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FEATURES OF THE PROCESS OF INTEGRATION OF THE BALTIC STATES INTO THE EU

The process of European integration of the Baltic States, which have already joined the EU, has its own specific features that have a multidirectional impact on their economies. The purpose of the study is to determine the specifics and effects of modern European integration processes characteristic of the transforming national economies of the Baltic States. The article analyzes the following aspects of deepening the integration of the Baltic States into the EU: maximum incorporation of EU norms into national legislation; unconditional support for major initiatives of the European Commission; accession to the Schengen area; "infrastructure integration", i.e. the desire to get out of the position of a transport and energy "island" within the EU. It is concluded that in the process of further active cooperation with the EU, it is important for the Baltic States to make fuller use of the advantages and opportunities created by European integration, and at the same time to implement measures to neutralize its negative consequences.

Keywords: Baltic States; Lithuania; Latvia; Estonia; European Union; European integration; foreign trade relations.

JEL classification: O19, F45.

ОСОБЛИВОСТІ ПРОЦЕСУ ІНТЕГРАЦІЇ КРАЇН БАЛТІЇ ДО ЄС

Інтеграційні процеси та регіональні міждержавні блоки в різних куточках нашої планети відіграють ключову роль у функціонуванні та розвитку світової економіки. Одним з найбільших та найуспішніших економічних і політичних об'єднань є Європейський Союз, який є лідером за рівнем взаємозв'язків між національними економіками та ступенем координації державної політики. Процес європейської інтеграції країн Балтії, які вже вступили до ЄС, має свої специфічні особливості, що різноспрямовано впливають на їхню економіку: з одного боку, відкриваються нові переваги та можливості, а з іншого – виникають негативні наслідки. Метою дослідження є визначення специфіки та наслідків сучасних процесів європейської інтеграції, характерних для національних економік країн Балтії, що трансформуються. Для країн Балтії Європейський Союз є, перш за все, гарантом економічної стабільності та джерелом фінансової допомоги для соціально-економічного (розвиток сільського господарства, створення нових робочих місць, підтримка малого та середнього бізнесу, проекти в освітній сфері, НДДКР тощо) та інфраструктурного розвитку. Однак, хоча перші роки членства країн Балтії в ЄС відзначилися феноменальними темпами економічного зростання, Латвії, Литві та Естонії не вдалося досягти суттєвих успіхів у покращенні якості життя населення та приведенні його у відповідність до скандинавського стандарту. Це стало додатковим фактором значного зростання міграційного потоку з країн Балтії до країн ЄС. У статті аналізуються такі аспекти поглиблення інтеграції країн Балтії до ЄС: максимальне впровадження норм ЄС у національне законодавство; безумовна підтримка основних ініціатив Європейської Комісії; приєднання до Шенгенської зони; «інфраструктурна інтеграція», тобто прагнення вийти з позиції транспортно-енергетичного «острова» в рамках ЄС. Зроблено висновок, що в процесі подальшої активної співпраці з ЄС країнам Балтії важливо повніше використовувати переваги та можливості, що створюються європейською інтеграцією, і водночас впроваджувати заходи щодо нейтралізації її негативних наслідків.

Ключові слова: країни Балтії; Литва; Латвія; Естонія; Європейський Союз; європейська інтеграція; зовнішньоторговельні відносини.

Statement of the problem. Integration processes and regional interstate blocs in various parts of our planet play a key role in the functioning and development of the global economy. One of the largest and most successful economic and political associations is the European Union, which is

the leader in terms of the level of interrelations between national economies and the degree of coordination of state policies.

The process of European integration of the Baltic countries, which have already joined the EU, has its own

specific features that have a multidirectional impact on their economies. In the process of active cooperation with the EU, it is important for the Baltic countries to make fuller use of the advantages and opportunities created by European integration, and at the same time to implement measures to neutralize the negative consequences.

Analysis of recent research and publications.

