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**REGIONAL COOPERATION OF BALTIC STATES
(LITHUANIA, LATVIA, ESTONIA)
AND THE GLOBALISATION CHALLENGES**

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This publication aims at presenting the significance of the regionalization or rather integration process taking place in post-communist Baltic States (Lithuania, Latvia, Estonia)¹ in the light of globalisation, with particular attention on political and economic aspects. This article also aims at presenting this problem in a very concise way, both substantially and quantitatively.

The Europe of the XXI century is an integrating Europe, and by means of regional integration it moves towards a higher range of integration – globalisation². Thus, each European country, including post-communist Baltic States (Lithuania, Latvia, Estonia) while adapting to quality changes of contemporariness, realizes both the regionalization or integration processes, as well as globalisation one.

Many various standpoints appear concerning the relations between globalisation and regionalism or integration³:

1. Regionalism and integration support themselves mutually, i.e. regionalism often becomes a stage in persuing globalisation. Support takes place when regional processes help to strengthen competition powers inside a group and towards third countries.

¹ The Republic of Lithuania was the first one to gain independence in the beginning of the 90s, next was Latvia, on 10 December 1991. Estonia, the third of the Baltic States, proclaimed its independence in 1991, and it was formally confirmed in a referendum on 28 June 1992.

² W. Szymański, *Globalizacja, wyzwania i zagrożenia*, Warszawa 2001, p. 41.

³ B. Liberska, *Procesy globalizacji i regionalizacji w gospodarce światowej*, in: *Globalizacja gospodarki światowej a integracja regionalna*, Elipsa 1998, Komitet Prognoz "Polska 2000 plus".

2. Contemporary regionalism is perceived as an answer to globalisation, so as to be better adapt to it and to limit its negative results. It can, by stimulating the market and competition, fortify microeconomic powers essential to face globalisation challenges.
3. Regionalism and globalisation are opposing processes. The remedy for globalisation's evil is to create, on the regional level, common institutions supervising banks and financial markets. In other words, in case of integration we can count on better protection against unbalance of financial markets and against currency crises.

Therefore, new mechanisms and multifarious dangers connected with globalisation are becoming a new additional impulse for present regional integration processes. Globalisation favours winners, hence more powerful regions.

In regional cooperation of the Baltic States, with globalisation as a consequence, the influences and values of the so-called internal/national factors and external/international factors are⁴ of significant importance. Those factors play a considerable role in regional integration of the Baltic States, as they directly influence the transformation of the political system, socioeconomic and economic, which in turn influences the quality and pace of the regional integration. Thus, international trade, as well as international business relations – the external factors of the Baltic States and changes inside countries – internal factors become more and more regional. Thence, it is integration that encourages the discussed countries to a globalisation process. However, on the other side it is expected that integration would become an answer to challenges and threats connected with globalisation.

Global competition, by creating new challenges for the European Union, imposes transformations on its members and the associated countries, which would strengthen economic and political power of the future enlarged Europe, an equivalent partner for the USA and South-East Asia, which would be able to defend the European values.

Political aspects. Talking about political aspects of regional cooperation of the aforementioned countries, apart from their joining in the year 2004 the European Union and NATO, the Council of the Baltic States⁵ should be mentioned (this organization often appears as the Baltic Council or it is often confused with the Council of the Baltic Sea States). The Council of the Baltic States is a regional

⁴ A dissimilarity appeared – international relations and internal problems in the Baltic States – due to the fall of communism and the so-called *third wave of democratisation* helped to create new political and economic theories, including very important and significant comparative theories. See: H. Głogowska, *Z problematyki metodologii badań przemian systemu politycznego w krajach Europy Środkowej i Wschodniej*, (ed.) T. Łoś-Nowak, *Politologia w Polsce*, Toruń 2001, pp. 61–62.

⁵ *Podręczna Encyklopedia PWN* 2002, entry: *Rada Bałtycka*, pp. 720–721.

organization founded in 1993 with headquarters in Riga. The Council is an institutionalised form of political cooperation, reactivated from 1990. The Baltic Council coordinates trilateral cooperation between Latvia, Lithuania and Estonia by means of the following organs: the Baltic Council of Presidents, the Baltic Council of Ministers and the Baltic Assembly. In 1994 it established 15 committees on various spheres of economy, social and political affairs. There are inter alia: the Foreign Affairs Committee, the Defence and Peace Keeping Committee, the Environmental Protection Committee, the Justice and Legislation Committee, the Public Order Protection and Crime Control Committee⁶.

Economic and economical aspects. The Baltic States (Lithuania, Latvia, Estonia) have just joined the European Union and they gradually liberalise the flow of goods, services and people; those countries expand the structures of widely understood cooperation and regional integration. On the other hand, free flow of goods, information and capitals is also a characteristic feature for the regionalization process, and thus for the globalisation process. It can be said that, from the Baltic States' point of view the process of regional integration and globalisation influences their economies in a similar way as far as economic phenomena are concerned. The cardinal difference between integration and globalisation lies in the fact that integration is a process imposed by governments and state institutions, while globalisation is a mixed process, created by international institutions, such as: the International Monetary Fund or the International Trade Organization and transnational corporations. Secondly, globalisation leads to a complete liberation of the market from national borders, while integration preserves, to some extent, sovereign power of national states, in order to fulfill longterm tasks or not to allow the economy to weaken.

