



## Minutes of the Conference<sup>1</sup>

### Growth and Competitiveness in the Baltic Sea Region

11 March 2011, Stockholm

#### Introduction to the Strategy and the Digital Agenda

- Minister of European Affairs of Sweden, *Birgitta Ohlsson* mentioned in her opening speech that one of the tasks at hand for the Baltic Sea Region (BSR) and the EU strategy for the region was to address the challenges linked to the “great globalisation project”, and to facilitate free trade and deepen the internal market. The Minister made reference to the Swedish/Estonian policy non-paper supporting macro-regions in Europe (enclosed). In the future, macro-regions should serve as a basis for all Cohesion Policy programmes as well as national and regional strategic priorities. The cross-border and transnational dimension of the Cohesion Policy should be strengthened and programmed to support macro-regional priorities. A clearer link to Europe 2020 was also called for.
- The conference congratulated the Baltic States’ 20 year anniversary of re-gaining of independence. The anniversary was a reminder of how far the BSR had come in re-building the Region’s identity and in developing cross border cooperation on all levels. The special “*Baltic Sea Spirit*” had to be promoted as a way to connect all parts of the BSR, *Minister Ohlsson* said. The EU strategy did indeed have some “infancy problems” (see also below) that had to be cured. Important issues for the general public were the pollution of the sea and the trade in human beings.
- State Secretary of the Estonian Ministry of Foreign Affairs, *Kaja Tael* reminded the participants of the underdevelopment of the eastern coast of the BSR. The problems were very real, not least in terms of the energy and transport infrastructure. Also the knowledge-based society was a priority and the Digital Agenda was a promising project. The development of a *digital action plan* for the BSR was exactly what was needed (see below). The creation of consumer trust and appetite for all sorts of e-services was essential. Estonia had a huge appetite. In recent elections, 25% of the votes were cast electronically. Open government meant increase in transparency, and e-participation was part of that transparency, by providing direct interaction with the public, Ms. Tael said.
- In his concluding remarks, Head of Delegation of the European Commission, *Pierre Schellekens* underlined the importance of the general policy context of the EU when addressing the issue of the EU strategy for the BSR and the link to Europe 2020. During 2011 many new policy fields would be developed further through the presentation of new

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<sup>1</sup> The minutes are made on behalf of Baltic Development Forum only.

proposals: the EU's budget for 2014-2020, structural funds, the agricultural sector, energy and climate, and transport.

- He reminded that the EU strategy for the region was a living document. New needs and opportunities for regional cooperation could be included during the review process. In fact, new inputs were needed in order to have a dynamic and relevant strategy. The Commission would present its progress report in June.

### **The EU strategy – related problems**

- The speakers saw generally the review process of the EU strategy as a good opportunity to evaluate progress and the quality of the projects. Problems of the strategy pertained to:
  - Insufficient involvement of the *private sector* which was critical not least in connection with the 2<sup>nd</sup> Annual Forum 24-26 October 2011 in Gdansk, Poland. The CEO of Chamber of Commerce and Industry of Southern Sweden *Stephan Mühler*, mentioned that project/policy proposals for the strategy would be presented before the meeting in Gdansk (together with BDF). *Pierre Schellekens* reminded that both sides – business and politics – had to be open and present their views and demands.
  - The lack of a *communication and information* strategy which was called for in order to inform the general public, the NGO sector and other actors. More information and communication within each country was also needed said State Secretary, *Oscar Söderström*, pointing to the Swedish Government's new initiative.
  - The lack of clear *objectives and benchmarks* for implementing the EU strategy and the projects. There was a need to be able to demonstrate clearer *results* of the strategy. It was necessary to be more critical towards underperforming projects. *Pierre Schellekens* informed that the Commission was presently working on such ideas.
  - Greater involvement of *Russia* as much as possible both on a political level and on a project level. The business opportunities were mentioned by the private sector representatives, not least by Senior Partner *Per Magnusson* of Magnusson Law Firm.
- The three No's which characterised the EU strategy (no new funds, no new institutions and no new legislation) were also taken up and questioned by some of the speakers.
  - *New funds* needed to be allocated (a specific budget line), County Governor *Per Unckel* said, challenging the first "No". It was needed to facilitate meetings and the elaboration of projects. Others saw the alignment of funds as the way forward in order to mobilise the funding sources.
  - The cross-border dimension of *structural funds* should be strengthened (during the upcoming negotiations on the EU budget from 2014-2020) and thereby help mobilise more funds for the region, *Oscar Söderström* mentioned.
  - *Clearer focus* of the Strategy was needed and hopefully it could also come in the process of aligning the strategy with Europe 2020. Generally, the importance of the

*knowledge economy* and knowledge building should be reflected in the strategy, including innovation and research.

