

Piret Kuusik & Kristi Raik*

The Nordic-Baltic Region in the EU: A Loose Club of Friends

Summary

The departure of the UK and re-activation of the Franco-German tandem have pushed the six Nordic-Baltic member states (NB6) to seek closer cooperation in the EU framework. In addition, the NB6 together with the Netherlands and Ireland have come forward with shared positions regarding the reform of the eurozone, counterbalancing the southern European positions. However, regional cooperation behind the flashy label of “Hanseatic League 2.0” is informal and selective, while important differences remain among the EU policies of the NB6 countries.

Introduction¹

The role of regional groupings in the EU is much discussed and often exaggerated. The northern member states have stood out in recent discussions of eurozone reform as fiscally conservative hawks counterbalancing the south. The group of eight, consisting of the three Nordic EU members Finland, Sweden, and Denmark, the three Baltic states, plus the Netherlands and Ireland, have indeed become active in defending their shared interests on financial matters.² More broadly, the Brexit process forces small member states in the Nordic-Baltic region to find ways to adapt to the loss of an important partner within the Union, who shared their views on issues such as liberal trade policy and being firm on Russia.

Yet the Nordic-Baltic group includes countries with different foreign and security policy traditions, which frame their different positions regarding the EU.³ Leaving aside the two Nordic countries, Iceland and Norway, which have said no to membership, even the NB6 grouping within the EU entails positions ranging from Finland’s strong pro-integrationism to Denmark’s opt-outs. Somewhat paradoxically, maintaining unity and inclusiveness as far as possible is a shared theme of the NB6 in the Union, while the six countries continue pursuing their different EU policies that in fact make it harder to preserve unity among the 27. As the EU slowly moves ahead with closer cooperation and integration in several areas (including the eurozone, defence,

* Piret Kuusik is Junior Researcher and Kristi Raik is Director of the Estonian Foreign Policy Institute at the International Centre for Defence and Security in Tallinn.

¹ The paper draws on relevant public documents and interviews conducted by the authors at the permanent representations of the NB6 countries to the European Union in Brussels in July 2018.

² “Finance ministers from Denmark, Estonia, Finland, Ireland, Latvia, Lithuania, the Netherlands and Sweden underline their shared views and values in the discussion on the architecture of the EMU”, *Ministry of Finance Sweden*, 6 March 2018, accessed 27 August 2018, <https://www.government.se/statements/2018/03/finance-ministers-from-denmark-estonia-finland-ireland-latvia-lithuania-the-netherlands-and-sweden/>

³ Hiski Haukkala, Tobias Etzold, and Kristi Raik, “The Northern European Member States”, in *Foreign Policies of the European Union Member States: Continuity and Europeanisation*, eds. Amelia Hadfield, Ian Manners, and Richard G. Whitman (London and New York: Routledge, 2017): 23–37.

and migration), the diversity among the Nordic-Baltic positions is bound to further increase.

“There is a sense of belonging to the same family that binds the countries together [...].”

Against this backdrop, it is perhaps inevitable that the group of Nordic-Baltic EU member states is merely a loose, informal club whose members have a habit of consulting and coordinating with each other. The group has no leader and no formal structures. There is a sense of belonging to the same family that binds the countries together, drawing on long-term historical and cultural ties and a common geostrategic neighbourhood. At the same time, it is viewed as normal that the positions and paths of the family members do not always coincide. The historical differences between the two subgroups, Nordic and Baltic, are slowly becoming less visible but remain significant. The wealthy Nordic welfare states stand in contrast to the poorer and more neoliberal Baltic countries. Consequently, for instance, their positions on the EU budget are different. At the same time, the NB6 have a shared agenda of open economy, free trade, transparent public sector, and digitalization.

This paper will first briefly examine the overall EU policies of the NB6 countries and the patterns of their regional cooperation within the EU framework. It will then take a closer look at two policy areas that are currently high on the EU agenda and where regional cooperation is important for the Nordic-Baltic member states: reform of the eurozone and security and defence.⁴

Overall views on the EU

The Nordic-Baltic region was almost entirely excluded from European integration during the Cold War. Denmark was the only Nordic country to join the EU, in 1973, but up to this day, it remains the most hesitant member state within the NB6 group, having opt-outs from the European Monetary Union (EMU), Common Security and Defence Policy (CSDP), certain aspects of the Justice and Home Affairs cooperation, and EU citizenship. The end of the Cold War opened the way for, firstly, restoration of intra-regional

ties between the Nordics and once again independent Baltic states, and secondly, integration of the Nordic-Baltic region to the European Union. Finland and Sweden, the latter primarily motivated by the financial crisis, quickly seized the opportunity and joined the EU in 1995; the Baltic states’ “return to Europe” culminated with EU accession in 2004.

