

CHECK AGAINST DELIVERY!

Speech by Hans Brask, Director of Baltic Development Forum

Stockholm Thursday 2008-01-17 Baltic Sea Region in Europe - CBSS Seminar

The Baltic Sea Region in Europe: - What role should regional cooperation play?

First of all thanks to the organizers and in particular Minister for Foreign Affairs of Latvia who is present in our panel as chairman of CBSS.

In my view BSR cooperation is in many ways at a cross roads, where fundamental changes have to be made.

In recent years, we have witnessed a remarkable success in the political integration of the Baltic Sea Region. New member states have joined the EU and NATO. Important political steps have been taken by regional organisations such as the Council of Baltic Sea States (CBSS) and the Helsinki Commission (HELCOM). It reflects that the region has entered a new phase of integration, and that the dynamics are fundamentally different today compared to ten years ago.

It is understandable that a certain time had to pass after EU enlargement in 2004, before changes to the regional co-operation are made. After all, it was only in December 2007 that the new Reform Treaty of the EU was signed by the Heads of State and Government in Lisbon. In many senses this event marks the end of the enlargement process with the countries of Central and Eastern Europe. For many years, a lot of attention has been used on the treaty process which has also caused serious controversies between member countries of our region. With this behind us, it is now possible to address new challenges, including regional strategies.

Today focus has shifted from high profile political integration - which is close to completion - to a more fine-tuned, low-key business and economic oriented harmonization. There is not only a need for a shift in focus. There is also a demand for alternative means. A bottom-up approach is the way forward in identifying concrete areas for action, including competitiveness, solutions

through private-public partnerships, and to more explicitly involving the business sector. If the Baltic Sea Region should be able to address challenges such as finding new energy supplies, environment solutions, safer energy transports, increased competition through innovation, it is vital to make a common cause with the leading business segments in the Region.

Still there is a need for a strong political commitment from governments at the highest level that Regional integration is important and to legitimate that the way chosen is the right one towards new results. This will hopefully be clearly expressed when Heads of State and Governments of the Region meet in Riga in June 2008. From this perspective, BDF also welcomes very much that the European Council decided in December 2007 to ask the European Commission to present an EU strategy for the BSR by June 2009.

There is reason to be optimistic, since there is new momentum which comes from several quarters of the BSR.

Some but not all government programmes underline the importance of regional and near market strategies as a supplementary and complementary measure to EU membership and national reform strategies. There seem, however, to be an emerging consensus that influence on decision-making procedures of the EU can more easily be achieved, when shared views with regional partners are presented. It is also recognised that shared regional priorities improve the opportunities of access to EU financial mechanisms and instruments. In an EU of 27 or more, competition has increased and coalition-building has become crucial.

To be successful, it is particularly important that we have Germany and Poland on board. If not, regional cooperation will only be covering the small countries of the Nordic and Baltic area, which is insufficient. We need to have the muscles of the big countries and their market size. Particular efforts to integrate all the big countries, including Russia, should be made.

-o0o-

In many ways, today's BSR co-operation has two dominating dimensions: An EU internal one and an EU external. This dual approach is exactly expressed in the European Council's conclusion in December. Undoubtedly, many regional initiatives often need to take the point of the departure in EU's policies, rules, regulations or financial instruments, if today's problems in the BSR are to be tackled efficiently. At the same time the Northern Dimension

framework provides the basis for the external aspects of cooperation in the Baltic Sea region. It includes cooperation with Russia, Norway and Island.

In particular, relations to Russia continue to be of importance to the regional economic and political development. EU countries in general and the EU countries of the BSR in particular have to speak with one voice to Russia. If the EU member countries can stay united, cooperation with Russia becomes more effective.

The regional energy organisation, BASREC is an example of an organisation that has to adapt to the need approach. We cannot pretend being equal partners, when the EU has decided to have an intensive dialogue with Russia based on a single voice of the EU-countries. This view also demands changes in the way that for example the CBSS is working in the future.

