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A NORTHERN DIMENSION FOR THE POLICIES OF THE UNION

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I Introduction

1. The European Council meeting, which took place in Luxembourg on 12-13 December 1997, took note of "the Finnish proposal concerning a Northern Dimension for the policies of the Union and requested the Commission to submit an interim report on this subject at a forthcoming European Council meeting in 1998". This report constitutes the Commission's response to that request.
2. At the European Council meeting in Cardiff on 15 and 16 June 1998, the Presidency recalled the conclusions of the Luxembourg European Council and noted "the relevance of the Finnish proposal for a Northern Dimension in the policies of the Union and the Commission's intention to submit a report for consideration at its next meeting in Vienna." The Council reiterated "the commitment of the EU to help Russian efforts to tackle the problem of spent nuclear fuel and nuclear waste in North-West Russia and notes that such work might be taken forward under the proposed Northern Dimension."
3. With the accession of Finland and Sweden, the European Union extends across the Baltic Sea and beyond the Polar Circle and has a 1300km border with the Russian Federation. That Estonia, Latvia, Lithuania and Poland are all part of the enlargement process further underlines the importance of the Union's northern dimension.
4. This report:
 - recalls the Union's activities and instruments with regard to the northern dimension;
 - sets out the challenges facing this region and identifies areas where the EU could provide added value; and
 - establishes guidelines and proposes operational recommendations for future activity in this area.

II EU policies and instruments

5. The Northern region is of particular significance to the European Union. It is a region of great natural resources, with considerable human and economic potential. Aspects of its environmental situation are a cause for concern and will present a major challenge to future generations. The Northern region is also the Union's only direct geographical link with the Russian Federation and, as such, is important for co-operation between the EU and that country.
6. The European Community has an established network of close relations with the countries of the region. Sweden and Finland are members of the European Union. Norway and Iceland are members of the European Economic Area.

Estonia, Latvia, Lithuania and Poland are part of the enlargement process and have Europe Agreements with the European Community and its Member States

Relations between the European Community and its Member States and the Russian Federation are governed by the Partnership and Cooperation Agreement (PCA), which entered into force on 1 December 1997. The PCA establishes the framework for bilateral co-operation and dialogue in a wide range of areas, notably political and economic affairs.

7. The European Union provides considerable financial assistance in support of the countries of northern Europe. In view of the accession of Sweden and Finland in 1995, the European Community put in place structural assistance designed specifically to address issues related to the EU's northern regions, which have an extremely low population density. (Objective 6: around 700 MECU of assistance during the period 1994-1999)

Estonia, Latvia, Lithuania and Poland all benefit from the Phare programme, which supports their preparations for EU membership. The Russian Federation is a beneficiary of the Tacis programme.

8. In addition to Community co-operation programmes in the region, a number of joint Nordic programmes and Member States' bilateral programmes provide support for the region's development. Moreover, the European Investment Bank (EIB), the OECD Baltic regional programme, the international financial institutions, such as the World Bank (WB) and the European Bank for Reconstruction and Development (EBRD), as well as regional institutions, notably the Nordic Investment Bank (NIB), finance projects in northern Europe.
9. The European Union strongly supports regional co-operation across the continent of Europe. In northern Europe, regional co-operation is promoted by existing regional fora, notably the Council of Baltic Sea States (CBSS) and the Barents Euro Arctic Council (BEAC), in which the European Commission participates, and the Arctic Council.
10. The Northern Dimension ensures that the Union's activities and available instruments continue to focus on this region. However, it should not be seen as a new regional initiative, which in the Commission's view is not necessary.
11. Within the framework of these existing contractual relationships, financial instruments and regional organisations, the Northern Dimension is a concept that can provide added value. It can contribute to the strengthening of the Union's external policies and reinforcement of the positive interdependence between Russia and the Baltic Sea region and the European Union, notably by achieving further synergies and coherence in these policies and actions.