Having joined the Union, Finland quickly positioned itself in the EU’s core and took part in all major new initiatives of the Union (although with some hesitation on defence, as discussed below). Sweden, by contrast, was more sceptical about deepening integration and chose to stay outside the EMU. Finland became somewhat less enthusiastic about the EU during the latter half of the 2000s and especially after the outbreak of the eurozone crisis, when the pro-EU political consensus was challenged by the rise of the populist, EU-critical Finns party. These political dynamics led to unusually awkward positions for Finland in the context of the eurozone crisis, and a reserved position on the relocation mechanism adopted by the EU in response to the migration crisis.⁵ There is, however, strong continuity in Finland’s aspiration to be a constructive member state that regards the EU, and Finland’s solid position in the Union, as vital for national security and well-being.

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Likewise, the Baltic states share a similar understanding of the strategic importance of EU membership for their domestic development and international standing. Estonia stands out among the three Baltic states as more proactive in pursuing inclusion in all major EU policy areas. With the adoption of the euro in 2011, Estonia became “the most integrated state in northern Europe”, as highlighted by President Toomas Hendrik Ilves.⁶ In spite of the eurozone crisis, Latvia followed suit in adopting the euro in 2014 and Lith-

⁴ The two chosen policy areas are among the key issues currently on the EU agenda. The paper does not cover other topical issues for the EU, most notably migration, because these are not as relevant when it comes to cooperation and coordination among the NB6 countries.

⁵ In the context of the eurozone crisis in 2011, Finland was the only member state that negotiated a complex collateral deal in return for loans to Greece. See Tapio Raunio and Juho Saari (eds.) *Reunalla vai ytimessä? Suomen EU-politiikan muutos ja jatkuvuus*, Helsinki: Gaudeamus, 2017.

⁶ Toomas H. Ilves, *Speech by the President of Estonia at the official Independence Day concert*, Vanemuine Theatre, Tartu, 24 February 2010.

uania in 2015. The main argument for this choice was national security. Thus, the Baltic states' historical experience and geopolitical location next to Russia has determined not only their security policy per se, but also their positions in various fields of EU policy. This was discernible also during the migration crisis, when the Baltic states accommodated dominant positions in the EU regarding solidarity and burden sharing, unlike the Visegrád Four that have viciously opposed the relocation mechanism.

Altogether, national security stands out as a key factor behind the Baltic states' and Finland's striving to be closely integrated with the EU. Russia's aggressive posturing in recent years has further increased the importance of the EU for Russia's small Western neighbours. By contrast, in the cases of Sweden and Denmark, the EU has traditionally been perceived as having little relevance for national security. Their hesitant or awkward positions regarding the EU are explained above all by their state identities and wish to protect the welfare state model.⁷ The Nordic countries, with the (partial) exception of Finland, have generally tended to prefer intergovernmental cooperation over integration, and their populations have taken at best a lukewarm attitude towards the EU. Denmark in particular stands out among the NB6 due to its scepticism against the expansion of EU policies in spheres that belong to the core of state sovereignty, such as defence, policing, border control, and migration policy.⁸

Being small states, it is important for the Nordics and Baltics alike to have close partners among larger member states. Even before Brexit, Germany used to be the most important partner in the EU, especially for Finland as the most pro-integrationist country among the NB6. The

northern group of member states has by and large backed the German, hawkish positions on financial and economic matters, while for Germany it has been useful to have the northern backing as a counterbalance to the French and southern European vision of solidarity. The Nordic-Baltic member states appreciate the habit of Germany to engage smaller countries and pay attention to their positions. Likewise, they support the German emphasis on the EU's unity and inclusiveness.

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Turning to France, the presidency of Emmanuel Macron has injected new life not only to the EU in general and to the Franco-German axis, but also to interaction between France and small member states in the north. The EU enthusiasm of Macron and the revival of the Franco-German engine is viewed in a tentatively positive light by the northern member states, although, as described below, they resist a number of French proposals regarding the eurozone. While the Macron factor is more temporary, Brexit is bound to have a long-term impact on the distribution of power in the EU, which makes France a more important partner for the NB6. Perhaps the most important area of increasing cooperation between France and the Nordic-Baltic states is defence.

A key difference between the French and northern positions is in regard to the issue of “multi-speed” integration

TABLE 1 The choices of the Nordic-Baltic member states regarding some key EU policies.

