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RAIL BALTICA AND THE PROVISION OF EUROPEAN PUBLIC GOODS: LATVIA BETWEEN GOVERNANCE, ASYMMETRY, AND SECURITY IN THE BALTIC STATES

VERONICA SACCO

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Author

Veronica Sacco

Junior Fellow Fondazione CSF

Abstract

This policy paper analyses Rail Baltica as a European public good in the context of fiscal fragmentation and heightened geopolitical uncertainty. Designed to connect Estonia, Latvia, and Lithuania to the European standard-gauge railway network, Rail Baltica is embedded within the EU's Trans-European Transport Network framework and supported by the Connecting Europe Facility. However, its implementation reveals structural tensions between supranational strategic objectives and nationally retained financial responsibility. The paper argues that Rail Baltica represents an incomplete European public good: while its benefits are transnational and its rationale European, governance and fiscal risks remain unevenly distributed. Cost escalation and delays are shown to stem not only from technical factors, but from hybrid governance arrangements and spatial asymmetries along the corridor. Particular attention is given to Latvia, whose geographic centrality and infrastructural complexity make it a pivotal actor in the project's success. Rail Baltica thus offers a critical test of the European Union's capacity to deliver strategic infrastructure integration in peripheral and security-sensitive regions.

Keywords: Rail Baltica; Latvia; Baltic States; European Union; Transport Policy; Infrastructure; Economic Development; Regional Development; Infrastructure Investment; Cross-border Connectivity; Sustainable Mobility; Rail Infrastructure

Introduction

Rail Baltica represents one of the most ambitious infrastructure projects ever undertaken in the Baltic region and a flagship initiative of the European Union's Trans-European Transport Network (TEN-T).
Conceived as a standard-gauge railway corridor linking Estonia, Latvia, and Lithuania to the European rail system via Poland, the project aims to overcome historical infrastructural fragmentation, enhance economic integration, and strengthen strategic connectivity within the European Union (European Commission 2013). Beyond its transport function, Rail Baltica has increasingly acquired broader political, economic, and security significance, positioning itself at the intersection of cohesion policy, climate objectives, and European security strategy.

Despite its strategic relevance, Rail Baltica has become the subject of growing controversy. Successive revisions of cost estimates, delays in implementation, and uncertainties regarding long-term financing have raised fundamental questions about the project's governance and feasibility (National Audit Offices of Estonia, Latvia and Lithuania 2024). Initial projections published in 2017 estimated total costs at approximately €5.8 billion; by 2023–2024, revised estimates reached nearly €23.8 billion in constant prices, reflecting inflationary pressures, design changes, and governance-related inefficiencies (ECA et al. 2024). These developments have transformed Rail Baltica from a largely technocratic infrastructure initiative into a politically salient test case for the European Union's capacity to deliver large-scale strategic investments in peripheral regions.

Policy Relevance and Analytical Framework

From a policy perspective, Rail Baltica can be understood as a European public good, whose benefits — economic connectivity, resilience of supply chains, and military mobility — extend beyond national borders and cannot be efficiently provided by individual member states acting alone (Majone 2005; Olson 1965). The project's reliance on EU-level funding instruments such as the Connecting Europe Facility (CEF) reflects this logic of supranational provision. At the same time, however, implementation responsibilities and fiscal risks remain largely national, creating a structural mismatch between European-level ambition and national-level capacity (Scharpf 1999). This policy paper adopts an integrated analytical framework combining three perspectives.

- First, it draws on European integration theory to conceptualize infrastructure as a material foundation of political and economic integration;

- Second, it applies the concept of European public goods to explain both the necessity of EU involvement and the persistence of distributional conflict among member states;

- Third, it incorporates a security perspective, acknowledging the post-2014 and post-2022 reframing of Rail Baltica as a component of European and NATO military mobility (European Commission 2022). This multidimensional framework allows for a systematic assessment of Rail Baltica not merely as a transport project, but as a strategic policy instrument.

Historical Context and Future Significance

The strategic significance of Rail Baltica can only be fully understood when situated within the longer historical trajectory of the Baltic states' infrastructural and geopolitical positioning. Throughout the nineteenth and twentieth centuries, railway networks in the region were designed primarily to serve imperial and later Soviet logics of integration, orienting flows east–west and embedding the Baltic territories within a space structured around Moscow rather than European markets (Plakans 2011). Following the restoration of independence in the early 1990s, Estonia, Latvia, and Lithuania inherited transport systems that were technically incompatible with Western Europe and symbolically tied to a past of political subordination. European Union accession marked a decisive break with this legacy, but regulatory and monetary integration advanced far more rapidly than physical connectivity (Scharpf 1999). Rail Baltica thus represents not merely a transport investment, but a delayed material correction to an asymmetry embedded in the post-enlargement integration process. Its importance for the future lies precisely in this corrective function: by realigning the Baltic transport infrastructure along a north–south European axis, the project seeks to lock in economic integration, reduce structural peripherality, and enhance strategic resilience in a context of renewed geopolitical confrontation (European Commission 2022). For Latvia in particular, whose territory has historically functioned as a transit space shaped by external powers, Rail Baltica carries an additional historical resonance: it offers the possibility of transforming inherited geography from a source of vulnerability into an asset for European integration. Whether this potential is realized will shape not only the region's transport future, but also the credibility of the European Union's capacity to translate historical rupture into durable infrastructural sovereignty.

