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Security and International Relations in the North

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ECONOMIC DEVELOPMENT IN THE BALTIC SEA REGION IN THE LIGHT OF THE CONCEPT OF SOCIAL CAPITAL BY PIERRE BOURDIEU

Abstract

According to Narayan, who integrates the core ideas of bridging social capital and state-society, in this article the author compare how the social capital influence on the economic growth. The analyse includes the Baltic Sea Region, which was are traditionally divided into two groups: the high-income countries as Finland, Sweden, Denmark, Norway and Germany, Iceland (which are the so-called old market economy countries or developed economies of the region; and the middle- or low-income countries as Estonia, Latvia, Lithuania, Poland, and Russia. The latter are classified as post-socialist or transitional economics.

Key Words
Social Capital, Pierre Bourdieu, Baltic Sea Region

Introduction

According to Immanuel Wallerstein, in the system of relationships between countries, there are three categories: core countries, semi-peripheries and periphery countries. On the one hand, they have a chance to exit from the semi- or peripheral situation; on the other hand, there is the threat of a return to the group of underdeveloped countries[2]. It is worth noting that I. Wallerstein does not specify the factors that decide about it. Therefore, analysing the history of the economic development of the World, one can give many examples when, despite the economic goals put by them, these countries have failed to qualify for the core group[3]. The development of such regions as, for example, Central and Eastern Europe, Latin

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[2] I. Walerstein, *The Modern World-System*, Academic Press, New York 1976.
[3] I. Walerstein, *The Rise and the Future Demise of Capitalist World System,* "Comparative Studies in Society and History" No 16(4), 1974, p. 50-54.

America, or South America did not accelerate enough so that the entities could manage to get out of the semi- or peripheral situation. At the same time, regions such as, for example, in the 60s of the twentieth century – Japan, in the 80s of the twentieth century – Ireland, made such a transformation, which brought economic growth. One can pose the question, what factors have decided about the fact that the potential that the countries have, once is changed into development and economic growth, as measured by GDP per capita, and in other cases – it is not. The research conducted in the 80s of the twentieth century in Latin America and South America[4] and also in Africa[5], verified the assumptions of modernization theory about the fact that it is enough to follow a similar path of development to the most highly developed countries to achieve rapid economic growth and align the development gap separating the entities of international relations.

The Baltic Sea Region is a non-homogeneous region. When examining the economic situation of the region, the BSR countries are traditionally divided into two groups[6]:

– the high-income countries Finland, Sweden, Denmark, Norway and Germany, Iceland which are the so-called old market economy countries, or developed economies of the region;
– the middle- or low-income countries Estonia, Latvia, Lithuania, Poland, and Russia. The latter are classified as post-socialist or transitional economies.

The Baltic Sea Region - aspirations and reality

Political and economic changes that took place in the late 80s and 90s of the twentieth century in the Central and Eastern Europe changed the geopolitical situation of the Baltic Sea Region. A characteristic feature of this period was a division into two blocks: the eastern, peripheral, whose core was the Soviet Union, and the western, central block led by Germany[7]. Events initiated by the destruction of the Berlin Wall changed the system of relationships between countries. As part of the Baltic Sea Region, Poland, and the newly emerging countries: Lithuania, Latvia and Estonia declared the new direction of their foreign policy for a pro-Western one, which, in turn, depleted the sphere of Russian influence in this area. The aim of the action taken was to improve the well-being of the countries of the former Eastern bloc in relation to Western European countries by adopting a democratic model (Council of the European Union 2000). At the same time, within the framework of the Baltic Sea

[4] R. Prebish, *Towards a Dynamic Development Policy for Latin America*, New York 1963; United Nations, *World 2014. World Development Indicators database,* Washington 2014, 25.06.2015, [online:] http://data.worldbank.org. (10.09.2016).
[5] K. Good, *Settler Colonialism: Economic Development and Class Formation,* "The Journal of Modern African Studies" No 14(4), 1976, p. 597-620; A. Samir, *Imperialism and Unequal Development*, Monthly Reviwe Press, New York 1977; W. Rodney, *How Europe Underdeveloped Africa*, Harward University Press, Washington 1981.
[6] T. Paas, E.Tafenau, *Introduction,* [in:] T. Pass, E. Tafenau (ed.), *Modeling the Economies of the Baltic Sea Region*, Tartu University Press, Tartu 2004, p. 8.
[7] M. Tomala, R. M. Czarny, *Wymiar północny Unii Europejskiej. Studium rozwoju*, Scandinavium, Kielce 2009, p. 10-59.

