

# Advancing the Three Seas Initiative: An Economic Partnership Opportunity for America

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## KEY TAKEAWAYS

The upcoming Three Seas Initiative (3SI) summit offers a critically timed opportunity for 3SI partners to work together to reboot and revitalize their economies.

The U.S. and the 12 European 3SI countries must remain steadfast in their determination to ensure that the evolving strategic partnership grows stronger together.

The Trump Administration should focus on advancing pragmatic policies that enhance economic freedom and advance shared values in the 3SI countries.

On October 19 and 20, Estonia will host the fifth summit, and third business forum, of the Three Seas Initiative (3SI). Originally planned for June, the meetings were postponed due to the COVID-19 pandemic. The October summit and business forum offer a critically timed opportunity for the 3SI partners to work together to reboot and revitalize their economies in the COVID-19 era. Advancing pragmatic policies that enhance economic freedom and advance shared values should be a focal point for Washington's strategic interaction with the 3SI countries.

## The Three Seas Initiative Matters to the U.S.

From Washington's foreign policy perspective, the 3SI—launched in 2016 to facilitate greater development and connectivity among 12 European Union

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countries around and between the Baltic, Black, and Adriatic Seas—is the most significant political and economic policy initiative to emerge in Central and Eastern Europe in the past half century.

The 12 countries of the 3SI are Austria, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia. The 3SI is designed to promote connectivity among nations in this critical region by supporting infrastructure, energy, and digital interconnectivity projects, with the ultimate goal of strengthening their security and economic integration with the rest of the European Union.

The 3SI countries are like-minded and willing partners of critical importance to the United States both politically and economically. While each of the 12 countries has undergone different phases of transition over the past decades, by and large they as a group have turned away, dramatically so, from the collectivist philosophies of socialism and communism and embraced a variety of free-market policies that have led to growing prosperity and stability. Having secure, stable, and economically viable strategic partners in the three seas region is in America's security and economic interest.

In deepening engagement with the United States, the 3SI countries should implement reforms that open them further to international investment and strengthen their institutions. Central to the task of advancing economic freedom and an enabling business environment in the region must be committed economic statecraft that creates a more inviting playing field for American companies and private investors, as well as ensuring U.S. leadership in market-opening and high-standard rulemaking.

Needless to say, Washington cannot provide countries in the three seas region with the political will that they need to transform their economies according to free-market principles. However, by getting more directly and practically involved in critical policy dialogues through the upcoming 3SI meetings, the U.S. can ensure that its constructive engagement is taken into account. Washington can also engage at the technical and practical level in a way that enables countries to advance their economic development. Fundamentally, America's economic relationship with the region will be exercised best through the private sector: the catalyst for real and meaningful economic transformation.

Indeed, the 3SI deserves stronger U.S. government support and elevated strategic engagement. To its credit, the Trump Administration has been a strong supporter of the 3SI. In 2017, President Donald Trump became the first U.S. President to attend a 3SI meeting. As he noted at the time, "The Three Seas Initiative will transform and rebuild the entire region and ensure that your infrastructure, like your commitment to freedom and

rule of law, binds you to all of Europe and, indeed, to the West.”<sup>1</sup> Former U.S. Energy Secretary Rick Perry represented the United States at the 3SI summits in 2018 and 2019. At the Munich Security Conference in February this year, Secretary of State Mike Pompeo announced an American commitment of one billion U.S. dollars in matching funds to the Three Seas Investment Fund.<sup>2</sup>

## A Practical Blueprint for Realizing the 3SI

The upcoming weeks will likely prove a pivotal moment for 3SI—either with tangible outcomes starting to magnify, or with the initiative fading away as a missed opportunity due to a lack of political will. The 3SI will allow the U.S. to build strengthened business, energy, and geopolitical ties to the emerging Europe region. The U.S. has been working with Estonia, the host of this year’s 3SI summit, to ensure that an important inflection point for the initiative is not missed.