Why Latvia Matters

Within the Rail Baltica corridor, Latvia occupies a structurally pivotal position. Geographically, it constitutes the central segment of the corridor; functionally, it hosts the most complex nodes, including the Riga central station, the airport connection, and several intermodal interfaces. As a result, Latvia bears a disproportionate share of both the financial burden and the implementation risk associated with the project (Latvian Public Media 2025).

Recent audits indicate that approximately €6.4 billion of the first-phase investment is concentrated in Latvia, out of a total estimated €15.3 billion, making the country a potential bottleneck for corridor-wide operability (National Audit Offices 2024).

This centrality implies that governance failures or delays in Latvia are not merely national problems but systemic risks for the entire Rail Baltica project. Even if peripheral sections in Estonia or Lithuania progress according to schedule, unresolved constraints in the Latvian segment — particularly in the Riga metropolitan area — can prevent the realization of corridor-level benefits. For this reason, Latvia provides a critical lens through which the broader challenges of Rail Baltica can be assessed.

Rail Baltica as a European Public Good: Integration, Governance, and Security in the Baltic States

As already mentioned before, from a theoretical perspective, the project can be interpreted as a European public good, characterized by high fixed costs, cross-border positive externalities, and structural under-provision at the national level (Majone 2005; Olson 1965). Its rationale is rooted in the logic of European integration, whereby physical connectivity functions as a material precondition for market integration, political cohesion, and strategic autonomy (Scharpf 2009). Unlike regulatory integration, however, infrastructure projects such as Rail Baltica expose the limits of supranational governance: while strategic objectives and technical standards are Europeanized through the Trans-European Transport Network and the Connecting Europe Facility (European Commission 2013; CINEA 2025), fiscal responsibility and implementation risks remain predominantly national. This asymmetry reflects a broader tension in EU integration between shared ambitions and fragmented capacities, particularly acute in peripheral and small member states. In this sense, Rail Baltica exemplifies an incomplete European public good: European in scope and justification, but only partially European in governance and risk-sharing (ECA et al. 2024).

The governance structure of Rail Baltica reinforces this interpretation. The project is coordinated by RB Rail, a joint venture j owned by Estonia, Latvia, and Lithuania, which is responsible for system-level coherence, technical standards, and coordination, while national implementing bodies retain authority over land acquisition, construction, and compliance with domestic legal frameworks (RB Rail 2024). As explicitly outlined in the official project governance documentation, this arrangement creates a multi-level principal–agent chain in which the European Union, RB Rail, and national governments simultaneously act as principals and agents (RB Rail 2024; Scharpf 2009). Crucially, no centralized fiscal authority exists to align strategic decision-making with budgetary responsibility. EU funding through the CEF is substantial but project-based, time-limited, and conditional on national co-financing (European Commission 2025). This governance configuration is structurally prone to cost escalation, delayed decision-making, and accountability diffusion — outcomes confirmed by successive audits that document the dramatic increase in estimated project costs from approximately €5.8 billion in 2017 to nearly €23.8 billion in 2023 prices (National Audit Offices of Estonia, Latvia and Lithuania 2024; Latvian Public Media 2026).

The spatial dimension of Rail Baltica further amplifies these governance challenges. Official project maps published by RB Rail show a highly uneven pattern of planning and construction along the corridor, with different segments classified as planned, under spatial planning, under construction, or completed (RB Rail Project Map 2025). Rather than progressing as a linear transnational artery, Rail Baltica has developed as a patchwork of heterogeneous segments, whose maturity reflects national administrative capacity, political prioritization, and local complexity. This unevenness has systemic implications: delays or redesigns in one segment propagate along the corridor, undermining overall operability (ECA et al. 2024). The Latvian segment is particularly revealing in this respect. As the geographical and functional center of the corridor, Latvia hosts the most complex nodes, including the Riga central station, airport connection, and multiple intermodal interfaces (RB Rail 2025). The concentration of technically demanding urban infrastructure transforms Latvia into the corridor's functional bottleneck, where local governance challenges acquire European significance (Latvian Public Media 2025).

A comparative perspective across the Baltic states highlights how formally symmetric participation masks deep functional asymmetries. Lithuania approaches Rail Baltica primarily as a gateway project linking the Baltics to Poland and the EU core, with governance challenges centered on cross-border synchronization rather than urban complexity (RB Rail 2024).
Estonia, as the northern terminus, attributes strong symbolic and geopolitical value to the project, while facing comparatively lower construction complexity and financial exposure (Berg and Ehin 2009). Latvia, by contrast, combines the highest financial burden with the most demanding spatial and governance conditions, making it the pivotal actor in the project's political economy (National Audit Offices 2024). This asymmetry has been further accentuated by the post-2014 and post-2022 securitization of infrastructure, as Rail Baltica has increasingly been framed as a component of European and NATO military mobility (European Commission 2022). While this security framing strengthens the project's political legitimacy and access to EU funding, it also raises technical standards and strategic expectations, further increasing costs and reducing flexibility (Latvian Public Media 2026). Rail Baltica thus emerges as a critical test of the EU's capacity to deliver strategic infrastructure as a European public good under conditions of geopolitical stress.