Region, the empty gap began to fill up in the relations with the countries of Northern Europe and Germany. The integration processes, on the one hand the Baltic countries and the European Union (Sweden, Finland, Poland, Lithuania, Latvia and Estonia), on the other hand within the Baltic Region (Norway, Sweden, Iceland, Denmark, Finland, Germany, Poland, Lithuania, Latvia, Estonia, Russia) aimed at eliminating development disparities between the parties.

Despite the indicated difficulties and barriers in the development of cooperation in the Baltic Sea Region it is worth noting that there was general agreement on the need for integration and cooperation in the region. Significant political and economic transformations in the 90s of the twentieth century in Europe played a decisive role in the development of policies directed to the Baltic countries. As was indicated by Józef Kukułka "Big systemic changes in the countries of Central and Eastern Europe became the impetus for the revaluation of the meaning of existence of the existing structures role of the Eastern bloc"[8]. They gave impetus to the Nordic countries to start talks on cooperation. Prime Minister of Sweden of that time – G. Person in that way said about the changes that took place in this part of the world, "Communism reigned long in the Baltic countries. You could not call at ports in Estonia, Latvia, Lithuania, Poland, East Germany or the Soviet Union. You could not meet. We lived in different worlds"[9]. This statement indicates the motives of Nordic countries, yet remaining in the side-lines of the European and world politics. Changes in Baltic Sea Europe were an impulse to change the foreign policy of Sweden or Finland, which in 1995 joined the European Union, initiating at this time other integration enterprises in Northern Europe, including, among others, the Northern Dimension, the formation of the Council of the Baltic Sea Countries and other regional and local initiatives[10]. L. Hjelm-Wallen[11] stressed this fact, "There are few other places in the world, which so positively, both politically, culturally, and economically were affected by the end of the Cold War, as the Baltic Sea Region".

The demolition of the Berlin Wall was a symbol of a new era, a new climate of talks, cooperation and economic changes. Along with its fall the natural conditions for closer cooperation appeared. The empty space in the relations between the EU, the Nordic countries and the countries of Central and Eastern Europe began to fill in. They helped to create the foundations of the Northern Dimension policy, and along with it for the development of other cooperation initiatives in the region.

The above mentioned Northern Dimension of the European Union has a comprehensive and complementary character. It was initiated in 1994 by Finland and approved on June 13, 2000 at the summit of the European Union[12]. It refers to the

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[8] J. Kukułka, *Historia współczesna stosunków międzynarodowych 1945-2000,* Scholar, Warszawa 2003, p. 451.

[9] T. Stylińska, *Morze pokoju,* „Rzeczpospolita", 31.07.1996.

[10] J. Grzela, *Teoria i praktyka współpracy regionalnej na przykładzie Regionu Morza Bałtyckiego*, Wydawnictwo Wyższej Szkoły Ekonomii i Prawa im. Prof. Edwarda Lipińskiego, Kielce 2010; M. Tomala, R. M. Czarny, op. cit.

[11] L. Hjelm-Wallen, *Dobrobyt polski,* [in:] J. Nicklasson-Młynarska (ed.), *Szwecja-Polska we wspólnej Europie,* PWN, Warszawa 2001*,* p. 13.

[12] Council of the European Union, *Action Plan for the Northern Dimension In the External and Cross-Border Policy of the European Union 2000-2003,* Brussels 2000.

major challenges associated with Northern Europe region. Its goal in the first stage was to solve the most important problems concerning infrastructure, energy, transport, telecommunications, nuclear safety, public health, investment promotion, human capital, civil security, regional and cross-border assistance as part of TACIS-CBC, PHARE-CBC programs. Even then it was stressed the importance of sustainable development of the actions taken, which was to provide a balance between the development and environment. It should be added that the North joined the EU with its own baggage of priorities and values for whose protection and development it wanted to strive. These priorities were reflected in the approach of Denmark, Finland and Sweden to the issues of care for social capital.