In crafting a coherent and comprehensive road map that will advance America’s strategic interest of enhancing economic prosperity through greater private-sector engagement and regional connectivity in the three seas region, the Trump Administration should:

- **Keep the U.S. pledge made at the 2020 Munich Security Conference regarding matching U.S. funds.** The U.S. commitment of \$1 billion in matching funds for the Three Seas Investment Fund shows that the U.S. is serious about stability and security in Europe. As reinforced in June, the United States is “proud to have pledged substantial funding to implement this important initiative and call on others to join us.”<sup>3</sup> It is a concrete example of much-needed practical leadership in the transatlantic community. The Administration should continue thinking strategically and keep this commitment as long as the 3SI continues to advance U.S. economic, security, and geopolitical interests.
- **Encourage pro-market, pro-investment policies in the region.** Despite notable progress, a number of countries in the region need to be encouraged to adopt policies that will lure private investment and spur market-led economic growth and development. Greater economic freedom means freeing untapped entrepreneurs and unleashing the 3SI countries’ economic potentials, which are necessary for sustained growth and development. They should be encouraged to adopt more free-market policies that facilitate

development that is led by the private sector, because the real long-term transformative investments in the critical region will come ultimately from the private sector.

- **Amplify a bold, consistent narrative about the benefits of market liberalization and openness.** This narrative should highlight the positive consequences of economic freedom, including its positive impact on individual states, the value of imports to the national economy, the realities of the global value chains and their value to the U.S., and the constructive effects of economic growth on overall development.
- **Exercise strategic flexibility and incentivize reforms.** The U.S. should insist on dynamic trade, open investment environments, transparent agreements between nations, and improved connectivity to drive regional ties. That is in the interest of the U.S. and of the countries in the three seas area. But the U.S. can be strategically flexible in its approach—not needing formal agreements in every case. The U.S. and countries in the region have a mutual interest, for instance, in helping small and medium-size businesses, including those in the financial sector, grow and compete regionally as well as globally. Positive actions in this regard can be taken by the U.S. and individual 3SI countries on independent timetables.
- **Consider enlarging the Blue Dot Network’s (BDN’s) scope and practical application in facilitating regional connectivity.** The U.S., Australia, and Japan, have unveiled the BDN initiative, designed to promote “high-quality trusted standards for global infrastructure development.”<sup>4</sup> Given that the three BDN partners are already working together—the U.S., through the Development Finance Corporation; Australia, through its Department of Foreign Affairs and Trade; and Japan, through its Bank for International Construction—Washington should welcome corresponding entities from the 3SI countries as strategic partners of the BDN for various infrastructure development projects.

## The Way Forward beyond the October 3SI Meetings

Grasping and capitalizing on all opportunities to further deepen practical trade and investment relations is in the mutual interests of Washington and countries in the three seas region. The United States and the three

seas countries must remain steadfast in their determination to ensure that the evolving strategic partnership grows stronger as they move forward together.

The U.S. should take a multifaceted approach to advancing its transatlantic foreign policy interests, building greater economic relationships, and upholding the shared values of democracy and the rule of law through the Three Seas Initiative, which should rely on “fairness, transparency, and mutual benefit.”<sup>5</sup>

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## Endnotes

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2. Tal Axelrod, "Pompeo Pledges \$1 Billion in US Support for European Energy Initiative," *The Hill*, February 15, 2020, <https://thehill.com/homenews/administration/483227-pompeo-pledges-1-billion-in-us-support-for-european-energy> (accessed September 8, 2020).
3. The White House, "Joint Statement by President Donald J. Trump and President Andrzej Duda," June 24, 2020, <https://www.whitehouse.gov/briefings-statements/joint-statement-president-donald-j-trump-president-andrzej-duda/> (accessed September 8, 2020).
4. U.S. International Development Finance Corporation, "The Launch of Multi-Stakeholder Blue Dot Network," November 4, 2019, <https://www.dfc.gov/media/opic-press-releases/launch-multi-stakeholder-blue-dot-network> (accessed September 8, 2020).
5. The White House, "Remarks by President Trump and President Duda of the Republic of Poland in Joint Press Conference," June 24, 2020, <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-president-duda-republic-poland-joint-press-conference-3/> (accessed September 8, 2020).