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### **The Northern Dimension - Cooperation between EU and Russia**

The EU-Russia Summit to be held on Friday of this week is a real opportunity for both and the possibilities for strengthening a beneficial economic interdependence are substantial. Energy issues in particular serve the interests of both parties, and the summit is expected to yield progress in this area. We need to work with Russia in a spirit of partnership and equality in setting future priorities in our cooperation.

Discussions are underway under Finnish leadership for an EU negotiating mandate for future negotiations between the EU and Russia on a new cooperation agreement. I hope that the parties will resolve the contentious issues, which in the final stages have boiled down to the disputes between Poland and Russia. Here the EU needs to demonstrate shared political and economic strategic thinking, also internally, to ensure that no Member State is isolated in its energy supply. It is in the interest of all the Member States to start negotiations with Russia, because a lack of an EU agreement will inevitably lead to bilateral deals.

Russia and the EU need each other and a partnership to capitalise on their resources. Vital interests of both parties are at stake. These must not remain hostage to bilateral relations and national interests. The opportunities are huge, and for us to avail ourselves of them many practical questions will have to be solved. That is why the mindset has to be one that aims at genuinely achieving concrete results. Also, all EU countries and in particular Russia's neighbours on its European borders should have the same aspirations regarding Russia's development towards democracy, a market economy and the rule of law. At the Lahti summit the EU countries were able for the first time to speak to Russia with one voice, which improves their ability to work together.

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Today the Union of 25 has a Southern Dimension, which is just as important as the Northern Dimension, and a new Eastern Dimension, both of which are gaining in importance. The central point here is that these are dimensions for the whole Union, for all its Members, whether in the south, west, east or north of the Union, dimensions that require common policies by the EU.

This was the central idea when the initiative for the policy of the Northern Dimension of the EU was launched nine years ago. It was stated in the conclusions of the European Council in December 1997 that Finland had initiated the policy of the Northern Dimension. The first Action Plan was adopted in 1999. Hence the Northern Dimension became part of the EU's Russia policy and concrete EU-Russia collaboration in the area of the Northern Dimension started to be launched on the basis of existing structures.

Following joint preparations, the Northern Dimension Summit to be held in Helsinki this week is due to adopt a new framework document on the basis of which the Northern Dimension will become a joint policy of the EU, Russia, Norway and Iceland. The Northern Dimension links into the so-called four joint areas between the EU and Russia. This new partnership document will provide a political basis for practical work in the years ahead. The fact that Russia is more committed than previously means that more joint projects are on the way.

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In the Northern Dimension, we have so far created two important partnerships, the Northern Dimension Environmental Partnership and the Partnership for Health and Social Wellbeing. The ND Environmental Partnership operates in three areas: traditional environmental protection such as wastewater treatment, dealing with the Russian nuclear waste problem and environmental projects in Kaliningrad. Many projects have already been implemented, but many still await financing, such as cleaning up Lake Ladoga, which will cost 500 million euros. This is a project that will take many years.

The Northern Dimension Environmental Partnership has resulted in the biggest single project so far with Russia, the construction of the St. Petersburg wastewater treatment plant, a 200 million euro project, that, when completed, will clean up the open waters of the Gulf of Finland, making it the biggest achievement in the history of Baltic Sea environmental policies. This is of great significance for the Russians, Estonians, Latvians and Finns in the region. Coastal waters remain to be cleaned up, and this will require more effective actions from all parties, including Finland.

Now that the plant has been built in St. Petersburg, 85 per cent of the city's wastewater is being treated. For the remaining 15 per cent projects are under preparation. In the course of the project, the plant operator, Vodokanal, developed into a modern, efficient company. The plant's costs are going to be covered by levying charges on users, which is a novelty in Russia. The treatment plant sets the standard for the whole of Russia. The project opens up opportunities for companies in the equipment, consultancy and construction sectors to participate in other similar projects in Russia.

Investments in the ND Environmental Partnership will amount to two billion euros, which represents the most substantial concrete cooperation underway between the EU and Russia. Apart from investments and cooperation, it is also a question of priorities. With this project environmental improvements have moved to centre stage. President Vladimir Putin has taken personal control of support for the Northern Dimension.