The relations with the Russian Federation affected the idea for the development of the Finnish initiative. By joining the EU, Finland did not want to give up contacts with its neighbour. According to E. Teichmann, Russian-Finnish relations are an example of good cooperation, which is wisely planned and developed[13]. The implementation of the Northern Dimension was beneficial to them because of the creation of a platform for cooperation with a country outside the integration area. The similar arguments were put forward with regard to Norway and Iceland, which in the period after the Second World War were united by a long tradition of economic cooperation.

It should also be noted that the Finnish initiative aroused great interest of international entities which actively engaged in its implementation. The representatives of the governments of the following Baltic countries got involved in the cooperation: Lithuania, Latvia, Estonia, Poland, Germany, Denmark, Sweden, Finland and countries outside the EU: Iceland, Norway and the Russian Federation. In turn, the representatives of regional level proceeded to projects related to spatial planning, coordination of regional activities, including the communication, transport and trade development. No less important was the activation of the business entities or non-governmental entities, which initiated the innovative networking activities (networking). Owing to them in the 90s of the twentieth century, in the Baltic Sea Region, a number of governmental and non-governmental organization were founded which associated the members of the Baltic countries and the members acting for the development of the region. The most important institutions and organizations of Baltic cooperation include: Conferences of Prime Ministers, the Council of Baltic Sea States, the Nordic Council, the Nordic Council of Ministers, the Baltic Parliamentary Conference, the Baltic Conference on Subregional Cooperation, the Helsinki Commission, Baltic Ministerial Conferences, the Union of Baltic Cities, the International Council for the Exploration of the Sea, non-governmental organizations (Organization of Baltic States, the Baltic Tourism Commission, the Baltic Islands, the Baltic University, the Baltic Sea Commission and others).

One can draw a conclusion that the need for cooperation was so strong that it was not limited solely to the government and parliamentary level. Often it is compared it to a spider's web, thus emphasizing the importance of multiple links running between the Baltic organizations. One can give many examples proving the effectiveness of

[13] E. Teichmann, *Perspektywy współpracy gospodarczej Polski z republikami bałtyckimi: Litwą, Łotwą i Estonią,* Warszawa 1998.

economic and political cooperation in the Baltic Region of Europe. Nevertheless, speaking about the effects of actions taken, they did not contribute to the forecasted changes at the beginning of the 90s of the twentieth century. The Baltic Sea Region was not hailed as the most developed region in the World, or even in Europe. On the other hand, comparing the economic potential of individual countries, one can see the increasing gap between countries of south-east and north-west coast of the Baltic Sea.

In international studies, the researchers are trying to describe the relatively rapid economic growth of countries that are at a lower level of development. They point to the phenomenon of convergence, which consists in approaching of the economic level of less developed countries to the level of more developed countries[14]. Such a phenomenon was also predicted in the Baltic Sea Region. Joining the EU by Poland, Lithuania, Latvia and Estonia was to affect the improvement of their dynamics of economic development due to the financial support of the EU for the years 2004-2006 and 2007-2013. It was expected then that GDP per capita would increase from 43% up to 2/3 of the average EU GDP. This would align the distance to the rich Nordic countries. As was indicated by M. Pållson, the Baltic Region was one of the fastest growing areas and could be a strong and promising hope region of a new Europe. The graph below presents the changes in GDP per capita in the Baltic Sea Region between the years 1990 and 2012.

