



May 12, 2020

The Three Seas Initiative

The Three Seas Initiative (3SI) is a regional effort in Europe to expand cross-border energy, transportation, and digital infrastructure and boost economic development in the area between the Adriatic Sea, Baltic Sea, and Black Sea. Twelve countries (Austria, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia), all of which are members of the European Union (EU), participate in the 3SI (see **Figure 1**).

The U.S. government, as well as some Members of Congress, have indicated strong backing for the 3SI. In October 2019, a resolution was introduced in the House of Representatives “expressing support of the Three Seas Initiative in its efforts to increase energy independence and infrastructure connectivity thereby strengthening the United States and European national security” (H.Res. 672). In February 2020, U.S. Secretary of State Mike Pompeo announced a U.S. commitment of up to \$1 billion in financing for 3SI countries to promote energy security and economic growth.

Initiative Overview

The Three Seas Initiative was launched in 2015 by the presidents of Croatia and Poland, and the first annual summit was held in 2016. The 3SI is structured as a flexible platform for generating funding and promoting deeper cooperation among its participating countries; one overarching goal is to develop a north-south infrastructure corridor in the region. In part as a legacy of the Soviet Union’s Cold War-era dominance over most of the region, east-west infrastructure remains considerably more developed than north-south linkages. Particularly with regard to energy security, the dominance of east-west pipelines and limited alternatives to them have been factors in continuing energy dependence on Russia. The United States and the 3SI countries frequently have expressed concern over Russia’s energy supply dominance in the region. Such concerns have been enhanced by Nord Stream 2 and TurkStream, pipeline projects that would expand Russia’s capacity to deliver natural gas to Europe. Many observers consider the expansion of energy infrastructure (including liquefied natural gas [LNG] terminals) to be key to opening up new routes for alternative suppliers. Supporters also view the 3SI as a potential counterbalance to China’s interest in participating in regional infrastructure projects as part of its global Belt and Road Initiative.

Another main objective of the 3SI is to stimulate economic development and level regional disparities within the EU. According to EU data, the 3SI region remains less well-off

economically compared with the rest of the EU; the 3SI countries comprise just under 30% of EU territory and 22% of its population but account for 10% of the EU’s gross domestic product (the EU data predate Brexit and so include the United Kingdom). Infrastructure gaps are considered to be a factor behind regional economic disparities. According to EU data, road and rail travel in the 3SI region take, on average, roughly two to four times longer than comparable travel in the rest of the EU.

Figure 1. Three Seas Initiative



Source: Map created by CRS.

High-level officials from the United States (including President Trump in 2017), the EU, and other EU member states such as Germany have joined annual 3SI summits to express their support as interested partners. The next summit is scheduled to be held in Tallinn, Estonia, in October 2020 and is expected to focus on digital transformation and infrastructure.

Priority Projects and Financing Mechanisms

At the 2018 summit, the 3SI countries developed a list of 48 priority interconnection projects spanning the energy, transportation, and digital sectors (see **Table 1**).

Table I. Three Seas Initiative Priority Project Examples (by Sector)

<p>Energy</p> <ul style="list-style-type: none"> • A prospective LNG terminal in Krk, Croatia, with a connecting pipeline through Hungary and Slovakia • The Gas Interconnection Poland-Lithuania (GIPL), a pipeline that would connect Lithuania, Latvia, and Estonia to the wider European gas network • The Bulgaria-Romania-Hungary-Austria (BRUA) pipeline, which would supply Romanian Black Sea gas to the region <p>Transportation</p> <ul style="list-style-type: none"> • The completion of Trans-European Transport Network (TEN-T) north-south road and railway corridors that would connect the Baltic (Poland) with the Adriatic (Slovenia and Italy) and with Greece via the Western Balkans • Viking Train, a railway to connect the Baltic Sea to the Black Sea, via Lithuania, Belarus, and Ukraine • FAIRway Danube, a project to improve infrastructure and navigation conditions for water traffic on the Danube River in Romania, Bulgaria, Croatia, Hungary, and Slovakia <p>Digital</p> <ul style="list-style-type: none"> • The Three Seas Digital Highway, a series of projects to improve data transfer and enhance communications infrastructure, including 5G technology and fiber optics • 3SI Marketplace, seeking to boost trade and investment in the region by connecting small- and medium-sized enterprises (SMEs) to investment capital • The SmartCity Forum, seeking to accelerate innovation and foster investment in innovation in regional cities

Source: Three Seas Initiative Summit Bucharest, September 17-18, 2018, *Three Seas Initiative Priority Interconnection Projects*.

Notes: The table includes proposed projects as well as in-progress projects.

The Three Seas Initiative Investment Fund, a mechanism intended to draw in private-sector financial support, was launched in 2019 with an initial commitment of €500 million (about \$542 million) from development banks in Poland and Romania. Estonia joined the fund in early 2020, and other 3SI countries have expressed interest.

The EU is a source of significant financial support for member state connectivity projects and other regional development initiatives. According to EU data, more than €150 billion (about \$163 billion) in regional development and cohesion funds was allocated to the 3SI countries under the EU's 2014-2020 budget framework; over one-third of this amount was for investments in transport, energy, and digital connectivity projects. Many of the 3SI priority projects have been approved for partial financial support from various EU funds or for loans from the European Investment Bank. The Connecting Europe Facility (CEF), a €30 billion (about \$32.5 billion) EU funding instrument, shares the 3SI's emphasis on strategic investments in large-scale transport, energy, and digital infrastructure networks. According to EU data, as of 2018, over 90% of CEF funding for natural gas projects went to the 3SI countries.

Issues for Congress

The objectives of the Three Seas Initiative appear to align with a number of broad U.S. security and economic goals that have received congressional interest and support. In recent years, some Members of Congress have demonstrated a growing interest in European energy security and sought to encourage reduced energy reliance on Russia, including by promoting U.S. LNG exports. The Further Consolidated Appropriations Act, 2020 (P.L. 116-94), includes the European Energy Security and Diversification Act of 2019 (Division P, Title XX) and the Eastern Mediterranean Security and Energy Partnership Act of 2019 (Division J, Title II). For further information, see CRS Report R42405, *European Energy Security: Options*

for EU Natural Gas Diversification, coordinated by Michael Ratner.

Members of Congress also may be interested in U.S. funding in support of 3SI. Secretary Pompeo's February 2020 announcement that the United States would commit up to \$1 billion in 3SI-related support indicated that the financing would take place through the International Development Finance Corporation (DFC). For additional information about the DFC and related legislation, see CRS Report R45461, *BUILD Act: Frequently Asked Questions About the New U.S. International Development Finance Corporation*, by Shayerah Ilias Akhtar and Marian L. Lawson, and CRS In Focus IF11436, *U.S. International Development Finance Corporation (DFC)*, by Shayerah Ilias Akhtar and Nick M. Brown.

Some Members of Congress have demonstrated strong support for efforts to deter potential Russian aggression and perceived malign influence in Europe, including by supporting funding to the U.S. European Deterrence Initiative (EDI). Some Members of Congress also have expressed increasing concern over strategic competition with China in Europe and may have an interest in potential avenues to counterbalance the influence of China's financial investments and diplomatic engagement in the region. In the context of these broad strategic concerns, Members of Congress may be interested in U.S. involvement with the 3SI as a complement to the United States' already extensive diplomatic, security, and economic cooperation with the countries of central and eastern Europe.

Sarah E. Garding, Analyst in Balkan and Southeast Europe Affairs

Derek E. Mix, Specialist in European Affairs

IF11547

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.