Country	Eurozone	Banking union	Schengen	CSDP and PESCO	European Intervention Initiative
Denmark	Opt-out	Out	Member	Opt-out	Participant
Estonia	Member	Member	Member	Participant	Participant
Finland	Member	Member	Member	Participant	Participant
Latvia	Member	Member	Member	Participant	Out
Lithuania	Member	Member	Member	Participant	Out
Sweden	Out	Out	Member	Participant	Out

⁷ Malin Stegmann McCallion and Alex Brianson, *Nordic States and European Integration: Awkward Partners in the North?* (Switzerland: Springer Nature/Palgrave Macmillan, 2018)

⁸ Anders Wivel, “As Awkward as They Need to Be: Denmark’s Pragmatic Activist Approach to Europe”, in M. Stegmann McCallion and A. Brianson, op. cit., 13–34.

(although the term as such is avoided in official discourse). While France is keen to pursue deeper integration among a core group of willing and able member states, all of the NB6 take a more or less reserved position in this regard. Obviously, this issue is particularly vital for Denmark and Sweden, which have positioned themselves at the outer circle of the Union but wish to maximize their inclusion and influence. Finland and the Baltic states have less reason to worry about being left out, but they also underline the importance of unity and inclusion.

The reasons are twofold. First, the hesitance has to do with visions of the EU's future: the Nordic-Baltic states, in spite of their different EU policies, wish to see a union where the dominance of big players is constrained and the positions of all member states are taken into account. This view is related to the wish to safeguard national sovereignty – which is obviously controversial insofar as sharing sovereignty is at the essence of European integration. The very importance of the Franco-German axis is a matter of concern; from the viewpoint of smaller member states, agreement between the two largest member states is necessary but not sufficient for the Union to move ahead. Secondly, this issue touches upon regional cohesion, solidarity, and security. The Nordic-Baltic states stick together in the EU only when their interests coincide – but maintaining close intra-regional relations is one of their interests, which matters especially in today's volatile security environment.

From Nordic to Nordic-Baltic Coordination

The Nordic and Baltic countries have been cooperating closely since the beginning of the 1990s. Bilateral relationships quickly spilled over to cooperation in multilateral settings. The Nordic countries supported the three newly independent Baltic states in finding their feet in various international organisations, such as the World Bank and the UN, while also supporting the three states in their accession to NATO and the EU in 2004. For the Balts, inclusion in the Nordic-Baltic framework has been important for building up a solid position within the EU, where they are relative latecomers and belong to the group of smallest and poorest member states. As one Baltic practitioner put it, “the Nordics were the first to treat us equally” in the EU.⁹

The Nordic-Baltic cooperation in the EU continues to be informal and consultative, unlike the Benelux countries, whose cooperation is institutionalised. There is an understanding among the Permanent Representations in Brussels that new initiatives and positions vis-à-vis issues to be raised in the EU are usually first discussed within the NB6 format. This is a way to consult colleagues on new initiatives and topics that are high on the EU's agenda and identify the other countries' positions and red lines.¹⁰ Any emerging cooperation and shared positions are issue based. The NB6 countries work together when there is an issue tying them together, but there is no obligation to agree or engage with initiatives, which testifies to NB6 cooperation being informal and consultative in its nature.

The coordination among the six happens at various levels. The Permanent Representatives meet and socialise in Brussels. Civil servants and experts also meet in various capitals depending on the need.¹¹ It is customary that the ministers of foreign affairs meet in their respective format before the General Affairs Council and Foreign Affairs Council. Finally, prior to the European Council meeting, it is routine for the heads of state of the NB6 to have a breakfast together.

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Though being close-knit, the NB6 members are not principally exclusive. Other EU member states have been asked to join various meetings as well. In recent years, the Netherlands and/or Ireland have joined several meetings. In 2017, under the Dutch prime minister's initiative, the NB6 met with the Benelux countries, where EU developments were a central theme. Also, the NB6 has been meeting with other regional groupings and countries, often including Norway and Iceland. For example, there used to be a number of meetings with the UK under Prime Minister Cameron's leadership, and there have been consultations with the Visegrád Four countries.

⁹ The authors' interviews in Brussels, July 2018.

¹⁰ Ilze Ruse, “Nordic Cooperation in the EU Council: Does Institutional Embeddedness Matter?”, in *The Nordic Countries and the EU: Still the Other European Community?* eds. Caroline Gron Howard, Peter Nedergaard, and Anders Wivel (London and New York: Routledge, 2015): 54.

