



Weekly Briefing

**Lithuania external relations briefing:
Lithuania explores the deepening cooperation through the Three Sea
Initiative
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Lithuania explores the deepening cooperation through the Three Sea Initiative

On 19 October the heads of states of 12 Central and Eastern European countries (Austria, Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Lithuania, Poland, Romania, Slovakia and Slovenia) met in a virtual meeting of the Three Seas Initiative hosted by Estonia. They gathered online to deliberate on how to move forward with the closer cooperation enhancing the economic growth and energy security of the participating countries by investing in large-scale cross-regional projects in the fields of energy, transport and digital infrastructure across the Central and Eastern Europe (CEE).

A joint statement issued on that date in Tallinn by the Presidents and high-representatives of the participating countries confirmed, among other, that Estonia, Lithuania, Latvia, Hungary, Bulgaria, Slovenia and Croatia agreed to join Poland and Romania as the investors of the Three Seas Investment Fund, which is meant to finance the planned projects. Further, it was acknowledged that the participating CEE countries together with Germany and with the involvement of the EU representatives would deepen political cooperation with the United States and that Estonia would provide the secretariat for the preparation and conduct of the Three Seas Virtual Summit and Web Forum, while Bulgaria would host the summit and business forum next year.

Below is a brief outline of the origins and the development of the Three Sea Initiative that Lithuania has been engaged with, explaining the rationale and the main drivers for this multilateral cooperation framework.

Apparently, the first ideas for creating the Three Sea region spanning the countries from the Baltic Sea to the Adriatic and the Black Sea originated in the 2014 report which was put together by the influential US think-tank Atlantic Council and the Central Europe Energy Partners (CEEP). Brussels-based CEEP represents ten large enterprises and utility companies from three CEE countries (Lithuania, Poland, Romania). The CEEP members are employing over 100,000 workers, with total annual revenue of more than 20 billion euros.

Though the report from 2014 does not explicitly mention the Three Sea initiative, yet it contains the key elements of the future initiative, including the underlying idea that “the integration of the Central European Member States remains unfinished, as the political and

regulatory integration fostered by EU membership has yet to be fully complemented by infrastructural integration, both within Central Europe and of Central Europe into the broader European market space”. The report identified three sectors where the integration still needs to be accomplished, namely, the energy sector, the transportation and the telecommunication sectors. The report called for the renewed efforts in developing the North-South Corridor connecting most of the CEE countries and thus creating the shared interest in multilateral cooperation through the joint infrastructure projects. Though in 2011 the European Commission identified the creation of the North-South Energy Corridor as a central priority in the effort to create a single European energy market and the EU 10 countries showed active support for it, yet “Europe’s weak economy and budgetary constraints have impeded multilateral, governmental, and commercial investment in infrastructure”.

The report identified two main strategic objectives that the development of the North-South corridor would serve, namely: 1) the economic integration of the economies along the corridor energy pipelines and power lines, highways and railways, and telecommunication links, and, 2) the increased energy security due to the development of liquefied natural gas (LNG) terminals and its networks of gas and oil lines and electricity grids. The accomplishment of those goals, as was argued, could lead to increased competitiveness and economic resilience in a global economy, and contribution to Europe’s climate goals by increased efficiency of Europe’s transportation system and greater use of natural gas.

Politically, the preparation of this cooperation format was timed within the context of the Transatlantic Trade and Investment Partnership (TTIP) which was negotiated at that time. The report called for including in the TTIP the phasing out of US restrictions on exports of crude oil and natural gas to increase liquidity and enhance the energy security of the CEE countries.

Following up on this report in 2015 the Three Seas Initiative was formally launched by the Croatian President Kolinda Grabar-Kitarović and the Polish President Andrzej Duda. Since 2016 the annual summits of 12 heads of states were organized to continue the political consultations within this format. However, the abolishment of the TTIP under the President Trump administration in 2016 diminished the initial impetus for this initiative.