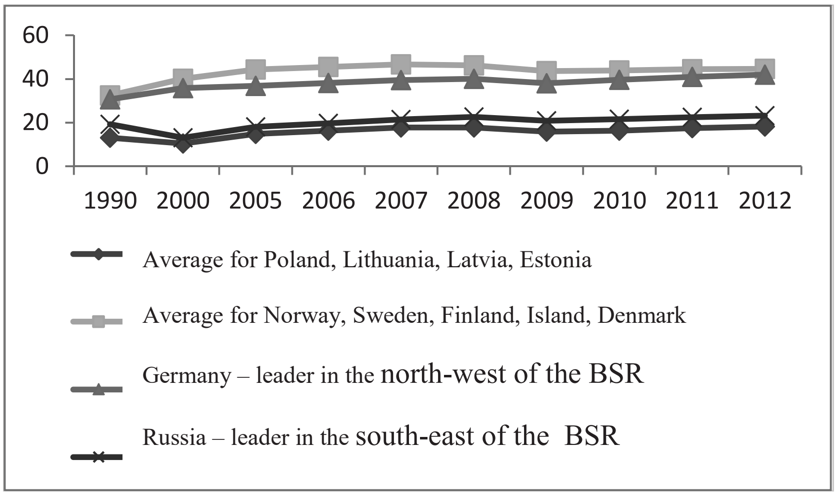

Figure 1. Gross Domestic Product per capita (2011 PPP $)
Source: United Nations, *World 2014. World Development Indicators database,* Washington, 2014, [online:] http://data.worldbank.org, (25.06.2015).

Analyzing the graph one can see that in the period from 1990 to 2012 the distance between the richer countries of the Western bloc and of the former Eastern bloc increased by the amount of approximately $ 7,000 per capita. This means that the adoption of a pro-western model did not eliminate the development gaps. At the same

[14] J. J. Sztaudynger, *Wzrost gospodarczy a kapitał społeczny, prywatyzacja i inflacja,* PWN, Warszawa 2000, p. 8.

time, it changed little in relation to the former metropolis, namely Russia (decreased by approximately $ 1,200 per person). Although in the initial period (1990-2000) there was a reduction in the development gap (up to approximately $ 2,700 per person), however, in subsequent years it is seen that Russia was making up development arrears, while the distance between Russia and Poland, Lithuania, Latvia and Estonia was constantly expanding (up to approximately $ 5,000 per person). It should be noted that from 1990 to 2012 GDP per capita grew the least in Russia, that is only by approximately $ 4,000 per person, while, for example, at the same time in Norway by approximately $ 20,000 per person. In the remaining countries of the Western bloc as well as the former Eastern bloc it is similar (ranging from 7,500 to 12,000 dollars per person).

The consideration of basic factors integrating the Baltic Sea Region leads to the conclusion that this region is divided a lot. This applies particularly to the economic and social sphere, which is a significant barrier in establishing international cooperation and in integration of the region. One should indicate the differences in economic potential, the strength of the currency, purchasing power, the differences in the standard of the administration functioning, as well as deficiencies in transport infrastructure.

The assumptions of European integration allow us to assume that the economic policies implemented in the countries of the Baltic Sea Region should cause the alignment of GDP per capita. The beginning of the 90s of the twentieth century visibly showed the level of diversification of the economic development of the countries surveyed (see Figure 2).

