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SUBMISSION BY THE GRAND COMMITTEE 2/2005 vp

The Northern Dimension of the EU; Finland's points of departure for further work

To the Council of State

INTRODUCTION

Initiation

On 3 December 2004 the Council of State gave the Grand Committee a report, as required by Section 97 of the Constitution, on the Northern Dimension of the EU; Finland's points of departure for further work (E131/2004 vp). The Grand Committee has decided to make a submission on the matter to the Council of State.

The Council of State has in addition given a supplementary report on 13.5.2005.

Experts

The following persons were consulted at formal hearings arranged by the Grand Committee:

- Speaker of the Eduskunta Paavo Lipponen
- Prime Minister Matti Vanhanen
- Head of Unit Maimo Henriksson, Ministry for Foreign Affairs
- Gerhard Lohan, Head of Russia Unit, European Commission
- Pekka Sutela, Head of Research Centre, Bank of Finland
- Sauli Niinistö, Vice-President, European Investment Bank
- Ambassador Hannu Halinen, Director of the Council of the Baltic Sea States Secretariat
- Johnny Åkerholm, President and CEO and Oddvar Rønsen, Director, Nordic Investment Bank
- Professor Tauno Tiusanen, Northern Dimension Research Centre, Lappeenranta

Reference information

The Grand Committee has received submissions from the Foreign Affairs Committee (UaVL 5/2005 vp), the Finance Committee (VaVL 6/2005 vp), the Administration Committee (HaVL 42/2004 vp), the Transport and Communications Committee (LiVL 1/2005 vp), the Commerce Committee (TaVL 8/2005 vp) and the Environment Committee (YmVL 2/2005 vp).

Arising from the supplementary report provided by the Council of State, submissions have been provided by the Finance Committee (VaVL 14/2005 vp), the Administration Committee (HaVL 15/2005 vp), the Transport and Communications Committee (LiVL 10/2005 vp) as well as the Environment Committee (YmVL 17/2005 vp).

The submissions are annexed to this submission¹ and the Grand Committee has sent copies of them to the Council of State for its information.

¹ The annexes have been omitted from the foreign language translations.

REPORT OF THE COUNCIL OF STATE

Report of the Council of State 3.12.2004

In the original Council of State report, which the Cabinet Committee on European Union Affairs approved on 3.12.2004, the aim was to explore the present status of the EU's Northern Dimension policy, the challenges facing it as well as Finland's points of departure in discussions concerning the future of the Northern Dimension. Among the matters outlined in the Council of State report are the effects that reform of the financial instruments of the Union's external relations as well as the change in operating environment caused by enlargement are having on the Northern Dimension policy. Finland's primary goal is stable and sustainable development in North-West Russia. The characteristic features of the Northern Dimension policy, such as its flexible definition and inclusion of northern regional organisations, must be preserved.

Supplementary Report of the Council of State 13.5.2005

In the memorandum approved by the Cabinet Committee on European Union Affairs on 13.5.2005, the earlier report is amplified on the basis of discussions with the European Commission, the other EU Member States as well as the Northern Dimension partner countries. A discussion of the future of the Northern Dimension is being conducted, on the basis of a memorandum drafted in the Commission, within a working group reporting to the European Council. The memorandum, which was given a good reception in the working group, corresponds in its principal features to Finland's goals. The Northern Dimension must continue to be built on its proven strengths, such as partnerships as well as an emphasis on regional- and local-level cooperation.

STANCES ADOPTED BY THE GRAND COMMITTEE

Supporting arguments

The importance of the Northern Dimension

The Northern Dimension's central importance for Finland's EU policy lies in the fact that it is helping to draw attention to the Union's northern adjacent areas as part of the Union's external relations policy. The principal focus of attention in the Union's external relations policy is otherwise on the Mediterranean region as well as on eastern policy, in addition to which relations with Africa and America as well as with the countries of the Middle East are in a central position. The Northern Dimension complements the coverage of the Union's external relations. It also supports implementation of the road map recently agreed on at the EU-Russia summit.

A point rightly emphasised in the Council of State report is that the geographical and contentual definition of the Northern Dimension must be kept flexible to ensure that it does not become a hindrance to otherwise desirable decisions.

The Northern Dimension is to be understood as a part of the Union's external relations, in which the participants are the European Union as well as its partner countries Russia, Norway and Iceland. In addition, in view of the Northern Dimension's sectoral partnerships and its Arctic component, it would be natural and desirable to develop the interest of the observer-countries Canada and the United States in Northern Dimension projects. The Northern Dimension is associated with development of the Union's northern regions and benefits on both sides of the border.

