

INTEGRATION OF THE BALTIC REGION STATES: DRIVING FORCES AND OBSTACLES

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Few macro regions related with closer economic, political or cultural contacts exist in Europe. One of these regions is Baltic Sea Region. After Iron Cordon collapsed states surrounding the Baltic Sea had received the possibility to rebuild relationships which existed for few centuries. Factors contributing to strengthening these relationships (deeper integration of region's states) and impeding closeness of these states exist. The problem which factors contribute to multidimensional economic, political and social integration of Baltic Sea Region and which impede this process is being solved in this article.

First part of the article emphasizes that most important factors for deepening integration of Baltic Sea Region in present development stage are those which can be generally called endeavor of European Union and region states' governments and societies to seek closer collaboration. Outcome of this endeavor – more than 30 international institutions, treaties, initiatives and programs pointed at formation of Baltic Sea Region community. Due to limited extent the impact of only three integration means is discussed in the article: 1) Internal market of European Community, 2) European Union strategy for Baltic Sea Region, and 3) Council of the Baltic Sea States. It is indicated that in terms of integration theory the impact of the first mean is referable to classic, the second one – to differential and the third one – to alternative integration. The latter two terms displace unattractively sounding multi-speed or concentric circles integration concepts.

The second part of the article is addressed to large differences of Baltic Sea Region states' development. It is stated that development of West-North and East-South states of this region is based on different factors. Moreover large gap between development factors of these states exist and is to remain in the future. It is concluded that despite the developed and effective coordination mechanism of actions and politics differences of development trends at least in near future won't let region's states to achieve deeper integration level which exist, for example, between Benelux countries.

Keywords: *macroregion, obstacles of integration, integration factors, coordination of actions, development differences.*

Introduction

Throughout the history of Europe, the Baltic Sea Region (BSR) has been exhibiting strong political, economic and cultural ties between the nations of the region. The recent two decades have been distinguished by intensive growth in cooperation among the states of the region or their separate parts. Political and economic cooperation of the Baltic States started immediately with the end of the Cold War following the disappearance of the division of Europe into West Europe and Europe behind the Iron Curtain. Geopolitical changes in Europe caused the need to search for new cooperation forms.

Unlike other macroregions of Europe, the Baltic Sea Region, comprising the states of both mentioned groups, was concerned to start political cooperation, which subsequently formed the basis for the existing economic relations. Presently, cooperation throughout the region occurs largely on the regional or even local levels¹, which is in good compliance with one of the main principles of the EU regional policies, i.e. the principle of subsidiarity. Besides, it has to be noted that “after the end of the Cold War the international system became multi-polarized and more complex, and the subjects seeking to be part of international cooperation, must be ready to operate on several layers of internationalization. For the North and East European states it means that they have not only to integrate into other EU states, but also seek

incorporation into the newer geographical and geopolitical so-called “New North” and Baltic Sea Region conceptions” (Williams, 2001, p.34).

In the second half of the last decade the BSR became one of the fastest developing parts of the EU, where dynamic growth as well as export-focused production has been in successful compliance with the protection of natural environment and development of social sector. Within the EU, different roles are attributed to that region: the counterweight for the domination of the so-called “European banana” (Brodzicki, 2011, p.30) or the platform of cooperation with Russia (more exactly with its North Western part) (Teska, 2011, p.140).

Despite this, the issue whether or not the situation in the Baltic Sea Region will develop into a multidimensional, i.e. social, cultural, political and economic integration has been an important scientific problem for many years. Obviously, the solution of the problem like that is impossible in the work of such a small scope. Nevertheless, the paper seeks to review the internal preconditions for this process. The article **aims** to identify the driving forces and the principal obstacles for further (and deeper) integration of the BSR. The aim is to be achieved by addressing the following **objectives**:

- to show the efforts of the governments and the communities to promote closer communication as well as to identify the role of those efforts in the integrating factors;

¹ We mean that relations among the states of the region are largely guided by mutual agreements.

- to identify the differences in the origin of competitiveness between the regional countries as the obstacles for closer integration.
- Scientific **originality and practical significance** of the article:
- the integrating effect of the efforts of the governments and communities for closer cooperation is revealed;
- the relation of the forms of efforts to the integration theories is identified;
- the thesis that the differences in the origin of competitiveness between the BSR states is the main reason due to which closer integration of the region is so far impossible, is formulated and motivated.

