

BDF Magazine

*Towards a European Baltic Sea Strategy
– the Second Wave of Integration*

Spring 2008



*Global Challenges, Regional Solutions
– Creating a World-Class Arena for
Business and Talent on Top of Europe*

Baltic  Development Forum

Dear Reader,

Let me sum up our accomplishments of the year that lies behind us and look forward to the new challenges that we are ready to address at Baltic Development Forum. Thanks to the dedicated involvement by our Members and Partners we can look back on a successful 2007. Taking stock of the conclusions reached at the 2007 BDF Summit we can now push our common Baltic Sea agenda further.

This issue of the BDF Magazine will present highlights from the 2007 BDF Summit and offer some food for thought about what we intend to address in the course of 2008. The articles and themes in the BDF Magazine reflect the key role played by the business community in the growing integration of the Baltic Sea Region.

We have an extensive agenda ahead of us, and we are looking forward to working together with

you on this. It is my conviction that the coming EU Baltic Sea Strategy will be instrumental in this regard. Baltic Development Forum has already been involved in this work for some time, and we are pleased to continue our participation in defining the priorities and parameters of the EU Baltic Sea Agenda.

As concluded at the 2007 BDF Summit, the future of the Baltic Sea Region lies in its capacity to attract and maintain the greatest of talents. All actors in the Region therefore need to scrutinize where the invisible obstacles lie and, with fresh eyes and open minds, map out a constructive way forward. This is indeed a great challenge! It implies a readiness to reconsider ingrained opinions about integration, immigration, the pillars of welfare and other holy cows in our society.

BDF Magazine



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Another main message at the 2007 BDF Summit was the need for a comprehensive regional approach to meet the need for sustainable sources of energy. With the mounting demand for cleaner sources of energy we have a tall order in the Baltic Sea Region. But we need to gather know-how and ideas from the visionary and innovative – and to be ready to listen and learn. I am convinced that BDF together with our Members and Partners have an instrumental role in identifying small and big steps forward in this regard!

Enjoy your reading!



Uffe Ellemann-Jensen
Chairman of Baltic Development Forum



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Baltic Sea Region – the Second Wave of Integration

In recent years, we have witnessed the political integration of the Baltic Sea Region become a remarkable success. 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 and the Helsinki Commission (HELCOM) to enhance regional co-operation. All of these steps reflect that we are now entering a second wave of integration of the Region, and that the dynamics are fundamentally different compared to some ten years ago.

The focus must now be shifted from high profile political integration - which is close to completion - to a more fine-tuned, low-key business oriented harmonisation. But we do not only need a shift of focus, there is also a call for alternative means. A bottom-up approach is the way forward in identifying concrete areas for action, including solutions through private-public partnerships and to more explicitly involving the business sector in the incremental transformations. For the Baltic Sea Region to be able to address challenges such as finding new energy supplies and safer energy transports, it is vital to make a common cause with the leading business segments in the Region.

It is understandable that a certain time had to pass before changes to the regional co-operation were 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 marked the end of the enlargement process with the countries of Central and Eastern Europe.

In June 2007, the Foreign Ministers of the CBSS decided to reform the organisation. Today, all the littoral countries of the Baltic Sea are members of the EU with the exception of Russia. In other words: Some are more equal than others. The

CBSS needs to adjust itself to these realities. The present Latvian CBSS-presidency will make proposals in the first half of 2008 on how the present structures can be changed. We look forward to this and to having a stronger partner in the future. The Baltic Sea region would exert stronger influence on decision makers – not the least in Brussels – if its coordination was better and its structures more simple.