Measured by the value of implemented projects and the number of people within their sphere of influence, the Northern Dimension is a good example of activities transcending the Union's borders. Attention must be paid also to effective use of Northern Dimension funding: with respect to the environmental partnership, for example, total funding of €2 billion (of which €225.6 million in the

form of grants) for projects directly affecting the Finns' living environment has been arranged in return for Finland's €12 million input. However, the Northern Dimension's value to Finland and Finland's adjacent areas cannot be measured only in terms of money

Donations to the Northern Dimension's environmental partnership (April 2005)

	€ million
EU Commission	60.0
Netherlands	10.0
Belgium	0.5
UK	16.2
Canada	20.0
Norway	10.0
France	40.0
Sweden	16.0
Germany	10.0
Finland	12.0
Denmark	10.9
Russia	20.0
<i>Total</i>	<i>225.6</i>

Source: NIB

The importance of the Northern Dimension has been preserved and even accentuated since the Union's enlargement in 2004. At the same time, it has gained added prominence as one of the instruments of the Union's policy on Russia. The Grand Committee concurs with the view of the Foreign Affairs Committee that it is important to preserve the Northern Dimension as a totality in its own right so as to ensure that it together with its partnership models are not trampled underfoot in swings in relations between the EU and Russia.

What distinguishes the Northern Dimension from the rest of policy on Russia and external relations is the partnerships operational model. Practical cooperation is planned, implemented and funded by many different actors, such as the European Commission and the Member States, the Northern Dimension's partnership countries Iceland, Norway and Russia, the observer countries Canada and the USA, regional organisations (Nordic Council of Ministers, Council of the Baltic Sea States, Barents Euro-Arctic Council, Arctic Council), international financial institutions, local-level actors, companies, the scientific community and nongovernmental organisations. Although the Northern Dimension is an EU policy, the partners' views have been taken into consideration in the operational programmes. The contribution made by regional organisations to the Northern Dimension has been of decisive importance.

The Commerce Committee rightly notes that the Northern Dimension could in the future serve as one of the implementers of the four common areas agreed between the EU and Russia (Economic; Freedom, Security and Justice; External Security; and Research, Education and Culture). These four areas cover the Northern Dimension's present sector of activities well. The business sector has likewise supported this kind of regional, micro-level cooperation. One of the biggest challenges in work from now on will be to secure a broader involvement of the business sector.

As a part of foreign relations policy, the Northern Dimension constitutes the kind of activity for which the European Commission is responsible and to which community rules for decision making apply within the European Union.

The Grand Committee takes the view that the development of the Northern Dimension after the present operational programme has been completed is a strategic goal of Finnish foreign policy of a kind towards the achievement of which our country must strive in all spheres of policy.

Promoting the Northern Dimension in the Union

Since the German Presidency in 1999, the Northern Dimension has been a part of the Union policy determined by the European Council. In spite of this, there is room for improvement in the political commitment of the Member States and of the institutions. In practice, the only Member State other than Finland that has demonstrated significant activeness is Sweden, whose political and financial contribution has not received the recognition it deserves in the Finnish discourse.

Finland has reason to emphasise that the Northern Dimension is a policy that affects the entire Union. The Commission's leadership role is rightly stressed in the Council of State report. The Committee draws attention to the amount of resources allocated to the Northern Dimension policy in the European Commission; coordination is the responsibility of a solitary official in the Russia Unit of DG RELEX. Since the Northern Dimension policy presupposes coordination of functions and financial instruments for which several Directorates-General are responsible, this cannot be considered sufficient.

It should be possible to increase the Member States' commitment to the Northern Dimension. The Grand Committee points out that the Northern Dimension has a natural connection to the goals of the Baltic States' and Poland's Russia policies, in which relations to adjacent geographical areas hold a key position. In addition, the status of the Kaliningrad Region as one of the Northern Dimension's areas of emphasis must be taken into account.

Among the old Member States, German's limited interest in the Northern Dimension demonstrates the need to strengthen advocacy of the matter. The Committee notes with satisfaction the initiative displayed by Spain in organising a seminar on the Northern Dimension as an example of the development of the matter into one that interests a broader group of Member States.

For timetable reasons alone, the Northern Dimension Ministerial Conference that is to take place during the United Kingdom Presidency next autumn will be of decisive importance for the continuation of this policy. Looked at from the Finnish perspective, Commission memorandum 121/05, which is referred to in the supplementary Council of State report, offers a good foundation for the work of the Ministerial Conference.