The south-west wastewater treatment plant in St. Petersburg was also an important milestone in bilateral cooperation between the EU and Russia. The political and economic significance of it was underlined by the presence of the Presidents of Finland and Russia and the Prime Minister of Sweden at the opening of the plant. It is also significant that the Environmental Partnership is being financed not only by the Commission and Russia but also by many EU countries and Canada.

There are other major achievements in the Northern Dimension, too, notably in the sphere of nuclear safety and support for Kaliningrad. We very much appreciate the cooperative approach of the Russian government in setting the priorities and agreeing on projects. The first five nuclear waste projects in the Kola Peninsular have already been launched. Implementation of the next group of projects, worth around 70 million euros, is being set in motion at the moment. All these nuclear waste projects are designed to ensure that nuclear waste is placed in secure storage, since in some cases it is currently even stored in the open.

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Within the Environmental Partnership, a unique, effective international financing model has been developed by the Nordic Investment Bank (NIB). For the St. Petersburg waste water treatment plant project, 96.8 million euros were raised, consisting of financial aid by the EU, Finland and Sweden and loans by international financial institutions – the NIB, the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD). This represented the first loan by the EIB to Russia.

The fund set up for the Partnership contributed 5.8 million euros to the project, but the significance of this was in the way that it committed the parties. Thus the leverage effect of the fund was almost 40 times as great. I would like to stress that the majority of the funding consists of loans taken out by the Russian side.

This begs the question as to whether anything similar has ever happened in relations between the EU and Russia. After all, the United States and some of the larger European countries are prepared to invest hundreds of millions of euros to head off the risks posed by Russia's nuclear waste.

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The second Northern Dimension Partnership created so far is for Health and Social Wellbeing, very much at the initiative of the Prime Minister of Norway at the time, Kjell-Magne Bondevik. The Partnership for Health and Social Wellbeing was included in the second Northern Dimension Action Plan from 2004. This partnership was a joint undertaking by the states in the region. Neither national borders nor those of the Union can prevent the spread of diseases. We are now working, under Lithuanian leadership, to intensify cooperation between the relevant authorities.

Currently 13 countries are members of the Partnership for Health and Social Wellbeing: apart from the Baltic Sea region, France and Canada, for example, are also members. Apart from the European Commission, eight international organizations are members – as well as regional actors the International Organization for Migration (IOM), the International Labour Organization (ILO), the World Health Organization (WHO) and UNAIDS, the HIV/Aids programme of the UN .

With the new partnership document, and following the preparatory stage, the Partnership for Health and Social Wellbeing is expected to advance to the actual project stage in the near future. This will require a strong economic and political commitment by the parties and active participation in the partnership.

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The new ND framework document is also likely to open up the way for possible new partnerships. The central themes have been transport, logistics and energy, especially cooperation in energy efficiency. Finland has pursued the objective of establishing a transport and logistics partnership, especially since infrastructure, transport and logistics have been identified as the focal points of the EU-Russia Common Economic Space.

Russia is now using its oil revenues primarily to build other basic infrastructure such as ports, roads and railways. This is a reality for us, but at the same time it is also an opportunity. A reality in that Russia has made sovereign decisions. An opportunity because the EU Member States can profit from the economic rise of Russia.

Plans by the EU, like the Baltic Sea Highway, are also well advanced. There is cooperation to improve maritime safety in the Gulf of Finland. We also need to think globally about logistics in the region, for example connections with Asia and North America.

There is general agreement that new ND partnerships require a clear political commitment and the involvement of a sufficient number of partners. In that sense the Environmental Partnership could serve as a model for any new partnerships. I hope that international financial institutions, the EU Commission, Russia and other interested states – especially Germany, Poland, Sweden and the Baltic countries - will continue to press ahead with specific content and objectives for partnership initiatives.

I also hope that the USA and Canada will continue to make active use of their observer status and participate in present and future projects and partnerships.