The **research methods**: the analysis and synthesis of scientific literature and official EU documents; the secondary statistical analysis.

Driving forces of the integration of the Baltic Sea Region states

The scientific literature of this area (e.g. Mouritzen, 2011; Simanavicius, 2010) identify several factors that determined the formation of the Baltic Sea Region in the past and influenced its future development. They can be roughly divided into two large groups. One of those groups covers the factors independent of the existing countries of the region and the efforts of the communities. The main of them are:

- regional history which exhibits itself through such initiatives as the attempts to revive economic and ethno-cultural relations of the Hanzeatic League times (Schymic, Krummy, 2009, p.3);
- production culture and urban system shared by the whole region, similar administration structure and the procedure of adoption of administrative decisions;
- civilizational backwardness of the eastern part of the region caused by the Cold War. Here, some paradox is evident: due to differences that occurred between two countries of the opposite blocks, the current process of integration is much faster and more efficient (Toczynski, 2001, p.7–9).

The factors of this type, irrespective of their 'historic' character, operate presently as the integrating forces of the region. In the current stage of development, however, somewhat different factors, generally described as the joint efforts of the governments and communities of the EU and regional states aimed at closer cooperation, are of greater importance for the integration processes of the Baltic Sea Region states. These efforts result in a number of international institutions, agreements, initiatives and programs aimed at the formation of the Baltic region community.

Owing to the limited scope of the article, it deals only with the main out of more than twenty elements of the group of factors by describing the character of the integration effect and relating them to the propositions laid out in the integration theories.

The **EU internal market**. In terms of the aim of this article, the internal market as a result of the purposeful integration processes inspired by the human will is simultaneously the basis for all other integration efforts of the European countries. According to the Preamble of the Treaty Establishing the European Community, the establishment of the internal market is one of the main

aims of the Community, the implementation of which is a contribution to the reinforcement of the increasingly closer relations among the European nations². Article 2 of this Treaty provides that the internal market is a tool for the promotion of harmonious, balanced and sustainable economic activity, high level of employment, social protection, high degree of competitiveness, economic and social cohesion and solidarity between nations. Article 3 stresses that formation of the internal market means abolishment of obstacles for free movement of goods, services, persons and capital among the states.

Consequently, the internal market is the aim of the European Community and a tool to resolve more comprehensive (not only economic) problems. Regional cooperation leads to the implementation of the idea of the internal market: the experience shows that due to the existence of such cooperation, (e.g. Benelux or Scandinavian macroregions) the degree of internal market implementation is considerably higher than in other EU areas (Szczydzowski, 2008).

The countries of the Baltic Sea Region (including non-members of EU), have at their disposal added instruments to promote closer cooperation. On the other hand, the framework of inter-regional cooperation produces better possibilities for exploiting the principle of free movement of goods, services, labor and capital to the best advantage and the provisions of the policy of the joint trade with the third parties.

Scientific literature (Ilzkovitz et al., 2007) identifies several other instruments for the European integration functioning within the framework of the internal market which in the context of regional cooperation (not only in the Baltic Sea Region) operate as supplementary integrating factors. These are the application of mutual acknowledgement procedures, more comprehensive cooperation based on the Directive On Services, implementation of IMI (Internal Market Information) system, appropriate application of the Directive On Delegated Employees, etc.

In terms of the economic integration theory, the internal market is a typical case of negative³ integration where the obstacles for cooperation are eliminated by liberalizing (more exactly, deregulating) the markets of the cooperating countries (Molle, 1994, p.15). In other words, it is when mutual agreements of the governments of two or more countries prohibit both the application of the existing restrictions and the introduction of new ones against free movement of goods, services, labor and capital. It is obvious that the measures of negative integration are designed for the regulation of economic relations and are clearly insufficient for the penetration of integration processes into other areas.

The Council of the Baltic States (CBSS). The historical circumstances and dramatic differences in development among the states of the Region (further referred to in Section 2 of the article) determined that the classical negative integration measures in the Baltic Sea Region are strongly enhanced by the integrating factors of institutional character, i.e. by the

² Here and in other places the article refers to "European Union. Consolidated Versions of the Treaty on European Union and of the Treaty Establishing the European Community". Official Journal of the European Union, 29.12.2006, C 321 E/1.

³ The cases of negative and positive integration were identified by I.Tiubergen in 1954. These concepts do not imply evaluation ; they only indicate the means of unification of economies.

elements of positive integration. One of such elements is the Council of the Baltic Sea States.