¹¹ Ilze Ruse, “The Bargaining Power of Territorially Constituted Institutionalized Coalitions in the EU Council Negotiations”, *Journal of Contemporary European Research*, vol 8 no. 3 (2012): 333.

The Eurozone: The Northern Hawks

Recent developments in the EU, ignited by President Macron's active European policy and subsequently revitalised Franco-German relationship, have brought the Nordic-Baltic cooperation into the limelight – so much so that the term “new Hanseatic League” or “Hanseatic League 2.0” has entered the discussions regarding the developments around the Banking Union, the Economic and Monetary Union, and the future of Europe.¹²

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The term “Hanseatic League 2.0” refers to the eight northern EU member states – the NB6 plus Ireland and the Netherlands – that are fiscally conservative, pro-free trade, and strongly believe in the principles of liberal economy. The eight countries are proponents of national responsibility over government finances, compliance with common rules, and an inclusive union. They attracted attention when in March 2018 the finance ministers from the eight countries published a statement on the architecture of the European Monetary Union.¹³

In the statement, they stressed that the euro area's success has been a combination of the EU's leadership and wide-ranging reforms at national levels. Then the eight countries laid out the values and views that they share. They stressed that inclusive discussions about future reforms are a priority, and actions at the national level and compliance with agreed rules are the first requirement for making the EMU stronger. They stressed that the Banking Union needs to be completed and the European Stability Mechanism must be strengthened and developed into the European Monetary Fund. Finally, they saw the Multiannual Financial Frame-

work as a tool for supporting national governments to push through structural reform.

The statement was characteristic of NB6 cooperation insofar as it stressed the EU's unity and inclusivity as central values for the Nordic-Baltic member states in general and in particular for Sweden, fearing the consequences of not taking part in the decision making in a more integrated eurozone. This statement was a response to President Macron's call for a Franco-German-led EU that favours the so-called multi-speed Europe. An EU led by two of its largest countries, with other smaller member states just following them, is not to the liking of the Group of 8.

Secondly, the statement showed resistance to the French-led southern European vision for the future of the EU and the eurozone. Several of the ideas set out in September 2017 and confirmed with the Meseberg Declaration – harmonisation of corporate tax, eurozone budget with a European Minister of Finance, new taxes such as carbon and digital taxes and the idea of a transfer union – are resisted by the Nordic-Baltic member states.¹⁴ In response, the latter have highlighted that the centre of European integration is constituted by strong member states, and reforms should be implemented at the national level first and foremost. President Macron's European policies have truly pushed the Group to be more active and vocal.

The Group of 8 tends to fall in the same camp with Germany in discussions about the future of the eurozone. Fiscally conservative and valuing inclusivity, Germany is the closest partner in Europe for the Group of 8 since the Brexit referendum. However, some doubt has also been cast on Germany's motives and plans in working together with France. The Meseberg Declaration in June 2018 included a number of German concessions, and it is yet to be seen how many of its given promises Germany will execute. For example, the creation of a eurozone budget has been blocked by Germany for years, and domestic disagreements with regard to assisting other eurozone member states have not disappeared.

¹² Mehreen Khan, “EU's New Hanseatic League picks its next battle”, *Financial Times*, 19 July 2018, accessed 27 August 2018, <https://www.ft.com/content/aedbe32a-8af7-11e8-bf9e-8771d5404543>

¹³ “Finance ministers from Denmark, Estonia, Finland, Ireland, Latvia, Lithuania, the Netherlands and Sweden underline their shared views and values in the discussion on the architecture of the EMU”, *Ministry of Finance Sweden*, 6 March 2018, accessed 27 August 2018, <https://www.government.se/statements/2018/03/finance-ministers-from-denmark-estonia-finland-ireland-latvia-lithuania-the-netherlands-and-sweden/>

¹⁴ Meseberg Declaration: Renewing Europe's promises of security and prosperity, *The Press and Information Office of the Federal Government Germany*, 19 June 2018, accessed 27 August 2018, <https://www.bundesregierung.de/Content/EN/Pressemitteilungen/BPA/2018/2018-06-19-meseberg-declaration.html>

Hence, Germany quietly appreciates the emergence of a group of like-minded states balancing against President Macron. Chancellor Angela Merkel has been rather resistant to some of President Macron's proposals, and therefore the northern "protest coalition" helps her to balance France and the southern European member states.¹⁵

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The fact that the NB6 group consists of both eurozone member states and non-eurozone members (Denmark and Sweden) is becoming more problematic. President Macron in his Sorbonne speech called for the Economic and Monetary Union to become "the heart of Europe".¹⁶ In his vision, the eurozone member states will set the direction for the EU and be the force behind its development under Franco-German leadership.

