



Three Seas Building the Region

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THREE SEAS BUILDING THE REGION

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INTRODUCTION

This report is a collaborative effort of the "Three Seas" team at the Institute of New Europe. The report is the result of research work carried out among Three Seas Initiative (3SI) stakeholders. Most of the undertakings related to the preparation of the report were carried out during the summer and autumn of 2023. A key element of the project was to conduct interviews and surveys among 3SI stakeholders. Particular emphasis was placed on presenting desirable scenarios for the development of regional cooperation within this format. Specifically, attention was paid to non-political stakeholders, that is, institutions such as development agencies, chambers of commerce, energy, logistics and transport companies. Consultations were also held with local government institutions, universities and think-tanks.

The report discusses opportunities for political and economic development in Central-Eastern Europe, opportunities and barriers to the development of the 3SI from the perspective of stakeholders in the region, indicates good practices for building institutions of cooperation and includes proposed recommendations on how to strengthen the influence of Polish foreign policy in the region.

Part One of the report presents the role of the Three Seas idea in the process of building the identity of the East Central Europe region. Discusses the elements of co-operation of the states in the Three Seas Initiative and confronts the practices of international institution-building with the existing knowledge in the field of regional integration and development. Furthermore, it identifies international cooperation stakeholder groups in the region. The author of this part of the study is Dr Tomasz Pawłuszko.

Part two of the report deals with the geopolitical challenges to the Three Seas concept. This part of the publication discusses the main political barriers to the development of the region and the geopolitical traditions that influence the differences in the interests of the states in Central-Eastern Europe. Internal and external security threats are a key challenge. The author of the study is Aleksy Borówka.

The third part of the report focuses on geoeconomic challenges. Discussed are the economic barriers to the region's development, attempts to identify them at successive 3SI summits and key international cooperation projects in the region. An important element of the analysis is an attempt to assess the impact of economic initiatives on the cooperativeness and competitiveness of the region. The author of the study is dr hab. Marta Gębska.

Part four of the report explains the main financial challenges for the 3SI project and the cooperation of the states in the region. The development of energy, transport and digital infrastructure requires huge investments and long-term cooperation between the public and private sectors. The author of this part of the study is Julita Wilczek.

The report contains recommendations for decision-makers. The target group and addressees of the report are public opinion leaders, representatives of opinion forming groups, journalists, publicists, media, experts, academics, teachers, lecturers, representatives of development agencies, chambers of commerce, local government officials, think tanks, civil servants and diplomats. The publication was created thanks to the financial support of the Ministry of Foreign Affairs as part of the Public Diplomacy 2023 programme.

The funds obtained allowed, i.a. to conduct field research, carry out surveys and interviews, and edit this publication. On behalf of the authors' team, I would also like to thank the people involved in the research process, our interviewees from several countries in the region and the partner institutions of the Institute of New Europe for their efficient cooperation.

The authors' team

SUMMARY

The format of the Three Seas Initiative allowed to avoid the mistakes of integration projects of the past. In the past, the proposals for cooperation in the region were politico-military in nature. Nowadays, the format is based on an accurate recognition of the common economic features and interests of the whole region, which are overcoming peripherality and underdevelopment of the economic infrastructure.

The Three Seas Initiative has an open formula, which attracts stakeholders from different sectors. The expansion of international cooperation will thus be enhanced. The emphasis on cooperation in development policy areas makes it possible to benefit from the achievements of the scientific output of integration studies. INE interviewees emphasised that an opportunity for the development of cooperation in the region is the expansion of the presidential format to include regular intergovernmental contacts to support joint projects.

Successes of the Three Seas Initiative include, i.a., relative persistence, avoiding the controversies of the past, finding an area of common interest, promoting the region's economic successes, the expansion of the 3SI thematic agenda, and maintaining the economic character of the 3SI.

Risks for the Three Seas Initiative include: the fact that Poland dominates the 3SI format; uneven involvement of states, the format is mainly presidential and policy is led by prime ministers, which means little influence on current legislation; susceptibility to sentimental geopolitical thinking. Other problems include slow implementation of projects, depopulation of the region and increasing migration.

A key context for the development of the Three Seas region is the EU. The region is and will continue to be highly sensitive to processes such as the weakening of the integration process in the European Union, the exit of specific countries from the EU, reductions, suspension or non-payment of development funding from the EU or changes in the fiscal policy stance of the European Union. Global risks for the Three Seas region include a notable deterioration in economic security indicators, sustained high inflation and weakening purchasing power of currency or broken supply chains. In the long term, the risk is the expansion of the EU to include new states - Ukraine, Moldova and the Western Balkan countries. Ukraine's accession will turn some countries in our region into net contributors.

Three Seas is still one of the fastest growing regions in the world. However, contrary to other fast-growing non-European economies, they are characterised by much greater political and legal stability as a result of their membership in the European Union. As a result, the region offers investors a higher return on investment than Western countries. Despite this, the countries of the region still attract far less foreign direct investment than the rest of the EU, especially in times of economic crises caused by the pandemic and war. Among the reasons for this is the fact that the region is made up of many small countries, each with a different language and separate economic regulations, and in addition, five remain outside the eurozone. The small stock market in the region is also a problem.

Without attracting additional market funding, it will be difficult for the region to bridge the infrastructure gap that exists between the Three Seas and the rest of the European Union, which was valued in 2018 at even up to EUR 1.1 trillion (expenditure until 2030). The Three Seas countries are not in a position to cover this expenditure with public funding and the share of private capital in infrastructure financing still remains insignificant.

One opportunity for the region to attract additional funding for infrastructure investment is through projects that include Ukraine. Discussions with foreign partners, particularly the US, suggest that it will be much easier for the region to obtain funding for projects that support Ukrainian reconstruction, security or connectivity with the European Union than for strictly Three Seas projects.

The current form of cooperation within the Three Seas Initiative does not allow for the optimal realisation of its objectives. The main obstacles are: variable interest in cooperation, depending on the political situation of a given state, variable number of Three Seas events, depending on the ambitions of the state presiding over the Initiative, lack of mechanisms and bodies to coordinate Three Seas activities, lack of a framework for financing joint activities, especially infrastructure investments. A reform of the financing methods for Three Seas projects is needed. The report proposes three scenarios for the development of the Three Seas Initiative: "Visegrad", "NATO" and "EU".

The challenge for the Three Seas is to maintain American interest in investing in the region. For this to succeed, the region needs to strongly focus on an energy transition based on low-carbon sources. This is because, regardless of who wins next year's presidential election, American companies will primarily want to invest in countries with lower energy costs and better working and living conditions for their employees.

THREE SEAS AS A REGION-BUILDING PROCESS

Tomasz Pawłuszko

INTRODUCTION

Three Seas is a metageographical concept that describes the space hitherto described as Central-Eastern Europe^[1]. Economic geography defines "space" as the totality of relations between coexisting material objects^[2]. A region, on the other hand, is an area in space which has certain common features that distinguish it from its external environment^[3]. These include (1) social homogeneity, (2) political institutions, (3) economic interdependence and (4) geographical proximity. All of these elements are shaped by a historical process, which makes a region conditioned by its past.

In recent universal history, the region located between the Adriatic Sea, the Baltic Sea and the Black Sea has been referred to in various ways and has had no fixed borders. The concept of "Central Europe" emerged at the time of the Congress of Vienna in 1815 and referred to the countries of the present Benelux and the then German states. A hundred years later, "Central Europe" referred to the so-called Central States and was associated with the geopolitical idea of Mitteleuropa, developed in the early 20th century. The area to the east of the then alliance of Central States was then called "Eastern Europe". The term "Central-Eastern Europe" appeared in 1935 in the journal *Archivum Europae Centro-Orientalis*^[4]. After the end of the Cold War, the name "Central-Eastern Europe" was popularised as understood by the Polish historian Oskar Halecki^[5].

Nowadays, the Central-Eastern Europe region primarily includes the European Union countries to the east of the Federal Republic of Germany. The popularisation of the idea of cooperation between the countries of the region under the banner of the Three Seas Initiative, after 2015, has led to the area of Central-Eastern Europe sometimes also being referred to as the "Three Seas region". This section of the report will explain the determinants of cooperation in this region.

THE ORIGIN OF COOPERATION IN THE REGION

What are the common features of the countries in the Three Seas region? Some of them are of historical nature and some of them are contemporary. History has shaped the relatively stable settlement network (15th-16th century), the ethnic and linguistic structure of the majority of the population (16th-19th century) and their affiliation to territorial national states (20th century). An important feature of the region are frequent collapses of statehood.

As R. Zenderowski has shown, Bulgaria lost its independence for 510 years, Hungary disappeared from the map for 326 years, the Czech Republic for 298 years and Poland for 123 years. The longest statehood traditions in Central-Eastern Europe are therefore those of Poland, which remained in personal union (1385) and real union (1569) with Lithuania (Grand Duchy of Lithuania)^[6]. Common to the entire region were certain elements of the social and economic structure, which were characterised by the dominance of the nobility and the weakness of the bourgeoisie. Low population density and numerous natural barriers in the form of rivers and mountains slowed down the development of trade and industry. In addition, frequent border changes and numerous wars meant that the region was treated as an agricultural and raw material base for the more developed western part of the continent, which was becoming wealthy from overseas trade.

The Central-Eastern Europe region was the battleground of the First and Second World Wars. The numerous political and economic disasters in the region triggered reflection among a part of the elite, of which the content became the design of mechanisms for international cooperation. The table below summarises the geopolitical ideas formulated in the first half of the 20th century to integrate Central-Eastern Europe. As can be seen below, the CEE region was then treated either instrumentally (German and British ideas) or as a space for autonomous cooperation between the states of the region (local concepts).

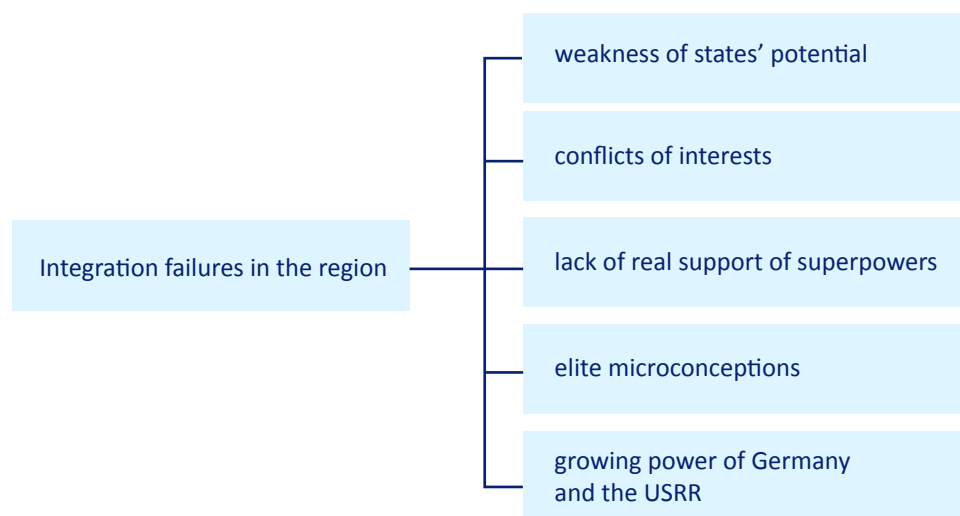
Table 1. Selected concepts of regional integration in the first half of the 20th century

- **Idea of Mitteleuropa** (F. Schwarzenberg, J. Partsch, F. Naumann) - confederated states of the region recognising German domination
- **Idea of a United States of Greater Austria** (A. Popovici) - reconstruction of the Austro-Hungarian Empire into a union of 15 confederated states under Austrian leadership
- **Idea of a geopolitical buffer** (R. Kjellén) - includes territories from the Gdansk-Trieste line to the Arkhangelsk-Azov line, the region was to serve as a "critical zone" for German domination and mission
- **The idea of a cordon sanitaire** (H. J. Mackinder) - supported by Great Britain, a belt of independent states (inner crescent) separating Germany from Russia, preventing the expansion of Russia into Europe and Germany into Russia
- **Idea of the Intermarium** [pol. Międzymorze] (J. Piłsudski)^[7] - inspired by the traditions of the former Commonwealth and Austria-Hungary, concept of federalization of Poland, Lithuania, Belarus and Ukraine, and later on, a larger group of states, aimed at stopping revisionism of Germany and the USSR
- **The Little Entente** (T. Masaryk) - cooperation of Czechoslovakia, the Kingdom of Romania and the Kingdom of SHS
- **Intermarium / Third Europe** (J. Beck) - a plan by a bloc of countries in the region together with Finland and Sweden
- **Polish-Czech-Slovak Union** (M. Hodža) - a counterweight to Germany and the USSR, later extended to include economic cooperation with other countries in the region
- **Polish-Czechoslovak Confederation** - a proposal, inspired by the ideas of W. Sikorski, for a (con)federation of Poland and Czechoslovakia, planned for the post-war period
- **The Free Intermarium Charter** - (Central European Federal Club) in 1946 identified 12 areas for post-war cooperation between the states of the region
- **The South Slav Federation** (J. Tito, G. Dimitrov) - project for the unification of Yugoslavia and Bulgaria
- **Concepts of the "crush zone"** - James Fairgrieve first spoke of "crush zone" regions in 1924. Karl Haushofer referred to the Central-Eastern Europe region as a "devil's belt" (Teufels Gurtel), Richard Hartshorne also wrote about a "shatter zone" in 1944. During the Cold War, Carl Sauer first used the term "shatterbelt". Only after the end of the Cold War would Saul Cohen begin to refer to the region as a "gateway" to Eurasia

Sources: P. Kurečić, The Three Seas Initiative: geographical determinants, geopolitical foundations, and prospective challenges, *Hrvatski Geografski Glasnik*, 80/1, 2018, pp. 99–124. A. Bieńczyk-Missala, Od Międzymorza do Trójmorza – meandry polityki zagranicznej Polski w Europie Środkowej, *Stosunki Międzynarodowe – International Relations*, nr 1, 2018, pp. 95-115; W. Gizicki, P. Łoś, Geopolityka Trójmorza, *Przestrzeń Społeczna*, 2019, pp. 1-15. K. Świder, Europa Środkowa jako obszar projektowania geopolitycznego, *Studia Europejskie*, 2/2018, pp. 11-32

The collapse of most independent states and the Sovietisation of the region meant that none of the above ideas came to fruition. At that time the traditions of state integrations in Europe were still small. The destruction of local economies and their subjugation to the influence of the USSR stalled discussions on the integration of the Central-Eastern European nations for nearly half a century. The region became a military conquest and an economic periphery of the Soviet Union. The prolonged existence of the above processes led historians and economists to describe the region as peripheral for decades. Peripherality implies a low social status, resulting from centuries of marginalisation. The periphery is seen as lands that are remote (frontier, borderlands) and lacking in resources. They are also the antithesis of dominant countries (i.e. core), which have desirable resources and opportunities.

Graph 1. Reasons for failure of integration concepts in Central-Eastern Europe



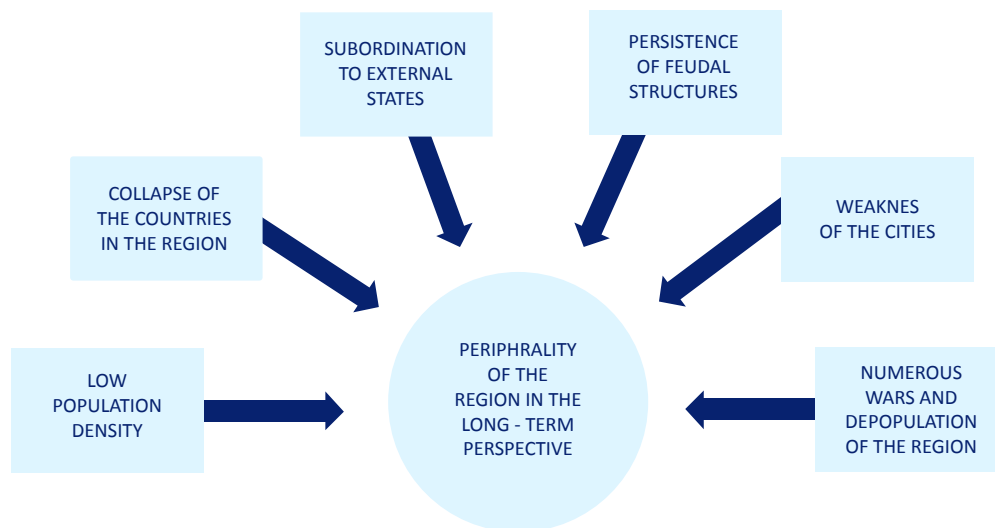
Source: own study.

The all the 20th century, the Central-Eastern Europe region had at least three chances to reach Western European levels of wealth. At the turn of the 20th century, the countries of the region reached a level of about half the wealth of the averaged result of the 12 most developed countries of Western Europe. The catch-up process was then interrupted by two world wars. The second moment occurred in the 1960s, when the GDP ratio reached 44% of the Western level and then began to decline. The third moment occurred after the political transformation and continues to this day. After the bankruptcy of the communist states, the average GDP level in the region reached only 27% in 1992, but already in 2008 it exceeded 44%^[8]. In 2019, GDP per capita in the most developed countries of the region (the V4 group) was nearly three quarters of the level of the EU-28^[9].