In December 2007, the European Council also made it clear that today's Baltic Sea Region co-operation has two relevant aspects; an EU internal and an EU external. The Northern Dimension framework provides the basis for the external aspects of cooperation in the Baltic Sea Region. Furthermore, relations to Russia continue to be of utmost importance to the regional economic and political development, but the fact is that the EU countries in general and the EU countries of the Baltic Sea region in particular have to speak with one voice to Russia. If the EU countries could stay united, cooperation with Russia would become more effective. In particular, we have to thank the efforts of the Swedish government that the European Council conclusions were adopted. This coincides with the Baltic Development Forum's longstanding efforts to promote the idea of an EU strategy for the region. We therefore welcome the fact that it will come just before Sweden takes presidency of the EU in the second half of 2009, and we stand ready to assist further.

It would be wrong, however, to leave all the work to the European Commission and the EU alone. The countries of the Region and regional actors at least need to be able to present their view of the priorities for the future. Who should know better what is important in order to secure economic growth, address the challenges of globalisation and obtain sustainable development?

Baltic Development Forum will therefore continue to facilitate exchange of ideas and policies



and to work together with governments, regional organisations and business representatives. The annual State of the Region Report that we publish in co-operation with the Nordic Investment Bank and the Nordic Council of Ministers provide the factual and analytical basis for identifying the economic areas that should be included. In the year to come, BDF will mainly focus on three areas, namely: energy and climate change; a labour market in transition; and the EU Baltic Sea Strategy.

What are the chances of successfully deciding on a new beginning for cooperation in the Baltic Sea Region? Do we have reasons for optimism? I would say yes, one reason for this is the new dynamism from both Sweden and Finland, the other due to encouraging signals from other governments. It might be that a few other countries need to have the basic reasons for, and benefits of, regional co-operation repeated in order to reinvigorate their involvement. In fact, we have tried to do exactly that in the 2007 State of the Region Report.

What is the vision behind the new era of co-operation in the Baltic Sea Region? many ask rightly.

One could ask the same question as regards the EU, since the same dilemma applies. Both the EU and the Baltic Sea Region cooperation have seen their original missions become accomplished: Europe has become united, and war and armed conflict are no longer imaginable. My answer is; a co-operation that has its starting point in delivering concrete results to the citizens.

Today, we need to focus strongly on economic problems and drivers. A bottom-up approach is the way forward in identifying concrete areas for action, including solutions through private-public partnerships. Furthermore, it is necessary to see the need for regional co-operation in a larger and global context. The ability to address tomorrow's challenges of global competitiveness and the demands of knowledge-driven economies should be our main concern. 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.

Hans Brask

Director of Baltic Development Forum



An EU Baltic Sea

By Fredrik Reinfeldt
Prime Minister of Sweden

Looking back over the past 16 years the Baltic Sea region has been a success story. Today it is a region where growth is strong, the level of innovation is high, efforts to create sustainable development are impressive and societies are stable. The fact that the Baltic Sea region has been doing so well has been partly due to the systematic and successful reform of the economies and societies of especially Estonia, Latvia, Lithuania and Poland, but indeed also of countries like Denmark, Finland and Sweden since the early 1990s.

Still, there are a number of issues in Northern Europe that we need to address if we are to meet current and future challenges in the region.

Structural disadvantages

The extensive growth effects stemming from structural reforms are bound to tail off. The slowdown could easily coincide with accelerating globalisation exposing our region to even more rapidly increasing competition. Seen in a broader perspective, the Baltic Sea region has a number of comparative disadvantages such as its vast geographical size combined with a relatively sparse population. Moreover, its post-war division has resulted in different levels of economic development. The fact that the Baltic Sea and other seas in the west separate the countries of the region creates a number of logistical disadvantages. The energy grids are still partly divided between the eastern and western parts of the region.

Another area of concern for the Baltic Sea region relates to the ecological situation of the Baltic Sea itself. The current levels of eutrophication pose a threat to the ecosystem and have to decrease if we are to succeed in protecting the marine environment.

A further challenge is the rapid expansion of energy transit through the Baltic Sea, in particular oil shipments, which by 2015 will almost double to 230 million tonnes of crude oil annually. An accident involving a 100 000 tonne tanker in the Baltic Sea would risk creating a far greater disaster in this shallow, en-

closed sea than the 70 000 tonne Prestige catastrophe in the Bay of Biscay in 2002. We need reliable capabilities to deal rapidly and effectively with this threat.