Sweden is obliged under the Treaty of Maastricht to join the eurozone and adopt the euro. Following the 2003 referendum, in which the Swedish people rejected accession to the eurozone, Sweden has argued that joining the European Exchange Rate Mechanism II, necessary for joining the eurozone, is voluntary and the Swedish government lacks the necessary public approval. Sweden is currently not a member of the Banking Union; however, the government is considering joining the Union because of its implications for its large financial sector, a concern reinforced by the decision of Sweden's largest bank, Nordea, to move its headquarters to Helsinki in order to be part of the Banking Union's regulatory framework.¹⁷

Denmark, on the other hand, negotiated an opt-out in 1992 from the relevant provisions of the Treaty of Maastricht and thus is not under an obligation to join the eurozone. In 2000, a referendum was held on joining the eurozone,

but the results were negative. Occasionally, discussions have been held on organising a second referendum on eurozone membership, but public support has been fluctuating and, following the 2008 financial crisis and subsequent euro crisis, support has decreased.¹⁸

Because Sweden and Denmark joining the eurozone is rather unlikely anytime soon, this raises the question of how to engage these (and other) non-eurozone members. Already outliers of the eurozone, they risk becoming more marginalized in the EU if President Macron's agenda will succeed.

In the context of the discussion on the upcoming Multi-annual Financial Framework 2021–2027 (MFF), another substantial difference comes to light. The Nordic countries are net payers to the EU budget and the Baltic states are net receivers of the EU budget. This difference obviously dictates the behaviour of the countries when it comes to discussions about financial distribution, but it also has an impact on their views on the future of the EU and sets limits on cooperation among the NB6 countries in the EU. As the current MFF discussions show, the Nordics are on one side of the table, arguing for a smaller budget, and the Baltic countries are on the other side, arguing for a larger budget. This testifies to the issue-based character of NB6 cooperation, where cooperation takes place only when there is common ground.

Traditionally, it has been the UK that has led the pro-free-trade liberal economies in the northern part of the EU. However, because the UK is departing the EU, the northern liberal economies have been left without a big spokesperson country to express their views and act as a leader they can rally behind.

The Netherlands has made attempts to fill this gap and replace the UK. Indeed, Dutch Prime Minister Mark Rutte has been a vocal critic of President Macron's European policy and the general direction of the EU. The central position of Prime Minister Rutte is that the EU needs to be strengthened, not integrated for the sake of integration.

¹⁵ Rem Korteweg, "Why a New Hanseatic League will not be enough", *Clingendael Spectator*, 9 July 2018, accessed 27 August 2018, <https://spectator.clingendael.org/en/publication/why-new-hanseatic-league-will-not-be-enough>

¹⁶ Emmanuel Macron, "Initiative pour l'Europe – Discours d'Emmanuel Macron pour une Europe souveraine, unie, démocratique", *Elysee*, 26 September 2018, accessed 27 August 2018, <http://www.elysee.fr/declarations/article/initiative-pour-l-europe-discours-d-emmanuel-macron-pour-une-europe-souveraine-unie-democratique/>

¹⁷ Richard Milne, "Nordea to move its headquarters to Finland", *Financial Times*, 6 September 2017, accessed 27 August 2018, <https://www.ft.com/content/1ed979fe-9318-11e7-a9e6-11d2f0ebb7f0>

¹⁸ Director General Communications "Standard Eurobarometer 2004–2018", *European Commission*, accessed 31 September 2018, <http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Survey/index#p=1&instruments=STANDARD>

Prime Minister Rutte has been the rallying force behind the Group of 8, which might give an impression that the Netherlands has become the leader of the Group of 8 and Nordic-Baltic cooperation. However, this is the case only partially with regard to eurozone reform. It is important to keep in mind that unlike the V4 group, which has a rotating group presidency in place, Nordic-Baltic cooperation is leaderless and issue based, and coalitions are formed depending on specific topics. As described above, the group includes countries with different overall attitudes towards deepening integration, ranging from Finland's aim to be at the EU's core to the Danish opt-outs.

For these reasons, there is an underlying suspicion and caution among the Nordic-Baltic countries towards Dutch leadership, just as there was towards UK leadership. The Netherlands is using the Group of 8 as an instrument to pursue its EU agenda and national interests, which only partially coincide with the positions of the Nordic-Baltic member states. Therefore, the NB6 countries are cautious and selective in regard to teaming up with the Dutch, thus continuing the issue-based cooperation that characterises NB6 cooperation. Additionally, a sense of equality among the Nordic-Baltic countries is a key characteristic of the NB6. Therefore, any bid for leadership of the group is just unnatural for Nordic-Baltic cooperation.