The situation today is different from that of the 20th century. The potential of the states in the region is growing rapidly and the development of integration processes has eliminated a large part of the traditional conflicts. As there is an arena for their articulation, the European Union. In the past, projects of closer cooperation in the region were undermined by ethnic conflicts, border disputes and lack of support from the superpowers. Today, these problems have been brought under control and regional cooperation is supported by both the European Union and the patronage of the United States. The Three Seas countries are also closely linked to Germany.

In addition, Russia's economic decline and Moscow's increasing exclusion from European affairs, progressing after the aggression against Ukraine, also cement Central-Eastern European states around common goals.

Graph 2. The problem of Central-Eastern Europe's peripherality in the long-term perspective



Source: T. Pawłuszko, *Peripherality of the CEE Region*, [in:] *Politics and Security of Central and Eastern Europe. Contemporary Challenges*, red. R. Zięba, Springer Nature, Cham 2023, pp. 11-32.

The accession of the countries of the region to the European Union and the rapidly progressing process of Europeanisation were seen throughout the region as a way of overcoming centuries of peripherality^[10]. Policy innovations developed in the EU helped to reduce inequalities through cohesion policy, aimed at the convergence of richer and poorer regions^[11].

After the countries of the region joined the EU in the first decade of the 21st century, it was found that the poorest zones in the region were those with incomes below 75% of the national average. These included the so-called "eastern wall" voivodeships in Poland, southern and eastern Hungary, the Romanian part of Moldova and eastern Wallachia, as well as the belt of regions adjacent to the coastal areas in Bulgaria and the non-capital regions of Estonia and Latvia. About ten years later, after the UK's withdrawal from the EU, the countries referred to as the "Three Seas region" occupied 33% of the EU's area, with 25% of the population and already producing about 20% of the GDP of the EU as a whole^[12].

INSTITUTIONS OF COOPERATION IN THE REGION

During the discussed period, common economic interests led to increased cooperation among the elites of the region's countries. A. Orzelska-Stączek and P. Bajda write about waves of cooperation^[13]. The first of them occurred after the end of the Cold War. Structures such as the Central European Initiative, the Council of the Baltic Sea States, the Visegrad Group and the Central European Free Trade Agreement (CEFTA) were then established. This period was seen as

an introduction to accession to NATO and the EU. Accession to these structures was followed by a second wave of cooperation in response to Russia's aggressive policy. The Slavkov Trilateral, the Bucharest Nine and the Three Seas Initiative were then established. The region is now looking for a new format for deeper cooperation^[14].

Graph 3. Selected formats for cooperation in Central-Eastern Europe

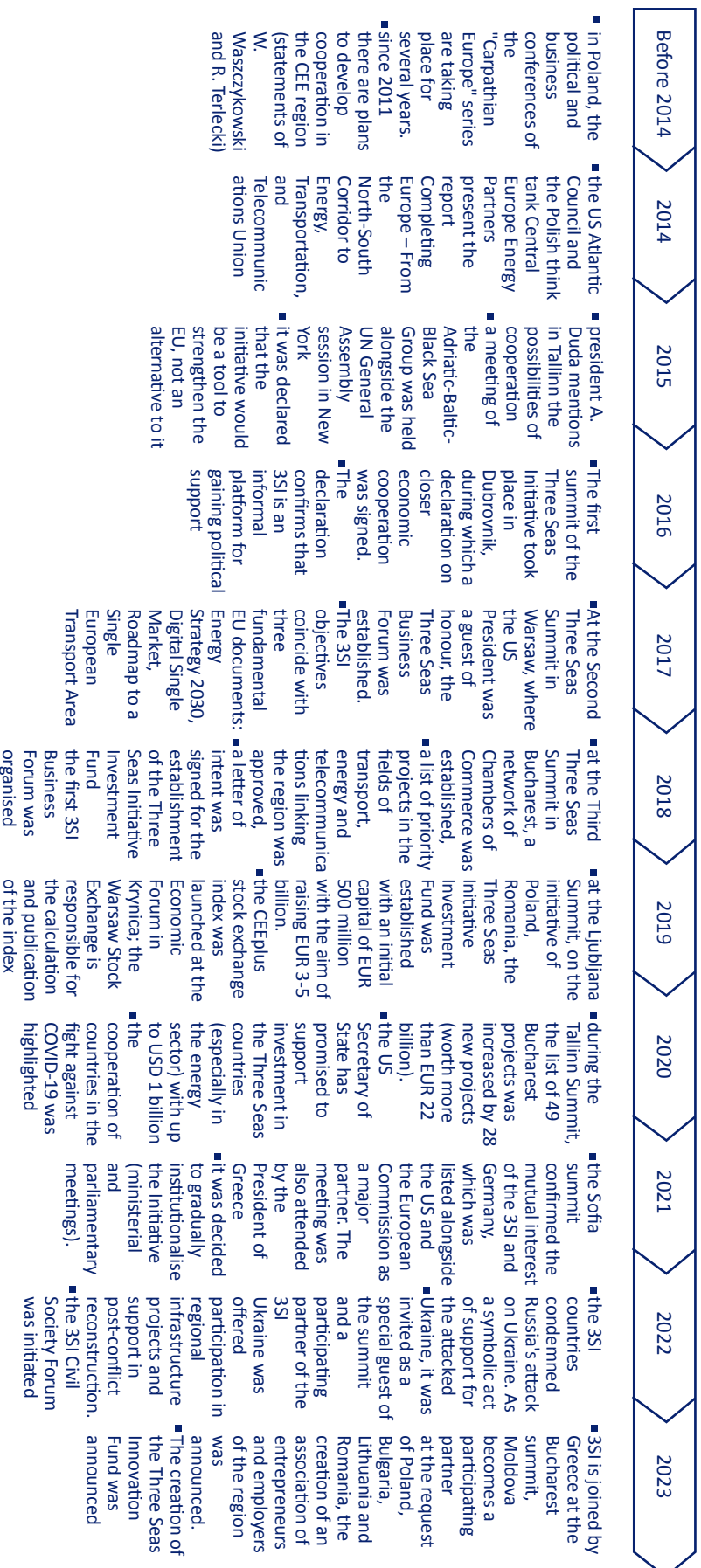
<p>Central European Initiative</p> <ul style="list-style-type: none"> ■ focuses on cross-border cooperation, development and social issues 	<p>Baltic Assembly</p> <ul style="list-style-type: none"> ■ a grouping consisting of Lithuania, Latvia and Estonia. Cooperation at parliamentary, presidential and governmental levels. 	<p>CEFTA</p> <ul style="list-style-type: none"> ■ complementing the Visegrad Group format with an economic component
<p>Council of the Baltic Sea States</p> <ul style="list-style-type: none"> ■ the Council of the Baltic Sea States includes Estonia, Lithuania, Latvia and Poland 	<p>Organization of Black Sea Economic Cooperation</p> <ul style="list-style-type: none"> ■ includes, for example, Bulgaria, Romania and Serbia 	<p>EU Strategy for the Danube Region</p> <ul style="list-style-type: none"> ■ the EU agenda adopted by the European Commission in December 2010
<p>Slavkov Trilateral</p> <ul style="list-style-type: none"> ■ effect of the Slavkov Declaration, the initiative did not become an active forum for policy-making in Central Europe. 	<p>Craiova Group</p> <ul style="list-style-type: none"> ■ brings together Bulgaria, Romania and Serbia to deepen energy and transport cooperation 	<p>Bucharest Nine</p> <ul style="list-style-type: none"> ■ the format for cooperation between the countries of NATO's so-called eastern flank, the 'anchor' of the US

Source: own study, cf. A. Orzelska-Stąćzek, *Współpraca regionalna w Europie Środkowo-Wschodniej w polskiej polityce zagranicznej*, *Myśl Ekonomiczna i Polityczna*, 2015, nr 2, pp. 238-262; G. Soroka, T. Stępniewski, *The Three Seas Initiative: Geopolitical Determinants and Polish Interests*, *Yearbook of the Institute of East-Central Europe*, vol. 17, issue 3, 2019, pp. 15-29.

Excluding the effectively cooperating Visegrad Group, the attempt to seek new formats of cooperation after 1989 was not successful until the Three Seas Initiative was launched. This was largely due to the weakness of the countries in the region and the lack of effective traditions of cooperation in earlier periods (path dependence). However, the stimuli for cooperation were successive economic and military crises in Central-Eastern Europe's immediate surroundings.

The dynamically developing region, within a decade of EU accession, became a field of competition for the global influence of superpowers such as Russia, the USA and China. Each of these countries attempted to strengthen their economic presence through energy and infrastructure investment proposals, such as the construction of rail networks, interconnectors, nuclear power plants and others. This convinced the region's elites to strengthen the region's negotiating position within the European Union, planning for an energy transition towards low emission.

Graph 4. Key events in the development history of the Three Seas Initiative (3SI)



Source: own study, cf. M. Gębska, *Wprowadzenie w problematykę Inicjatywy Trójmorza – geneza, obszary działania i szczyty*, [in:] L. Drab, M. Gębska, M. Marszałek (red.), *Bezpieczeństwo w wymiarze geopolitycznym, militarnym i społeczno gospodarczym państw Inicjatywy Trójmorza. Współczesność i perspektywy*, Wydawnictwo Akademii Sztuki Wojennej, Warszawa 2022, pp. 17-40. A. Wojtaszak, *Inicjatywa Trójmorza a perspektywy rozwoju regionu Europy Środkowo-Wschodniej w drugiej dekadzie XXI wieku*, Sprawy Międzynarodowe, 2020, t. 73, nr 2, pp. 65-89; o konferencjach z cyklu "Europa Karpat" cf. *Europa Karpat. Rzecz o współpracy*, red. W. Paruch, Wydawnictwo Sejmowe, Warszawa 2019; A. Rudowski, J. Wilczek, *Fundusz Trójmorza. W stronę Instytucjonalizacji Inicjatywy?*, Collegium Interethnicum, Warszawa 2021.

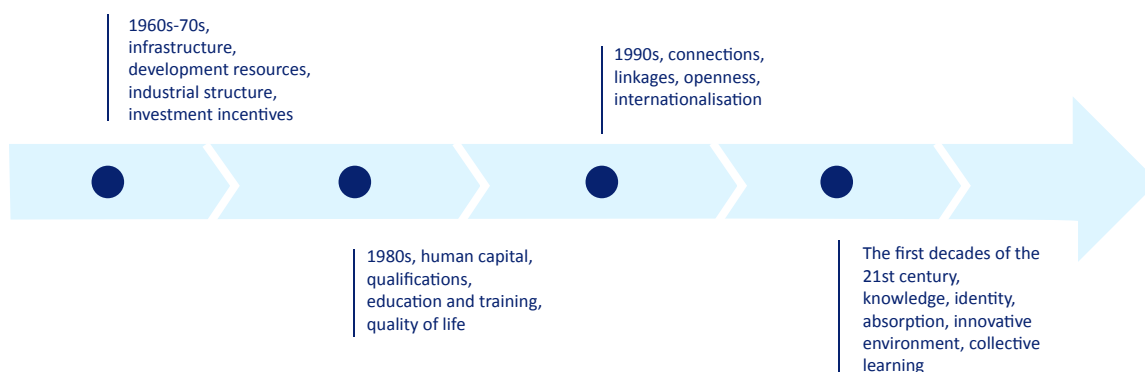
THREE SEAS: BUILDING THE REGION

The risks to the development of the Three Seas Initiative were initially rooted in the geopolitical tradition of the Central-Eastern Europe region, where instability, insecurity and a lack of a tradition of partnership^[15]. Unlike previous eras, the political innovations designed within the European Union did not reproduce old patterns of domination over the "East", but enabled the CEE region to be integrated into effective Western integration structures, which significantly strengthened both the legitimacy of the EU and the economic position of a united Europe. As a result, Three Seas cooperation, as emphasised in subsequent Three Seas summit declarations, did not become an alternative to the superpowers and takes place within the EU framework and relates to regional development in the initiative countries^[16]. This topic is ignored in most political science analyses of the region, which focus on reminiscing about the past or on considering the 3SI project's relationship to European Union structures. It should certainly be emphasised that from its inception the format was not in competition with the EU.^[17]

The European Union is an international organisation, based on treaties, with an idea of membership, decades of legal tradition and hundreds of specialised institutions. There is no way to compare this huge system with a few years old initiative of high-level meetings that do not even have a permanent secretariat. The 3SI format operates within the EU and could rather be associated with the EU's enhanced cooperation procedure, introduced in the EU by the Amsterdam Treaty back in 1997.

Today, 3SI countries can draw on the achievements of numerous regional development concepts developed over half a century of experience within the framework of European integration^[18]. The graph below shows the changes that have taken place in the perception of the perspectives for supporting the development of the resources of countries and their regions. In the case of Central-Eastern Europe, given the long-standing underdevelopment of infrastructure and international connections, it is these issues that became the core of the cooperation declared within the Three Seas Initiative. As we can see from the graph, this type of initiative was promoted in Western European countries already more than half a century ago.

Graph 5. Supporting regional development in Europe over the last half century



Source: study based on M. Smętkowski, *Rozwój regionów i polityka regionalna w krajach Europy Środkowo-Wschodniej w okresie transformacji i globalizacji*, Scholar, Warszawa 2013, pp. 64-67.

Proposals to increase funding for cooperation in the fields of energy, transport and digitalisation were also recommended by recognised think tanks and consulting firms, such as the Atlantic Council and PwC^[19]. At the same time, the region's leaders at successive summits gradually expanded the catalogue of institutions and projects that can strengthen the ability to create linkages (connectivity) between nations. Subsequently, more investment funds, business, local government, scientific or NGO forums and organisations began to emerge^[20].

The resignation of politicians from playing traditional leadership roles in favour of being a patron for grassroots non-political projects influencing regional development is a certain novelty in Central-Eastern Europe^[21]. The above-mentioned regional cooperation organisations and formats usually had the informal character of consulting high-level politicians, but in no previous structure have so many bottom-up initiatives emerged.

There are many ways in which the development of regions can be supported. These include investments in mobility of factors of production, improvement of infrastructure, trade specialisation, support for innovation, or education of specialised personnel. There is no universal recipe for regional development, but at the root of the political economy of Three Seas development seems to be the idea that once infrastructure development is completed, the competitiveness of the regions will increase and the share of public services in the generation of their GDP will decrease. Subsequently, endogenous factors, market services and manufacturing activities will start to be more responsible for competitiveness^[22].

Graph 6: Building the potential of a region

Elements of regional development policy

1. increased mobility of production factors
2. infrastructure improvement
3. specialisation in the field of comparative advantage
4. location factors improvement
5. growth poles creation
6. supporting conditions for innovation
7. endogenous development of human resources, innovation and the SME sector

Source: own study.

The aforementioned factors of regional development are the result of a meta-analysis of dozens of scientific papers dealing with supporting the development of countries at the local level. A review of the history of the findings of the 3SI Summits allows us to conclude that they fit into the above outlined elements of regional development. Investment in the region is intended (1) to improve infrastructure and (2) to increase mobility of factors of production, especially the acquisition of capital. It should be noted that in recent years, the 3SI countries have been trying to (3) care for efficient economic specialisations.

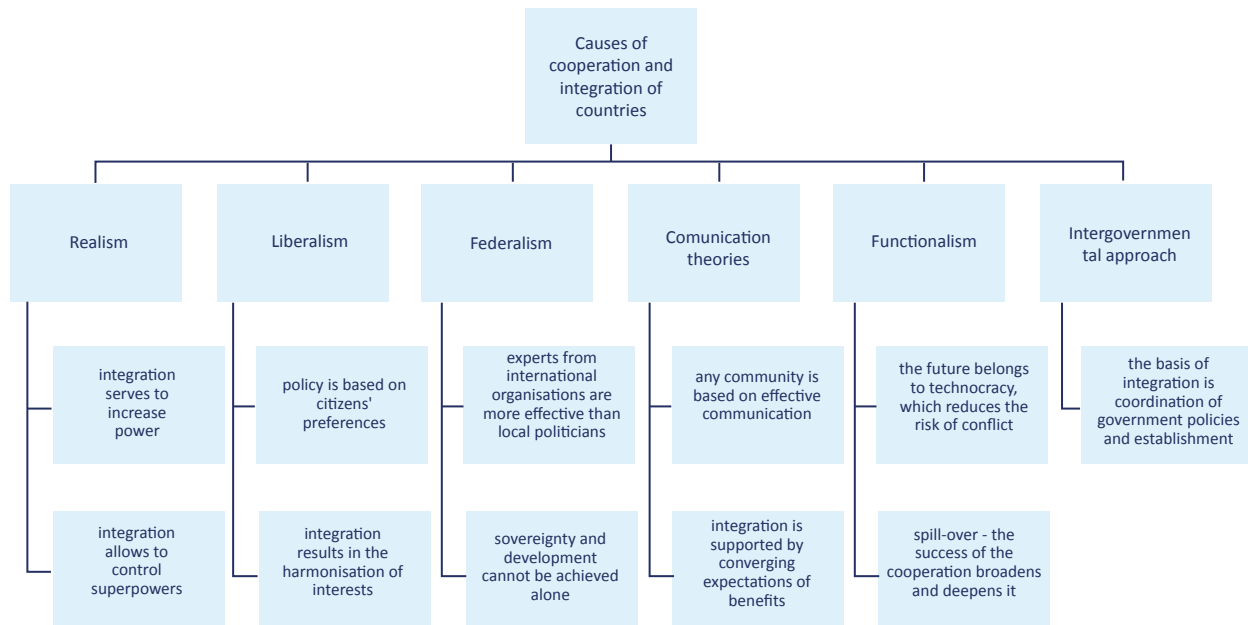
The regularities resulting from the findings of economic geography allow us to conclude that poorer regions are supported by investing in tourism and improving the living conditions of the population. The poorer regions have the least resources for research, innovation and development because they have not yet developed adequate human resources and infrastructure. Transition regions, on the other hand, are waiting for (4) the development of transport infrastructure and support for companies investing in them (foreign direct investment).