- Too much *bureaucracy* was one impression that observers had of the strategy and the procedures linked to the administration, said *Per Unckel*. It was not helpful to the engagement of the private sector. Hopefully it was a feature of the initial phase.
- A BSR "*spirit*" mentioned by *Birgitta Ohlsson* should be fostered. The cultural diversity characterized the region but also shared values and a common history.
- Continued *high-level political attention* and pressure was necessary, underlined *Per Unckel*. Political pressure could also help overcoming the three No's.

### **The internal market and business opportunities**

- A need to have greater focus improving the framework conditions for business was highlighted as well as the need *to remove old and new barriers to trade, services, people and investments* in the region. Approximately 50% of all trade within the region was between the neighbouring countries. The BSR, including Norway and Russia accounted for 44% of Sweden's export and 57% of Sweden's import (2010).
- Regional efforts to deepen the *Single Market* were important for success. The region should be inspired by the Delors Commission, *Stephan Mühler* mentioned, in setting clear objectives on removing obstacles. Problems at border crossings to Russia had to have continued attention.
- Especially within the service sector, the Swedish industry experienced obstacles in trade within the EU. Mainly the bigger companies had negative experiences, Head of Unit of the Internal Market, *Agnès Courades Allebeck*, informed. From a regional dimension, the internal market could be improved through closer cooperation between the SOLVIT centers and through exchange of best practice/knowledge, and through information campaigns to companies and individuals.

### **The Digital Agenda in the BSR**

- Senior Economist at Copenhagen Economics, *Joakim Sonnegård*, introduced the topic Digital Agenda - one of the seven flagship projects of the Europe 2020 strategy. The objective was to define the enabling role that the use of Information and Communication Technologies (ICT) will have to play in the work to achieve higher economic growth and deeper integration in Europe.
- The ICT sector was directly responsible for 50% of European GDP, with a market value of 600 billion Euros annually, but contributes for overall productivity growth (20%) directly from the ICT sector and 30% from ICT investments, according to the European Commission.
- Baltic Development Forum wanted to present in October in Gdansk a proposal for a *Digital Action Plan* for the BSR and had developed a non-paper describing the process. The intention was to establish an advisory expert group and to invite partners to define the regional contribution to the Europe 2020 flagship, since the BSR had a lot to gain from this

sector. The digital agenda had three aspects in particular, all relating to the competitiveness: 1) internal market rules of the sector, 2) infrastructure development and 3) development of innovation and research.

- State Secretary, *Kaja Tael* supported the proposal for a digital action plan. The existing concerns were many and included copyright legislation, procurement, consumer protection issues, e-authentication, payment procedures, use of public sector information, data protection etc. Within the EU strategy, Estonia promoted an increase use of electronic signatures/e-identification in the BSR. New consensus building was needed since the existing EU directive was outdated and more of a nuisance than of assistance.
- *E-commerce* of private consumers was generally high in the region compared to the rest of the EU but the cross-border trade in goods and services via the internet was not very developed (see attachment). Removal of the barriers could entail 4% growth within the EU by 2020, according to Copenhagen Economics. Ms *Allebeck* mentioned that the digital area could be a good place to begin when taking initiatives to deepen the Internal Market. By 2015, the digital single market should be completed according to Ms *Tael*.
- According to Ms. *Tael* the present barriers in the field concerned mostly copyright legislation, procurement, consumer protection issues, e-authentication, payment procedures, use of public sector information, data protection etc.
- Senior Vice President of TeliaSonera, *Cecilia Edström*, underlined the importance of the BSR to the company – 10 billion Euros were invested in the region yearly. The Digital Agenda was very important to TeliaSonera, and she highlighted in particular the need for transparent rules in regulating the sector, common standards for the products/services of the industry, a positive innovation climate for the sector, access to spectrum, and investment in broad band.
- CEO of Mobile Heights, *Helene Vogelmann* saw a division of roles within the sector. The small, innovative, flexible IT companies were crucial in the food chain of the bigger companies, not least since the smaller ones provided the best developed and smartest application. The Eco-system had to be improved and it demanded the involvement of the public sector through public-private partnerships especially in the field of research, innovation and cluster development and administration. The public sector should not “pick-the-winner” of tomorrow but help shape the opportunities of the next innovative winner.
- To which extent should the public sector intervene? Executive Vice President *Thomas Neckmar* underlined the importance of creating good framework conditions and not to try to give indirect state aid through “picking the winner”. The digital development was important to the banking sector in general and to Nordea in particular. New digital services were constantly being introduced to its customers. The BSR was generally very important to Nordea – the biggest bank in the region.
- At the Conference on Smart Specialisation 5-6 April in Malmö – organised by Tillväxtverket and the European Commission – a follow-up on these issues would take place.