The situation started to change more significantly in 2018 when the US government decided to officially enhance cooperation with the Three Sea Initiative with some concrete proposals. At the summit of the Three Sea Initiative, the US Energy Secretary Rick Perry announced a new “Partnership for Transatlantic Energy Cooperation” initiative and indicated the possibility that the Three Sea initiative could attract substantial investment from US and

multinational businesses to work in partnership with the governments in the region to develop new energy and transportation infrastructure.

Lithuania declared the intention of deepening the engagement with this multilateral cooperation platform already under the presidency of Dalia Grybauskaitė during the 2019 summit in Ljubljana, where also the then EU President Jean-Claude Juncker, the president of Germany Frank-Walter Steinmeier and the US Energy Secretary Rick Perry took part. President Grybauskaitė emphasized the geopolitical relevancy of the proposed economic cooperation involving the EU and the US by pointing out that the development of the regional infrastructure in energy, transportation and digital security can help to strengthen the trans-Atlantic relationships.

President Gitanas Nausėda who took part in this year's virtual summit in Tallinn followed in the footsteps of President Grybauskaitė by reiterating the importance of the geopolitical aspects in relation to the energy security of the region. He mentioned that energy and transportation are the strategic sectors for Lithuania, which ensure economic growth and national security. Further, he mentioned that Lithuania has been already undertaking several pan-European infrastructure projects such as Rail Baltica, Via Baltica, the synchronization of the electricity grid with continental Europe and the connection of the gas distribution network with Poland.

Lithuania has declared its interest is to act as an important node within the North-South Corridor, especially in the distribution of gas to the rest of Europe via its LNG infrastructure. Lithuania has also pledged during the summit in Tallinn to initially invest 20 million euros in the Three Sea Investment Fund.

Initially, the main powers within the European Union, first of all, Germany and France, expressed reservations towards the Three Sea Initiative, raising concerns that this initiative could divide rather than unite the EU by increasing the fragmentation of the EU and the potential influence of the US in parts of the EU. However, the close involvement of Germany in this initiative helped to balance the interests and to start moving forward.

Yet the concerns remained about the main rationale of this cooperation framework. The analysts pointed out that the economic rationale could not be the most important one. They pointed out to the fact that altogether 48 project proposals were prepared for the joint investment as part of this initiative, yet many of them are already being implemented or have attracted the planned funding from the EU, as, for example, in the case of Lithuania, the projects for LNG vessel buyout, the power grid synchronization or Rail Baltica.

While looking for the systemic deficiencies of the current arrangements concerning the Three Sea Initiative, the analysts have also acknowledged, that the legal regulation and governance structure of the Three Sea Initiative is not formalized to a sufficient degree. The initiative is driven largely by the declarations made by heads of states at the annual summits and is not underpinned by the concrete mechanisms for implementing the policy statements into practical steps leading to adopted policies and their implementation measures. Hence, the analysts from the Lithuanian defense community have been arguing that the Three Seas Initiative should follow primarily the geopolitical aims, of which the key is to strengthen the defense capabilities in the region through the increase of physical and digital infrastructure interconnected between the CEE countries. They argue that the Three Sea Initiative projects are increasingly relevant from the perspective of the security architecture in the region since they include certain infrastructure projects that can contribute to the strengthening of the military logistical capabilities of the forces deployed in the region.

However, to succeed as a geopolitical project rather than a mostly economic project, the Three Seas Initiative members have to demonstrate the shared view on international politics and a common understanding of the role of Europe within the trans-Atlantic alliance. Yet, such agenda needs to address the interests of all countries involved in the Three Seas Initiative but it is hardly possible since, for example, Austria adheres strictly to the status of permanent neutrality and conducts its international relations outside military blocs.

Hence, as for now, the Three Seas Initiative lacks a strong common denominator except the idea of the North-South Corridor. Thus, when looking for an apt common dominator, Lithuania's President Nausėda in his talk at the Tallinn summit, apart from acknowledging the relevance of the project politically for demonstrating strong trans-Atlantic ties, mentioned the need to use this initiative for fostering technological innovation and sustainable solutions which could have societal impact. Thus, by bringing the idea down to a more policy-oriented he indicated a new direction how this initiative could be developed further - by investments in technologically advanced infrastructure for creating a more sustainable future which goes beyond any divide.

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