For several years, the 3SI region has been attracting more and more investment and, as a result of the growing number of conflict fields between the US and China, it is becoming one of the best places for the location of new companies. This creates (5) local growth poles. Finally, the best-developed regions in the Three Seas, usually capital regions, which already have the necessary infrastructure, focus on (6) supporting research and development, (7) human resources development and environmental protection, which allows them to sustain their own growth and compete for advanced technological investments^[23]. In summary, in poorer regions interventions are intended to bring about equalisation of development and in economically stronger regions to increase productivity.

WHAT FOSTERS COOPERATION BETWEEN THE THREE SEAS COUNTRIES?

Several decades of development in European studies led to the development of plausible explanations for the causes of international cooperation. A summary of these is presented in the graph below. It is important to note that virtually every modern concept of international cooperation or integration stems from the search for benefits by the states involved. In current regimes of Western cooperation, there is no longer a return to the models of domination of the 19th and 20th centuries.

The achievements of integration theory emphasise the various benefits associated with cooperation. Among other things, cooperation allows for power-building, for controlling superpowers and aligning interests, which enables community building and encourages states to invest in human resources. Subsequently, the emergence of specialised institutions improves the management of complex economic problems and develops the communication networks of elites. The success of various projects leads to a broadening of the agenda of cooperation and often implies its further institutionalisation. Perhaps such a scenario also awaits the participating countries in the Three Seas Initiative^[24].

Graph 7. Region building - explaining the benefits of cooperation between countries

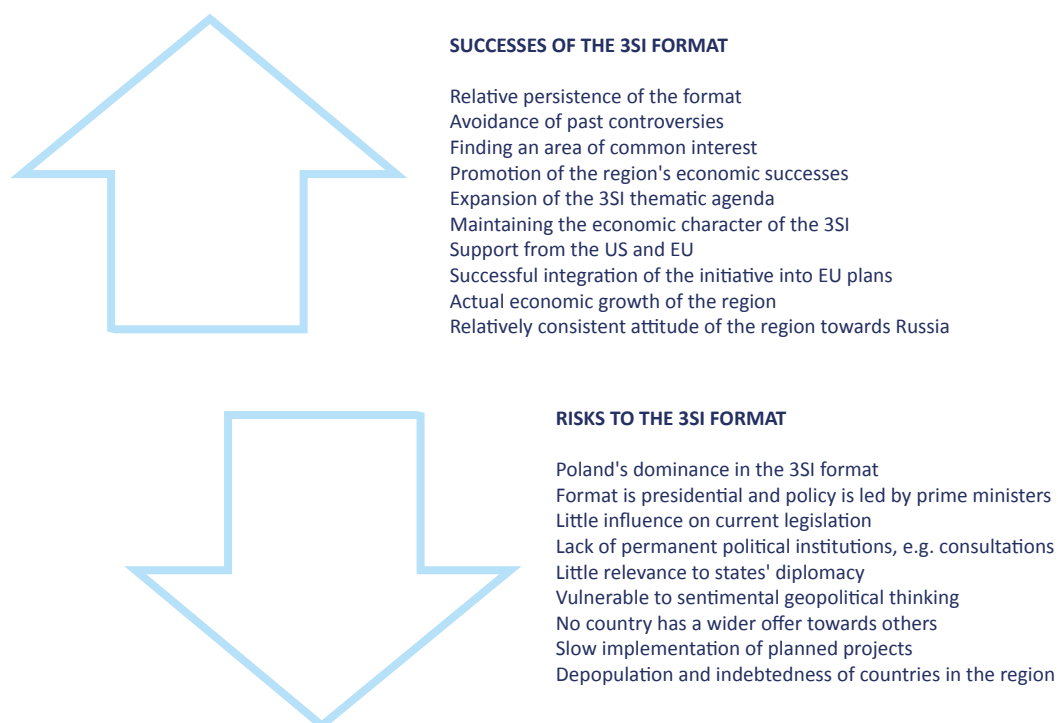
Source: own study

The above outlined concepts of regional development and the determinants of cooperation between the states allow seeing the Three Seas Initiative from a new perspective. The messages from the 3SI Summits make it possible to understand that politicians see in the cooperation of the states of the region opportunities for (1) increasing the importance of the region (realism), (2) alignment of interests (liberalism), (3) involvement of the expert sector in solving the problems of the region (federalism), (4) development of elites' communication networks (communication theory), (5) broadening and deepening of cooperation with new topics and (6) coordination of activities and influence on the EU (intergovernmental approach).

First of all, it should be noted that the Three Seas Initiative does not repeat some mistakes of the past - it is not directed against the superpowers and does not duplicate other structures, but uses the existing ones^[25]. Importantly, the economic dimension of cooperation is emphasised and an understanding of new development instruments is expressed. It is also crucial that the 3SI is a project that gradually expands a non-political network of stakeholders such as business, science, media or the third sector.

All of this was not present in earlier historical periods, when most integration initiatives in Central-Eastern Europe failed due to a lack of political will, as a result of economic weakness or as a result of ethnic and territorial disputes. Today, projects like 3SI have the potential to engage politicians in strategic thinking, which was once only the domain of the superpower elites. From this perspective, the 3SI resembles an extended Visegrad Group, which aims to animate common interests and create proposals for systemic solutions for the EU^[26].

Graph 8. Successes and risks of the Three Seas Initiative format



Source: own study.

This does not mean that the 3SI project, while promising, is devoid of problems. Their incomplete catalogue, compiled during the research for the report, can be found above. The Three Seas Initiative has the character of a "political umbrella" of heads of state over the expansion of critical infrastructure and the development of economic cooperation.

The problem is that economic (and regional) policy remains the responsibility of governments, not presidents. All this means that Three Seas cooperation is often in the background of the foreign policy of the states parties^[27]. Even in Poland, there is no state-level document in which the 3SI topic is treated as key^[28]. However, it is possible that the increase in economic linkages will gradually push the states towards more cooperative attitudes. This will be hindered by the depopulation of the region^[29]. One risk of non-cooperation and continued infrastructural underdevelopment would be a return to the idea of a "two-speed Europe" or the region falling into the so-called "middle-income trap"^[30].

BUILDING THE REGION: COMMENTS FROM EXPERTS

The above findings, based on scientific research and observations, were juxtaposed with opinions, gathered during interviews, conducted in September and October 2023. Below are some of the acquired opinions with the author's comments. Comments have been ranked according to levels of analysis.

[Level of analysis: international; industries: consulting, education, think tanks]

The Three Seas concept is a bit too broad and takes into account too many issues. This raises the problem of coordination, especially in a competitive situation. It makes synergies in specific industries difficult. Another problem is politics itself. The more Three Seas is politicised, the less effective it will be. Politics reveals its limitations because it lacks a rational relationship with efficiency. (...) Meanwhile, for the economy, specialised projects such as investment funds, cooperation between companies and effective communication are needed. We need a business approach, i.e. one guided by the logic of profit rather than political logic. We also need an analysis of regulations, an assessment of the labour market, the implementation of various legal solutions. These are typically business topics, where effective solutions to problems should dominate, not political declarations. [Romania, W08.09]

Geopolitical thinking about 3SI creates numerous risks (...) The problem of our region is the nationalisation of thinking. This makes it difficult to co-operate and understand the challenges of the region's transformation, which are, after all, international in nature. Since the challenges are shared, they need to be managed together. (...) Another problem is the polarisation and fragmentation of politics, which deepens the other problems - it makes governance more difficult and creates an impression of instability of the whole region. [Austria, W7.09].

First of all, it is noticeable that the 3SI is a "political bloc" that seeks development funding, primarily in terms of infrastructure. The initiative is not institutionalised, there is no secretariat. It can therefore be called a mechanism rather than an organisation. (...) The big differences within Central-Eastern Europe are due to history and political traditions. (...) If, however, it was possible to create a community of the whole region (a broader than national perspective of thinking), then the 3SI countries would be a strong political bloc which influences the EU. This would also be an argument for strengthening the EU. Without this community, the 3SI could be seen as a side effect of German dominance in Europe. [Latvia, W21.09]

Surely it is fundamental for the development of the Three Seas that the integration of the region should take place not according to top-down political declarations, but with the growing support of bottom-up initiatives. On paper, all promises look good, but without a social basis, political initiatives will quickly fade away. As a result, projects declared by politicians will not survive. This can be seen in the example of the foreign policy split between Hungary and Poland. (...) Projects above political divisions are therefore needed. [Poland, W14.09]

Three Seas is not a political but an infrastructural project - it is simply the implementation of the Single European Act in Central-Eastern Europe. Infrastructure enables the realisation of the treaty freedoms. The risk for the Three Seas is that after the recent crises the Union has no money and has to go into debt, hence the need for Asian and American business in the Three Seas (...) The stakeholders of the Three Seas are at least four groups - business, politicians, academics and civil society - each with different tasks in building consensus around the region's issues. [Poland, W08.09]

Apart from the fact that Lithuania does not have enough time to participate in another international initiative, I would like to draw attention to two issues. A certain problem is the dominance of Poland in the 3SI project. In a way, this seems natural, due to the economic position and size of your country. Nevertheless, external observers may wonder whether it is really an international project or simply a Polish one? Another issue is that it is difficult for Lithuanian elites to find a real difference between the EU and the 3SI. Projects such as roads, railways and ports, after all, are subsidised by the EU. [Lithuania, W19.09]

For the development of the Three Seas Initiative, an emphasis on cooperation in sectoral policies, especially in the industry, is needed. This is significant as the importance of the region has increased after Brexit. However, a long-term challenge will be the expansion of railways and North-South connections. Problems are furthermore, the neglect of the energy network and the depopulation of the region. Polish companies find it difficult to invest in Three Seas markets, as these are small markets and often lack local co-operators. In addition, support from banks is necessary. Our companies and banks, however, are reluctant to take risks, and as a result, companies from countries such as Germany "take over" the region because they have better financial support. [Poland, W14.10]

I think that (...) the idea of a regional dynamic identity has emerged, that is, an identity in which the elements enter a mutually enriching dialogue and do not play dominance games with each other. (...) The trick is to unlearn the experience of national hegemony and static identity. (...) as a region we need to anchor ourselves not in yet another national egoism, but to examine a global way of thinking (...) A special characteristic is the added value that the media would offer - creating a view from a 3SI perspective. (...) National media partnerships already exist. (...) We have permission to publish each other's articles in a number of sites, blogs, newsletters, etc. (...) There must be a strong sense of connection to the region and its dynamics (...) this means regionalisation driven by ordinary people, not just elites. The elites lack depth. Only people can give it. I am referring to the involvement of ordinary people in the [regionalisation] process. [Bulgaria, W08.10].

The interviewed experts declaring an international and economic perspective emphasise the need to economise the 3SI project, which would make it independent of constant political changes. On the other hand, they note the need to strengthen coordination and regulation for the development of 3SI projects, which would mean an increased role of governments in the Initiative. Avoiding depoliticisation will therefore be difficult. The solution could be to develop and institutionalise the cooperation of stakeholders below the political level (agencies, regulators, chambers) to agree upon detailed actions. There would also be an important role for the media as institutions to shape a regional perspective on cooperation among elites and citizens.

[Level of analysis: state; industries: companies, chambers of commerce, development agencies, universities]

If Poland wants to develop its position in the Three Seas region, then several elements are needed. The starting point should be a society that creates various initiatives. Then money is needed to actively invest in promoting specific activities. (...) Building soft power means betting on attractiveness. However, for this you need money (e.g., investments, funds, initiatives, projects, mass events). Then you need a certain type of culture to be promoted and - finally - the resulting specific products. Unfortunately, we do not build our attractiveness in this way. For this, we need measures that assume long-term spending. [Poland, W14.09]

In 2019, BGK estimated infrastructure costs in the region at around EUR 600 billion. The burden is mainly born by the budgets of the Member States. The problems of legal differences and lack of border connections should be noted. The risk of no return on capital is often a problem. External investors ask - why are you looking outside for funding, where are your companies and investors? [Poland, W5.10]

First of all, it should be noted that business abhors political and administrative barriers. Business itself must want to invest. (...) The main constraint is the energy factor. If energy is too expensive, then companies will leave because the price barrier will be crossed. The investment will no longer be profitable. Energy, wages and people are our strengths, but if we have higher energy prices than Germany, then we face the risk of losing competitiveness. (...) There are also political barriers. Politicians have created an illegible tax system. (...) Investments are missing. Operational programme budgets are at a low level (...). As a result of the absence of the KPO [eng. NRRP], we are missing hundreds of billions of zlotys, and even if we manage to get these funds soon - it is not certain that we will be able to use them (...). Business is only interested in specifics, not fairy tales. [Poland, W11.09]

It is worth investing in education and projects accessible to as many people and organisations as possible, such as international meeting houses or cooperation within the Euroregions. Investing, for example, around a million zlotys in a business university course devoted to, for example, developing cooperation in Central-Eastern Europe is not a large sum. It is also worth investing in cooperation between universities, as we have ready infrastructure and personnel. (...) Instead, however, we hear politicians announcing that they will build a new "Carpathian university", although they have no idea how universities work (...) Instead of grand geopolitical visions, what is needed is concrete funds for investment and the stimulation of grassroots cooperation, because even in Poland the very idea of the Three Seas remains little known. [Poland, W14.09]

Expert opinions expressed from the level of one state in the Initiative point to the need to make general political postulates more realistic, which will translate into specific "region-building" programmes addressed to stakeholders who would like to participate. According to statistics published by the Polish Development Fund, the share of the Three Seas Initiative countries in the trade of individual participants usually exceeds 20%^[31]. It can be cautiously assumed that at the current growth rate of economic ties, by the end of the 2020s the Three Seas states will account on average for one third of the volume of their mutual exports and imports^[32]. This means that **the countries of the region may record higher turnover with each other than with Germany**, which today is the main trading partner of most 3SI countries. The size of the trade volume of Poland and the Czech Republic alone is already comparable to their economic relations with France.

Experts predict that other regional linkages will be created in the wake of increasing trade. Citing the regularities indicated in Graph 5, it can be predicted that the expansion of transport, industrial and investment infrastructure will contribute to the further development of human capital and the growth of partnership linkages in educational and training cooperation. This will be followed by an increase in the internationalisation of economic and educational activities. The emergence of a complex non-political business ecosystem will be supported by pro-innovation initiatives and an increased sense of regional identity, as previously observed in the Scandinavian countries or the so-called Benelux countries.

The experts' demands for a practical and non-political understanding of 3SI cooperation connect with the process of increasing connectivity declared by many leaders. However, several recommendations need to be taken into account for "region-building" to become sustainable.

RECOMMENDATIONS

- 1. Politicians in 3SI countries should cut back on geopolitical rhetoric,** which in many small countries in the region raises fears of populism, provoking conflict and also carries the risk of disputes with partners outside the region. A rhetoric of cooperation and the search for cooperators is much more effective, especially as the effects of these actions are usually noticeable and measurable. In many formats of political cooperation in the region, non-political institutions have been disregarded, resulting in the withering of successive regional initiatives.
- 2. A network of stakeholders interested in the development of the region needs to be built.** These include chambers of commerce, regional development agencies, investors, exporters, cities, universities, think tanks and NGOs. This process has already begun, but requires discernment of needs, formulation of offers to individual stakeholders and long-term support.
- 3. The success of cooperation depends on commitment.** States' institutions are able to create support instruments (operational programmes, earmarked funds, grants, competitions) to animate cooperation and co-create a long-term financial framework at EU, regional and national level. If Poland wants to be a recognised animator of regional development, it has to take the lead in specific socio-economic processes.
- 4. There is a need for a catalogue of good region-building practices** already observed by both researchers and practitioners from the business environment. On this basis, new procedures, projects and activities can be developed. The transfer of this knowledge should be parallel to the transfer of technology.

BUILDING THE THREE SEAS REGION WITH POLAND AS COMMITTED LEADER

Aleksy Borówka

The aim of this chapter is to point out region-building recommendations with a particular focus on Poland's role as a committed leader of the Three Seas Initiative. Greece's accession to the Three Seas Initiative, officially announced on 6 September 2023 at the Three Seas Initiative Summit in Bucharest, represents the first expansion of this regional platform of cooperation. There is no doubt that the Three Seas Initiative, launched by Poland and Croatia in 2015, cannot be considered today as a functional geopolitical bloc with a significant role in the international space. However, Poland's leading role, together with the broadening and deepening of the scope of cooperation in the region, encourages reflection on further directions for the development of the Three Seas Initiative. In this context, the definition of Poland's role in building the region cannot abstract from the international determinants of the development of cooperation in the Three Seas area, which requires looking at the issues of contemporary international relations and international security beyond Central-Eastern Europe or Europe.