The Foreign Affairs Committee rightly notes that the Northern Dimension does not have a strong enough status to allow its development to depend entirely on the activeness of the European Commission; instead, there is a need for initiative on the part of Finland, which also the other Member States seem to expect.

The Grand Committee concurs with this view and adds that also Finland's financial input into Northern Dimension partnerships contributes to influencing how convincing our negotiators appear in the eyes of the other Member States. Therefore, for example, the funding allocated for cooperation must be increased.

The Grand Committee considers it important that the Northern Dimension, which must be regarded as a strategic interest of Finland, is promoted in a systematic and coordinated way in the European Union institutions as well as in relations with the governments of the other Member States. The Council of State must act determinedly to promote the EU's Northern Dimension as it prepares for Finland's Presidency of the EU.

Finland must actively influence the Commission's actions with respect to the Northern Dimension. As part of this, Finland must demand that the Commission devote more personnel resources to Northern Dimension preparatory work.

In the European Council as well as in relation to the other Member States, the Northern Dimension must be kept highlighted on a high level. Also the input of sectoral ministers is important in order for the Northern Dimension to be seen on various levels as a concrete Finnish policy.

The opening up of a new EU-Russian partnership concerning transport and energy-transmission infrastructure must be regarded as a primary goal.

Finland must be prepared to increase her own financial contribution to Northern Dimension partnerships. "Northern Dimension appropriation" could be considered as the designation for the appropriation to be added to the Finnish budget and used for Northern Dimension projects.

Dialogue with Russia

The reasons for the Russian Government's limited interest in the first two Northern Dimension action plan are dealt with in both the Council of State report and the submissions by the special committees. An endeavour to respond to the Russian side's justifiable expectations can be seen both in the Council of State report and Commission Memorandum 121/05.

The Grand Committee takes the view that there are several grounds for optimism that the Russian Government's interest will increase. The first reason for optimism that deserves mention is the meeting that took place between the President of the Republic and the President of the Russian Federation in St. Petersburg on 14.12.2004, in conjunction with which President Putin publicly expressed his support for the Northern Dimension.

At the European Union-Russia summit in Moscow on 10.5.2005, programmes called road maps were adopted in order to achieve the common areas agreed on in 2003. The common areas are the Common Economic Area; the Freedom, Security and Justice Common Area; the External Security Common Area; and the Research, Education and Culture Common Area. The total of 52 pages in the road maps contain lists of the practical measures that the parties have agreed to implement. The road maps do not contain a timetable, nor have the individual measures been arranged in order of importance.

The results of the Moscow summit can be seen as possibly of decisive importance from the perspective of the Northern Dimension. Namely, the road maps now, for the first time, offer Russia a concrete expectation of the political benefits, applying to the entire country, which have been lacking up to now. At the same time, the individual goals in the road maps are such that their practical implementation primarily affects precisely Russia's north-western parts, which are important from the perspective of the Northern Dimension. Thus, skilfully handled, the road maps can resolve a difficulty that has burdened the Northern Dimension, that of arousing the interest of Russia's central government in cooperative projects that mainly affect only some parts of the country.

The Northern Dimension offers an excellent vehicle for regional implementation of the road maps. The Northern Dimension partnerships allow also other partnership countries, cooperative organisations as well as the private sector and regional- and local-level actors to participate in practical activities. In the implementation of the Northern Dimension, the opportunities that the road maps offer to create new partnerships relating closely to practical realities must be seized.

In common with the Foreign Affairs Committee, the Grand Committee takes a positive view of the determined way in which the Government has begun a dialogue with Russia on the Northern Dimension. There is no conflict between this dialogue and the fact that Finland sees the Northern Dimension as a community matter in which the European Commission represents the Union vis-à-vis foreign powers.

Institutional structures of the Northern Dimension

To consolidate the Northern Dimension's political significance, it is important to ensure that an appropriate institutional framework is created for it. This matter is dealt with in European Commission Memorandum 121/05, which is covered also in the Council of State's supplementary report. The Grand Committee regards the direction of the Commission's approach as correct, but believes it needs complementing in some details.

In addition to the Northern Dimension conferences of ministers and officials held in alternate years, it would be desirable for the Northern Dimension to receive the stimuli that guide it politically also from

the EU-Russia summits, on the agendas for which the Northern Dimension should belong as a regular item.

The Commission's central role is a natural starting point when the Northern Dimension's place in the Union's policies and system of institutions is taken into account. However, a central role presupposes a stronger effort by the Commission to perform the task than is currently being made. The Grand Committee notes that the reform of the EU's external affairs administration now under preparation will not as such affect the implementation of the Northern Dimension, when this policy continues to be implemented under the Commission's direction.