The most important profit of both globalisation and integration undoubtedly is the improvement of life quality, achieved by the increase of the mobility of production factors. Both of these processes create new challenges for economies in the transformation process, as they⁷:

- liquidate tools and methods of protection against external competition,
- set off the differentiation mechanism and competitiveness mechanism to have a priority in innovations,
- they introduce a new type of specialization, which limits the participation of unqualified labour and increases the significance of intellectual capital.

⁶ L. Łukaszczyk, *Bałtycka współpraca regionalna a Polska i jej bliżsi i dalsi sąsiedzi*, in: XIII Sejmik Morski entitled: „Polska Myśl Bałtycka”, Szczecin 1998; see also: *Baltijos Ministrų Tarybos nuostatus – Lietuvos užsienio ministerijos informacija* – Spalis 2000. Compare: *Protocol on cooperation between the Baltic Assembly and the Baltic Council of Ministers* – Lietuvos užsienio reikalų ministerijos informacija – Spalis 2000, p. 1.

⁷ W. Szymański, *Globalizacja, wyzwania i zagrożenia*, Warszawa 2001, pp. 12–13.

There is an astonishing fact that free market differentiates people more and more, and in consequence, it collides with democracy. It takes place because of the growing significance of the so-called nonelectable authorities in form of big international corporations and nongovernmental organizations, while the importance of governments is decreasing, including parliaments – the only bodies establishing the law. Moreover, global economy starts processes which are characterized by the increase of activity in the so-called creating and manipulating the needs. In consequence, the globalisation process leads to a bigger commercialisation of spheres which were not subject to it initially, and this decreases the value of a human being as such, to a level of “competitor/rival” (subject), and not to the level of an object of contemporary world.

Therefore, new mechanisms and various threats connected with globalisation are becoming a new, additional impulse for present processes of regional integration. Globalisation favours winners, thus more powerful regions.

Recent economic cooperation of the Baltic States in the Baltic Sea States region comprises two processes in political and economy sphere⁸:

1. In political sphere, it creates institutional frames for international economic cooperation, and most of all, by gradual liberation of mutual market access. In processes of liberalisation there are such agreements as: the Baltic Free Trade Association (BFTA)⁹; Free Trade Agreements¹⁰; membership of the Baltic States in World Trade Organization (WTO)¹¹.
2. In economic sphere it leads to real, stable business connections, by increase of mutual trade exchange and the increase of investments. It needs to be stressed here that participation of Lithuania, Latvia and Estonia in international trade has reached the highest level in regional connections of the Baltic States. In 2001 Estonia was the first, as 77% of Estonian export and 65% of import falls for the BSR (Baltic Sea Region). However, Estonia's participation in mutual trade revenue of the Baltic States is marginal. Liberalisation of trade relations of the Baltic States has begun a gradual increase, since 1996,

⁸ Ibidem, p. 53.

⁹ On 1 April 1994, Lithuania, Latvia and Estonia signed Free Trade Agreement concerning industrial products; on 16 June 1996 signed Free Trade Agreement on liberalisation of trade of agricultural products, fishery goods and products, which entered into force on 1 January 1997; Free Trade Agreement between Poland and Lithuania entered into force on the same date, in: *Rynek – Wschodni Partnerzy*, No. 3 (63) 2001.

¹⁰ With EFTA countries, the EU members and the associated countries, i.e. Poland (Free Trade Agreement between Poland and Latvia signed on 28 June 1997), Czech Republic, Slovakia, Slovenia, Hungary, Bulgaria, Romania, and also Ukraine, Belarus, Turkey, in: *Rynek – Wschodni Partnerzy*, No. 3 (63) 2001.

¹¹ Latvia was admitted to World Trade Organization in February 1999, Lithuania in 2000, Estonia in November 1999, *Rynek – Wschodni Partnerzy*, No. 3 (63) 2001.

of Latvian export to Lithuania and Estonia. The importance of mutual economic ties of Lithuania and Latvia is growing, in the year 2000 they were over 50%. In 2000 Latvia was the main partner of Lithuania in export – 15,0%¹². Lithuania's export to Latvia was 85% of the whole exchange in the year 2001. In 2001 Lithuanian export, as well as import from Estonia increased in comparison with the year 2000 by 8,2%. The process of economic integration of the Baltic States is realized by mutual investments relations. As far as the investment of capital in those three countries is concerned, Scandinavian countries take dominant position, including Finland, Denmark, Sweden, Norway, and also Great Britain, Germany, Holland and Ireland¹³. It has to be reminded that Estonia shows the greatest capital involvement in mutual investment relations of the Baltic States. Estonian investments in Lithuania are more than 10%, which is 38,4% of overall Estonian direct investments. In the year 2000, the Latvian investment involvement in Lithuania was 1,2% of the general value of FDI (Foreign Direct Investments) in Lithuania, while Latvian in Estonia – only 0,2%¹⁴.

