



# Three Seas Initiative



# New Direction



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New Direction is registered in Belgium as a not-for-profit organisation and is partly funded by the European Parliament.  
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New Directions second Foreign Policy Council convened in Dubrovnik, Croatia, to discuss the future development of the Three Seas Initiative (3SI). The discussion brought together key stakeholders from across the Three Seas nations, including Members of Parliament, scholars, and representatives from civil society. The focus of the discussion was the development of the 3SI in three key areas: Energy Policy, Investment in Infrastructure, and Regional Security Policy.

## KEY CONCLUSIONS

- The Three Seas Initiative (3SI) has an opportunity to provide a strengthened, common, voice for countries in Central and Eastern Europe when it comes to the issue of security and defence. As such it should be expanded to include the Western Balkans, Caucasus, and Ukraine.
- The Three Seas Initiative should take a leading role in the reconstruction of Ukraine after the conflict, as member countries have already provided vital support during the war.
- 3SI should provide a strong base for support for the development of countries in the Western Balkans as they move towards EU and NATO membership.
- The Three Seas Initiative provides a platform for strengthening regional development, investment, security, and growth – 3SI should move towards expanding infrastructure spending on key projects such as Rail Baltica, Via Carpathia, and the Danube – Oder – Elbe Connection.
- The Three Seas Initiative should be more ambitious in upgrading existing outdated infrastructure. Opportunities exist for cross boarder cooperation and access to EU funding mechanisms to bring the region in line with the rest of Europe.
- The development of new Liquefied Natural Gas (LNG) Terminals on the Baltic and Adriatic Sea, paired with the development of new pipelines, offers 3SI Countries a short to medium term chance to move towards energy independence.
  - The expansion of investment in Nuclear Power will secure energy independence in the long term, paired with the expansion of a common grid.
- 3SI countries should look at establishing common financial tools, including the creation of common 3SI Bonds, and the development of a joint 3SI Stock Exchange.

## ENERGY POLICY

The issue of energy independence in the 3SI has become not just an issue of supply, but one of security, and one of growth. Keeping energy prices down will help to boost the economies of Central and Eastern Europe in the long term.

Many countries in the Three Seas Initiative had previously warned about Western Europe's overdependence on energy imports from Russia. The opposition to the Nord Stream II Pipeline by Poland and other countries in Central and Eastern Europe was ignored. As such countries in the region took matters into their own hands by developing their own capacity to import foreign fuel supplies from other sources. The first major project proposed by the Three Seas Initiative was the establishment of two major Liquefied Natural Gas (LNG) Terminals – one on the Baltic Sea in Poland, and the other on the Adriatic Sea in Croatia.

The proposal would have seen American and other LNG imported to Central and Eastern Europe and disseminated along new pipelines linking the countries in the region, creating a common storage and distribution network for member countries. Such a pipeline will connect with the Trans-Adriatic Pipeline that will link the Balkans to Turkey and Azerbaijan.

The longer-term objective of the 3SI should be to establish joint procurement and joint construction of Nuclear Power capacity in Central and Eastern Europe. The advent of Small Modular Reactors (SMRs) should be viewed as an opportunity for the region to make the switch from hydrocarbons to cleaner nuclear power. This could provide an opportunity for outside investment from the United States, from companies such as Westinghouse.

Equally, with extra energy generation capacity, there are opportunities to expand the shared grid system – with 3SI member states having an opportunity to export surplus production to neighbouring countries within the region. It was stated that there is a need to build greater interoperability into the European energy market to allow for easy exchange.

Regional issues with Soviet Era infrastructure means that synchronisation is an issue, especially when it comes to transfers of gas for storage. The

Three Seas Initiative could provide the financial support necessary to bring the infrastructure up to date, boost storage capacity, and increase interoperability across the grid.

Future energy mix will include renewable energy forms such as wind and solar which are subject to greater instability in their generation. Therefore, the 3SI should work on energy infrastructure projects such as energy grid interconnections, energy storage (batteries) and excess energy capacity (n-1) that has to be in place in case of loss of capacity due to maintenance. If projects are built in a line with other 3SI countries the grid maintenance costs would be much lower which could increase the overall competitiveness.

An underutilised geoeconomic asset is the Black Sea extended region – with its relatively rich pool of both “old energy” resources (natural gas, oil, coal), needed to smoothen the ecological transition, as well as “new energy” (including uranium). Creating a smart interdependence within the 3SI is a step forward to the region's sustainable energy independence.



