a spatial plan for a potential undersea tunnel between Tallinn and Helsinki will affect the efficiency of transit on the *Rail Baltic[a]* route”, but “a tunnel has never been considered in the plans for the international railroad project, going back to designs made in the early 2000s” and “[s]ince there has no decision been made on a tunnel, designing it into the complete *Rail Baltic[a]* project would have been utopian”⁷. In short, objectively, the Helsinki-Tallinn tunnel has plenty of logic behind of its prospective implementation, but, formal paper work wise, the project is based on a high number of assumptions, dreams, semi-formal agreements, high-level conversations, good publicity and not much else.

⁵ ‘Minister proposes not to initiate spatial plan for Tallinn-Helsinki tunnel’.

⁶ Jüri Ratas as cited in ‘Minister proposes not to initiate spatial plan for Tallinn-Helsinki tunnel’.

⁷ Kristjan Kaunissaare as cited in ‘Rail Baltic coordinator: Tallinn-Helsinki tunnel would be great’, *ERR*, 3 August 2020. Available from [<https://news.err.ee/1119871/rail-baltic-coordinator-tallinn-helsinki-tunnel-would-be-great>].

Even when it comes to the *Rail Baltica*, which is not a dream, but a part of the EU-bound *North Sea Baltic TEN-T* corridor, it had recently had to ‘jump’ over a few hurdles to prove its rights to exist after a European Court of Auditors’ report declared that “Estonia, Latvia and Lithuania do not have enough people for the *Rail Baltic[a]* project to be feasible”⁸. The latest news, however, brought some optimism back to those minds who would prefer the project to be eventually seen on the ground as completed. On 16 July, the Connecting Europe Facility (CEF) Committee voted to grant additional EUR 184 million to be invested into the *Rail Baltica* until 2024⁹. Being topped up by 15 per cent of national co-funding, the additional investment will be forwarded towards construction works (EUR 128 million) and technical design and planning works (EUR 88 million)¹⁰. Taavi Aas, Estonian Minister of Economic Affairs and Infrastructure, was visibly glad to see such a positive outcome of the additional investment call:

The mere fact that *Rail Baltica* received more than half of the total sum available from this application call, while competing with dozens of other applicants, shows how well the project is progressing compared to other projects. Now we have additional funding to bring *Rail Baltica* closer to the people by allowing us to plan and designing our regional stops. Also, we received additional funds for the construction of [...] terminals and [...] railway embankment.¹¹

Clearly, the *Rail Baltica* has a future in the region, and, most definitely, the Governments of the Baltics will be getting checked out by the EU’s authorities more often on what is done to see the tangible signs of the grand-project’s implementation. At the end of the day, ‘construction works’ means ‘something to be constructed’ to make an 870-km greenfield rail transport corridor working for the region’s economy. There is a likelihood that the new European Commission will no longer be tolerating any serious setbacks in the project’s implementation. As for the Helsinki-Tallinn tunnel, the story is not over as yet. Firstly, Peter Vesterbacka himself has not yet spoken extensively on the decision of the Estonian Government. Secondly, in order to analyse the *status quo*, it would also be useful to explicitly understand the current position of the Finnish Government on the issue. Thirdly, almost immediately after the Estonian side made its call on the tunnel’s future public, Harri Tiido, Estonian Ambassador in Finland, resigned from his position, noting that “he would rather quit himself since the current [Estonian

⁸ Andres Einmann, ‘Audit: Rail Baltic feasibility questionable’ in *Postimees*, 17 June 2020. Available from [<https://news.postimees.ee/6999379/audit-rail-baltic-feasibility-questionable>].

⁹ ‘Rail Baltica receives next round of funding’ in *RB Rail AS*, 16 July 2020. Available from [<https://www.railbaltica.org/rail-baltica-receives-next-round-of-funding/>].

¹⁰ ‘Rail Baltica receives next round of funding’.

¹¹ Taavi Aas as cited in ‘Rail Baltica receives next round of funding’.

governmental] coalition [...] showed no signs of going anywhere”¹². In addition, the former Ambassador stated that “[r]ight now” he does not “think that it would be viable for the Estonian [P]rime [M]inister to call the Finnish [P]rime [M]inister and invite her to do something together so easily”, addressing the difficulty to one of the integral members of the current governmental coalition in Estonia, the *EKRE*, whose “words and actions had undermined Estonia internationally, and harmed Estonian-Finnish relations”, and “giving the example of [I]nterior [M]inister and former *EKRE* [C]hair Mart Helme’s remarks made in late 2019 about Finnish [P]rime [M]inister Sanna Marin as being a mere salesgirl”¹³. There is absolutely no evidence whatsoever that the Ambassador’s resignation was, in any way, connected to the aforementioned decision made by the Estonian Government on the Helsinki-Tallinn tunnel. At this very moment, it will be wise to treat these two facts as representing a pure coincidence. However, it is in the interest of both Estonia and Finland to get all these issues reconciled as soon as possible.

¹² Harri Tiido as cited in ‘Estonian ambassador to Finland resigns over worldview clash with government’, *ERR*, 1 August 2020. Available from [<https://news.err.ee/1119484/estonian-ambassador-to-finland-resigns-over-worldview-clash-with-government>].

¹³ Tiido.