EU enlargement presents opportunities to meet challenges

When trying to address these challenges we should recognise the fact that today eight out of nine Baltic Sea littoral states are EU members. This implies a fundamental change of the situation compared with the 1990s, when most of today's regional cooperation initiatives were taken. With Estonia, Latvia, Lithuania and Poland joining the Schengen passport union, the last physical borders are now being lifted.

In a few more years, a majority of states around the Baltic are likely to be full members of the euro area. Our region needs to address many of the main challenges to the region through EU policies and instruments open to EU members. To a large extent this also concerns Norway and Iceland, which in many practical respects are Baltic Sea region states as well as parts of the EU internal market through their participation in the European Economic Area (EEA).

What needs to be done?

The first and overriding objective should be to deepen the actual integration both between the region's EU members and between the Baltic Sea region and the rest of the European Union. This should be done in order to overcome the internal divide as well as the physical divide between the region and the continent. We have to find ways to compensate for long distances, limited population and major development differences in the region.

For instance, it will be important to adopt a harmonised approach to the full implementation among the region's member states of key EU directives, linked to the functioning and development of the internal market. Some examples of how to attain this objective are to

Strategy to Meet Future Challenges

draw extensively on concrete instruments and to make efforts among the member states to improve interoperability, for example of company law and trade regulations. Interesting ideas and concrete suggestions for action have also been presented at Baltic Development Forum Summits and in the State of the Region Reports.

Facilitating transnational priorities

Similarly, we could also promote a stronger joint regional approach to R&D, innovation and SME network development. Further, in order to facilitate the region's deeper cohesion as well as its stronger interconnection with other parts of the EU, key issues of mutual accessibility (infrastructure, transport, logistics, ICT) need to be addressed. Some plans and projects already agreed upon or being implemented, such as Motorways of the Sea and the Fehmarn Belt bridge, have great potential for further development. They will also be of reciprocal benefit to all EU member states.

As to the environmental challenges, there is a promising potential for increased efforts to find solutions, as eight out of nine littoral states today belong to the EU and considerable improvement can be achieved through a coordinated and targeted investment programme. Measures are needed to reach full compliance with EU environmental requirements in all EU Baltic Sea states in order to reduce nitrogen and phosphorus and to lower the level of nutrients from agriculture reaching the sea.

There is also a need to achieve the highest possible standards as regards the removal of phosphorus from waste water. A coordinated and sustainable approach to agriculture is essential, as the EU agricultural and structural funds play a significant role in the development of agriculture around the Baltic Sea as well as in the mitigation of associated environmental implications.

With regard to the increasing risks of a major oil tanker disaster, given that transit volumes are set to double, we need to ensure that we have the resources both to prevent and to act swiftly should a disaster occur.

Strategy in place by 2009

In order to deal with these profound challenges and to ensure that the Baltic Sea region will remain a successful and competitive part of Europe, the Swedish Government has taken up the suggestion for an EU Baltic Sea Strategy as one of the key objectives for the Swedish EU Presidency in the second half of 2009. A significant step in this direction was the decision by the EU Summit in December 2007 to invite the Commission to present an EU strategy for the Baltic Sea region by June 2009.

The EU Baltic Sea Strategy that will be adopted in the autumn of 2009 should be a concrete, action-oriented instrument which helps the EU and the EU members in the Baltic Sea region to set joint priorities, for instance concerning investments in infrastructure, to speed up joint implementation of EU decisions, and to better harmonise national regulations so as to create a genuinely single and thus bigger regional market, which in turn would become more interesting both to the region itself and to the rest of Europe. Similarly, on the environmental side, we need measures that address the specificity of the environmental challenges related to the Baltic Sea.