Adopting a long-term, large-scale and processual perspective on the analysis of international determinants, taking into account changes in the global balance of power, justifies the use of geopolitics understood as a paradigm of the theory of realistic international relations^[33]. In the adopted analytical perspective, by indicating opportunities and threats for the development of the Three Seas region, resulting from the regularities and directions of functioning of the international environment, the priorities of the Three Seas Initiative were discussed and, in the context of these, recommendations for Poland were identified. By pointing out valuable directions and ways of Poland's commitment as the leader of the Three Seas Initiative, the building of the region was presented through the prism of the Initiative's priorities in the context of contemporary changes in the global balance of power.

GEOPOLITICAL DETERMINANTS OF DEVELOPMENT OF THE THREE SEAS INITIATIVE

A particularly important factor shaping contemporary international political relations is the rivalry of the United States of America to maintain its hegemony in the face of China's rising power. As the world's largest superpower, currently dominant in military, economic and technological terms, the USA is one of the key stakeholders in the Three Seas Initiative. A country playing a dominant role in NATO decision-making process, in 2011 made a geostrategic reorientation towards the Pacific^[34]. The effect of the change in the perception of relevance of international space by the United States of America was to reduce the importance of regions previously considered as strategically significant in terms of maintaining the hegemonic position.

The pre-emptive signal for this key US decision was, among other things, the withdrawal of US armed forces from Iraq in 2010. The consequence of the concentration of forces and resources in the Southeast Asia and Pacific Ocean area was, in particular, the lack of a decisive US response to the destabilisation of the Middle East region resulting from the rise of the Islamic State. Also, the chaotic withdrawal of the US contingent from Afghanistan in 2021 highlighted the importance of

changing US foreign policy priorities. The US-China rivalry is the cause of a strong decline in the importance of regions previously treated as key to sustaining and developing US power, in particular the Middle East or Central Asia. In this context, regions that previously had lower importance currently remain marginal to vital American interests.

With regard to the previously described decline in the importance of the Central-Eastern Europe region for the strategic interests of the United States of America, it is worth analysing the trend and dynamics of the change that has taken place in little more than two decades. The last decade of the 20th century was a period of US dominance as a superpower, distancing the other powers in almost every factor of state power. The post-Soviet space of Central-Eastern Europe was a particularly important space for expanding US influence for almost two decades after the collapse of the USSR. Filling the geopolitical niche created after the implosion of the Union of Soviet Socialist Republics was linked to supporting the liberalisation and democratisation processes in the post-Soviet states and constituted one of the main foreign policy vectors of the most powerful state in the West. Successes of this policy, in the form of the accession of successive states in the region to NATO and then to the European Union, provided a solid foundation for the integration of states in a transatlantic and European perspective. This situation also prevented the possibility of gaining real influence in the region by the political heiress to the USSR, which was in deep crisis by the end of the 20th century.

The importance of the European post-Soviet space for the United States of America became apparent in the armed presence of US forces after the end of the war in Bosnia and Herzegovina^[35]. The terrorist attack on the World Trade Center was associated with a change in perception of the Central-Eastern Europe region to one of little importance in the context of the global fight against terrorism and, at the same time, a stronger military involvement of the United States of America in the Middle East and Central Asia.

In the first decade of the 21st century, a particularly important geopolitical project in the analysed region was the Eastern Partnership. The initiative launched by Poland and Sweden in 2008 was directed at the process of deepening political ties and economic integration of Belarus, Ukraine, Moldova, Georgia, Armenia and Azerbaijan with the European Union. From a geostrategic perspective, the implementation of the Eastern Partnership would enable the effective diversification of liquid fuel supplies to Europe from sources located in Central Asia and not remaining under Russian control^[36]. Furthermore, the existence of a pro-European bloc of states bordering the Russian Federation and seeking to deepen cooperation with the EU and also NATO would prevent the growth of Russian influence in the region.

The Kremlin's reaction to the development of the Eastern Partnership was to provoke a war in South Ossetia, which had the effect of paralysing the implementation of intended geostrategic goals^[37]. As a result of the conflict, Georgia lost actual control over Abkhazia and thus an important part of the Black Sea coastline. Also, in the case of South Ossetia, the Russians de facto control a land corridor cutting deeply into Georgian territory and allowing direct access to the most significant Central Asian liquid fuel supply infrastructure in the Caucasus region, running in a latitudinal line from the Caspian Sea to the Black Sea^[38]. The unfreezing of the Transnistria conflict was also part of the negative Russian impact on regional stability. The outbreak of the Russian-Ukrainian war, initiated by Russia's annexation of the Autonomous Republic of Crimea,

was a continuation of the Russian Federation's power politics^[39]. At the turn of the 20th and 21st centuries, the Russians overcame a crisis that had lasted more than a decade and entered a phase of stabilisation of the internal situation and expansion of profits, particularly from the export of liquid fuels. The announced in 2005 policy of recovering Russia's spheres of influence^[40], lost with the collapse of the USSR, became the dominant vector of Russian foreign policy. In this context, both the war in South Ossetia and the destabilisation of Transnistria, the triggering of the Russian-Ukrainian war and even the manner in which the Russian Federation launched the second phase of the conflict in the form of a full-scale invasion, is a continuation of Russia's power politics by military means. The space in which the Kremlin is rebuilding spheres of influence is Central-Eastern Europe overlapping significantly with the contemporary scope of the Three Seas Initiative. In a geostrategic context, Russian actual control over the occupied territories of Ukraine is also in line with the Kremlin's stated power politics objectives.

The annexation of the Crimean Peninsula makes it possible to use the territory, which is deeply cut into the Black Sea, to significantly increase the military presence of Russian naval forces and also to shorten the sailing time to the most important straits of the basin, the Bosphorus and the Dardanelles^[41]. In parallel, the encirclement of the Kerch Strait with areas under the military control of Russian forces makes it possible to block the Sea of Azov and treat the basin as Russia's internal sea. The capture of Donbass and the development of pro-Russian separatism, resulting in the creation of the so-called Donetsk People's Republic and Luhansk People's Republic, is also a continuation of Russia's policy of reclaiming its lost sphere of influence.

Destabilising Ukraine by causing it to lose control over part of its territory is a tool of Russia's influence over neighbouring states. Binding with conflict below the threshold of open, full-scale war should be understood as a tool of the ongoing policy of recreating spheres of influence in the region; in this context, the Russian invasion of Ukraine launched on 24 February 2023 was carried out in the face of the lack of possibility of achieving the Kremlin's political goals by means other than unjustified armed aggression, due to the unyielding pro-Western attitude of the Ukrainian authorities and society.

Notably, the Central-Eastern Europe region and the Caucasus region remain spaces that the Russians perceive as bearing no risk of triggering an armed conflict that would threaten Russia's position. It is noteworthy that the rise of China's power and the focus of the United States of America in the Far East, practically prevents the expansion of Russia's sphere of influence in East Asia. In the case of Central Asia, the growing Chinese influence and the related lack of interest of the region's states in supporting the Russian Federation in the implementation of its power politics have the practical effect of blocking the possibility of widening and deepening the spheres of influence in this area^[42].

Kazakhstan's stance has been a particularly significant development in ousting the Kremlin's influence in Central Asia. Both the containment of the attempted coup in Kazakhstan in early 2022 and the refusal to provide allied support to the Kremlin during the implementation of the Russian psychological operation known as the "Prigozhin mutiny" point to the growing independence of the region's largest state under increasingly strong Chinese influence^[43]. There is no doubt that it is the development of China's power that is another particularly important factor for shaping the directions of the Russian Federation's foreign policy realisation by force. The Russian Federation,

aware that the end of decades of peaceful growth in the PRC's potential could have a particularly negative impact on the territorially largest state having a disproportionately lower potential in relation to the need to defend thousands of kilometres of borders, does not take the risk of expanding its spheres of influence in areas geostrategically important to China. An example of the cautiousness in international relations in the region is Russia's desire to maintain correct relations with both South Korea and North Korea^[44]. At the same time, in the second decade of the 21st century Russia sought to strengthen its military position in the Middle East, taking advantage of a significant change in the perception of the region by the United States of America. Armed involvement in the civil war in Syria allowed a short-term improvement in relations with Turkey.

The fight of many countries in the region against the forces of the Islamic State allowed the Kremlin to establish strategic cooperation with Iran, internationally isolated by the West. A regularity in the Russian Federation's foreign policy is to seek the greatest possible influence or actual control of states that are geopolitical pivots according to Zbigniew Brzezinski's concept^[45]. By controlling, maintaining a strong influence or binding by cooperation geopolitical pivot states (important for gaining an advantage in the international space not because of their potential, but because of their geographical location and the related geopolitical significance), Russia seeks to play the role of an active geopolitical player, being aware that the rise of China's power in the long term may mean a vital threat in particular to the international position of the Russian Federation and even its territorial integrity.

The development of the People's Republic of China's power is particularly evident in the expansion of its military potential. The modernisation of the Chinese armed forces has led, among other things, to the construction and entry into service of additional aircraft carriers. For China, maintaining control and security of shipping in the seas surrounding its coasts is a vital interest. China's economic power is heavily dependent on exports of manufactured goods and imports of energy resources, of which limited supplies are one of the most significant security challenges.

In case of an armed conflict resulting in the involvement of the United States of America and allied states in the region, an effective naval blockade of China would have disastrous consequences for the Middle Kingdom. In particular, an attempt to regain control of Taiwan could end in a serious conflict in the Far East with high probability of either direct or indirect US military involvement. In this context, the diversification of risks entails transcontinental land infrastructure projects with a particular focus on rail infrastructure, leading from China via Eurasia towards Europe, as well as the construction of motorways or the development of port infrastructures located on bodies of water that provide safe navigation space. The Belt and Road Initiative, regardless of its planned route, in terms of land routes, crosses in every scenario the region covered by the territories of the countries forming the Three Seas Initiative^[46].

Also, in case of Europe, the geostrategic reorientation has led to significant changes in the pursued policy. The main players in the European Union, which include Germany, France and, until 2018, the United Kingdom, were aware of the opportunities and threats posed by the diminished relevance of the European space to vital American interests, with a particular focus on Central-Eastern Europe. The short-term strategic benefits of Ostpolitik for Germany allowed the authorities in Berlin to reassert Germany's dominant position in the European Union and seek to strengthen it by developing the EU federalisation process. The negative impact of discrediting

German policy affected Germany's image, while it did not damage Germany's dominant position in the European Union. Importantly, Brexit should also be seen in the context of the UK's general opposition as a state devoted to the tradition and culture of the nation-state to policies aimed at marginalising the importance of nation-states in the European space.

It is worth noting that France, aspiring to the role of a superpower pursuing an increasingly independent policy, is exploiting the opportunity to maintain its dominant influence in Europe by seeking to work out political compromises with Germany. The growing importance of Poland as a key state in supporting the fighting Ukraine is another factor, important in the context of building the Three Seas region.

REGION BUILDING AND THE THREE SEAS INITIATIVE'S PRIORITY OBJECTIVES

In the face of the previously discussed international determinants, regularities and directions of foreign policy realisation of the countries which have the potential to significantly influence the developing Three Seas region, it is important to analyse the currently indicated priority objectives of regional cooperation^[47]. The Three Seas Initiative was established to realise the development of the energy, communication and digital infrastructure of Central-Eastern Europe. However, the contemporary priorities of the Three Seas Initiative point to the potential of using the bilateral and multilateral cooperation of the countries in the region to realise projects that go beyond the initial idea of the creators of the Three Seas Initiative. For the purpose of defining the prospective directions and scope of the Initiative's activities, it is necessary to compare the postulated priority objectives against the opportunities and challenges created by international determinants and changes in the geostrategic orientation of the states.

The priority objective, related to building relations within the geopolitical reconfiguration of the neighbourhood under the impact of Russian aggression against Ukraine, should be realised in the face of a clear trend of declining importance of the being built Three Seas region on a global scale. In geopolitical terms, a building of a region must aim to raise the importance of the region for key actors in the arena of international relations, including the United States of America, China, key decision-makers of the European Union and rising powers. In this context, the geopolitical reconfiguration of the region following the Russian-Ukrainian war is due to Ukraine's clearly pro-Western stance with the simultaneous development of an armed conflict that casts doubt on the possibility of Ukraine joining the European Union in the near future. In parallel, since the United States of America and the European NATO states do not seek to engage in armed conflict, Ukraine's accession to NATO will not take place at least until peace is permanently achieved in Russian-Ukrainian relations.

Considering that it is more consistent with the interests of the Russian Federation to destabilise Ukraine in the long term, rather than to conquer it completely^[48], the development of bilateral and multilateral relations with Ukraine within the framework of the Three Seas region should be directed towards supporting Ukraine's aspirations for future accession to the EU and NATO, regardless of the distant prospects of achieving these objectives. At the same time, the geopolitical reconfiguration also includes stronger Russian influence in Belarus. However, Belarus, too, should not be isolated from the possibility of undertaking cooperation within the Three Seas Initiative. In particular, infrastructural projects realised within the framework of regional

cooperation, should include the possibility of rapid inclusion of Belarus in the event of a simultaneous political crisis in the Russian Federation and Belarus, and the emerging possibility of drawing this country into European or transatlantic cooperation.

In the face of contemporary international determinants, the priority objective of binding with cooperation as many countries as possible should be realised by countries that are forming the Three Seas Initiative or have the potential to strengthen the political bloc in case of accession, as well as external stakeholders. Particularly important are the countries with coastlines reaching all three seas of the Initiative and also the Mediterranean Sea. In the long term, the efficiency of the spatial development of the Three Seas Initiative should make the seas, which constitute the Initiative's name, basins completely or as much as possible surrounded by the member states of the region being built. In parallel, the key states in the political context will remain the United States of America, as well as Germany, France and Great Britain, and the states of the Far East interested in developing investments in the region.

Partnerships with Japan or South Korea should be developed in the direction of any formalisation of cooperation with the region being built. Importantly, the Three Seas Initiative should be particularly cautious in establishing spot cooperation with China^[49]. In this context, the deliberate and prudent admission of Chinese investors to equity participation in the development of the Three Seas may act not only as an element of gamification with regard to the United States of America. Above all, in the face of the threat of military aggression from the Russian Federation in the region, creating space for the development of Chinese interests will constitute a deterrent potential for the Kremlin to a degree that is probably higher than the development of the military potential of the Three Seas Initiative countries.

In the face of the priority of building increased interest in the Three Seas Initiative from external actors, it is worth emphasising that this group should not only include the key stakeholders described in the previous paragraph. Taking into account the long-term development trends of the countries, it is possible to identify actors who should be bound by cooperation at the current level of power development^[50]. Australia, India, Canada or Mexico, as well as Indonesia, Iran, Nigeria, are a group of countries that should be the subject of a strong multilateral effort to engage in political and economic participation in the building of the Three Seas region. Importantly, building a network of economic and political interdependence in the region is an activity that has the potential to bond the region while maintaining the investment participation of many Three Seas Initiative countries. The geographical diversification of the potential partners of the Initiative should be subject to a rational calculation, involving the search for ways and ranges of capital involvement of the countries or maintaining correct relations with the largest possible number of countries forming the Three Seas Initiative region.

Fundamental to the existence and functioning of the Three Seas Initiative are the priority objectives related to the construction and development of regional energy, communication and digital infrastructure. The realisation of this priority should not only be limited to combating the negatively impacting infrastructural underdevelopment that persists in a significant part of the region due to the 19th century spheres of influence of the Russian Empire. Above all, the construction of energy infrastructure should connect the port infrastructures of the Three Seas Initiative countries in directions determined by the geographical location of the other seas. At the

same time, connector systems should allow diversification of the supply of liquid fuels to the countries of the region that do not have access to the sea from the port infrastructures of at least two different sea basins. The development of energy infrastructure not only reduces the dependence of the energy security of the states of the region on the possibility of raw material blackmail by the Russian Federation, but also the challenges faced by many states in terms of energy transition. In this context, the construction of international electricity grid connections will also allow to tighten cooperation in one of the key risk areas. The construction of the track communication network, as in the case of oil and gas pipelines, should be directed towards connecting the sea coasts, taking into account the branching of routes leading through all the landlocked countries of the region. A particular challenge is the development of freight routes across orographic barriers including mountainous regions, taking into account Romania, Bulgaria and routes leading to the Western Balkans area. The priority railway route for communication of the Baltic countries is the line between Riga and Vilnius^[51], which is nearing completion, enabling connection of all the capitals of the three countries. In the context of both rail and road infrastructure development, communications development should primarily involve routes running meridionally from the Baltic States through Poland and branching out towards the Adriatic Sea, the Mediterranean and the Black Sea.

The creation of new development instruments, following the example of the Three Seas Initiative Investment Fund^[52], should enable the inflow of financial streams from diversified countries but also from private investors. In this context, investments are also needed in cyber-infrastructure, allowing foreign investors to search for key information quickly and easily. The development of databases, available both in English and in the national languages of the stakeholders, should be combined with preferential investment conditions for ventures with dominant capital from countries and economic entities located in the Three Seas Initiative area.