Among the works that laid the theoretical foundations for understanding modern integration processes, it is necessary to mention the works of Balassa B. Theory of Economic Integration; Deutsch K. Political community at the international level: problems of definition and measurement; Mittrany D. Working Peace System; Spinelli A. The Eurocrats; Haas E. Uniting of Europe. It is also possible to highlight the works of Abiad A., Aiginger K., Etzioni A.

Such researchers of Central and Eastern European countries as Ablov M., Kolodco G., Konig O., Kniazev I., Klaus V., Leska V., Medina L., Neuhold H., Borco I., Butorina O., Glinchina S., Ogorodov A., Orlic I. and others made a serious contribution to the study of pan-European economic integration.

However, despite the abundance of publications on the problem of EU development, the specifics of the integration of the Baltic countries and its consequences for the economies of these countries are poorly studied. Many issues of foreign economic relations, the state and results of

cooperation between countries and the regional bloc remain insufficiently developed, require adjustments and new scientific approaches.

Purpose of the article. The aim of the study is to determine the specifics and effects of modern European integration processes characteristic of the transforming national economies of the Baltic countries.

Presentation of the main research material. For the Baltic countries, the European Union is, first and foremost, a guarantor of economic stability and a source of financial assistance for socio-economic (development of agriculture, creation of new jobs, support for small and medium-sized businesses, projects in the educational sphere, R&D, etc.) and infrastructural development, which, according to KPMG, provides up to 25% of the GDP of the countries of Central and Eastern Europe [7].

Funds are provided within the framework of the EU regional policy (cohesion policy) to areas where GDP per capita in PPP is 75% or less of the EU average (Table 1) [5], through structural funds (European Social Fund, European Regional Development Fund, European Agricultural Guarantee Fund, European Rural Development Fund, Fisheries Promotion Fund) and the Cohesion Fund. Since joining the EU, the Baltic States have received 33.87 billion euros in aid: Latvia – 10.11 billion euros, Lithuania – 15.2 billion euros, Estonia – 8.56 billion euros (Table 2) [6].

Table 1

Ratio of GDP per capita in PPP in the Baltic countries to the European average (EU-28=100%) (in %)

	2004	2006	2008	2010	2012	2014	2016	2018	2020	2022	2023	2024
Latvia	46	50	53	57	59	52	53	57	60	62	64	64
Lithuania	49	53	55	60	63	56	60	66	70	73	75	75
Estonia	54	60	64	69	69	64	65	71	74	75	76	75

Source: [5]

Table 2

The amount of funds received by the Baltic States under the Cohesion Policy

	2004-2006	2007-2013	2014-2020
Latvia	1,0	4,6	4,51
Lithuania	1,7	6,8	6,7
Estonia	0,8	3,5	4,26

Source: [6]

Although the first years of the Baltic States' membership in the EU were marked by phenomenal rates of economic growth – GDP growth rates were double-digit in some years (Table 3), the political leadership of Latvia,

Lithuania and Estonia failed to achieve significant success in improving the quality of life of the population and bringing it up to the Nordic standard [5].

Table 3

Annual growth of real GDP in the Baltic States (2004-2024; % of the previous year)

	2004	2006	2008	2010	2012	2014	2016	2018	2020	2022	2023	2024
Latvia	8,9	10,1	11,2	9,6	-3,3	-17,7	-0,9	5,5	5,5	4,2	2,4	2,7
Lithuania	7,4	7,8	7,8	9,8	2,9	-14,8	1,5	5,9	3,7	3,3	2,9	1,6
Estonia	6,3	8,9	10,1	7,5	-4,2	-14,1	2,6	9,6	3,9	1,6	2,1	1,1

Source: [5]

After joining the European Union, the next task was set – to become a member of the Eurozone. The first attempt to join it in 2007-2008 was not successful. Once again, the achievement of certain macroeconomic indicators (Maastricht criteria) through tough neoliberal economic reforms (cutting government spending, including on the social

sphere, raising taxes), which was called the “Baltic neoliberal model of capitalism”, was carried out at the expense of the well-being of the population [9].