The Commission's proposal that the role of the European Economic and Social Committee and of the Committee of the Regions be strengthened is interesting. However, the Grand Committee takes the view that it would be even more important to take account of the European Parliament's central political role, not least in the budget procedure. The European Parliament's strong role would substantially increase the Northern Dimension's support base.

On 7.4.2005 in Oulu, the Grand Committee arranged a conference on the Northern Dimension, involving parliaments from the EU and from Russia. Well over a hundred parliamentarians from the EU Member States, Russia and the partner countries participated. The experience of the Oulu conference encourages the Grand Committee to call for more regular parliamentary cooperation. A parliamentary dimension could increase the Northern Dimension's visibility and political support base.

Parliamentary cooperation does not necessarily require big structures with permanent secretariats. The Grand Committee points out that at their meeting in Budapest on 6-7.5.2005, the speakers of the EU parliaments adopted an a priori negative stance on creating new inter-parliamentary organisations. The Grand Committee takes the view that the arrangement of a parliamentary dimension for the Northern Dimension must be examined open-mindedly, preferably on the basis of developing existing organisations or rotating responsibility for arrangements.

The Nordic Council and Council of Ministers as well as the Council of the Baltic Sea States have assumed major responsibility for the Northern Dimension. Their importance should be borne in mind when arranging an institutional structure for the Northern Dimension. In the view of the Grand Committee, the more general question of the role of existing intergovernmental and interparliamentary cooperative organisations deserves closer study.

The Grand Committee takes the view that the Council of State should, by the time Finland assumes the EU Presidency, prepare a proposal concerning the appropriate arrangement of the Northern Dimension's institutional questions.

EU funding for the Northern Dimension

The submissions by the Finance Committee comprehensively report on the Northern Dimension's financing system when Agenda 2007 is implemented. The Grand Committee regards as central the Finance Committee's view that what is most important is to guarantee an appropriate operational framework and adequate financing for the Northern Dimension, using various sources of Union funding. The Finance Committee draws attention in its submission VaVI 14/2005 vp to a proposal made in the course of the EU financial framework negotiations, to the effect that funding for cross-border cooperation be transferred from the cohesion heading to the external relations heading. In the opinion of the Finance Committee, this can place significant obstacles in the way of achieving Finland's goals.

According to the Council of State report and the submission by the Finance Committee, a separate budget line for the Northern Dimension is not seen as an appropriate alternative. Finland must adopt a flexible attitude to the issue of the Northern Dimension's budget line; although a budget line of its own does not seem possible at present, there must be the possibility of reconsidering it as the situation in negotiations changes, if it is needed to ensure sufficient funding for Northern Dimension projects.

The financial instruments provided for in Agenda 2007 make possible all of the funding that is necessary for the Northern Dimension. The actual challenge relates to coordination of the use of the

existing instruments, which for its part emphasises the importance of strengthening political and administrative direction of the Northern Dimension.

The Grand Committee presents for consideration an approach in which Finland demands that the Union's budget and financial accounts be complemented with annex-type reports from which it can be seen how much the Northern Dimension is funded using different financial instruments from various sources. Then the share of funding received by the Northern Dimension would be transparent and easier to deal with in negotiations.

Contentual issues of the Northern Dimension

According to the common perception in the Council of State report and the submissions by the special committees, the real value of the Northern Dimension lies in the partnerships implemented through it. The existing partnerships, cooperation in the fields of environment as well as social affairs and health care should continue to be seen as central areas of emphasis; funding for the latter should, however, be strengthened, possibly by establishing a fund. Cooperation concerning the northern e-dimension in relation to the information society should also be deepened.

The Grand Committee is convinced that the Northern Dimension partnership model is the form of cooperation on which key new collaborative projects can best be implemented. Here, however, cross-border cooperation, which is of great importance on especially the regional and local levels, must not be forgotten.

The Grand Committee concurs for its part with the proposals concerning new Northern Dimension partnerships that the submissions by the special committees contain. It likewise concurs with the point made by the Foreign Affairs Committee that a new partnership should be of a kind that Russia finds meaningful from its own perspective and which also in the EU benefits a broader area than at present.