Security and defence: Shared concern about regional security

Security and defence is one of the areas where the six Nordic-Baltic EU members have vastly different historical experiences and policy traditions. As noted above, this is visible first of all with regard to the relevance of security considerations as a factor that explains their EU policies. Yet there is no single dividing line within the group when it comes to security and defence. Instead, one should highlight three dividing lines: with regard to NATO, defence cooperation in the EU framework, and relations with Russia. Importantly, these divisions do not overlap, and they have become more ambiguous in recent years. The six countries have come closer to each other in their assessments of the security environment and, to a lesser extent, their related policy responses.

The most clear-cut division is obviously the one between Denmark and the three Baltic states that are members of

NATO, and Finland and Sweden, which do not belong to any military alliance. During the first two decades of membership, both countries maintained reserved positions vis-à-vis the Common Security and Defence Policy (CSDP) of the EU. Finland and Sweden were proactive in participating in the EU's military operations and developing the EU's activity in the field of civilian crisis management. However, they resisted steps towards common defence, which were discussed during negotiations of the new constitutional treaty in the early 2000s and eventually led to the mutual assistance clause (Article 42.7) of the Lisbon Treaty.¹⁹

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Denmark and the Baltic states, by contrast, were sceptical towards the CSDP because of their membership in NATO and strongly transatlanticist approach to European security and defence. Hence, Denmark has an opt-out from CSDP, while being a strong contributor to security in the Baltic Sea region in the framework of NATO. During their first decade of EU membership, the three Baltic states went along with the development of the CSDP and participated in EU missions, while stressing that the EU should not undermine or compete with NATO. At the same time, the Nordic and Baltic states pursued functional defence cooperation, for example within the framework of Nordefco and the EU's Nordic Battle Group.

The NB6 countries have also pursued different paths in relations with Russia, both bilaterally and in the EU framework. In its early years of EU membership, Finland tried actively to “multilateralise” its relationship with the Eastern neighbour and support policies that aimed at integrating Russia into European structures.²⁰ Later on, as Russia's relations with the EU and the West gradually soured and its resistance to the adoption of European norms grew stronger, Finland again invested more in the bilateral relationship as a way to manage tensions and address bilateral issues.

The Baltic states were always more sceptical and, as it turned out, more realistic, about the prospect of Russia's integra-

¹⁹ Hanna Ojanen, “Finland and the ESDP: ‘obliquely forwards?’” In *New Security Issues in Northern Europe. The Nordic and Baltic states and the ESDP*, Clive Archer (ed.) (Abingdon Oxon and New York: Routledge, 2008): 56–77.

²⁰ Hiski Haukkala and Hanna Ojanen, “The Europeanization of Finnish foreign policy: Pendulum swings in slow motion”, in *National and European Foreign Policies: Towards Europeanization*, Reuben Wong and Christopher Hill (Abingdon Oxon and New York: Routledge, 2011): 149–166.

tion into Europe.²¹ Their relations with Russia remained frosty after their accession to the EU. As member states, they became vocal critics of the situation of democracy and human rights in Russia and became active supporters – to Russia’s annoyance – of the EU’s new eastern neighbours such as Ukraine and Georgia. Sweden and Denmark also had a rather tense relationship with Russia already in the 2000s, due to thorny issues such as the wars in Chechnya and Georgia, the retreat of democracy in Russia, and the Nord Stream pipeline.²² The Baltic states and Sweden also became active supporters of the EU’s Eastern Partnership policy, launched in 2009. However, Lithuania has been privately criticized by the others for overdoing its push on this issue, to the extent of being counterproductive (for example, regarding the question of Ukraine’s membership perspective, which divides the member states).

In recent years, the positions of all NB6 countries on European security and defence have been challenged by three major developments: Russia’s aggression against Ukraine, the election of Donald Trump as president of the US and consequent uncertainty about the role of the US in Europe and globally, and Brexit. Furthermore, the NB6 countries – just like the EU as a whole – have become increasingly anxious about the future of multilateralism and a rules-based international order.

“The various negative trends have increased the importance of both the EU and NATO for security in the Baltic Sea region.”

All six countries have been firm in their condemnation of Russia’s actions in Ukraine and support for the related EU sanctions. At the same time, only Finland has continued regular high-level diplomatic contacts with Russia. The unity of the EU and the West vis-à-vis Russia is of paramount importance for all NB6 countries, and for regional security.