III Challenges and priorities

12. The security, stability and sustainable development of Northern Europe are of major interest for the Union and to the countries in the region.
13. Differences in border areas between the Union and the Russian Federation are considerable. In the Russian Federation the infant mortality rate is today approximately six times higher than in neighbouring Finland. Life expectancy at birth is below 57 years in Russia, 77 in Finland. Narrowing down the disparities in living standards is today one of the major challenges for the Northern region.
14. The long term potential for the exploitation of oil, gas and non-energy raw materials (e.g. non-ferrous metal) is huge, but will require substantial improvements in energy and transport infrastructure. North West Russia, in particular, is home to vast natural resources, such as natural gas, oil, minerals and forest resources.
15. It is in the EU's interests to ensure that it has secure and reliable sources of energy. The European Community is becoming increasingly dependent on imported energy. This trend will be reinforced with Community enlargement. At the same time, the share of gas in energy consumption in the Community is expected to increase. The EU needs therefore to diversify sources and ensure that it has access to modern networks that can deliver energy imports. The hydrocarbon resources in the North could constitute a strategic reserve for Europe's energy demands.
16. The environment in Northern Europe is in good condition over large areas but extremely vulnerable. The region contains a number of major sources of pollution and the risk to the environment is significant. The exploitation of natural resources of North-West Russia (e.g. Kola Peninsula) often leads to increasing environmental problems not only in Russia but in the neighbouring countries as well, due to outdated and inefficient equipment, production processes and technology. Pollution in the Baltic Sea and its littoral states affects wide areas within the Union, the associated countries and Russia.
17. The Russian Federation's environmental problems also arise from many sources, including nuclear power plants and civilian and military related nuclear waste in the North. These problems are such that a vigorous and comprehensive approach is needed to resolve them. It is therefore important to create a climate favourable to such change and to incorporate high environment protection standards in all new industrial investment.
18. Nuclear safety in three nuclear power plants in the region give special cause for concern. They are located in the Kola Peninsula, the Leningrad region and in Lithuania. They contain 10 reactors (6 of which are of the same RBMK type as at Chernobyl) which pose an important safety risk for Europe. The treatment of nuclear waste in North West Russia is not at an adequate level of safety. Large quantities of radioactive waste and spent nuclear fuel are not properly managed or stored, especially on the Kola Peninsula. This is an important problem in which the European Community, Russia, the US, and Norway, are already engaged, for example in the framework of the Barents Euro Arctic Council.
19. The region of northern Europe has considerable potential for economic co-operation. Thus far, however, progress has been hampered by inadequate economic

infrastructure, legislation and institutions, for example the weak financial services sector and insufficiently sound supervisory structures, in a number of countries in the region.

20. Progress is being made by Estonia, Latvia, Lithuania and Poland as these countries are gradually adopting the economic rules and practices that apply in the Community in preparation for EU membership. Accession to the WTO is further integrating them into the world economic system. In the case of Russia, further economic alignment with the EU and its neighbours in northern Europe should be intensified further in the framework of the PCA and accession to WTO.
21. The economic development and interdependency of the North will require the development of transport infrastructures and establishment of new connections with European-wide networks. Road and railway connections linking the European Community and the candidate countries in northern Europe (Estonia, Latvia, Lithuania and Poland), as well as Russia, will require the further development of transport infrastructure and border crossing facilities.
22. The future successful development of the economy in the region will also require efficient telecommunications and postal networks and information systems supporting modern business activity, as well as stronger competition and state aid rules to ensure that businesses compete fairly.
23. Improvement of secure and operational borders maintained by competent officials and continued harmonisation of administrative controls will improve the movements of people and goods.
24. Illegal trafficking in drugs, nuclear material, illegal migration, criminal activities across borders, money laundering, social, training (managerial and vocational) and health issues, including reinforcement of consumer protection, veterinary and phytosanitary control are problems to be addressed.

IV Guidelines and Operational Recommendations

A. - Guidelines

25. The further promotion of a Northern Dimension concept should take place where there is clear added value, within the existing instruments and frameworks, and should be based on contractual relationships such as Partnership and Cooperation Agreement with Russia and Europe Agreements with the Baltic countries and Poland. It should also be seen as a means to strengthen the Union's external policies and available instruments in the region. At the same time it should also help to emphasise the positive interdependence between Russia and the Baltic Sea Region and the Union. Our examination has shown that there is a case to achieve further synergies and coherence in order to be more efficient to promote the Northern Dimension.
26. The Northern Dimension approach shall in particular:
 - promote economic development, stability and security in the region
 - address cross-border issues

- contribute to narrowing the disparities of living standards and prevent and ward off threats originating in the region
 - contribute to reducing environmental and nuclear threats
27. Among the many sectors where the European Community could bring added value, priority should be given to exploitation of natural resources (especially gas and non-energy raw material), the development of communications and transport, environmental protection, health (combat certain diseases) nuclear safety, trade and commercial cooperation, research, fighting criminal activities across borders, as well as social problems.
 28. Greater involvement of the business community, regional and other authorities – across borders – in these areas, in particular in the development of common projects, should be promoted.
 29. In the implementation of assistance programmes relevant for the Northern Dimension, the European Community will follow the existing procedures, within existing budgets. Assistance will continue to be provided through existing programmes. Consideration should be given to intensifying co-operation with International Financial Institutions, regarding investment and joint finance activities. It is within that context that decisions will be taken to refocus, if necessary, efforts in favour of the Northern Dimension with a view to achieving a more coherent approach.
 30. The CBSS and BEAC continue to play a useful role in addressing the problems facing the region. The Commission will continue to participate in these fora, in particular regarding the exchange of information, co-operation and further development of these instruments in the perspective of advancing the objectives of the Northern Dimension.
 31. There is a need to address cross-border issues in cooperation with the Estonia, Latvia, Lithuania and Poland as neighbours and accession partners.
 32. It is in the Community's interest to seek improvement of environmental protection and control of pollution and increase energy-efficiency in Russia, Estonia, Latvia, Lithuania and Poland. Russia needs to build up an effective environmental administration and infrastructure, and to implement pollution control measures to reduce transboundary pollution. Estonia, Latvia, Lithuania and Poland face difficulties in meeting European Community environmental standards. We should examine within the framework of the PCA and the Europe Agreements, how best to provide assistance.