Geopolitical changes in this region with the end of the Cold War created conditions for introducing integration processes into the Eastern states of the region. Due to certain reasons, mechanical ‘incorporation’ of these states into the Western political, economic and social system by applying solely negative integration measures was impossible at that moment. It was necessary, therefore, to find new forms of cooperation among the states. Some authors maintain that this need occurred several years before the decision to advocate the ripening changes in the Baltic States (Lithuania, Latvia, Estonia) (Tassinari, 2004; Williams, 2005). The first impetus for the new form of cooperation was the conference held in Ronneby, Sweden, in September 1990. It was there that the Declaration of the Baltic Sea States was adopted on the basis of which the Council of the Baltic Sea States was established. The Council is based in Stockholm. Its mission is to initiate and promote cooperation among the states of the Baltic Sea Region. To that end six priority areas are provided:

- support for new democratic institutions;
- economic and technological support and cooperation seen as development of a new level of European integration;
- social support and promotion of health care;
- cooperation in the areas of culture, education, tourism and information;
- cooperation in transportation and communications.

CBSS members are Denmark, Germany, Poland, Lithuania, Estonia, Finland, Sweden, Norway, Iceland and Russia. In addition, the European Commission is also involved. Obviously, the actions of CBSS reach far beyond the geographical borders of the EU; however, they keep within the scope of its (EU) interests. Consequently, these actions are attributed to the measures of alternative integration in the conceptions of ‘new regionalism’⁴. It is to be noted that CBSS and other similar macroregional institutions and their initiatives are not equally appreciated. On the one hand, integration processes in such macroregions as the Baltic Sea Region or Benelux are over-coordinated. On the other hand, at the turn of the 21st century, integration processes spread in two opposite trends, i.e. expansion and deepening. Therefore, they required a flexible approach (more flexible than in the classical theory of integration) (Fratiani, 2003; Su, 2005) and more diverse tools for control.

The European Union Strategy for the Baltic Sea Region. The main trait of positive integration is modification of the existing instruments and development of new ones to achieve higher efficiency in economic cooperation among the states of integration group and/or more ambitious political aims. The Strategy for the Baltic Sea Region is a typical example of that process. It is the first initiative of that type of the EU, on the basis of which similar strategies designed for other European macroregions are being developed.

⁴ The European integration in the conception of ‘new regionalism’ is seen not as a smooth process (uniform or monolithic integration), but, rather, as one occurring at different times and with different intensity and speed and comprising different areas, etc. Due to that fact, such types of sub-integration are identified: differentiated integration, alternative integration, new integration (Groenendijk, 2007, 2011; Su, 2005).

On June 10, 2009 the European Commission published a communiqué on the European Union Strategy for the Baltic Sea Region, the first EU macroregional strategy to provide a coordinated systemic response to the main problems of the Baltic Sea Region and propose specific solutions (the European Commission, 2009). The macroregional strategy as a new EU policy formation and implementation instrument provides possibilities to turn the peripheral Baltic Sea Region into a model of deeper integration. Eight EU Member States are involved in the implementation of the strategy: Lithuania, Latvia, Estonia, Poland, Germany, Denmark, Sweden, and Finland. Regional cooperation within the EU pursued by means of macroregional strategies is an experimental form of EU policy realization which is inapplicable to any cooperation forms of the past (ESTEP, 2011, p.16).

The strategy identifies four goals of regional cooperation. The plan of actions for implementation is prepared which provides 17 priority cooperation areas and horizontal actions to consolidate them. The structure of the strategy is presented in Fig.1.

The strategy for the Baltic Sea States, even though a new phenomenon, has received a considerable attention from the analysts. Scientific works, EU institutional documents and political discourse address different aspects: the strategy as a new instrument for EU policy and its implementation (Berjkan, Olsen, Tempel, 2009; Samecki, 2009; Mirwaldt, McMaster, Bechtter, 2010; Teska, 2011), the strategy as an instrument for resolving problems of the Baltic Sea Region (Bengtsson, 2009; Antola, 2009; Salines, M., 2010; Stocchiero, 2011; Commission ..., 2011; Vanags, 2008), or the effect of the strategy on specific areas of regional cooperation (Borg, 2009; Wisniewski, 2008).