The conflict over Ukraine has indeed spilled over to the Baltic Sea region, where Russia’s increased military presence, air space violations, and hybrid acts of destabilisation have increased tensions.²³

The various negative trends have increased the importance of both the EU and NATO for security in the Baltic Sea region. A concealed but significant change has occurred in Finland’s security and defence policy, where cooperation with Western partners in various frameworks has become markedly more active.²⁴ Finland abandoned its earlier hesitance about the defence dimension of the EU and became one of the most active supporters of further defence cooperation. Among the NB6, Finland has been the strongest promoter of new EU initiatives such as the permanent structured cooperation on defence (PESCO) and the European Defence Fund, which were both launched in 2017. Finland has visibly positioned itself close to France, supporting the French ambition to strengthen the EU’s sovereignty and solidarity in this field, while trying to shape the EU agenda so that it takes into account Finland’s defence needs.²⁵

Sweden has remained more cautious about defence cooperation in the EU, although it joined PESCO after some hesitation. In response to the Ukraine conflict, it has made efforts to strengthen national defence and enhance defence cooperation with partners such as the US, the UK, NATO, and Finland. At the same time, Sweden has emphasized that the EU should continue to focus on non-military aspects of security via tools such as crisis management and diplomacy.

The role of the US in Baltic Sea security is of paramount importance for all NB6 countries, but especially for the Baltic states. The lukewarm attitude of the latter towards EU defence became somewhat more positive in recent years thanks to improved cooperation between the EU and NATO. It is essential for the Balts that EU activities in the field of defence are complementary to NATO – a point on which there is, in principle, strong consensus in Europe. Territorial

²¹ Kristi Raik, “Liberalism and geopolitics in EU-Russia relations: Rereading the ‘Baltic factor’”, *European Security* 25:2 (2016): 237–255.

²² Haukkala, Etzold, and Raik, op. cit.

²³ European Leadership Network, “List of Close Military Encounters Between Russia and the West, March 2014–March 2015”, 2017, accessed 24 September 2018, <https://www.europeanleadershipnetwork.org/wp-content/uploads/2017/10/ELN-Russia-West-Full-List-of-Incidents.pdf>

²⁴ Matti Pesu, “What non-alignment? Finland’s security and defence policy stems from partnerships”, FIIA Briefing Paper 227, Helsinki: Finnish Institute of International Affairs, accessed 24 September 2018, <https://www.fia.fi/en/publication/finlands-security-and-defence-policy-stems-from-partnerships>

²⁵ Finnish Government, “Prime Minister Sipilä and French President Macron announced initiatives on EU defence and AI”, Press Release, 30 August 2018, accessed 24 September 2018, https://valtioneuvosto.fi/en/article/-/asset_publisher/10616/paaministeri-sipila-ja-ranskan-presidentti-macron-julkistivat-aloitteet-eu-n-puolustuksesta-ja-tekoalysta

defence remains under the responsibility of NATO, whereas EU defence cooperation only makes an indirect and minor contribution in this regard. In the Nordic-Baltic region, only Finland (and only in recent years) has shown a strong interest in the development of a more significant role for the EU in defending its member states.

“Sweden has remained more cautious about defence cooperation in the EU, although it joined PESCO after some hesitation.”

However, the uncertainty about the transatlantic relationship, ushered in by the Trump presidency, has made various European initiatives more relevant for all NB6 countries. Denmark and Estonia were among the nine countries that joined the French-led European Intervention Initiative (EII), launched in June 2018, which aims to develop a shared strategic culture and operational readiness. After initial doubts, Finland also decided to join the EII a few months later. In Finland and several other countries, the Initiative has raised doubts due to the cost of participation, uncertainty about its practical value, and the fragmentation caused by various unilateral initiatives among small groupings. On the other hand, in the case of Denmark, this unilateral initiative offered a way to circumvent the country’s opt-out from CSDP and be involved in the deepening European defence cooperation.²⁶

Estonia became more active in the field of EU defence cooperation during its EU presidency in the latter half of 2017. It focused especially on its flagship area of cybersecurity, where it held a successful, first-ever strategic table-top exercise called EU CYBRID 2017. Cybersecurity, countering hybrid threats, and disinformation have become important priorities for all NB6 countries, and also in the EU framework. Finland seized the initiative in this area by establishing, in 2017, the European Centre of Excellence for Countering Hybrid Threats. The Centre is endorsed by both the EU and NATO and seeks to bring together relevant actors from the participating states²⁷ and the two organisations in order to improve shared situational awareness and exchange best practices.