The designation of special economic zones should be directed to key stakeholders, geographically distant from the Three Seas Initiative. In connection with another priority objective, related to increasing private investment and developing public-private partnerships, particularly important are activities in the digital space to promote the Three Seas Initiative by indicating completed projects and their benefits. Low level of awareness of the Three Seas Initiative among the societies of the countries in the region creates significant barriers to the growth of regional cooperation among the societies. It is worth noting that in the Czech Republic less than 10% of the population knows the Three Seas Initiative as the name of a regional cooperation forum. The solution to the existing problem should be the creation of a multilingual portal, aggregating and publishing key data and information, dedicated to the Three Seas Initiative, including the possibility to involve representatives of all the countries of the region.

Strengthening regional digital resilience is a particularly important objective of the Three Seas Initiative in the face of Russian Federation activity on the internet, directed at waging information warfare. The impact of Russian psychological operations, implemented in particular through the construction of a network of fake social media accounts and through troll farms, is a particularly negative factor in terms of building a positive image of the Three Seas region. On a number of occasions, decision-makers of the countries in the region have also fallen victim to disinformation. In this context, the creation of a functional Three Seas Initiative portal would also serve to combat misinformation and reliably inform the stakeholders involved in building the region. It is also equally important to work towards coordinating the efforts made by non-governmental entities in

the countries of the region to broaden and deepen cooperation within the Three Seas Initiative. Ultimately, another of the priorities should be to increase the level of institutionalisation of the Initiative in a manner that does not create constraining conditions for the development of multilateral cooperation within the region and with stakeholders outside the region in the face of the discussed challenges of the international space.

In conclusion, the definition of the geopolitical determinants of the development of the Three Seas Initiative allowed the justification of the current priority objectives for the development of activities in relation to the opportunities and challenges created in the international space. In this context, the specification of Poland's role as a leader in the building of the Three Seas region was done both by indicating the key areas of involvement and the manner of its implementation.

RECOMMENDATIONS FOR THE FURTHER DEVELOPMENT OF THE THREE SEAS INITIATIVE INCLUDING POLAND AS A COMMITTED LEADER

Poland's leadership of the Three Seas Initiative goes beyond having the greatest potential among all thirteen countries co-creating the Initiative. Poland is perceived as a leading country not only because of the largest financial contribution to Three Seas projects or being one of the two founding members of this format of regional cooperation. Above all, for the other countries in the region, Poland is a country that has achieved a successful political, economic and social development in a relatively short period of time, despite the multi-decade negative determinants of development that still negatively affect other countries in the region. Combined with a partnership approach to establishing bilateral and multilateral relations in the region, Poland is an attractive country for regional deepening and broadening of cooperation also for countries with relatively smaller potential. In this context, Poland should not take actions or promote a narrative indicating that it seeks to dominate the region.

Broad historical sentiments towards the Republic's past position as a European power may have a particularly negative impact. In parallel, it is worth emphasising the need to be cautious about the legitimate perspective of looking at regional development issues that geopolitics provides. This paradigm of realist theories of international relations is very often used to create pseudo-scientific, abstract constructs with a negative ideological charge, also in the states of the region. The recommended way for Poland to fulfil its function as a leader in the development of the Three Seas region is to initiate and lead the realisation of projects related to the priority objectives of the Three Seas Initiative.

Poland should become an initiator of a positively understood building of institutionalisation of the Three Seas Initiative. A particular opportunity to accelerate cooperation in the region would be to increase the frequency of the Three Seas Summits, which should primarily serve as a forum for bringing together decision-makers from member states with business stakeholders, NGOs and representatives of social groups crucial for the further development of the Three Seas. In parallel, planning successive presidencies in a formula that would allow the leadership of the Initiative to be held sequentially by all the co-creating states on a semi-annual basis would make

Three Seas Initiative decision-makers' meetings at the highest level more dynamic and regulated. In parallel, between the summits in the member states, multi-panel conferences should be

organised on a quarterly basis, which modules would be designed in the context of the needs of the main non-governmental stakeholder groups, including business, academics, expert organisations and NGOs. The hosts of these conferences should be NGOs, including, in realised events, cooperation with as many representatives of NGOs of the countries co-creating the Initiative as possible.

Another particularly important priority should be the initiation by Poland of the functioning of the Three Seas Initiative Secretariat. Importantly, in the face of the above-mentioned scopes of region-building issues, the Three Seas Initiative Secretariat should function in each country and serve as an information management institution concerning the Initiative. It is worth emphasising that the effectiveness of the Secretariat's functioning, which depends on the efficient aggregation and publication of key data and information on the development of the Three Seas Initiative, together with the provision of a flexible and short-term response to the identified areas of information sought, does not justify the establishment of the Secretariat by any state administration.

The Three Seas countries should commission a non-governmental expert organisation to run the national secretariat of the Three Seas Initiative on the basis of a unified, international agreement established in advance between all member states. This organisation should be selected through a public competition. This structure would prevent excessive bureaucratisation of the Secretariat, while at the same time ensuring that the activities are carried out in a form that meets the expectations and needs of the main region-building stakeholder groups of the Three Seas, with particular emphasis on business and expert organisations.

The primary scope of activity of a Three Seas Initiative secretariat would be to aggregate and publish relevant data, acquired in a member state of the region, both in the national language and in English. The creation of a common functional database by more than a dozen countries would allow for synergies. In addition, a secretariat would naturally allow for a more dynamic cooperation of non-governmental entities important for the further development of the region. In parallel, the secretariats would cooperate on disseminating reliable knowledge and promoting the Three Seas Initiative both regionally and globally. Devoting relatively small funds from the states' budgets relative to the likely gains from making cooperation significantly more dynamic is a particularly important recommendation. It is worth noting that the dominant position of some European countries, such as Germany, may lead to an attempt to take over the secretariat function and use it as a tool to shape the region without necessarily including a partnership approach to cooperation.

At the same time, it is worth mentioning the obvious understanding of the Three Seas Initiative as a project which does not contradict the further development of the European Union but works towards the deepening and widening of European integration in Europe also by creating alternative directions for the realisation of EU policies. However, the Three Seas Initiative cannot become a space for Eurosceptic activity, because even in the scenario of the abolition of the principle of unanimity and thus the marginalisation of the position of the states in the region, it is the political cohesion of the region that will be the only practical tool for the bloc of a dozen or so smaller EU states to leverage the dominant position of the German-French tandem. It is a pipe dream for all Three Seas Initiative states to maintain a coherent negotiating position in the European Union if it is attempted to be built on Eurosceptic attitudes.

Poland reinforces its image and leadership position through a decisive stance aimed at providing support and aid to the fighting Ukraine, manifested both in the perspective of coordinating the efforts of the international community to repel the unjustified aggression of Russia, as well as in grassroots initiatives of the Polish society. The ability to dynamize cooperation through the use of the Three Seas Initiative established for the development of infrastructure in the region is an argument pointing to the possibility of using the foundation of the activities of the regional cooperation forum to realise particularly significant projects beyond the scope adopted in 2015 by the founding states. In this context, Poland should continue its role as a support coordinator for Ukraine regardless of the distant prospect of a successful ending of the Russian-Ukrainian war, working for the widest possible inclusion of the Three Seas Initiative countries in providing support to the defending Ukraine. In parallel, using the experience and political memory of the EU and NATO accession processes, Poland should be in the vanguard of activities for the inclusion of further countries of the region into the Three Seas Initiative, which should also serve as a prelude to further deepening of European and transatlantic ties.

In the above-mentioned context, Poland should be a state supporting the growth of institutionalisation and activity potential of the democratic opposition in Belarus that nowadays bases its activity primarily on Lithuania, Latvia and Poland. The role of the leader of the region should also be to prepare the political ground for the possibility of supporting the aspirations of the democratic Belarusian opposition to develop the process of democratisation and liberalisation of Belarus in the event of positive international determinants enabling the abolition of the authoritarian regime bordering Poland. In parallel, Poland should exert zero-sum political influence on Belarus while seeking to work out a common position by all Three Seas Initiative countries, allowing for closer ties between Belarus and the Three Seas Initiative in terms of peaceful and mutually beneficial political, economic and social interactions, while firmly opposing attempts to destabilise the region by the Kremlin-influenced regime.

A special challenge for Poland is also to actively oppose the ambivalent approach of some Polish decision-makers towards the Three Seas Initiative. The role of region building leader is a historic opportunity for Poland and the Three Seas as a whole to combine the benefits of strengthening the subjective position of the states in the region with a particular focus on creating a common position within the most significant directions of change within the European Union.

Failure to take advantage of this opportunity in the face of the uncertain outcome of the Russian-Ukrainian war may have a catastrophically negative impact on Poland in the long-term perspective. In this context, a great deal of effort to develop a coherent strategic view of Europe's future will be directed at trying to persuade Hungary in particular to abandon its policy of building friendly relations with Russia. In parallel, the passivity of many countries of the region in the aspect of cooperation within the Three Seas Initiative, with a particular focus on Croatia, Slovenia and Austria and in many cases the Czech Republic, will create challenges for the Three Seas leader in seeking proposals for projects that bind with cooperation the insufficiently involved countries.

Using its positive image, developed in particular by its general public commitment to support Ukraine, Poland should aim to stabilise its leadership position and seize the historic opportunity to strengthen the security architecture in the region. The Russian-Ukrainian war, given the regularity of the Russian Federation's implementation of its power policy aimed at regaining the spheres of influence lost with the collapse of the USSR, should be seen as an armed conflict that will be deliberately prolonged by the Russians as a tool to destabilise Ukraine and international security in Europe.

The possibility of Russian armed aggression against other states in the region, with particular emphasis on the Baltic States, cannot be ruled out either. In this context, the cooperation realised in the framework of the Three Seas Initiative should be used as a foundation for dynamizing cooperation in the economic development of the region in a way that positively contributes to strengthening the defence potential of the countries of the region. In particular, efforts should be made to build international defence production consortia, formed primarily by entities registered in the Three Seas Initiative states.

GEOECONOMIC CHALLENGES FOR THE THREE SEAS REGION

dr hab. Marta Gębska

INTRODUCTION

In the contemporary international environment, phenomena and processes can be explained through various paradigms and scientific approaches. In recent years, geoeconomics, which recognises economic factors as fundamental to determining a state's strength and power and in which these very factors are central to achieving competitive advantage and building a state's strategy, has gained prominence.

Russia's attack on Ukraine in February 2022 demonstrated that geopolitical factors, such as population and territory size and military strength, continue to play a significant role in international politics. However, they coexist with geoeconomic factors, which are used, among other things, to exert negative economic influence on Russia (e.g., in the form of sanctions) and to support Ukraine. Nowadays, it is not possible to realistically separate the political issue from the economic one. Wars are based on technologies that depend on a country's resources and level of economic development. Wars are not only fought with the military, but also with other tools that depend on economic potential. "If space and cyberspace are military operational theatres, it is the economy that facilitates them, through the social networks that individuals, communities and nation-states have built over time"^[53].

The article outlines the challenges for the Three Seas Initiative in the context of geoeconomics. In the first part of the text the author explains the concept of geoeconomics, signals the distinction between geopolitics and geoeconomics, and points out the links between the two, as well as the relevance of this issue for contemporary political, economic and security considerations. The author then analyses the geo-economic challenges facing the Three Seas Initiative and its constituent states, dividing them into three categories, such as: challenges determined by global trends, challenges related to weak signals and so-called wild cards^[54].

INTRODUCTION TO THE ISSUES OF GEOECONOMICS

The creator of the term geoeconomics and promoter of a view through an economic prism on studying of the international environment was the American economist Edward Luttwak^[55]. Even geopoliticians such as the American Joseph Nye and the Italian Carlo Jean recognised economic tools as significant ones in shaping international policy^[56]. A contemporary researcher on the issue of geoeconomics (of Romanian origin) - Antonia Colibășanu - states that one of the best ways to look at the world, is to look through the contemporary dependencies between states (which are themselves complex systems) and through their internal weaknesses. The author reminds us that the geopolitical approach, which is central to understanding the world, considers the "strength" built on the political, economic and military systems (they make a state stable) and, at the same time, considers geography, which is essential to understanding the source of a state's strength. In contrast, geoeconomics, according to A. Colibășanu, reacts to the world and state entities as a platform of economic networks.

In geoeconomic considerations, dependencies are understood as a set of linkages that can trigger socio-political changes, affecting state stability and security. These dependencies can refer to resources such as raw materials or human resources, but also to resources such as infrastructure, starting with roads, pipelines and ending with communication networks connecting states, organisations and ordinary people. These relationships are an important element in the analysis of the characteristics of the system and society in which we live, whether at national, regional or even global level. It follows that the first element analysed in geoeconomics is the state - a major player in the global economy, with its strengths and weaknesses, and the aim of the analysis is to try to answer the question of what it should do to maintain or improve its status.

In turn, the second element are the key drivers of growth and development of that state, its dependencies and its capacity to reduce them, its ability to protect itself from threats and hazards, but also to convert them into resources that contribute to the further development of the state. However, the third essential element analysed in geoeconomics is the added value that the state brings to the complex global system, and therefore its role in stimulating the next generations, in contributing to the growth of innovation, or in the context of demographic changes^[57]. According to various authors, geoeconomics is a tool of geopolitics and it turns the economy into an instrument of international competition, through wealth and capital accumulation it promotes internal and international security^[58]. In the context of the above considerations, it can undoubtedly be said that geoeconomic issues can be successfully analysed not only in the context of states, but also of groupings and forms of regional cooperation, such as the Three Seas Initiative.

CHALLENGES FOR THE THREE SEAS INITIATIVE RELATED TO GLOBAL MEGATRENDS

Global megatrends are phenomena of social, economic, political or technological changes that cause disruption and that affect all areas of life. They are often interconnected, amplifying or weakening their effect^[59]. The most important megatrends affecting the Three Seas Initiative countries now and in the future are primarily megatrends from the social area, such as:

1. the increasing divergence of regional trends related to the global population,
2. the global phenomenon of ageing populations,
3. the increasing wealth of a few groups/people and the growth of social inequalities and disparities,
4. increasing inefficiency of health care systems,
5. increasing inefficiency of social security systems.

The Three Seas countries, all except Austria, are experiencing a depopulation problem related to low fertility rate and ageing of populations. Studies show that Austria will be the only country with a growing population by 2050, mainly due to the natural increase among immigrants, who make up a significant part of the population. This will deepen the problem of labour shortages in the Three Seas countries, which will have to be supplemented by immigrants, resulting in high social integration costs and possible cultural conflicts. Migration to the region will continue, provided that the Three Seas region is an attractive place to settle. In the third decade of the 21st century, the Three Seas countries are, to a very different extent, attractive to incomers, those seeking employment, or those waiting for support and welfare from the host country, which may cause further social, economic and cultural difficulties for the Three Seas countries.

The global phenomenon of ageing populations in the coming years (including Asia) will mean that the Three Seas countries will not encounter the expected influx of migrants, especially those with higher professional skills. In turn, the increase in wealth of a few groups/persons and the growth of social inequalities and disparities, both in the Three Seas countries but also globally, may lead to increased social discontent, unrest and the rise in popularity of populist parties. The significant burden on state budgets to support an ageing population may lead to inefficiencies in health care and social security systems, which in turn may lead to socio-political conflicts and increased polarisation of society.

CHALLENGES FOR THREE SEAS RELATED TO WEAK SIGNALS

Weak signals are impulses that trigger further changes or change the direction of a megatrend. They are also an early warning of an emerging change that may become entrenched, and may even become a trend in the future, as a result of a combination with other signals and wild cards. Weak signals affect the conduct of business, political issues and the environment in which activity takes place. Weak signals can be both a threat and an opportunity. It can take a long time to develop into a strong trend, or it can disappear. A weak signal may be new and surprising from the point of view of one recipient of a given signal, while for others it may be known or denied or even ridiculed^[60].

In the context of the geoeconomic challenges for the Three Seas, the most important weak signals belong to the economic and political area. Due to the limited volume of this paper, only selected weak signals will be presented. ^[61]

The first weak signal is the uneven involvement of the Three Seas Initiative countries in the Initiative and the Three Seas Initiative Investment Fund and the potential lack of new investors in the Fund. As of September 2023, the 3SIIF's shareholders were as follows^[62]: Bank Gospodarstwa Krajowego [eng. Polish Development Bank] (Poland), EximBank (Romania), Ministry of Finance of Estonia (Estonia), Exim (Hungary), ALTUM (Latvia), Bulgarian Development Bank (Bulgaria), VIPA (Lithuania), HBOR (Croatia), SID Banka (Slovenia), a group of private regional investors from Croatia and Amber Infrastructure. The first shareholders of the 3SIIF were Poland and Romania with contributions of EUR 500 million and EUR 20 million respectively. Poland was the largest contributor to the Fund (EUR 750 million) and the total amount contributed by all countries (excluding private investors) was EUR 913 million^[63].