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## **Concept Paper on Macro Regional Strategies Suggestions by the Estonian and Swedish Governments**

### **I. CONCEPT**

1. Macro-regional strategies respond to key challenges facing the respective region and provide a focused framework for implementing common EU goals and to address cross-border challenges.
2. The macro-regional approach is a comprehensive approach. The approach addresses cross-cutting and horizontal topics that are not necessarily linked to specific policies or sectors.
3. All policies that have effects across and around the region should be included, so that initiatives in one sector take account of the needs and constraints of other sectors.
4. The EUSBSR includes important horizontal issues as territorial cohesion, urban and rural issues as well as environmental and maritime issues.
5. Macro-regional strategies should rely on alignment of funding, existing EU legislation and cooperation among existing institutions.

### **II. YES TO ALIGNMENT OF FUTURE POLICY**

1. Macro-regional strategies can contribute to the achievement of the Europe 2020 goals by identifying actions benefitting from cooperation between a group of neighbouring countries sharing territorial challenges.
2. All relevant EU policy areas should take macro-regional strategies into account and identify possible added value of taking a macro-regional approach in the policy planning and implementation.
3. Further deepening of cooperation on infrastructure and transport policy in a macro-regional setting should be explored. The development of joint TEN-T prioritization and joint processes could provide added value to policy implementation and add new perspectives across countries and sectors.
4. Macro-regional strategies can be a useful tool for improving the coordinated development and implementation of EU sectoral policies affecting water and the marine environment, involving the agricultural, fisheries, transport and energy sectors and seeking support from other policy instruments, such as the regional and research policies.
5. Innovation policy implementation can find added value in a macro-regional approach in combining comparative strengths in a near neighbourhood. It can provide a first step for SME's to form new alliances and constitute a broader base for succeeding in global competition.

### **III. YES TO ALIGNMENT OF FUNDING**

1. Financing of macro-regional strategies should be based on aligning of existing funding in the region.
2. Community funding within all sectors of relevance to a macro-regional strategy should take macro-regional strategies into account for the next period.
3. Macro-regional strategies are especially instrumental to the objectives of the EU Cohesion Policy and consequently the Cohesion Policy programs. As stated in the Commissions 5th Cohesion report the macro-regional approach constitutes a level that can contribute in the pursuit of territorial cohesion through an integrated approach to address common challenges.
4. The decentralized character of the Cohesion Policy programs demands that their role in realizing a macro-regional strategy is clearly communicated in strategic guidelines for the programs.
5. An adopted macro-regional strategy should serve as one of the basis for all Cohesion Policy programs along with the Europe 2020 as well as national and regional strategic priorities.
6. Cohesion policy programs in the region should take the strategy as well as relevant flagship projects into account in programming and implementation. The possibilities for all these programs to support projects with a cross border dimension should therefore be further explored.
7. Territorial cooperation should have a high priority within Cohesion Policy in the next financial perspective. All such programs should contribute to the realization of macro-regional objectives to the extent possible taking into account program geography and size. As stated in the 5th Cohesion report, the transnational strand should be strengthened and fully programmed to support the macro-regional priorities and projects relevant to Cohesion Policy. The Commission should be responsible for financial allocations to transnational programs given their pivotal role in the implementation.
8. The Commissions role to coordinate and monitor the alignment of funding must be further emphasized.
9. To enable support for the implementation of a macro-regional strategy, some of the allocated technical assistance for the whole macro-region could be set aside on EU level as part of the Cohesion Policy structure in the region.
10. Within the budgetary principles of the Financial regulation, financial engineering actions could be further developed in order to increase the leverage of contributed funds and enhance the effect of macro-regional strategies.

### **IV. GOVERNANCE**

1. The EUSBSR is the first macro-regional strategy and has generated important added value. Continued political support and practical implementation are key.
2. It is important to honour the timetable as decided upon by the European Council, namely to report to the Council no later than June 2011 on the progress made and on the results already achieved.
3. MS could agree on to jointly fund certain projects of the action plan.

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