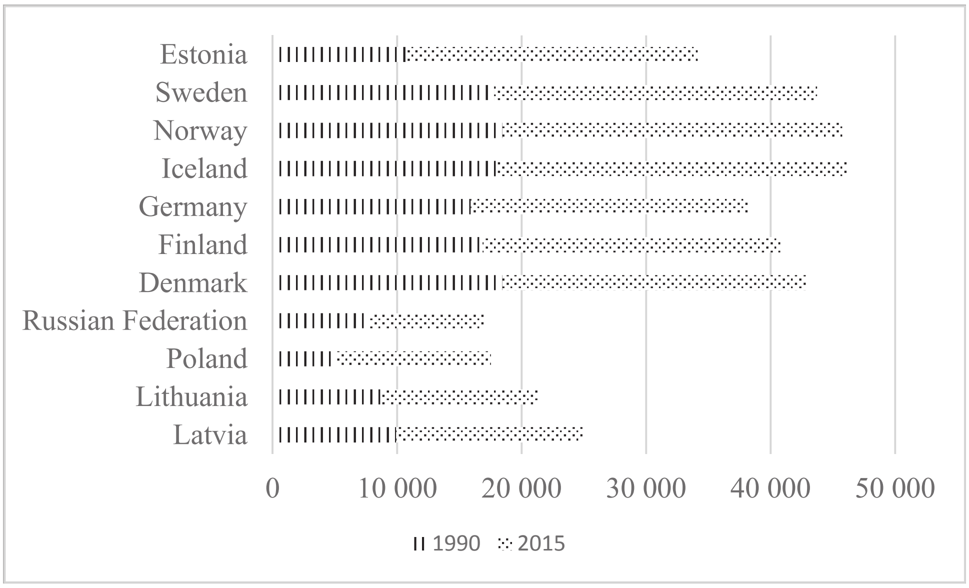

Figure 2. Gross domestic product in purchasing power parity basis with the United States = 100 %.
Source: Own study on the basis of: [online:] https://www.conference-board.org/data/economydatabase/index.cfm?id=27762. (20.11.2016).

As the graph shows, both in the early 90s of the twentieth century and now the development disparities in the Baltic Sea Region can be seen. In 1990 the distance between the group of rich countries in relation to poorer ones amounted to approximately $ 8,900 per person (measured in purchasing power parity) to expand to approximately 9,500 in 2015. The analysis of the data concerning the convergence of the Baltic Sea Region countries thus shows that during the period considered, the dependence on faster GDP growth in poorer countries regions and slower GDP growth in richer countries is not clear, yet with the unfavourable trend widening disparities (see Figure 3).

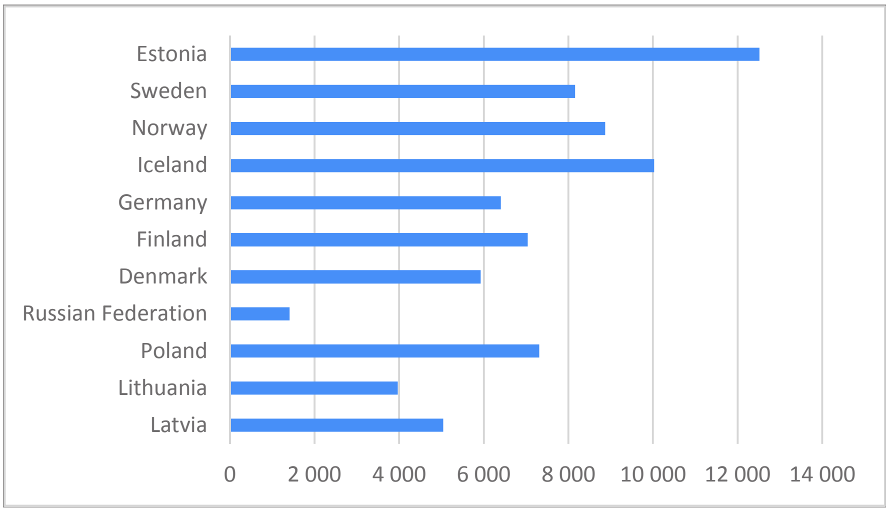

Figure 3. Development gap between 1990 and 2015
Own study on the basis of: [online:] https://www.confe renc e-board .org/data/ economydatabase/index.cfm?id=27762, (11.10.2016).

Estonia increased the development gap most, which resulted in a comparable GDP per capita calculated at purchasing power parity to the richer Nordic countries and Germany. It is larger than in the other countries of the Southern Baltic. Poland, Lithuania and Latvia have failed to make such economic progress. On the other hand, the smallest economic development was reached by Russia, which remained outside the democratic system.

Social capital and the condition of the country

According to D. Narayan, the social capital can be used to determine the condition of the country, where two elements are taken into account: the state of condition of the country and advantage, shortage of social capital (Narayan 2002). Quoting the World Bank, the social capital is defined as "the institutions, relationships, attitudes and values that govern the relations among people and contribute to economic growth and social development"[15]. The characteristic feature of this definition is the inclusion of the institution (broadly understood, formal and informal) as an important component of social capital shaping socio-economic growth[16]. Let us turn our attention to how the relationships between two variables among the Baltic Sea Region countries shaped.