Table 1. Investors in the Three Seas Initiative Investment Fund - as of September 2023

Investor	Investor's country of origin	Investment size (mln euro)	Date of investment approval
Polish Development Bank	Poland	500	February/March 2020
		250	19.10.2020
EximBank	Romania	20	February/March 2020
Ministry of Finance of Estonia	Estonia	20	16.09.2020
Exim	Hungary	20	7.12.2020
ALTUM	Latvia	20	16.09.2020
Bulgarian Development Bank	Bulgaria	20	16.12.2020
VIPA	Lithuania	20	1.02.2021
HBOR	Croatia	20	1.02.2021
SID Banka	Slovenia	23	7.12.2020
Total public investors		913	

Source: own study based on: 3SIIF. Croatia and Lithuania join the 3SIIF - Additional commitments to the Fund, 1.02.2021, <https://3siif.eu/news/croatia-and-lithuania-join-the-3siif-additional-commitments-to-the-fund/>; 3SIIF. Slovenia and Hungary join the Three Seas Initiative Investment Fund, 7.12.2020, <https://3siif.eu/news/slovenia-and-hungary-join-the-three-seas-initiative-investment-fund/>; 3SIIF. Bulgaria joins the Three Seas Initiative Investment Fund, 16.12.2020, <https://3siif.eu/news/bulgaria-joins-the-three-seas-initiative-investment-fund/>; 3SIIF. Estonia commits to invest in the Three Seas Initiative Investment Fund, 16.04.2020, <https://3siif.eu/news/estonia-commits-to-invest-in-the-three-seas-initiative-investment-fund/>; 3SIIF. Estonia and Latvia join the Three Seas Initiative Investment Fund, 16.09.2020, <https://3siif.eu/news/estonia-and-latvia-join-the-three-seas-initiative-investment-fund/>; Amber Infrastructure Group. Estonia and Latvia join the Three Seas Initiative Investment Fund, 16.09.2021, <https://www.amberinfrastructure.com/news/press-releases/2020/estonia-and-latvia-join-the-three-seas-initiative-investment-fund/>; Amber Infrastructure Group. Slovenia and Hungary join the Three Seas Initiative Investment Fund, 7.12.2020, <https://www.amberinfrastructure.com/news/press-releases/2020/slovenia-and-hungary-join-the-three-seas-initiative-investment-fund/>; Amber Infrastructure Group. Bulgarian Development Bank commits to the Three Seas Initiative Investment Fund, 16.12.2020, <https://www.amberinfrastructure.com/news/press-releases/2020/bulgarian-development-bank-commits-to-the-three-seas-initiative-investment-fund/> and information from a conversation with an investment adviser in Amber Infrastructure dated 20.10.2021.

There has been a noticeable lack of greater financial commitment from the Three Seas countries to the Three Seas Initiative Investment Fund since mid-2021 and a complete lack of interest from countries such as Austria, Slovakia and the Czech Republic. From a conversation with the representative of the Czech President in November 2021^[64], it appears that the lack of involvement in the Fund was due to the lack of a parliamentary decision in this regard and the lack of greater involvement of the Czech President in the format of the Initiative. Austria, on the other hand, declared from the outset that it did not intend to engage with the Fund, either as a donor or a beneficiary. Slovakia, however, is not a very active country in the Initiative itself, hence its reluctance to commit financially.

The second weak signal is the **lack of implementation of US declarations to co-finance the Three Seas Initiative Investment Fund**. The first declarations to support the Fund with a USD billion donation were made by US Secretary of State M. Pompeo in February 2020. The funds were to be provided through two institutions - the government development agency DFC (US International Development Finance Corporation) and the government and private programme Blue Dot Network, which is the US response to China's infrastructure offensive around the world and which operates under G7 guidelines. The first institution was supposed to focus on energy projects throughout the Three Seas and the second on other areas of operation^[65]. These declarations were made at the end of Donald Trump's presidency, hence Joe Biden's new administration has not attempted to turn the declarations into real action.

D. Trump, through the Three Seas Initiative, wanted to limit China's influence in Europe, while J. Biden saw the Three Seas as a form of cooperation with the goal of Europe - all free and experiencing peace. The same view was shared by the US Congress, which passed legislation in support of Three Seas and its Fund and was considering further legislation in 2021 to enable the expansion of US government investment in the digitalisation area^[66]. In June 2022, the DFC and the Three Seas Initiative Investment Fund agreed on the terms of funding for the Fund of up to USD 300 million, but by the end of September 2023, the funds had not been released^[67].

Russia's attack on Ukraine changed the US priorities in financing investments in the Three Seas. According to a conversation with a representative of the Bank Gospodarstwa Krajowego [eng. Polish Development Bank] during the Three Seas Initiative summit in Bucharest, the US requires that projects combine investments from the Three Seas countries and Ukraine. The slow distribution of funds is due to the need to prepare the right projects and also because of the still ongoing military operations in the area of the invaded country. A similar situation exists in the case of Amber Infrastructure, the entity managing the Three Seas Initiative Investment Fund under an agreement concluded on 26 February 2020. Out of the declared funds amounting to 10 million euros, 5.1 million euros have been transferred so far^[68].

The third weak signal is the **volatile situation on global and regional stock exchanges, including the CEEplus common stock index**^[69]. The CEEplus index has been published since 4 September 2019. Since then, the value of the index has fluctuated considerably, with a sharp decline during the Covid-19 pandemic, in 2020. After a recovery of the index value in 2021, there was a significant decline since the Russian attack on Ukraine in 2022. These fluctuations were related to global tendencies^[70], but the proximity to the Ukrainian front was also important for the depth of the decline of the CEEplus index^[71]. The stability and predictability of the stock market is crucial for attracting and developing investment. Volatility, on the other hand, indicates the sensitivity of the index and the region to global and regional turbulence.

The fourth weak signal is related to the **practical engagement of political decision-makers in the Three Seas Initiative**. From the beginning of the Three Seas Initiative, we could notice discrepancies between declared, realised and perceived objectives^[72], lack of consistency between declarations and actions within the Initiative, and even a lack of alignment between the declarations of individual representatives at Three Seas summits and real action, as well as changes in presidential positions and changes of governments in the Three Seas Initiative countries and partner countries, resulting in changes in attitudes towards the Three Seas.

Chart 1: Value of the CEEplus stock market index from September 2019 to September 2023



Source: GPW Benchmark. Indeks CEEplus, <https://gpwbenchmark.pl/karta-indeksu?isin=PL9999998948> [28.09.2023].

Examples of divergence and changes of attitude towards the Three Seas were particularly noticeable in the case of Croatia after the change in the presidency from Ms Kolinda Grabar-Kitarović to Zoran Milanović in 2020, after the escalation of the health problems of Czech President Miloš Zeman in 2021-2022, or after the formation of a government by the pragmatic Czech Prime Minister Andrej Babiš in 2017 and the equally pragmatic Hungarian Prime Minister Viktor Orbán throughout his term. Potentially, a change in Poland's approach to the Initiative could occur after the 2025 Polish presidential election, regardless of which political party the next president comes from.

THREE SEAS CHALLENGES RELATED TO SO-CALLED WILD CARDS

Wild cards (disruption cards, black swans) are potential future events or events occurring at the time the forecast is made that could significantly alter/disrupt, either positively or negatively, current processes in the area of the studied phenomenon. They are often considered unlikely, but when they happen, they dramatically change reality^[73].

In the context of the geoeconomic challenges for the Three Seas Initiative, the most important wild cards, as well as the weak signals, belong to the economic and political area. Due to the limited volume of this study, only selected ones will be presented.

The first wild card is complex and consists of several processes and potential events, such as: **the weakening of the integration process in the European Union, referendums on the exit of Poland or other countries from the EU, social and political attitudes against the EU, or the exit of specific countries from the EU.** The European integration process has been undermined by Brexit in 2020, which necessitated a transformation of EU budget revenues and expenditures. Investments in infrastructure in the Three Seas countries are made from the budgets of the states and private investors willing to commit to specific investments, but primarily from the EU. For this reason, any divergence between states regarding the choice of priorities, the timing of their funding, the financial constraints that arose especially after the Covid-19 pandemic, disagreements between states, anti-EU sentiments, or the threat of states leaving the EU, or other factors that make up the deterioration of the investment climate, will cause investments in the region to slow down or even cease.

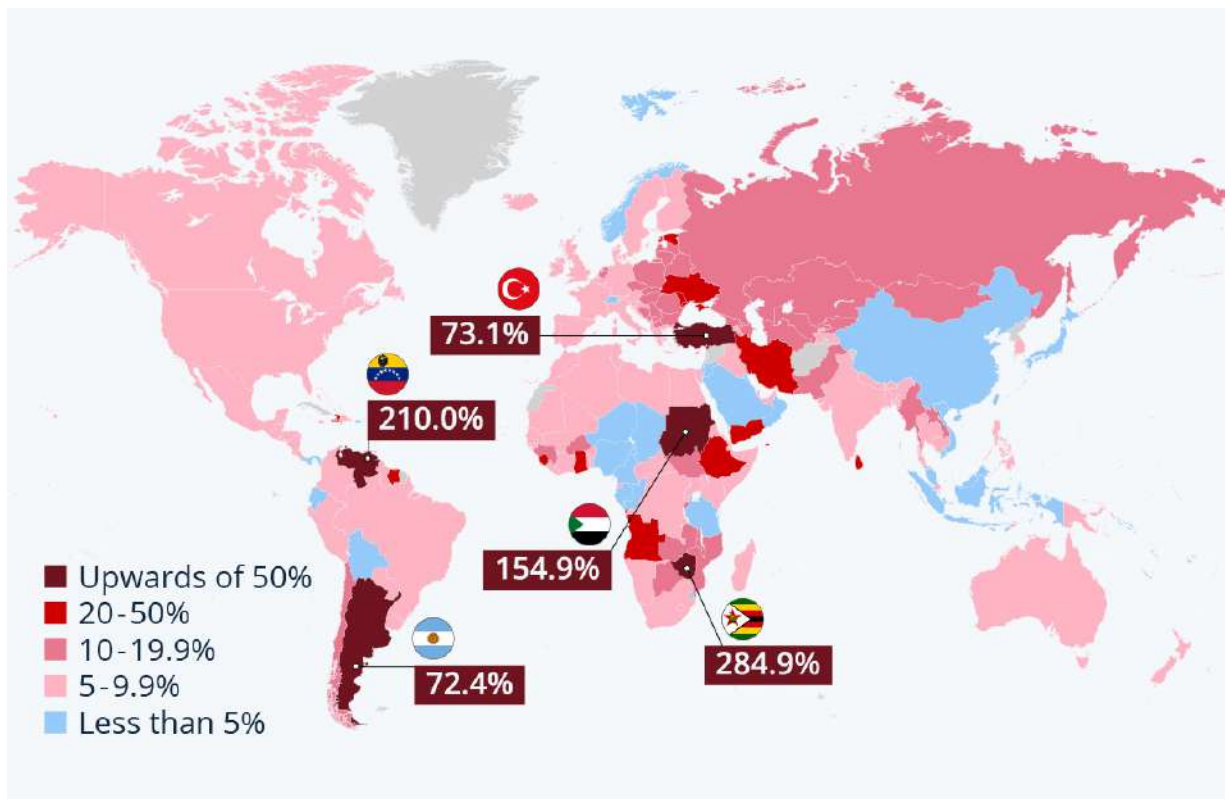
Similar consequences could result in restrictions, suspension or **non-payment of development funding from the EU** in case of specific Three Seas countries, due to non-compliance with EU law or **a change in the fiscal policy stance of the European Union.** In July 2020 the EU suspended the requirement for countries to comply with the Maastricht criteria for budget deficits and public debt, which prior to the pandemic were intended to be 3% of GDP and 60% of GDP respectively. It was initially planned that the ratios would be restored from the beginning of 2024. However, in 2022 the European Commission proposed a reform of the fiscal rules abolishing the rigid obligation to reduce debt if it exceeds 60% of GDP. Countries with higher debt are to agree with the Commission an individual debt reduction path over a 4-year period, taking into account the economic situation of the specific country. It was stated that this timeframe could be extended by an additional 3 years, if the climate protection investments are increased during this period.

A similar solution was proposed for countries increasing military spending after a full-scale Russian attack on Ukraine in 2022^[74]. Under the provisions taken by the Commission in 2023, high- and

medium-risk debt countries are required to reduce their debt and/or deficit, while low-risk countries are expected to maintain debt levels below 60% and deficits below 3%. This specific approach replaces the previous uniform mandatory reductions - the 1/20 rule, which required a 0.5% debt reduction for debt surpluses above the 60% debt-to-GDP limit^[75]. Such an arrangement is beneficial for current investment policy, geopolitics and geoeconomics, but may cause budget difficulties for countries on a medium and long-term perspective.

Another geoeconomic challenge for the Three Seas Initiative is a possible **serious global economic crisis causing a clear deterioration in economic security indicators, persistent high inflation and weakened purchasing power of money, or broken supply chains**. High inflation globally between 2021 and 2023 has weakened the purchasing power of populations and countries. Data for 2022 and an inflation forecast based on International Monetary Fund data for 2023 show that the Three Seas Initiative Investment Fund countries had an inflation rate slightly higher (usually between ten and twenty per cent) than Western European countries and much higher than, for example, most of the so-called Asian tiger countries that have been attracting significant investment in recent decades. This demonstrates the region's high vulnerability to global economic shocks and the weakening of the region's investment position.

Map 1: Inflation in 2022



Source: <https://www.visualcapitalist.com/mapped-which-countries-have-the-highest-inflation/> [12.10.2023].

Another wild card that is a geoeconomic challenge for the Three Seas is **recurring energy crises related to the policies of OPEC and other energy resource extracting countries, exacerbation of border conflicts** related to e.g. migration, resulting in the need to divert financial resources to border protection, the prolongation or **exacerbation of conflicts between states**, e.g. between Ukraine and Russia, or in Middle Eastern countries. Such a wild card was, for example, the Hamas attack on Israel in October 2023, causing an escalation of the conflict that had been dormant for decades. This event, theoretically having nothing to do with the Three Seas, may nevertheless cause, for example, a shift in interest of investors, such as the US, from the Three Seas-Ukraine direction towards the Middle East. A similar situation could arise in the event of an escalation of the conflict in the South China Sea, or in Taiwan.

SUMMARY AND RECOMMENDATIONS

The geoeconomic challenges for the Three Seas Initiative and its countries outlined in the article encourage to make recommendations for political decision-makers.

Firstly, it is worthwhile to develop demographic policies to increase fertility rates and effective programmes for the integration of migrants and their inclusion in the labour market.

Secondly, the Three Seas leaders should encourage the involvement of all countries in the Three Seas Initiative, for additional countries to be truly active in current issues in the various areas of the Initiative's functioning. Such an approach would attract further investors, both public and private, to Three Seas investments.

Thirdly, it is worth introducing more flexible approaches in the selection of priority investment projects to the changing geopolitical and geoeconomic situation in the region. This should be followed by providing investor support in the project preparation process, e.g., through a team of advisors from Amber, the national development banks involved in the Three Seas Initiative Investment Fund, or the experts in the secretariat created for the Three Seas Initiative.

Fourthly, it is worthwhile to implement instruments in the economic policies of the Three Seas countries to foster resilience to global and regional economic shocks, to mitigate political disputes in the EU, to strive for a stable budgetary situation in the EU and individual countries. Such action would not only be beneficial in the context of achieving the objectives of the Three Seas Initiative but would foster overall development in the medium and long perspective, facilitate the growth of the region's importance in the international arena, improve its competitiveness and gradually remove the still existing development barriers.

Finally, treating the Three Seas Initiative pragmatically, as an opportunity to better develop and improve the security of the region, and not as a platform to promote political decision-makers or political parties.

FINANCIAL CHALLENGES FOR THE THREE SEAS

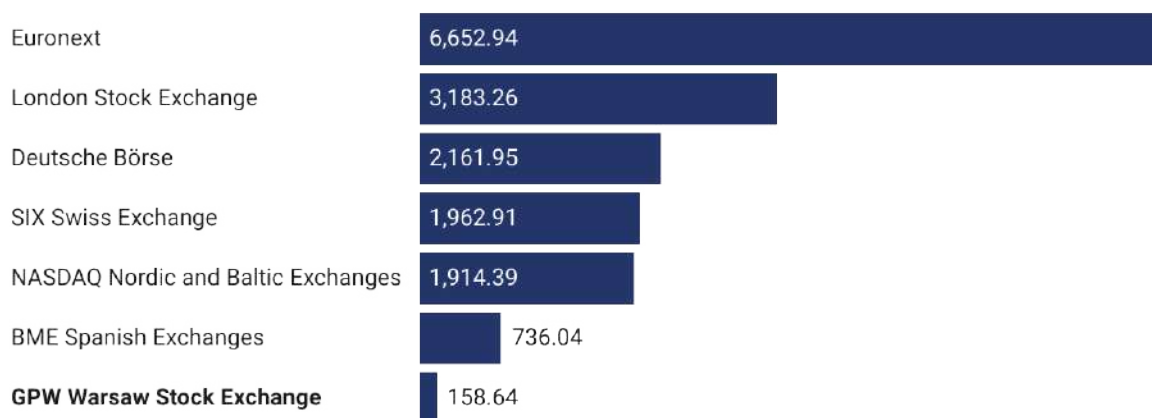
Julita Wilczek

Three Seas is one of the fastest growing regions in the world. However, unlike other fast-growing non-European economies, it is characterised by much greater political and legal stability as a result of Three Seas states EU membership. Thanks to this unique combination of characteristics of developed and emerging markets, the region offers investors a higher return on investment than Western countries, with a comparable risk[76]. Despite this, the countries of the region continue to attract far less foreign direct investment than the rest of the EU, especially in times of economic crises triggered by the pandemic and the war in Ukraine[77].