As a result, the number of people living in conditions of risk of poverty or social exclusion in Latvia and Lithuania still exceeds the EU average (Table 4) [5].

Table 4

Number of people in the Baltic States at risk of poverty or social exclusion (2004-2024, %)

	2004	2006	2008	2010	2012	2014	2016	2018	2020	2022	2023	2024
EU-28	-	25,7	25,3	24,4	23,8	23,3	23,7	24,3	24,7	24,6	24,4	-
Latvia	-	46,3	42,2	35,1	34,2	37,9	38,2	40,1	36,2	35,1	32,7	30,9
Lithuania	-	41,0	35,9	28,7	28,3	29,6	34,0	33,1	32,5	30,8	27,3	29,3
Estonia	26,3	25,9	22,0	22,0	21,8	23,4	21,7	23,1	23,4	23,5	26,0	24,2

Source: [5]

This became an additional factor in the significant growth of the migration flow from the Baltic countries, which had already intensified immediately after 2004, and the gradual opening of the labor markets of the EU-15 countries: since 2004 – Great Britain, Ireland and Sweden; since 2006 – Greece, Spain, Italy, Portugal and Finland; since 2007 – Luxembourg and the Netherlands; since 2008 – France; since 2009 – Belgium and Denmark and, finally,

since 2011 – Austria and Germany. It is estimated that since 2004, the outflow of population from Lithuania could have been at least 500 thousand people, Latvia – 300-350 thousand people, Estonia – 100-150 thousand people. Although official statistics provide somewhat lower figures (Table 5), the example of Estonia is indicative, where un-registered migration has been included in migration statistics since 2015 [1-2, 8].

Table 5

Balance of external (registered) migration of the population of the Baltic States in 2004-2024 (persons)

	2004	2006	2008	2010	2012	2014	2016	2018	2020	2022	2023	2024	Σ
Latvia	-15323	-10952	-8807	-7946	-22367	-34477	-35640	-20077	-11860	-14262	-8652	-10640	-201003
Lithuania	-32138	-51096	-24645	-21774	-16453	-32013	-77944	-38178	-21257	-16807	-12327	-22403	-367035
Estonia	-1830	-3174	-3293	-643	-735	-774	-2484	-2505	3682	-2642	-733	-2410	-20085

Source: [1-2, 8]

Most often, migrants are residents of prime working age (from 25 to 44 years old). At the same time, emigrants are in no hurry to return to their homeland. Thus, according to a survey conducted in 2021 by order of the Lithuanian Ministry of Foreign Affairs, in which 1,720 people from 55 countries took part, only 40% of respondents noted that they were interested in the possibility of returning to Lithuania, while 17% were not interested, and for 43% this issue was irrelevant. As for Latvia, a recent diaspora study, in which more than 14,000 respondents from 118 countries took part, shows that 27% do not plan to return, 41% could return under certain conditions, 16% plan to return within 5 years, and another 16% - after retirement [1-2, 8].

Statistics confirm the alarming scale of the outflow of population from the Baltic States, given that its official number as of January 1, 2025 is only in Latvia – 1,968,957 people, in Lithuania – 2,888,558 people, in Estonia –

1,311,944 people, which corresponds to approximately 0.39%, 0.57% and 0.26%, respectively (in total – 1.22%) of the total population of the EU, and has decreased by approximately 35–40% since independence. [5].

In the process of deepening integration into the European Union, the Baltic States have acquired and secured a certain "specialization". The areas of such "specialization", within which the Baltic States put forward the greatest number of initiatives, have become cybernetic (Estonia has the lead here) and energy (Lithuania) security, the implementation of the "Eastern Partnership" program, the EU enlargement policy and the implementation of the Single Market concept (especially the free movement of labor and services) [10].

In addition, recently in the Baltic countries there has been an attempt to put the economies on an innovative track (Table 6) [5].

