Sweden strives to deepen EU penetration of Baltic states

Steve James
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The Swedish government took over the presidency of the European Union on January 1, 2001. Besides pursuing the EU agenda set out at the Nice summit, the social democratic administration led by Goran Perrson's will attempt to advance Swedish business interests within the framework of EU enlargement. This means pushing forward Swedish and Scandinavian plans to incorporate the Baltic states of Estonia, Latvia and Lithuania, along with Poland and North Eastern Russia, into the EU sphere of influence.

The presidency of the EU Council is shared between all the member countries on a rotational basis. For six months the national government with presidential responsibility hosts and chairs EU conferences at governmental, ministerial and working group level. The same government also produces statements explaining how it is going to promote general EU programmes on enlargement, foreign or social policy. To ensure the dominance of the big European powers, the presidency works with the previous and successor presidencies in a "troika." This has meant that the largest EU countries—Britain, France, Germany, and Italy—are never out of a presidential position, even though presidential slots were allocated alphabetically. Enlargement has given rise to the present system whereby no three small countries ever hold the presidency in succession.

The EU presidency nevertheless gives any national government the opportunity to bang its own drum and to push forward its interests. The British presidency in 1998, for example, gave the Blair Labour government the opportunity to promote the EU in Britain, and use the weight of the EU to push its own interests in Africa. Of 80 foreign policy statements issued by the British presidency, and reported on their website, 24 were on Africa. The early 1999 German presidency was distinguished by a crisis triggered by the resignation of the EU Commission in opposition to German plans to modernise the EU's bureaucratic structures.

Finland's presidency of late 1999 sought to promote the EU's "Northern Dimension" through which Finland, and Sweden in particular are seeking to dominate the Baltic states and North Eastern Russia. Finland hosted a "Northern Dimension" conference notable for the fact that no leading foreign minister attended, because general European interests were more concerned with the developing crisis in Chechnya.

Portugal's presidency, in the first half of 2000, was dominated by disputes between the "small" EU nations and the leading powers over whether sanctions imposed in the aftermath of Jörg Haider's Austrian Freedom Party's accession to power could be overturned. Portugal led the small nations' campaign to present the sanctions as an unwarranted interference in a country's internal affairs.

Jacques Chirac hailed the French presidency, in the last six months of 2000, in particularly chauvinist terms. “A great country like ours always has the ability to exert influence and give a lead to Europe. The exercise of the presidency reinforces this ability. So this is a most important time in our life as a nation, a propitious time for taking the initiative and for action," he pontificated. The main markers of the French tenure were the promotion of an independent EU military force and the conclusion of the Nice summit, whose principal impact will be to increase the influence of the large countries during the process of EU enlargement.

Immediately prior to Stockholm taking on the presidency, Swedish Foreign Minister Anna Lindh and British EU Commissioner for External Relations Chris Patten have penned an article in the *Financial Times* calling for concrete EU action on the Northern

Dimension. That Patten, a former Conservative government minister and the last British governor of Hong Kong, should associate himself closely with the Northern Dimension, hitherto primarily a Scandinavian concern, is significant. Following the Danish referendum rejecting adopting the euro in September, Britain has attempted to develop tactical alliances with EU members not in the euro zone—principally Denmark and Sweden—as a counterweight to France and Germany. Britain also sought Swedish support at the recent Nice summit in defence of its national vetoes on tax and welfare policies.

Patten and Lindh stressed that the Northern Dimension was a crucial aspect of EU policy on Russia. Russian nuclear waste, the problem of Russia's Kaliningrad enclave, which will be wholly surrounded by the EU should Poland and Lithuania successful negotiate EU entry, and how to direct infrastructure funds to the Northern region all demanded resolution.

"The Northern Dimension must be seen as an all-European commitment, just as much as EU policies towards the Mediterranean and the western Balkans," Lindh and Patten wrote

Beyond diplomatic considerations in the increasingly fractious internal EU relations, British interests in the region revolve around potentially lucrative contracts in disposing of nuclear waste and debris from the collapsing remains of the ex-Soviet nuclear fleet and oil exploration in the Barents Sea. British companies have also acquired significant assets in the ongoing privatisation of the Baltic countries infrastructure and transport companies. United Utilities has recently taken control of the Estonian capital Talinin's water supply. GB Railways acquired the country's regional railway *Edelaraudtee,* while RailAmerica bought out the state-owned national operator *Eesti Raudtee*.

The Scandinavian countries are by far the biggest investors in the small Baltic States, however. With common borders and sea links, Scandinavian capital has been pouring into the neighbouring Baltic states, for example, foreign capital is particularly attracted by Estonia's extremely low wages. Other factors are proximity to European markets and relative political stability. Favourable privatisation terms mean 80 percent of Baltic enterprises are expected to be in overseas hands by 2002/3.

The Swedish Skandinaviska Enskilda Banke, dominated by the plutocratic Wallenberg family, now controls three of the leading banks in each of the Baltic states. As of July 2000, out of $2.2 billion in foreign direct investment (FDI) in Lithuania 18.1 percent was Swedish, 13.4 percent American, 9.9 percent Finnish, and 9.7 percent Danish. In Latvia by 1999, Sweden was the largest single investor followed by Estonia, Finland, Germany, Britain, and Denmark. Denmark is the biggest single Latvian investor (14 percent) followed by America (10 percent), Germany and Sweden (8 percent each), Russia and the UK (7 percent)—out of a total cumulative FDI of $1.88 billion.

Of all the Baltic states, Estonia shows Scandinavian predominance most clearly. By September 2000, of $2.5 billion FDI, 39 percent was from Sweden, 31 percent from Finland, 4.5 percent from the USA, 4.3 percent from Norway, 4.1 percent from Denmark and only 2.7 percent from Germany.

Poland, by contrast, is principally attracting large amounts of German and US investment. Of an estimated $38 billion total, Germany accounts for 15.6 percent, the US 13.2 percent, France 9.9 percent, Netherlands 8.3 percent and Italy 8.2 percent. Unlike its penetration of the Baltic states, Sweden is in 14th position amongst investors in Poland with only 2 percent of FDI.