A strategy could be regarded in part as a transnational priority instrument. This is something I believe will be needed in some other EU regions as well, looking around the corner, when the recently signed Lisbon Treaty will make territorial cohesion an explicit objective of the enlarged Union. As a joint priority instrument for the Baltic Sea region, a strategy would facilitate an effective use of both EU resources and the region's own financial and other resources. The end result will be much more concrete action and value for money.

A final word should be said regarding cooperation with the only Baltic Sea littoral state which is not an EU member, the Russian Federation. Of course there is a need to deepen and develop cooperation in our region with Russia as well regarding trade facilitation, oil transit and environmental issues. But here the EU already has a well-functioning instrument in the EU Northern Dimension. I firmly believe that the Northern Dimension and the Baltic Sea Strategy will be mutually reinforcing.

Intelligent Labour Management – Speeding

By Hans Skov Christensen

CEO of the Confederation of Danish Industries

Competition for skilled labour will be still fiercer over the next years. Cornerstones in securing growth are labour management, mobility, and productivity

On the surface the future looks bright. Many countries in the Baltic Sea Region still have high economic growth. But beneath the surface the future looks rather bleak.

A number of countries are facing an ageing and decreasing labour force, which will inevitably increase the competition for qualified labour. The demographic deficit will hit many European coun-

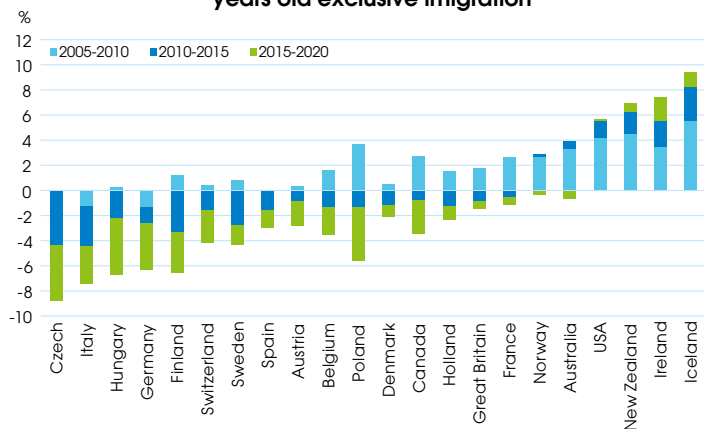
tries much harder than Denmark. Several of the new EU-countries that have provided employment-related migration to Denmark and other countries will in the future face an even bigger challenge than many of the "older" European countries. These facts will, without doubt, increase the competition for attracting and keeping qualified labour, and will also cause the search field to expand.

In reality, the low unemployment rate and the ageing workforce in many Baltic Sea countries lead to labour shortages - perhaps the most serious challenges to our societies.

A survey among Danish companies in August 2007 showed that shortage of qualified labour is the biggest barrier to their growth. When shortage of qualified labour is a bigger threat to growth than shortage of customers - sound the alarm!

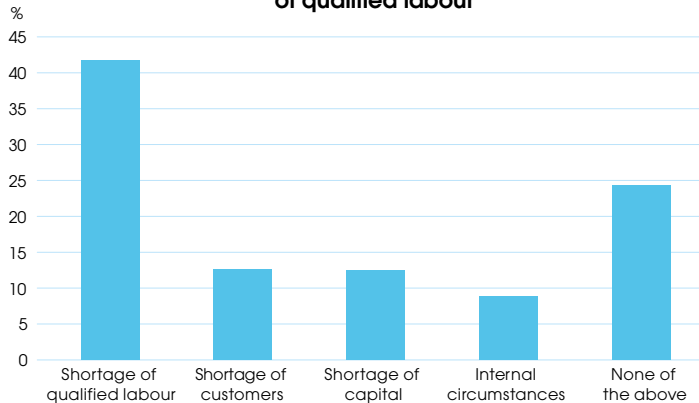
58,000 jobs were "lost" in Denmark in spring 2007 due to shortage of labour. The diminished labour force costs Danish companies and the Danish society billions of Euros.