Politologists' research show that the character of international relations in sub-regions of Central-East Europe has significantly changed in the last 10-15 years. The present epoch is the time of global civilization creation (and thus international one), which is formed on a dialogue of representatives of various countries, continents, cultures, etc. This rising globalisation also encompasses production processes and capital markets, it overthrows trade barriers; the importance of international financial institutions and nongovernmental organizations is increasing, and new joint solutions to ecological, military, etc. problems are generated. They create an international area, where it is not possible to be dependant only on internal/national resources of a state, thence there could not be "isolation" and self-sufficiency of a country. However, globalisation is a rational process, but not always ideal: it is characterized by asymmetric division of tangible property and intellectual and cultural heritage, based on various possibilities of participants of this process. The chances of post-communist countries of Central-East Europe, including Lithuania, Latvia and Estonia, to become powerful participants of international process of globalisation, depend, according to Z. Brzeźński, on how fast they can get rid of the syndrom of being provincial and mutual isolation, and create regional selfcon-

¹² *Rynek – Wschodni Partnerzy*, No. 3 (63) 2001, p. 81 and see: *Kwartalnik Statystyki Międzynarodowej* No. 2 and 3, Warszawa 2001, pp. 7-15 and pp. 7-17.

¹³ B. Wróblewska, M. Starczewski, *Polsko-Litewska Izba Gospodarcza Rynków Wschodnich*, Suwałki –Warszawa 2001.

¹⁴ Mainly in banking and financial sector (Hansapank SA and AS Hansa Liising).

sciousness – based on understanding of joint interests¹⁵. It is contemporary thought that the Baltic States, called many times “Baltic Sea Tigers”, have been working intensely on international contacts, which would increase the significance of that region in future. The institutional structures of the Baltic States and based on them processes of internal democratisation and regional integration are characterised by forming a powerful intellectual potential in that region, which would help that region to lose half-peripheral status, created in the course of history. At present, the aforementioned post-communist countries, belonging to Central-East Europe, favour international cooperation and the fact of being part of world or regional projects (i.e. OECD, G-7, MFW, World Bank, World Trade Organization, etc.). A dilemma of choice arises, between the development of international, global cooperation and mutual dependency of the Baltic States¹⁶.

SUMMARY

Politologists' research show that the character of international relations in sub-regions of Central-East Europe has significantly changed in the last 10–15 years. The present epoch is the time of global civilization creation (and thus international one), which is formed on a dialogue of representatives of various countries, continents, cultures, etc. This rising globalisation also encompasses production processes and capital markets, it overthrows trade barriers, the importance of international financial institutions and nongovernmental organizations is increasing, and new joint solutions to ecological, military, etc. problems are generated. They create an international area, where it is not possible to be dependent only on internal/national resources of a state, thus there could not be “isolation” and self-sufficiency of a country. However, globalisation is a rational process, but not always ideal: it is characterised by asymmetric division of tangible property and intellectual and cultural heritage based on various possibilities of participants of this process. The chances of post-communist countries of Central-East Europe, including Lithuania, Latvia and Estonia, to become powerful participants of international process of

¹⁵ It is necessary to add that the Baltic States, equal participants of international global processes, gain political and economic stability in that region, but most of all, they would be able to leave practically totally Russian area of influence. Without being attached to at least one western institution (the European Union, NATO), the Baltic States would become rather a secondary subject of integration and globalisation processes than their object.

¹⁶ A Lithuanian politologist, Kestas Šerpetis, writes on this subject widely in: *Lietuva Europoje: tarp priklausomo vystymosi ir tarpusavio priklausomybės*, in: *Transformacija Rytų ir Vidurio Europoje: lūkesčiai ir tikrovė: mokslinės konferencijos medžiaga*, Klaipėda 1996.

globalisation, depend, according to Z. Brzeziński, on how fast they can get rid of the syndrom of being provincial and mutual isolation and create regional selfconsciousness – based on understanding of joint interests. It is contemporary thought that the Baltic States, called many times “Baltic Sea Tigers”, have been working intensely on international contacts, which would increase the significance of that region in future. The institutional structures of the Baltic States and based on them processes of internal democratisation and regional integration are characterised by forming a powerful intellectual potential in that region, which would help that region to lose half-peripheral status, created in the course of history. At present, the aforementioned post-communist countries, belonging to Central-East Europe, favour international cooperation and the fact of being part of world or regional projects (i.e. OECD, G-7, MFW, World Bank, World Trade Organization, etc.). A dilemma of choice arises, between the development of international, global cooperation and mutual dependancy of the Baltic States.