Final Theoretical Reflection: Rail Baltica and the Limits of Infrastructural Integration

Beyond its immediate policy implications, Rail Baltica invites a broader theoretical reflection on the nature of European integration in its current phase. Classical theories of integration largely emerged in a context where market-making and regulatory harmonization were the dominant engines of convergence. In this framework, infrastructure was often treated as a neutral or technical input, expected to follow integration rather than to shape it. The Rail Baltica experience challenges this assumption by demonstrating that, in peripheral regions, physical infrastructure is not a derivative outcome of integration but one of its constitutive conditions. Where material connectivity is absent or incompatible, integration remains incomplete, regardless of legal or institutional convergence. From the perspective of European public goods theory, Rail Baltica exposes a fundamental dilemma. While the project generates transnational benefits that clearly justify supranational involvement, its provision relies on governance arrangements that stop short of full Europeanization. The result is a hybrid structure in which strategic authority is centralized, but fiscal responsibility and political accountability remain fragmented. This configuration reflects what might be described as a semi-sovereign provision of public goods: European enough to require coordination, but insufficiently European to pool risks effectively. The persistence of this model raises questions about the sustainability of EU ambitions in fields that require long-term capital investment and irreversible commitments.

The case also highlights the spatial dimension of integration, which remains under-theorized in much of the literature. Rail Baltica illustrates how formally uniform policies produce differentiated outcomes when applied to territorially heterogeneous contexts. Central nodes, urban bottlenecks, and historically shaped transit spaces acquire systemic importance that exceeds their national boundaries. In such settings, integration does not proceed evenly but becomes contingent on specific territorial configurations. This insight suggests that future theorization of European integration must pay greater attention to spatial asymmetries and infrastructural centrality, particularly in regions located at the geopolitical and economic margins of the Union.

The growing securitization of infrastructure points to an ongoing transformation in the rationale of integration itself. Rail Baltica's redefinition as an element of military mobility signals a shift from integration as a primarily economic project toward integration as a condition of collective security. This shift enhances political legitimacy but also alters cost–benefit calculations, introduces new technical constraints, and reduces tolerance for failure. Theoretically, this development blurs the boundary between economic and security integration, suggesting that future European public goods will increasingly operate at this intersection. Rail Baltica thus stands as an early indicator of an integration model driven not only by efficiency and cohesion, but by resilience and strategic necessity.

Policy Recommendations

While Rail Baltica's challenges are deeply structural, they are not insurmountable. The analysis presented in this paper suggests several policy-relevant directions that could enhance the project's feasibility while preserving its strategic objectives.

1. Clarify and formalize a phased definition of project completion.

European and national authorities should explicitly define what constitutes a minimum viable Rail Baltica in operational terms. This includes prioritizing core corridor functionality, interoperability, and safety over secondary features that can be delivered in later stages. A transparent and politically endorsed phased approach would reduce uncertainty, improve cost control, and limit the reputational risks associated with missed deadlines.

2. Strengthen the alignment between strategic authority and fiscal responsibility.

The current governance model diffuses accountability while concentrating financial risk at the national level. This imbalance could be partially mitigated through higher and more predictable EU co-financing rates for core sections of the corridor, particularly in structurally pivotal segments. Alternatively, new infrastructure—bridging the gap between cohesion funding and defense-related spending—could be explored at the EU level.

3.Treat spatial bottlenecks as European, not national, risks.

Segments characterized by high centrality and complexity should be explicitly recognized as systemic risk points. This implies enhanced EU-level oversight, targeted technical assistance, and more flexible funding mechanisms for these sections. Framing such bottlenecks as European rather than national challenges would better reflect their corridor-wide impact and reduce incentives for unilateral scope reduction.

4.Integrate security objectives without undermining economic sustainability.

While the security framing of Rail Baltica is politically and strategically valuable, it must be accompanied by realistic assessments of cost, timing, and trade-offs. Policymakers should distinguish between essential security-related requirements and aspirational standards that could jeopardize timely delivery. Clear prioritization is essential to prevent the project from becoming strategically indispensable yet operationally unattainable.

5.Institutionalize learning for future European infrastructure projects.

Rail Baltica should be treated as a learning case for the European Union. Systematic evaluation of its governance structure, funding mechanisms, and spatial challenges can inform future initiatives in energy, digital, and transport infrastructure. Without such learning, the risk is that Rail Baltica's difficulties will be replicated elsewhere, undermining the credibility of the EU's broader strategy of infrastructural sovereignty.

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Piazza Arbarello, 8 - 10122 Torino- Italia
Via dei Montecatini, 17 - 00186 Roma - Italia
Rue de la Loi 155 - 1040 Bruxelles - Belgio
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