Expected change in the population in the age group of 15 to 64 years old exclusive immigration



Source: OECD, International Migration Outlook 2007

Danish private firms' most essential barrier for growth is shortage of qualified labour



Source: DI survey, August 2007

Something needs to be done

How do we secure a well-functioning labour market, future growth, and welfare?

Of course, the right solution does not exist. All countries are different and there is no "one-size-fits-all" model. On the other hand, there are important issues that can ease the challenges on the labour markets.

Flexibility and adaptability

Flexible labour markets are of course very important because they give business a clear advantage when modifying production and labour in response to changing conditions.

Companies are facing changing conditions on a daily basis, and their ability to respond to changes is vital in today's globalised world.

Up Regional Mobility and Productivity

In Denmark, part of the economic success over the last few years is our so-called flexicurity model. This model combines:

- a highly *flexible* labour market
- high *social security*
- an active labour market policy that *is* constantly *upgrading the skills* of the labour force

The model focuses on *creating jobs* rather than *protecting jobs*. Countries that do not accomplish this will have a hard time establishing a well-functioning labour market.

An expansion of the flexicurity model could unite and strengthen the Baltic Sea Region in adapting to the ever changing market conditions in a globalised world. However, flexicurity is only part of the solution. To speed up mobility, a number of other measures can be used.

Transitional agreements

The most obvious and absurd barrier to mobility in Europe is the transitional agreements. At a time when the problem is not too much labour mobility but rather too little, the transitional agreements in five European countries make no sense.

January 2008

Free movement	Restrictions
Finland	Austria
Greece	Belgium
Ireland	Denmark
Italy	Germany
Portugal	France
Spain	
Sweden	
UK	
Netherlands	
Luxembourg	



Hans Skov Christensen, CEO of the Confederation of Danish Industries

There are major differences between the agreements throughout Europe. But why are there restrictions in a country like Denmark when the need for foreign labour is so obvious? There is no logical answer, only absurdities. The mentality simply has to change.

Taxes

Tax levels vary a lot throughout the Baltic Sea Region. In a broader perspective, taxes are important incentives to secure foreign labour. High tax rates do not speed up labour mobility - on the contrary, they sustain recruitment of foreign labour.

Seventy-five percent of the Danish companies believe that lower taxes would improve their ability to recruit qualified employees from abroad.

The Danish government has introduced tax reductions to attract foreign researchers. It is an appreciated step in the right direction, but more complex and far-reaching initiatives are required.

Public authorities

Public authorities are also important players in securing mobility because they are essential and basic when entering a foreign country. It is a very impor-

To make sure that the Baltic Sea Region continues to register strong growth and benefits from the globalisation, an active, flexible and mobile labour force is an important prerequisite for further economic progress

tant element for people to feel safe and welcome in a foreign country. Open and smooth operational public authorities who are able to communicate in languages other than their own, are a necessity to attract and keep foreign labour in any given country.

Branding

Branding plays a major role in attracting foreigners. The Baltic Sea Region needs to be outstanding on the world map. Communication about living and working opportunities is an important element.

Focus on labour productivity - not on labour shortage

Though much of the problem is structural and must be dealt with at government level, companies do have a number of options to resolve the present labour shortage situation.

In reality, the option at hand is to create more value and increase economic results at lower levels in order to raise productivity - in other words: to get more things done by the same staff.

Unfortunately, productivity is sometimes wrongly perceived as a question of making employees work more and run faster. This may be a possible strategy for a short period, but since you would soon end up losing more productivity than you gain, company management will have to find other ways to increase output with the same or lower level of labour.

Generally, higher labour productivity is a matter of choosing two strategies. one is *innovation* by developing better products and services. the other is *improving* existing production and business processes, for example, by implementing lean, which is a method of developing production management. another example is introducing *teams* as methods of organisational development

Innovation

Focused innovation of technology, products, and processes throughout the entire value chain will enable the company to lower its time-to-market and raise its number of up-market products with a higher profit margin. At the same time, quality can be improved, which may pave the way to less resource demanding production. Thereby the company is including environmental benefits, which are more and more important to customers and society.