Among the reasons for this is that the region is made up of many small countries, each with a different language and separate economic regulations, and on top of this, five remain outside the eurozone. Also problematic is the region's stock market, which is relatively underdeveloped. Warszawska Giełda Papierów Wartościowych [eng. The Warsaw Stock Exchange], which is the largest stock exchange in Central-Eastern Europe in terms of capitalisation and turnover, is still a small player from the perspective of the entire EU capital market. On top of this, many companies present on the Three Seas stock exchanges do not pay attention to reporting in English and do not report ESG issues, although these are an increasingly important parameter for investors^[78].

Chart 1: Comparison of capitalisation on the largest European stock exchanges and the GPW [eng. WSE]^[79]

Domestic market capitalization, June 2023, bln USD



Source: Statista, GPW

Without obtaining additional market funding, it will be difficult for the region to bridge the infrastructure gap that exists between the Three Seas and the rest of the European Union, which was valued in 2018 at up to EUR 1.1 trillion (expenditure until 2030)^[80]. The Three Seas countries are not able to cover this expenditure with public funds and the share of private capital in infrastructure financing in the region is still insignificant.

By comparison, in Western European countries investments of this type are in 30-40% financed by the public sector and 60-70% by private investors (including state-owned companies). In the Three Seas countries, market funding is currently around 33%. Greater involvement of private capital is particularly important due to declining EU funding, which has so far helped to finance around half of infrastructure investments^[81].

The region's infrastructure is particularly neglected on the north-south axis, which hinders regional connectivity and cooperation. This underdevelopment is due to the policies of the Soviet Union, but was further perpetuated after the transformation, when regional economies switched to cooperation with the West and were mainly investing in infrastructure development on the east-west axis. As a result, comparative distances from east to west are covered much faster than from north to south^[82].

Investments in infrastructure are key to increasing regional competitiveness and maintaining high economic growth. They increase not only the quality of life, but also the investment attractiveness of states. This is why the development of regional infrastructure has become an objective of Three Seas Initiative cooperation.

However, it should be emphasised that at the moment the Initiative does not bring "added value" in the form of, for example, cross-border project management or dedicated funding in terms of infrastructure investments. Undoubtedly, however, the success of the Three Seas Initiative is that the Three Seas countries have started to look at infrastructure projects from a regional perspective, i.e. to think about the benefits of such projects also for neighbouring countries, which resulted in the creation of the Priority Project List. The Three Seas Initiative has also been successful in drawing the attention of the European Union, the United States and international financial institutions to the infrastructural needs of the region. Both achievements will, in the long term, help the region to more effectively seek funding for investment.

In parallel, but independently of the Initiative, there are already examples of successful regional cooperation for building cross-border infrastructure or raising additional funding. Four examples are discussed below:

1. **Three Seas Initiative Investment Fund** - a financial instrument that invests in commercially viable infrastructure projects in the Three Seas region. Nine of the thirteen Three Seas states have committed to the Fund, which allowed for five investments (another two are in the pipeline). The Fund was established to attract additional capital from foreign private investors and international financial institutions, but this objective has not yet been realised^[83].

2. **Index CEEplus** - the Warsaw Stock Exchange index based on the value of a portfolio of the largest and most liquid companies listed on the stock exchanges of Croatia, the Czech Republic, Poland, Romania, Slovakia, Slovenia and Hungary. The index allows investors to invest across the region with a single instrument. To promote smaller markets, limits have been placed on the size of the share of one company and one stock exchange in the index^[84].

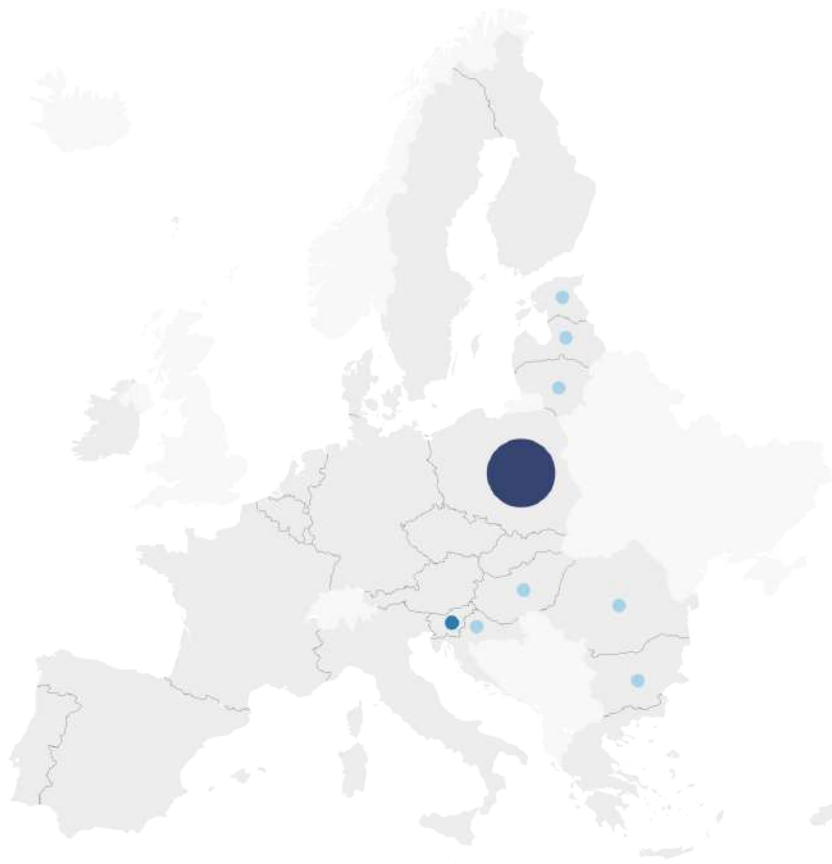
3. **Via Carpathia** - a road transport route linking the Lithuanian port of Klaipeda with the Greek port of Thessaloniki, running through Poland, Slovakia, Hungary, Romania and Bulgaria. It is an

example of large-scale regional cooperation, but each country implements its section at its own pace, which delays the completion of the investment. However, the countries of the region succeeded in having the entire route added to the TEN-T network, which increased access to EU funding^[85].

4. Rail Baltica - an international rail project connecting the Baltic States with each other and the rest of Europe. RB Rail, a joint venture between Estonia, Latvia and Lithuania, is responsible for its coordination and implementation. In addition, each country has its own implementing body responsible for the construction of individual infrastructure elements. The project is subsidised by the EU, which was achieved through coordinated applications from the Baltic States and Poland^[86].

Graphic 1: Declared commitment of the Three Seas states to the Three Seas Initiative Investment Fund (million euros)^[87]

Poland - EUR 750 mln, Slovenia - EUR 23 mln, Estonia, Lithuania, Latvia, Romania, Croatia, Hungary, Bulgaria - EUR 20 mln each. Czechia and Slovakia were asked to commit, but decided against it. Austria asked to be excluded from the start. Greece was not a 3SI member until September 2023 and therefore was not approached.



Map: J. Wilczek, Source: 3SIIF.eu

OPPORTUNITIES TO ATTRACT ADDITIONAL FUNDING

One of the key opportunities for the region to attract additional funding for infrastructure investment is through realising projects that include Ukraine. Discussions with foreign partners, particularly the US, suggest that it will be much easier for the region to acquire funding for projects that support Ukrainian reconstruction, security or connectivity with the European Union than for strictly Three Seas projects.

Ukraine could be included in already planned/ongoing projects like Via Carpathia, or new ones could be designed, for example through dedicated investment fund. This will be a natural extension of the region's already existing support for its eastern neighbour. It will also increase the region's chance of playing a significant role in the reconstruction of Ukraine and improving regional infrastructure – after all, all connections from Ukraine to the West must go through the Three Seas.

A growing awareness of the need for joint regional lobbying within and outside the European Union could also result in more funding. Thanks to projects such as Via Carpathia and Rail Baltica, the Three Seas countries have learnt that coordinated action brings additional funds for regional investment. So far, however, such lobbying has been carried out inconsistently and irregularly. This is slowly changing. For example, the Three Seas Business Development Association was launched to lobby Brussels for regionally friendly legislation^[88].

With regard to raising additional private funds, in addition to the existing Three Seas Initiative Investment Fund, a second instrument of this type is planned, as announced at the recent Initiative summit in Bucharest. The new fund, which is intended to invest primarily in green-oriented infrastructure, is necessary as the resources of the existing fund are committed almost in full. While designing the new fund, it will be necessary to learn from the previous ineffective fundraising, otherwise attracting private and institutional investors may fail again.

THREATS TO EXISTING AND FUTURE FUNDING

In the short term, the biggest threat to infrastructure financing in the Three Seas region is the war in Ukraine. On the one hand, the conflict discourages private investors from investing in a region bordering the conflict and at risk of escalation. On the other hand, funds that could have been dedicated to regional development are being diverted to help Ukraine. This is particularly evident in the case of funding from the American IDFC for the Three Seas Initiative Investment Fund, which, despite being announced twice, has still not reached the Fund^[89].

In the short term, it is also necessary to ensure that American interest in financing investment in the region is retained. The Three Seas Initiative enjoyed the support of President Donald Trump, who saw the development of the region as a counterbalance to German interests and an opportunity to increase American LNG exports. With the change of administration, the priorities and expectations for the Initiative changed. Regardless of who wins the next presidential election, the key to securing US funding will be to firmly position the region for a low-carbon energy transformation. For that is the expectation of US companies, as US Special Envoy for Climate John Kerry emphasised at the Bucharest Summit.

In the long term, the biggest threat is the enlargement of the European Union that would include Ukraine, Moldova and the Western Balkan countries. The accession of Ukraine alone will turn some of the countries of our region into net contributors, and the Czech Republic, Estonia, Slovenia and Lithuania will lose funding from the Cohesion Fund^[90]. With the addition of further countries, the loss of funding would extend to the remaining Three Seas states. Three Seas must be prepared for this change, especially as the pressure to accommodate further states increases as a result of Russia's expansionist policy. However, none of the regional states is ready to lose this funding in the next few years^[91].

Chart 2: Three Seas Initiative Investment Fund support to the Three Seas countries, million euros, 2021-2027^[92]

The Cohesion Fund provides support to Member States with a gross national income per capita below 90% EU-27 average to strengthen the economic, social and territorial cohesion of the EU. 15 states are supported by this Fund, including 12 Three Seas states (i.e. without Austria)

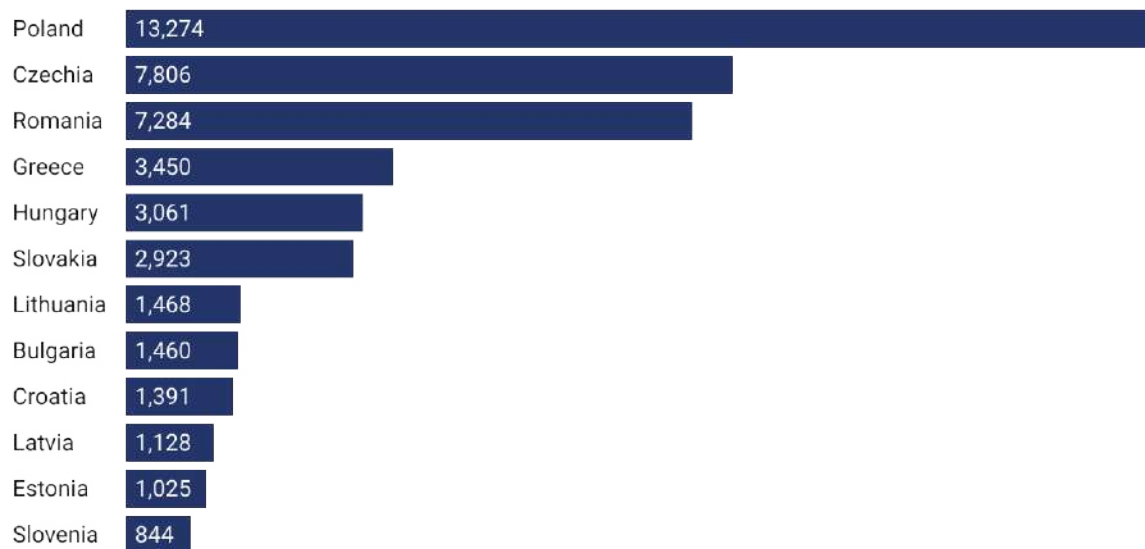


Chart: J. Wilczek, Source: European Commission

SCENARIOS FOR THE DEVELOPMENT OF THE THREE SEAS INITIATIVE IN TERMS OF PROJECT FUNDING

The current form of cooperation within the Three Seas Initiative does not allow for the optimal realisation of its objectives. The main obstacles are:

- variable interest in cooperation, depending on the political situation of the country concerned,
- variable number of Three Seas events, depending on the ambitions of the state presiding over the Initiative,
- lack of coordination mechanisms and bodies for Three Seas activities,
- lack of a funding framework for joint activities, especially infrastructure investments.

As a result, instead of well-thought-out cooperation, we have a set of actions undertaken by individual states alone or with selected partners. Moreover, these activities are implemented de facto independently of the Three Seas Initiative, although for political reasons they may be labelled as such. This is not conducive to increasing the relevance of this cooperation format and may in the future result in its termination due to lack of "added value".

It should be noted that this existing "non-demanding" way of operating the Three Seas Initiative had its reasons. On the one hand, it helped convince the states of the region that participation in this project does not require a big commitment from them, so they risk nothing by joining. On the other hand, institutionalising the Initiative at the very beginning of its existence would not have allowed to dispel the fears of some countries that the Initiative was supposed to be an alternative to the European Union. After more than seven years of the Initiative, a moment of reflection is needed on what could be done better, especially as the political climate for this format of cooperation is now exceptionally favourable.

Three potential scenarios for the further development of the Initiative are presented below, with a particular focus on the funding model for joint activities and investments. They are inspired by the cooperation models present in the Visegrad Group, NATO and the European Union. This does not mean that these scenarios postulate that the Initiative should evolve into a copy of these organisations or their successors. Inspiration here means using their practices and experiences (simplified for the purpose of this analysis) to further develop Three Seas cooperation. Of course, these three scenarios do not exhaust all possible ways for the Initiative to evolve.

1. "Visegrad" scenario

This scenario does not foresee the institutionalisation of the Three Seas Initiative. The initiative is still based on the format of an annual presidency, but the states take over the presidency according to multi-year schedules, rather than voluntarily and at short notice as they currently do. This allows the objectives and activities of the presidency of each Three Seas country to be planned in advance, reduces dependence on the political situation in the given country and allows the provision of adequate budgetary resources.

In this scenario, the Initiative does not have its own budget, both for coordinating cooperation and realising projects. Individual countries decide on their own or in smaller groups to build common infrastructure. The aim of the Initiative remains to facilitate contacts between participating countries and to promote regional thinking about infrastructure, including joint lobbying for EU funding.

This scenario allows for the creation of joint sources of funding for selected purposes accompanying the Initiative, subject to the agreement of all countries. For example, it could involve the creation of a Three Seas Social Fund, which, similar to the Visegrad Fund, would serve to develop cooperation between NGOs, media or schools from the countries of the region through joint projects, exchanges, volunteering and sharing of best practices.

The realisation of this scenario need not mean the end of existing cooperation formats in the region, e.g., the Visegrad Group, the Slavkov Trilateral, the Central Five or the Varna Quadrilateral. They could also continue under the Initiative as its subgroups, which would reduce the operating costs of

these formats, as their meetings could be organised on the occasion of Three Seas meetings. The main advantage of this solution is that it is the easiest one to implement in a situation where many Three Seas states are opposed to the institutionalisation of the Initiative. This scenario also involves the least costs on the part of the Three Seas countries, even when the creation of the Three Seas Social Fund is taken into account.

The main disadvantage of this solution is that it may not significantly increase the effectiveness of the implementation of infrastructure projects. Developing a common regional position or lobbying the EU together will be very difficult among thirteen countries. As a result, the region will exist mainly in name and actual activities will be carried out in smaller groups.

2. "NATO" scenario

In this scenario, the foundations of institutionalisation are formed, but the core activities are carried out by the states of the Initiative. Institutionalisation could take two forms:

- 1) a small secretariat, the purpose of which would be to maintain the institutional continuity of the Initiative (e.g., documentation produced during the individual presidencies, information on regional investments), have up-to-date knowledge of key contacts on Three Seas matters in the individual countries, and potentially monitor the EU legislation regarding infrastructure and its financing,
- 2) the Three Seas Chamber of Commerce, which would promote the economic and infrastructural potential of the entire region, support the countries in the region in their economic lobbying within the European Union and serve as a contact point for foreign investors interested in the region^[93].