The Grand Committee draws attention to the Commerce Committee's submission, according to which "Within the framework of the ND, the prime focus should be on themes that clearly lie especially in the interests of the ND area. Themes of this kind include the already activated environment and social affairs and health sectors, but there would also be potential in the energy sector, on the logistics side as well as in infrastructure and scientific cooperation, for example through making it easier to carry out cross-border exchanges of students and researchers between universities and other third-level institutions. These sectors also give companies a good foundation for new projects. The goal should be to generate real economic activity. A Northern Dimension that depends on EU funding and donations from states is not a functioning concept. Indeed, securing a broader involvement of the business sector in the ND concept is one of the key challenges facing further work."

The Administration Committee emphasises in its submission HaVL 15/2005 vp the role of regional- and local-level actors as well as of nongovernmental organisations in the planning and implementation of the Northern Dimension.

The Transport and Communications Committee (LiVL 1/2005 vp) "draws attention to especially a need to develop jointly logistics and infrastructure projects in the sectors of both road and rail transport. TEN projects are likewise important on a European scale, because they create a foundation on which to develop a logistics partnership between the EU and Russia." The Committee "notes with satisfaction that the Cabinet Committee on European Union Affairs has on 13.5.2005 presented an initiative on a Northern Dimension transport and logistics partnership." (LiVL 10/2005 vp).

In the view of the Environment Committee, "the success of the environment partnership as the Northern Dimension's greatest achievement should be exploited by extending the funding model to more limited, smaller objects. The Committee supports the idea of, e.g., railway or road partnerships or other limited projects that it would be possible to implement using this funding model. It is also likely that from Russia's point of view, individual infrastructure projects would be more acceptable than programmes that it perceives as internal EU ones." (YmVL 2/2205 vp). "The Northern Dimension offers an opportunity to increase the size of the financial input, whereby cooperation can be even more varied and broader and thus also yield more results." (YmVL 17/2005 vp).

The Grand Committee points to the partnerships included in the road maps approved at the EU-Russia summit on 10.5.2005. These have already gained political approval and should be dealt with also as future areas of emphasis in the Northern Dimension. The road maps provide an opportunity to discuss the energy and transport partnerships proposed in the submissions by the special committees as Northern Dimension projects. The Russia-EU industrial policy partnership proposed in the road maps would be a natural goal of the Northern Dimension.

The road map for the Common Economic Area also contains a broad agreement on, inter alia, cooperation regarding climate change and natural biodiversity. The road map for the Research, Education and Culture Common Area contains a large number of recommendations for action in relation to promoting innovations, free movement of students and researchers, lifelong learning and caring for our shared cultural heritage; these recommendations are suitable almost as such as foundations for Northern Dimension partnerships.

With reference to the submissions by the Administration Committee and the Finance Committee, the Grand Committee draws attention also to the accentuated status of cross-border cooperation in the road maps as a demonstration of the parties' willingness to support also this form of cooperation, which is important for Finnish regions.

The Grand Committee takes the view that the Council of State must draft concrete proposals for Northern Dimension partnerships in which account is taken also of the outlines of cooperation already agreed upon by the EU and Russia, such as cooperation on the environment. When drafting these proposals, the Council of State must place special emphasis on the national and European importance of developing transport and energy-transmission infrastructure. The Grand Committee also emphasises the role of nongovernmental organisations as well as the need to develop cooperation in the sector of training and research.

Submission

As its submission, the Grand Committee proposes

that the Council of State takes into consideration what has been set forth in the foregoing.

Helsinki, 3 June 2005

The following participated in decisive deliberation of the matter by the Grand Committee:

Chair	Jari Vilén /National Coalition
Deputy Chair	Antti Kaikkonen /Centre
Deputy Chair	Kimmo Kiljunen /Social Democrat
Other members	Arja Alho /Social Democrat
	Mikko Elo /Social Democrat
	Jukka Gustafsson /Social Democrat
	Heidi Hautala /Greens
	Pertti Hemmilä /National Coalition
	Toimi Kankaanniemi /Christian Democrat
	Mari Kiviniemi /Centre
	Risto Kuisma /Social Democrat
	Miapetra Kumpula /Social Democrat
	Markku Laukkanen /Centre
	Rosa Meriläinen /Greens
	Outi Ojala /Left Alliance
	Juha Rehula /Centre

Alternates

Kimmo Sasi /National Coalition
Jouko Skinnari /Social Democrat
Astrid Thors /Swedish Group
Kimmo Tiilikainen /Centre
Kari Uotila /Left Alliance
Jan Vapaavuori /National Coalition
Matti Väistö /Centre
Jouko Laxell /National Coalition
Harry Wallin /Social Democrat

Committee Counsellor Peter Saramo acted as secretary to the Grand Committee.