On the basis of a comparison of the two indicated values: the sum of social capital in a given country and GDP per capita, D. Narayan proposes four possible development paths of a country (see Figure)

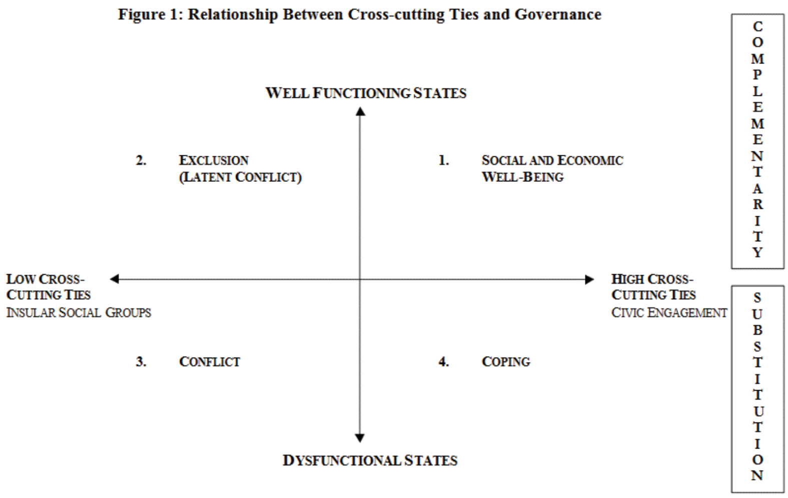

Figure 4. Relationship Between Cross-cutting Ties and Governance
Source: Narayan, D. (2002). Bonds and Bridges: Social Capital and Economic Development. In: J. Isham, T. Kelly, i S. Ramaswamy, (ed.) *Well-being in Development Countries*. Cheltenham 2002, p. 58-81.

The scheme built by Narayan distinguishes four models of the system of a country:
1. Excluding the more vulnerable groups by the stronger ones, which results from the shortage of social capital, causing internal fragmentation of society and the dominance of wealthy social groups. Excluded social groups may (but they do not have to) combine to form relationships of an exclusive type, leading to social development.
2. Prosperity in which there is a well-functioning country and the predominance of relationships of an exclusive type. For the countries of the square, the long-term economic growth, social cohesion, the relative lack of violence, conflicts, and exclusion are very characteristic features.
3. The conflict arises when the country is dysfunctional and the inclusion-type social capital predominates, and it is possible to exclude one group by another. The emerging

[15] The World Bank, *Social Development Family Environmentally and Socially Sustainable Development Network,* Washington, p. 2.
[16] See: M. Tomala, *Social Capital in the Baltic Sea Region in the Light of the Concept by Pierre Bourdieu,* "Miscellanea Oeconomicae" No 4, t. II.

conflicts of interests between the ruling elite and the various criminal groups (mafia) or social groups can slow down and destructively influence the growth and quality of social capital.

4. Copying (replacing) arises when the country is malfunctioning, and the formal institutions are replaced (copied) by informal institutions.

On the basis of the conducted analysis, the Baltic Sea Region countries were located on the coordinate system where the y-axis – is the amount of social capital and the x-axis – measures GDP per capita (see Figure) assuming that the Baltic Sea Region countries form the integrating block, the dividing lines were defined as the median of the countries surveyed.