Table 6

Share of high-tech products in the export of the Baltic countries (2017-2024; % of total export)

	2017	2018	2019	2020	2021	2022	2023	2024
EU-28	16,1	15,4	17,1	16,1	15,4	15,7	15,3	15,6
Latvia	4,6	4,6	5,3	4,8	6,7	6,4	8,0	9,2
Lithuania	7,3	6,5	5,8	6,0	5,6	5,8	5,8	6,4
Estonia	7,8	7,5	6,9	10,4	14,8	14,1	15,0	16,3

Source: [5]

Despite the fact that many export productions in the Baltic countries (as well as in other CEE countries) are part of the supply chains of TNCs and therefore these figures are in some sense inaccurate, it should be noted that increasing the share of high-tech products in exports is considered one of the main tasks of their (foreign) economic policy.

The most innovative are considered to be: in Latvia -

pharmaceuticals and agricultural technology, in Lithuania - laser technology, agricultural technology and IT technology, in Estonia - IT technology.

If we talk about deepening integration into the EU, it includes several aspects.

Firstly, this is the maximum incorporation of EU standards into national legislation - during all the years of EU membership, the Baltic countries are in the top five in

terms of the smallest number of initiated «violation procedures».

Secondly, unconditional support for major initiatives of the European Commission – such as the Treaty establishing a Constitution for Europe, the Lisbon Treaty, the introduction of the so-called European Semester, the creation of the European Stability Mechanism and the adoption of the European Fiscal Pact.

Thirdly, joining the Schengen area (December 2007) and joining the Eurozone (Estonia – since 2011, Latvia – since 2014, Lithuania – since 2015).

Finally, fourthly – and this component occupies a special place in the European policy of the Baltic States – the so-called “infrastructure integration”, that is, the desire to get out of the position of a transport and energy “island” within the EU. In the transport sector, this includes the renovation of the Via Baltica highway and the construction of a high-speed narrow-gauge (1435 mm) railway line Rail Baltic/Rail Baltica, which, under a favorable scenario for the Baltic countries, will connect Helsinki and Berlin. If the first was essentially created earlier and only requires constant monitoring of its condition and repair, then the second, despite its not entirely clear economic payback, is more of a geopolitical project and will not be implemented before 2027 [3].

The “energy agenda” of the European policy of the Baltic States was determined by the politicization and then securitization of energy that began in the second half of the 2010s. Of the 33 projects identified in the “European Energy Security Strategy” adopted in 2014 that are significant for the EU in terms of ensuring energy security, 11 relate to the Baltic States. Including: LNG terminal in Klaipeda port, Klaipeda-Kemenai gas pipeline, Lithuania-Poland gas interconnector (GIPL), Estonia-Finland gas interconnector (Balticconnector), regional LNG terminal (in

Estonia or Finland), Latvia-Lithuania gas interconnector, completion of Nordbalt 1&2 projects (electricity cable between Lithuania and Sweden), creation of Lithuania-Poland power bridge (LitPolLink), increase of capacity of power line between Latvia and Sweden (Nordbalt), interconnection of power systems between Latvia and Estonia (including modernization of Estonian power system) and, finally, synchronization of power systems of Baltic countries with pan-European [4].

In general, the policy related to overcoming the infrastructural “isolation” of the Baltic countries corresponds to the main goals of the EU in the field of infrastructural integration.

Conclusions. Thus, the intermediate results of the 20-year integration of Latvia, Lithuania and Estonia into the EU are ambiguous. From a formal point of view, they have carried out successful political and socio-economic transformations, which allowed them to achieve the necessary macroeconomic indicators.

On the other hand, having become members of this association, they independently, without any pressure, transferred a significant part of the sovereignty, which they had previously so actively sought, to the supranational level.

Being subsidized republics within the USSR, today they have become subsidized from Brussels. In addition, economic reforms and foreign economic reorientation from East to West were extremely painful for the Baltic economies and became, among other things, the cause of significant social costs.

In the process of further active cooperation with the EU, it is important for the Baltic countries to make fuller use of the advantages and opportunities created by European integration, while at the same time implementing measures to neutralise its negative consequences.

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