## INVESTMENT & INFRASTRUCTURE POLICY

Investment in new infrastructure is a cornerstone of the Three Seas Initiative. Major infrastructure projects such as the Via Carpathia (connecting Gdansk to Thessaloniki by motorway) and Rail Baltica (connecting Estonia, Latvia, Lithuanian, and Poland) provide models for how 3SI Members can improve connectivity from North to South and complement the work of the EU in connecting Europe from West to East. 3SI should consider looking additionally at the expansion of inland waterway navigation – in particular along the Danube, Oder, and Elbe basins.

In addition to the expansion of new public works programmes, there is a chance to upgrade existing infrastructure. Many nations in the 3SI region are still behind Western Europe in terms of state of repair and efficiency. There are opportunities for 3SI countries to cooperate with one another in applying for

EU Commission funding on infrastructure, by presenting joint projects for the upgrading of existing, outdated, infrastructure.

Stronger North-South infrastructure ties represent an overlooked driver for cohesion/convergence within the 3SI

region, which could, in turn, better propel the otherwise overstated East-West catching-up bonanza.

The recent rise in inflation comes from both the supply side and the demand side of the economy. The economic policy for fighting the demand side inflation is the increase in the interest rates. The new investment into the region should be welcomed as an opportunity to increase the supply of goods and fight the supply side inflation. This push back against inflation with precisely focused new investments will also have effect against EU and 3SI countries entering stagflation.

As the world's economy enters a stage of flux, there is a need to create resilience in the markets. The issuance of 3SI Bonds as a means of raising capital for infrastructure projects could be explored as an option, however issuers should be cautious about the dangers posed by aggressive speculation.

There is equally a need to build financial market capacity. The 3SI Business meeting in Latvia in 2022 suggested the establishment of a common 3SI Stock Exchange for major companies in the region, as an opportunity to raise extra market capital.

Finally, there is a need for 3SI to reach out to investors outside of Europe – including by attracting money from the United States. The Trump administration promised an investment of \$1bn, provided 3SI countries could raise an additional \$2bn – whilst these terms were met, the Biden administration reneged on the commitment. Instead, so far the United States has only committed \$300mn. 3SI Nations should reach out to the Republican Party, who have been broadly more sympathetic to the aims and objectives of the project.

## REGIONAL SECURITY POLICY

Underpinning every activity of the 3SI is a deep concern about security in the region. In the case of energy, it is about ensuring independence and ending overreliance on Russia that has created a dangerous political relationship that has put energy imports above security. In infrastructure, it is about developing dual use capacity by providing tools to guarantee resilience in the event of conflict – such as bridges that can hold the weight of tanks, railways that can deploy troops quickly, and port facilities that can unload bulky equipment. Finally, there is the opportunity to use the 3SI framework to support neighbouring countries in the region, such as Ukraine or the nations of the Western Balkans.



The war in Ukraine has overshadowed all other issues in Europe, and considerable effort needs to be dedicated to understanding what the region will look like once the conflict has ended. Ukraine will need to be quickly integrated into the Euro-Atlantic sphere.

Equally, the 3SI should look at expanding its range to include the countries of the Western Balkans and provide them with an economic safety net that protects them from Chinese, Russian, Iranian, and Serbian influence the insidious influence of undemocratic regimes such as the Russian, Chinese or Iranian ones, as well as of their regional proxies (such as Serbia). However, attention should be paid to de-homogenize the Euro-Atlantic community's treatments of these countries and adapt counteractions to the specific challenges they pose to the Western World paradigm, in order to avoid ending up with, as an unwanted by-product, a "rogue coalition" from their side.

The 3SI should also provide a platform to demonstrate that the countries of Central and Eastern Europe are willing to stand together as a coalition of the willing that will work with NATO allies to defend the Western World.

Finally, the Three Seas Initiative exists as a mechanism within the European Union to counterbalance the interests of Western Europe, in particular the influence of France and Germany and the undeserved image of the post-2004 "new" member states as second-rank, policy-taker EU constituents. 2022 has turned into a watershed year for Central and Eastern Europe as it has vindicated the fears and concerns of countries in the region when it comes to geopolitical outlook and security.

## MOVING FORWARD

The Three Seas Initiative is in a crucial phase of its development – should it succeed, it can go on to become an important vehicle for security and economic growth in the region, providing a common platform for the countries of the region. However, in order to achieve this, the 3SI needs to move towards creating more structured cooperation between its member states, including by formalising existing coordination through the establishment of a permanent secretariat. Such structured cooperation could turn the project into an engine for economic growth, and help to develop a greater degree of geopolitical autonomy that would allow for enhanced cooperation with preferred partners.





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