Conclusion

The exit of the UK from the EU and President Macron’s active European policy are changing the dynamics in the Union. The Nordic-Baltic member states view the revival of the Franco-German tandem with mixed feelings: on the one hand, they share a strong interest in a well-functioning Union that is capable of reforming itself; on the other hand, they view with suspicion some of the reforms promoted by France and are concerned about the impact of the Franco-German agenda on the EU’s unity. The UK was an important partner for the Nordic-Baltic states due to their shared commitment to free trade and liberal economic policies. In this field in particular, the Nordic-Baltic countries need to intensify their cooperation in order to make up for the loss of an important partner.

The Nordic-Baltic countries together with the Netherlands and Ireland have positioned themselves as a fairly like-minded group in regard to eurozone reform, bearing in mind, however, that Denmark and Sweden have not adopted the euro. The Group of Eight shares the view that integration and cooperation in the EU should take place when it adds value and highlights that behind the success of the EU there are strong member states. They stress that reforms at the national level and compliance with agreed rules are the first requirement for strengthening of the eurozone.

One must not forget that the Nordic-Baltic countries have been working together within the EU since the accession of the Baltic states in 2004. The NB6 format tends to serve as a family within which the members can raise new ideas and shifting positions, seek support, and ask questions. Cooperation is issue based, and there is no “head of the family”. Unity and inclusiveness of the EU constitute an important shared value and aim of the Nordic-Baltic member states. This is somewhat paradoxical because the six countries continue pursuing different EU policies that in fact make it harder to preserve unity among the 27.

However, as in any family, agreement is not always a given, and this is seen as normal. Disagreements inevitably follow from the fundamental differences among the EU policies of the six countries. For the most part regarding its EU membership, Finland has positioned itself close to the EU’s core.

²⁶ Denmark’s Prime Minister Lars Løkke Rasmussen even recently hinted at the need to rethink the defence opt-out, which could only be lifted through a referendum. “Denmark reconsidering EU defense opt-out after meeting with Macron”, *Deutsche Welle*, 28 August 2018, accessed 24 September 2018, <https://amp.dw.com/en/denmark-reconsidering-eu-defense-opt-out-after-meeting-with-macron/a-45262172?>

²⁷ Sixteen states, including members of both the EU and NATO, have joined the Centre.

The Baltic states have also generally wished to be included in new initiatives that deepen integration. These positions stand in contrast to Sweden's and even more so to Denmark's reserved positions regarding the EU. The Nordic and Baltic countries have also pursued diverging foreign and security policies, though, due to regional and global developments in recent years, the dividing lines in this field are becoming less visible.

The Nordic-Baltic group's further contribution to discussions on the future of the EU is likely to be most visible in economic and financial matters, including development of the eurozone, further strengthening of the single market, defending free trade, and promoting the EU's digital

agenda. The NB6 often finds common ground on these issues with other northern member states, thus gaining more weight and ability to pursue shared positions in the EU.

The new cooperation among the Group of Eight, consisting of the Nordics, Balts, Dutch, and Irish, has caught attention and been labelled as the new Hanseatic League 2.0. Yet caution should be taken before putting too much weight on this group and on the active role of the Netherlands. Whilst the NB6 format is inclusive and welcomes other member states depending on the issue at hand, the core of the group, the Nordic and Baltic member states, are still likely to continue their natural ways of cooperation – informally, based on shared interests where these exist, and with no leader.

Chronology

- 1949** The establishment of NATO, Denmark being one of the twelve founding countries.
- 1973** Denmark becomes a member of the European Community.
- 1991** Estonia, Lithuania, and Latvia gain independence from the Soviet Union.
- 1992** Denmark negotiates an opt-out from the CSDP and the obligation to join the eurozone.
- 1995** Sweden and Finland join the European Union.
- 1999** Finland adopts the euro when the common currency is first introduced.
- 2003** Following a referendum, Sweden rejects accession to the eurozone.
- 2004** Estonia, Lithuania, and Latvia join the European Union and become members of NATO.
- 2011** Estonia adopts the euro.
- 2014** Latvia adopts the euro.
- 2015** Lithuania adopts the euro.
- 2017** With the exception of Denmark, the Nordic-Baltic EU members join PESCO (the Permanent Structured Cooperation) that forms part of the EU's security and defence policy.
- 2018** The finance ministers from the Group of 8 (the Netherlands and Ireland included), also named the "new Hanseatic League" or "Hanseatic League 2.0", publish a statement on the architecture of the European Monetary Union.

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