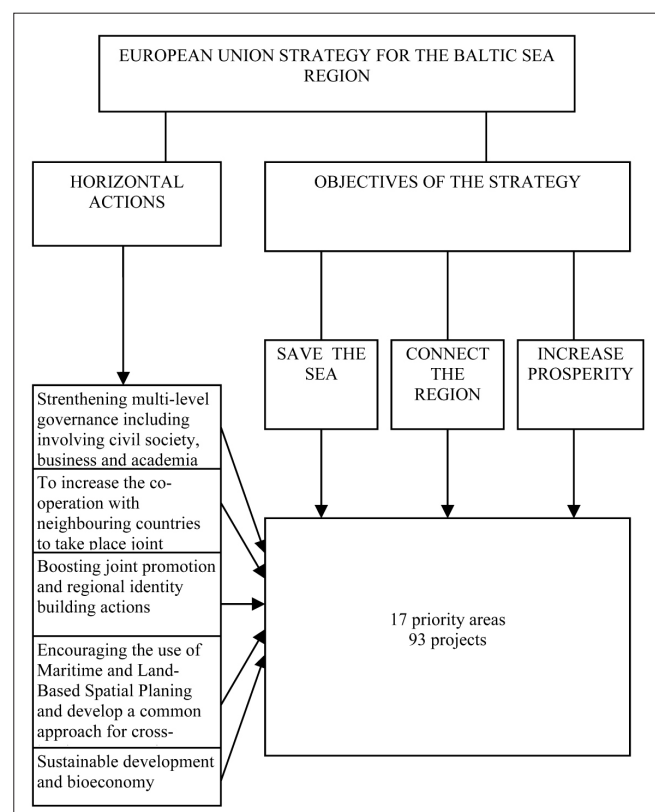


Figure 1. The structure of the European Union Strategy for the Baltic Sea States (drawn by the author with reference to the Commission ..., 2013)

Irrespective of some of the negative aspects of the strategy for the Baltic Sea Region, such as:

- ‘ignorance’ of the principles of military security, sovereignty, territorial integrity, strict control of state borders important for the new EU Member States (Poland, Baltic states) and Russia,
- absence of the possibilities for the outskirts of the eastern regions to directly express their national concerns in their relations with Russia,
- absence of novelty, since the strategy agenda is concurrent with the areas of action of other organizations and agreements (e.g. the format of Nordic –Baltic countries (NB8), Baltic Sea Region Program 2007–2013, Baltic Development Forum, etc.)⁵.

and others, this strategy in the mentioned works is considered an important integrating instrument. It proposes a new model of cooperation by which the regions of eight Member States, nearly 100 million people, will be able to plan, prioritize and implement activities being confident that their challenges and neighbors are working in the same vein, towards the same goals. This will enable the Baltic Sea Region to enjoy a sustainable and optimal economic and social development” (Ahner, 2009, p.3). The strategy also provides possibility for the Member States to coordinate the implementation of their national priorities (Budzynska, 2008).

The main advantage of the Strategy for the EU Baltic Sea Region is the added benefit attained by the Member States which pursue this strategy. Several aspects of this benefit attained from cooperation of the Member States through macroregional strategies (ESTEP, 2011, p.18-19):

1. Discussion of issues within a smaller circle of members provides faster and more efficient solution. In addition, more flexible participation in implementing macroregional strategies leads to the possibility to minimize the number of participants in solving particular problems, thus, to enhance efficiency. The quoted source identifies four areas where the regional states are interrelated and cannot solve the problems by individual actions: division of the region into economically developed Western and developing Eastern states, environment protection, accessibility and energetic exclusion.
2. Parasol cooperation, joining many and various organizations and institutions of different levels, ensure better results with the available resources and performs the cooperation function.
3. Macroregional strategies by nature are intersectoral and cover several administration levels. Extensive representation of different levels helps to reflect different interests and ensure involvement in the solution of problems.

In the conception of the ‘new’ regionalism, the development and realization of macroregional strategies is attributed to the so-called differentiated integration (Groenendijk, 2007 and 2011). This term is currently replacing the unattractive concepts of ‘multi-speed Europe’ or ‘concentric circles’.

The differences in competitiveness and its origins as the obstacles for the integration of the Baltic Sea Region States

The integration of the Baltic Sea Region States is the resulting effect of the increasing interdependence (political, economic and social) of the states. Consequently, integration positively affects the character and intensity of this dependence. The strength of this interdependence expresses general tendency of internationalization of the relations among the states. Such actions as the development of economic production beyond the borders of one state, scientific and technical advance, cooperation ties, common projects, benchmarking of economic, social and cultural management due to the improvement of communication and the speed of spread of information enhance the dependence of the states on the regional systems and the neighboring countries.