Presidential elections will take place in Russia in first half of 2008, and it remain to be seen whether the political clarification will influence regional cooperation and Russia's relation with its neighbouring countries. BDF will endeavour to work more closely and directly with Russia and her Baltic Sea provinces in 2008, contributing to more respectful and less politicised relations. Recent events in St. Petersburg – with the harassment of British Council – are not exactly encouraging signs!

-o0o-

Many economic benefits of regional cooperation exist regardless of EU membership or not. In the 2007 State of the Region Report, the basic reasons for regional co-operation are presented in chapter 1. After EU enlargement they are worth repeating, since they need new recognition. Why are some regions in Europe more successful than others? Brussels and the EU have nothing to do with these regional success stories. They have to be earned by the regions themselves. In fact, neighbours do matter - not least economically. Finally, in many of the areas of the Lisbon agenda for jobs and growth, the EU does not have very many competences. It is basically up to the countries themselves to be innovative through strong universities and entrepreneurial talents.

The economic situation in the BSR has not been more favourable that today. Newer before has the economic growth been so high in all part of the region at the same time. The growth rates are outperforming most other regions in the world, including NAFTA. The BSR continues to be among the most

competitive economies in the world. There exists however also challenges that could impact negatively other parts of the region significantly. Certain economies are at the brink of overheating. The demand for talents and labour is hampering continued high growth rates. These are some of aspects that need to be addressed. The BSR has a great potential that has to be fully unlocked.

-o0o-

What is the vision behind the new era of co-operation in the Baltic Sea Region, one could ask. The same question could in fact be asked as regards the EU, since the same dilemma applies. Both the EU and the Baltic Sea Region cooperation have seen that their original mission has been accomplished: Europe has become united and war and armed conflict is no longer imaginable. My answer is; a co-operation that has its starting point in delivering concrete results to the citizens. "A Europe and BSR of Results". Results in the sense that we are able to make sure that we have an unpolluted Baltic Sea; that we can deliver growth, jobs, sustainable energy supply etc.

More generally, the increasing globalisation process is imposing new challenges and providing new opportunities to the knowledge-intensive economies in particular. BDF has for some time made efforts to promote agreement on an agenda that combines global challenges with regional solutions. At the BDF Summit in Tallinn November 2007, this was a underlying theme that related to the shortage of talents, research, universities, innovation, entrepreneurship, immigration policies and energy and climate problems.

It is having a wider positive impact on cooperation in the BSR. It does not constitute a new narrative, but the new vision should be to strive for a Baltic Sea region that is the most dynamic and innovative in Europe and in the world.

What subjects do we need to address as a priority?

Several of them, I have already touched upon, but let me highlight two in particular.

Energy and climate change is high on the political agenda globally, regionally and sub-regionally, not least since BSR will host COP 15 – the UN Climate

Summit – in Copenhagen in 2009 during Swedish EU-presidency that has both energy/climate and the EU strategy for the BSR as priority subjects. The region ought to be able to present regional solutions and ways of exploiting the many strengths and skills that exist in this sector in the region.

A widely shared and true concern for the maritime environment of the Baltic Sea has also contributed to the new momentum of regional cooperation. Some of this concern is linked to the energy exports that are increasingly using the Baltic Sea as transit route for crude oil shipment.

I could not imagine any EU strategy for the BSR without these two areas being reflected.

It is important that the region itself participates actively in defining the contents of a future EU strategy. BDF will endeavour to contribute based on a vision that the Baltic Sea region should be one of the most dynamic and innovative in Europe and in the World, delivering concrete results to the citizens.

What institutions should be use?

I have been asked also to address this question. Very shortly: Naturally, I have to say that we need in particular Baltic Development Forum.

Or at least our approach and characteristic that is to bring together business, politicians/governments and academia. Public-private partnerships are often needed and a platform that would allow business to express their views, demands and experiences as regards obstacles for growth and competitiveness. This is important, if the region is going to be successful in implementing a new approach and the future means of cooperation.

Thank you.