These options are not mutually exclusive, the establishment of both would even be desirable. The creation of a Three Seas Chamber of Commerce seems to be much easier, as the idea of a secretariat, even a small one, still raises objections from many participating countries. Whichever option is pursued, the best location for both is Brussels, as this would help to emphasise the Initiative's complementarity with the European Union, as well as facilitate lobbying in EU structures and networking with foreign state and company representatives. Brussels is also a more neutral choice than any location in the region.

The organisation of summits and other activities of the presidency would continue to be the responsibility of individual states. Countries would volunteer to organise the summits themselves, as they do today, but with more advance notice. Outside the summits, there would be permanent cooperation between ministries or expert groups responsible for infrastructure investments^[94].

Under this scenario, infrastructure investments are selected and financed by individual countries (alone or in smaller groups), but each country is required to secure a certain proportion of its GDP in its budget for infrastructure development, particularly that of a cross-border nature (either at home or in other countries in the region). Regional standards may also be set to ensure that the solutions adopted are compatible and further scalable, which would reduce costs.

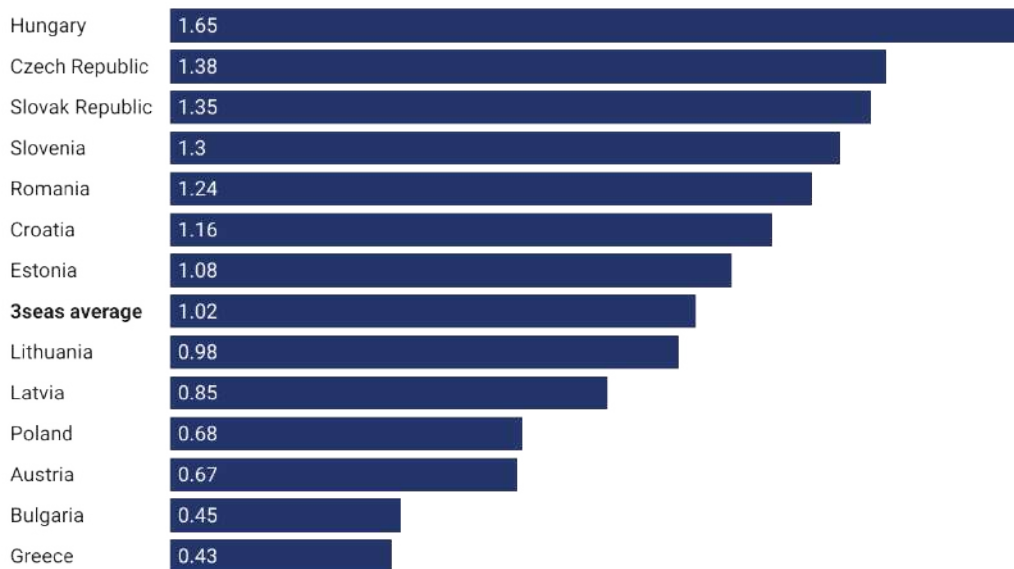
A key advantage of this scenario is that states commit to contribute proportionally to regional infrastructure development. It can be argued that larger economies should take more responsibility for regional infrastructure, including that outside their borders, because they will

benefit from it to a greater extent. This scenario also ensures institutional continuity of the Initiative and its lobbying capabilities, but without excessive costs.

The main disadvantage of this scenario is that NATO practice shows that it is sometimes difficult to enforce states' spending at agreed minimums. Admittedly, it is politically easier to guarantee adequate spending on infrastructure rather than defence, as good roads, high-speed internet or clean energy sources are valued by all voters. However, it can be difficult to set a minimum level of investment with which all countries will agree.

Chart 3: Three Seas countries' spending on inland infrastructure as % of GDP, 2021 ^[95]

Inland infrastructure includes road, rail, inland waterways, maritime ports and airports and takes account of all sources of financing.



Data from 2021 or latest available.

Chart: J. Wilczek, Source: OECD

"EU" scenario

Within this scenario, the institutionalisation of the Three Seas Initiative is the most advanced. Not only is there a large secretariat where cross-border infrastructure projects in the region are coordinated (according to the Priority Project List), but also a common budget to finance/fund these projects. Each member country contributes funds according to its potential and receives according to its needs, so there is a solidarity mechanism in place, under which countries with higher GDP finance the creation of infrastructure in countries with lower GDP^[96].

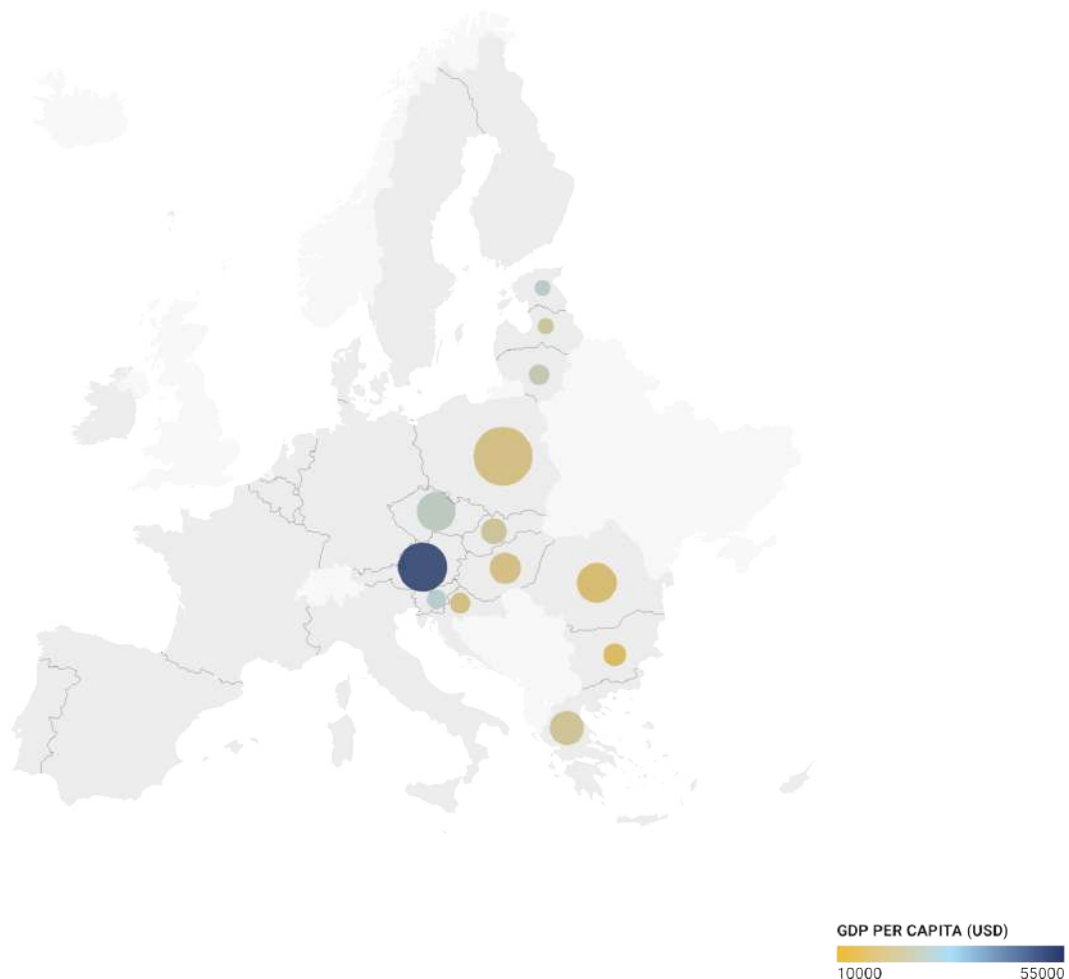
The main advantage of this scenario is to make membership of the Three Seas Initiative more attractive to the smaller or less developed countries in the region, as real benefits begin to follow. For the countries that would become net contributors in the Initiative, it could also bring an increase in political significance in the region. Full or partial funding of selected investments could also translate into greater visibility for the Initiative among the general public of the region, similar to what happened in case of EU funding. Centralised coordination of cross-border projects

could also contribute to more efficient realisation of projects, e.g., by limiting situations in which one country builds its part of the investment and the other delays construction, as in the case of the S3 expressway and Via Carpathia, among others.

The main disadvantage of this scenario is that it starts to make the Three Seas Initiative look like an alternative to the European Union, which will not meet with the approval of most countries in the region. A significant disadvantage is also the costs, resulting not only from the functioning of an extended secretariat, but also from contributions to a common budget. It should be noted that the differences in the Three Seas countries' GDPs are significant, but not per capita, so some of the "wealthier" members could question if they can afford to support the other countries in the region. There could also be doubts as to whether the Secretariat of the Initiative will be able to effectively manage such a large budget and large projects, especially as similar objections have already been expressed with the much smaller Three Seas Initiative Investment Fund.

On the other hand, some countries could seek to fund the most expensive projects with common funds, leading to paralysis in the setting of the Priority Project List (assuming consensus would still apply). Until recently, an example of this was the Danube - Oder - Elbe Connection project, pushed by the Czech Republic.^[97]

Graphic 2: Differences between GDP and GDP per capita in the Three Seas Region, 2022^[98]



SUMMARY

The infrastructure needs of the Three Seas are significant and growing. However, available financing, especially market financing, is increasing much slower than the needs. As experience shows, the mere promise of high returns on investment, with relatively low risk, is not sufficient to attract a sufficient number of new investors. It is therefore necessary to prepare a new offer and promotional strategy, in particular to focus on showing the potential of the region as a whole, instead of individual markets.

There are already examples of successful cross-border cooperation in the region in the area of infrastructure, which can provide a starting point for future projects. There are also less successful examples from which valuable lessons and conclusions can be drawn. Well-planned regional cooperation is the key not only to more efficient project implementation, but also to the chance of securing additional funding that no single country would have obtained on its own.

There is also an opportunity to acquire additional funding by including Ukraine in existing or planned infrastructure projects. For there is currently more money for pro-Ukrainian projects than for strictly Three Seas projects. At the same time, Ukraine has also created, although not directly, new risks for the region in terms of available funding. The ongoing conflict has discouraged some investors from investing in the Three Seas, and Ukraine's future accession to the EU will mean a loss of funding from the European Union. This is a major challenge for Three Seas-Ukrainian relations, which requires a thoughtful approach and willingness to make compromises.

A challenge for the Three Seas is also to retain US investment interest in the region. For this to succeed, the region needs to strongly focus on an energy transition based on low-carbon sources. For no matter who wins next year's presidential election, American companies will primarily want to invest in countries with lower energy costs and better working and living conditions for their employees.

Regardless of the funding available, it must be stated that the current form of cooperation within the Three Seas Initiative does not allow for the optimal realisation of its objectives and requires a reform. This will not be a simple process, as some of the countries of the region are openly opposed to the institutionalisation of the format. However, institutionalisation is not necessary, as shown in the first scenario, although without it, it is difficult to significantly increase the effectiveness and significance of the Three Seas Initiative in the region and beyond.

Of the scenarios presented in this chapter, the "NATO" scenario appears to be the most realistic. It increases the chances of regional infrastructure development, with both reduced costs and not very advanced institutionalisation, which would help to overcome the resistance of reluctant states. Also, the evolution of the Initiative through all proposed degrees of institutionalisation, as well as the creation of hybrid solutions, is not excluded.

RECOMMENDATIONS

■ **A reform of the Three Seas Initiative.** The Three Seas Initiative's current form of cooperation does not allow for optimal implementation of its objectives and effective lobbying. The report presents 3 scenarios for the further development of the Initiative that would help to change this

■ **Politicians should limit geopolitical rhetoric that is conflicting.** A rhetoric of cooperation and the search for cooperators is much more effective, especially as the effects of these actions are measurable.

■ **Three Seas region stakeholder network.** These include chambers of commerce, regional development agencies, investors, exporters, cities, universities, think tanks and NGOs. This process requires discernment of needs, formulation of offers for stakeholder groups and long-term support.

■ **Stakeholder involvement.** States' institutions are able to create support instruments (operational programmes, earmarked funds, grants, competitions). If Poland wants to be a recognised animator of regional development, it needs to take the lead in specific socio-economic processes.

■ **A better Three Seas Initiative Investment Fund.** In creating a new Three Seas Initiative Investment Fund, lessons should be learned from the activities that failed in the first Fund, especially fundraising. The new Fund should also be more resilient to economic crises.

■ **Investment projects.** A more flexible approach should be introduced in the selection of priority investment projects to the changing situation in the region.

■ **Coordination of economic policies.** Instruments should be implemented in countries' economic policies to foster resilience to global and regional economic shocks, to mitigate political disputes within the EU and to move towards a stable budgetary situation in the EU and in individual countries.

■ **Developing demographic policies.** Demographic policies favouring higher fertility rates and effective programmes for the integration of migrants and their inclusion in the labour market should be developed.

■ **Inclusion of Ukraine in projects.** It will be much easier today for the region to obtain funding for projects that include Ukraine, its reconstruction and connectivity with the European Union. It can be included in already implemented/planned projects or new ones can be planned.

■ **Accelerated energy transition.** A strong focus on low-carbon energy transition and environmentally friendly infrastructure is needed to retain US investment interest in the region.

■ **Good region-building practices.** It is useful to benefit from what researchers and business practitioners have observed. On this basis, new procedures and actions can be developed.

Endnotes:

¹ W. Wilczyński, *Geografia i metageografia ziem dawnej Sarmacji*, Przegląd Geopolityczny, vol. 9, 2014, pp. 9-30.

² J. Runge, *Metody badań w geografii społeczno-ekonomicznej – elementy metodologii, wybrane narzędzia badawcze*, Wydawnictwo Uniwersytetu Śląskiego, Katowice 2007.

³ Z. Rykiel, *Koncepcje pogranicza i peryferii w socjologii i geografii*, [in:] *Peryferie i pogranicza. O potrzebie różnorodności*, B. Jałowiecki (ed.), S. Kaprański (ed.), Scholar, Warszawa 2011, pp. 55-64; J. Runge, op. cit., pp. 163-177.

⁴ Cf. O. Halecki, *Historia Europy – jej granice i podziały*, Wyd. Instytut Europy Środkowo-Wschodniej, Lublin 1994, pp. 138–163. N. Antonyuk, *Central, Eastern and East-Central Europe: on the History and the Current State of Conceptualization and Demarcation of Concepts*, Politeja, no. 6(57), 2018, pp. 7-27. R. Zenderowski, A. Rudowski, *Europa Środkowa – od idei literacko-kawiarnianej do koncepcji politycznych*, Rocznik Europeistyczny, no. 3, 2017, pp. 127-145.

⁵ Halecki based this term on the now rarely used concept of 'civilisation'. East-Central Europe belonged to the circle of the so-called Latin civilisation, which brought these lands closer to the so-called Western Europe and distinguished them from Russia.

⁶ R. Zenderowski, *Geopolityka Trójmorza. Przestrzeń – Historia – Dawne idee i współczesne koncepcje*, Collegium Interethnicum, Warszawa 2021, p. 42.

⁷ J. Piłsudski outlined a programme for a federation of Poland, Lithuania, Belarus and Ukraine in 1917. The full federation project was conceived in February 1918 as a publication by Leon Wasilewski entitled "Granice państwa polskiego na wschodzie" [eng. 'Borders of the Polish State in the East']. Piłsudski consulted that project with the Regency Council, and fully endorsed those ideas in April 1919. The issue of federation was promoted in the magazine "Rząd i Wojsko" [eng. 'Government and the Army']. The concept lost significance after the Treaties of Riga and Rapallo and the occupation of Vilnius by Polish army. As late as 1922, Stanisław Bukowiecki wrote about the „Federacja wschodnioeuropejska” [eng. 'East European Federation']. After: J. Dutka, *Wpływ realizacji geopolitycznej koncepcji Międzymorza na bezpieczeństwo militarne Polski i Europy Wschodniej w XXI wieku*, Przegląd Geopolityczny, 2016, no. 16, pp. 120–137.

⁸ Z. Gal, A. Schmidt, *Europe divided? Can Warsaw become the regional leader of the Central and Eastern European Region?*, [in:] Politeja, No. 6 (51)/2017, pp. 235-260.

⁹ T. Pawłuszko, *Pozycja Polski w systemie międzynarodowym*, Tetragon, Warszawa 2023, pp. 176-182.

¹⁰ A. Nitszke, *Inicjatywa Trójmorza. Role – funkcje – kontrowersje z perspektywy teorii europeizacji*, Rocznik Integracji Europejskiej, no. 16, 2022, pp. 307-322, the author cites Robert Ladrech's definition of Europeanisation as 'a process of gradual reorientation of the direction and shape of policy to the point where the political and economic dynamics of the Communities become part of the organisational logic of national politics and policy-making'.

¹¹ S. Pastuszka, *Polityka regionalna Unii Europejskiej – cele, narzędzia, efekty*, Difin, Warszawa 2012. For a critical view, see G. Gorzelak, *Fakty i mity rozwoju regionalnego*, Studia Regionalne i Lokalne, no. 2, 2009, pp. 5-27.

¹² K. Popławski, J. Jakóbcowski, *Trójmorze jako odpowiedź Europy Środkowej na globalne i unijne wyzwania*, Sprawy Międzynarodowe, 2020, vol. 73, no. 2, pp. 23-44.

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