The scientific sources (Gardiner et al., 2004) define the dependence of that type as bilateral sensitivity towards the policies (including economic) and behavior of other states in the international arena. The interdependence of the Baltic Sea Region States (i.e. sensitivity to the actions of the neighbors) exhibits significant ‘asymmetry’ typical to the dependence between the East and the West or the South and the North states. Under such conditions, it is urgent to develop an efficient mechanism able to coordinate actions and policies of the states, which was referred to in the first part of this work. It is to be noted that such mechanism must regulate only the actions of the cooperating countries which express their interdependence and by no means restrain implementation of other actions and policies of the states.

On the other hand, great differences among the regional states in economic, demographical, territorial or military potential cause some doubt about the success of deeper integration. Most authors of theoretical and practical works on the development of the Region see these differences as the obstacle to closer cooperation. The theories of classical economic integration emphasize that the consequences of integration occur faster and are more significant when the developmental differences among the integrating countries are not very great (e.g. Molle, 1994, p. 499). This is also illustrated by the example of Benelux, another macroregion of the EU.

In developing this issue, the differences among the developmental sources of the Baltic Sea Region States will be analyzed in the second part of this article. The development of the state or the region implies a long-term growth of its economic potential (production, investment, export, etc.) and living standards of its inhabitants (Chadzinski, Nowakowska, Przygodzki, 2007). The development occurs under the conditions of permanent competition, therefore, its results depend on the feature of the country or the region called competitiveness. Irrespective of the controversy of the competitiveness conception⁶, this feature (more exactly, its indicators) are most widely used for the comparison between the countries or regions. The values of the Global Competitiveness Index determined by the World Economic Forum (WEF, 2012) exhibit distinct division of the Baltic Sea

⁵ This statement is referred to rather often. However, it is neglected that the strategy performs the coordination function as well (Antola, 2009).

⁶ The range of attitudes towards the country’s or region’s competitiveness is very wide – from competitiveness as the necessary condition (Porter, 1999) to competitiveness as a ‘dangerous obsession’ (Krugman, 1994).

Region countries into highly (globally) competitive states of the West-North and significantly less competitive ones of the East-South (Fig.2).

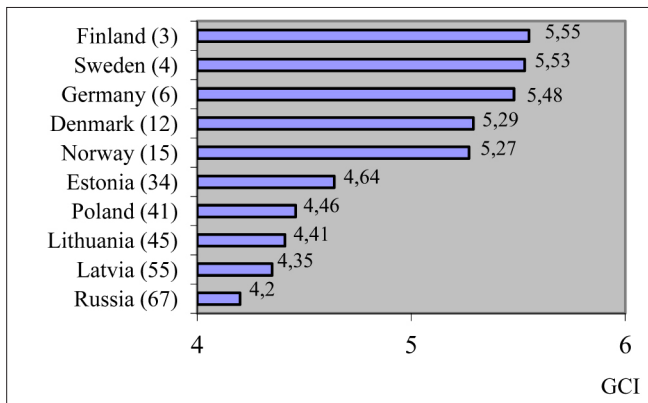


Figure 2. The competitiveness indexes of the Baltic Sea Region Countries (with the place of the country in the competitiveness rating) (worked out according to WEF, 2012–2013)

A similar situation is observed in comparing the countries in terms of their sources (factors) of competitiveness (development). The West- North group countries (Norway, Denmark, Sweden, Finland and Germany) belong to the group of states, the economic and social growth of which is ensured by innovations and sophisticated business conditions. The ‘diamonds’ of their national competitiveness are characteristic of equal strength of all the elements. The innovation-driven economies stand out by distinguished manufacturers and a large share of services sector in the overall structure of economy. The East-South countries of the Baltic Sea Region (Poland, Lithuania, Latvia and Estonia) belong to the group of fifteen states, where the forces ensuring economic and social growth are in a transitional state from efficiency-driven to innovation-driven stage (WEF, 2012).

Even with regard to the fact that the calculation methodology of global competitiveness index and its sub-indexes mitigate the real scope of differences in comparing the indexes of the mentioned groups of states, a significant gap between them is evident (Fig.3).