B. - Operational Recommendations

33. Taking into account these guidelines and past experience it would be appropriate to propose the following operational recommendations.

a) General

34. The Commission will take all the appropriate arrangements it deems necessary to ensure effective co-ordination of existing instruments and policies so as to maximise

the effectiveness of Community support to the long-term objectives of Northern Dimension.

35. Using all available existing information, Commission funded studies should be undertaken for an assessment of the potential and needs in key sectors in the Northern Dimension region with a view to a greater focus and a clearer definition of priorities and objectives for the Community as a whole.

b) Energy

36. As a first step, a feasibility study covering the use of the energy resources (especially gas) of North-western Russia should be undertaken. The Community is dependent on external energy sources and is already the biggest purchaser of energy from Russia. Gas and oil are important sources of income with significant employment and financial effects on the region. The strategic importance of the North's natural resources is foremost to both the region and the Community.
37. The Commission created the Baltic Energy Task Force in June 1998 to consolidate, focus and drive forward the energy agenda in the Baltic Sea Region. This activity has been merged in a Joint Programme with the energy activities of the CBSS, Nordic Council of Minister and Baltic Council of Ministers. Topics relevant for the Northern Dimension are under discussion and agreements between the states in the region are under preparation. As the potential for a practical agenda for the Northern Dimension in energy emerges during 1999, the natural linkages to the Baltic Energy Task Force should be exploited.

c) Environment / Nuclear Safety

38. The EU should seek to promote the sustainable further development of the countries in the region. This will entail the integration of environmental considerations in the activities undertaken by the Community and its Member States in the region. European Community financial co-operation for the region should include environmental impact assessments of projects where appropriate. In particular, the continuing degradation of the Baltic Sea may require that the Community and its Member States pay attention to the elimination of the causes of pollution there.
39. Radioactive waste management in the region is an environmental hazard of global dimension and requires global cooperation. Spent nuclear fuel and operational waste from submarines and ice-breakers are a primary source of concern in the region since they represent a high risk, treatment and storage facilities being absent, inadequate or significantly deteriorated. The coast has already been contaminated and there is a threat to local fishery. The Commission will continue to work within the Barents Euro-Arctic Council and the framework of TACIS to address this issue. An effective environmental administration and infrastructure is needed, as are pollution control measures to reduce transboundary pollution. The Community is ready to assist Russia in this process within the framework of the PCA and the TACIS programme. Together with the NSA/EBRD and G7 we should continue the dialogue with the Russian and the Lithuanian authorities to reduce the safety risks of nuclear power plants. Co-ordination of conditionality should be improved.

d) Cross Border Cooperation

40. Further programmes of technical assistance and investment within Tacis and Phare with provisions for projects spanning the Russia-Baltic and Russia-Poland borders as well as borders between the Community and its partner countries should continue to be considered, allowing for close co-operation with EU member states, e.g. within INTERREG.
41. Programmes of technical assistance devoted to promoting customs co-operation, future administration training and co-operation in the fight against organised crime should be considered through cross-border co-operation programmes, for border areas i.a. for the Kaliningrad region of the Russian Federation.

e) Trade

42. Efforts should continue to further remove administrative trade barriers in the region. CBSS and BEAC working groups are making a welcome input into the work being carried forward in the framework of the Europe Agreements and the Partnership and Co-operation Agreement. These working groups should be encouraged to continue and co-ordinate their efforts.
43. In addition, in order to tackle trade barriers and distortion of competition, adequate Intellectual Property Rights protection should be envisaged. A modern public procurement system should be implemented.

f) Transport and telecommunications

44. Efforts to develop the region's transport infrastructure should continue, in particular through the development of Trans-European Networks (TENs) and the implementation of the pan-European transport corridors (the so-called Helsinki corridors)... Economic development will also require development of the telecommunications and postal infrastructures and of the internet.

g) Health

45. Health delivery and public health systems should be strengthened in particular the fight against the emerging threat of communicable diseases and drug abuse. An equivalent level of safety standards should be assured at legislative level and in the field of agricultural and food products.

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46. It is recommended that, on the basis of the report, contacts are taken within the appropriate fora with the Estonia, Latvia, Lithuania, Poland, Iceland, Norway and the Russian Federation to further exchange views and develop the Northern Dimension concept. Particular attention should be paid to the way forward with respect to the operational recommendations, which can be implemented within the framework of existing contractual relations, financial instruments and regional organisations.

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