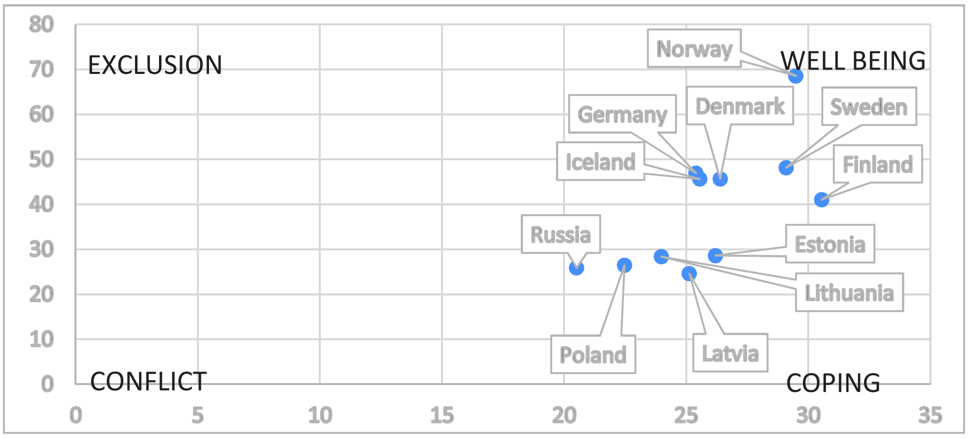

Figure 5. Possibilities of development paths of a country in the Baltic Sea Region

As the graph shows, the countries of the Baltic Sea Region are located in two of the four distinguished segments. If you look at the values of material capital (measured as GDP per capita) you will see that the Nordic countries and Germany are in the top part of the diagram, while the countries of the south-eastern Baltic are doing much worse. This means the unfavourable financial situation for all subjects surveyed. These countries in Narayan's diagram are placed in a copying group. In turn, the Nordic countries and Germany represent the group defined as prosperity. The factor that differentiates them is not only smaller amount of material, and also social capital (about 4 points), which translates into much worse financial results. The position of Russia on the border of conflict seems to be interesting, where a slight decline in social capital can contribute to its being pushed into a lower category.

The countries like Lithuania, Latvia, Estonia, Poland and Russia are among the countries characterized by copying. According to Narayan, this phenomenon arises when the country is malfunctioning, and the formal institutions are replaced (copied) by informal institutions. The informal commerce, banking, education, medicine are created. This favors the formation of corruption, as well as the uncontrolled flow of funds of unknown origin. Such flow is favored by globalization, which is often understood as a contemporary dimension of imperialization without a military conquest of territory, marginalizing (...) the civilization heritage of humanity included in the structures of countries and traditions, religion, national ties and family.

Prosperity, in which a well-functioning country appears, is typical of the Nordic countries and Germany. The long-term economic growth, social cohesion, the relative lack of violence, conflicts and exclusion are characteristic of the countries of this square. These build an atmosphere conducive to cooperation, trust, and thus thinking not only about the present, but also about the future, which translates into the high level of social and economic capital.

When examining the relationship between the material and social capital it is also important that the slight improvement in terms of social capital can help to improve the financial situation of the societies of the south-eastern Baltic countries. However, analyzing the signs of cooperation in the examined area, it can be seen that in spite of the set goals of sustainable development and the equalization of disproportions in development, these goals could not be realized.

In conclusion, it is worth noting quoting Piotr Sztompka that "You do not need much imagination that this self-reinforcing process of creating a spiral of mistrust leads to the destruction of society". The shortage of social capital in Poland, Lithuania, Estonia and Russia can be the answer to why undertaken cooperation between the years 1990 and 2015 did not bring the expected results in terms of economic development. The practice of this cooperation shows that it is very difficult to build the social capital, but, unfortunately, it is very easy to destroy it.

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Rozwój gospodarczy w regionie Morza Bałtyckiego w świetle koncepcji kapitału społecznego Pierre Bourdieu

Uwzględniając podejście Narayan, który integruje podstawowe idee pomostu między kapitałem społecznym i społeczeństwem państwa, w artykule porównano wpływ kapitału społecznego na rozwój gospodarczy. Analiza obejmuje region Morza Bałtyckiego, który tradycyjnie jest podzielony na dwie grupy: państwa wysoko rozwinięte jak Finlandia, Szwecja, Dania, Norwegia, Niemcy i Islandia (które posiadają rozwinięte gospodarki rynkowe) i państwa rozwijające się jak: Estonia, Łotwa, Litwa, Polska oraz Rosja, które można zaklasyfikować jako gospodarki post-socjalistyczne lub gospodarki przejściowe.

Słowa kluczowe
Kapitał społeczny, Pierre Bourdieu, Region Morza Bałtyckiego

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