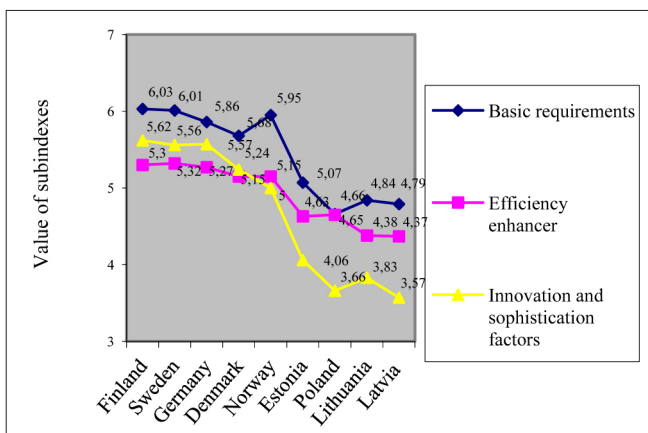


Figure 3. The groups of the Baltic Sea Region States according to the values of competitiveness sub-indexes (worked out by the author according to WEF, 2012)

The insights into the future fail to show the improvement in the situation when comparing the countries in terms of the proposed Sustainable Competitive Index (SCI). Sustainable competitiveness is defined as “the set of institutions, policies, and factors that determine the level of productivity of the country while ensuring the ability of future generations to meet their own needs” (Blanke et al., 2011, p.54). SCI was worked out in 2011 according to the competitiveness evaluation indexes and facts which in the nearest future do not significantly influence productivity of the country, however, are very important in the long-term perspective. Out of 100 states evaluated by that way, Sweden ranks 3rd, Finland – 4th, Germany – 6th, Denmark – 8th, while Estonia, the best among the states of the second group, is only in the 26th place, others taking very low positions: Poland is 31st, Lithuania – 33rd, Latvia – 51st (Blanke et al., 2011, p.63). Naturally, in the future, the countries of both groups will be developing at different speeds, which beyond doubt will have a negative effect on their deeper integration.

Conclusions

1. With the changes in the circumstances of cooperation among the European States and alongside with the classical integration forms, new forms of cooperation occur which better comply with the new conditions and meet the expectations. Simultaneously, there emerges the necessity to better identify and recognize the changes, determine their causes, detect trends of their development and evaluate the consequences. In the conceptions of the new regionalism, the European integration is seen not as a uniform and monolithic process, but, rather, as a mosaic one consisting of individual interrelated elements with a common base. This is a classical (negative) integration based on multilateral agreements (contracts) which legalize prohibition to restrict trade and other relations (not only economic). In seeking to intensify cooperation, the Baltic Sea Region states do not restrict themselves only to measures of that type. Positive integration measures, such as regional organizations of different levels, agreements, strategies, programs and initiatives play a rather significant role. Due to their abundance and variety, the Baltic Sea Region turns to be a good example of regional integration for other macroregions of the European Union.
2. The EU internal market as the goal and vehicle of the European Community enabling to solve other, not only economic, problems is simultaneously the basis for the unification of other Baltic Sea Region states. Alternatively, the measures of closer cooperation within the region lead to a better utilization of the principle of free movement of goods, labor and capital. Upon reaching the level of integration called internal market, the development of negative integration measures has reached the limit, at least theoretically, while that of the positive integration in the Baltic Region has become extremely active during the last couple of decades. Each of those measures, apart from the goals declared allows seeking for more general goals envisaged only in the context of the whole European integration process. The activities of the Baltic Sea States Council

referred to in the article provide the possibility to combine two contradictory trends of integration, i.e. deepening and geographical expansion. The Strategy for the Baltic Sea Region, however, enables the countries with different levels of development to more successfully absorb the advantages of internal market and suppress the formation of multi-speed Europe.

3. The process of deeper integration among the states implies the growth of two-way sensitivity towards the policies pursued by other states. The interdependence of the Baltic Sea Region states (sensitivity towards the actions of the neighboring countries) exhibit significant inadequacy characteristic to the interdependence between the West and East or the North and South states. Alongside with the static differences indicating the current situation (e.g., GDP per capita), the index of such inadequacy may be the ability to compete. A distinct division of the countries into two groups in terms of competitiveness and the quality of its factors lead to certain doubts about the success of deeper integration (i.e. formation of a strong macroregion) of the Baltic Sea Region states.

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