Lean

Labour time used wrongly or not at all is waste of employees. Lean is management methods that free up employee-time wasted in the wrong processes, and transfer them to processes that create more value. Unnecessary or complicated processes are made smoother and more agile. Lean has brought about very large improvements of working processes in Danish companies. A leading Danish medico-tech company, Radiometer, has cut the time it takes to deliver products by fifty percent and raised productivity by thirty percent.

Teams

Companies can improve their productivity by implementing a team organisation at the shop floor. Working in teams give employees more responsibility in planning their own daily production schedule and assigning the work force to different tasks and jobs. Productivity gains vary in companies after teams have been implemented, but the typical gain is between six and ten percent. This effect is created by more enthusiastic and motivated employees, and managers spending their time less on controlling and more on developing the company.

To make sure that the Baltic Sea Region continues to register strong growth and benefits from the globalisation, an active, flexible and mobile labour force is an important prerequisite for further economic progress.

Welcome, stranger!

Why the Baltic Sea Region Needs to Attract Talent from around the World

By Philippe Legrain

Economist, Writer and Fellow at London School of Economics

The central theme of the Tallinn Summit last November was how to make the Baltic Sea Region a centre of gravity for talent – to attract, develop and retain the best and the brightest. It is a vital ongoing challenge for policymakers, businesspeople, universities and civil society.

Unfortunately, the reality is that most countries in the region are losing their best talents overseas and failing to attract the exceptional foreigners who are essential to the region's future prosperity.

The root of the problem is that governments generally don't understand what it takes to stimulate innovation and growth, and are at best half-hearted, and at worst utterly misguided in their attempts to foster a dynamic, knowledge-based economy.

The best example of this misguided thinking is the Lisbon agenda, the European Union's attempt to make Europe the most dynamic and competitive economy in the world by 2010.

Criticism tends to focus on the fact that it is increasingly clear that the Lisbon targets will not be met. Estonians and other former members of the Soviet bloc should not be surprised at this. The Lisbon agenda is reminiscent of the Soviet Union's five-year plans: targets for everything, along with patriotic exhortations to redouble our efforts to achieve them. No wonder it's failing.

If you look back at what stimulated the Lisbon agenda, you see that it was envy and fear of Silicon Valley's stunning success. Even French socialists realised that Europe needed to change. But they misunderstood what it takes to foster a similar explosion of innovation and entrepreneurship.

Silicon Valley's incredible dynamism is not

something that can be replicated with targets for this or targets for that. It is fuelled by America's risk-loving venture capitalists, its entrepreneurial universities and its go-getting business climate, along with a vital catalyst that is often overlooked: the brightest sparks from around the world.

So many of the big names that we associate with America's dominance of the new internet economy were actually co-founded by immigrants: Google, Yahoo!, eBay, Intel, Oracle, Sun Microsystems. Nearly half of America's venture-capital-funded start-ups were co-founded by immigrants. Perhaps even more surprisingly, Sergey Brin of Google, Jerry Yang of Yahoo! and Pierre Omidyar of eBay all arrived in the US not as highly-skilled immigrants, but as children.

Now, if even a huge and diverse economy like the US needed foreign brains to trigger its internet boom, what chance does the much smaller Baltic Sea Region have without foreign talent?

China already produces more university graduates than all of Europe put together. India is not far behind. And over the next 20 years, most of the new graduates in the world will come from emerging economies. The Baltic Sea Region cannot afford to keep its doors closed to all their many talents. There is no room for complacency in this fast-changing and ever more competitive global economy.

Let's face it: the old recipe for economic growth – more spending on education, extra investment in research and development – is not good enough any more. If we already knew what was needed to develop tomorrow's technologies, they'd be yesterday's technologies. Millions of hours and millions of euros can be spent trying to solve a problem without finding a solution; but add someone with a fresh pair of eyes and a different perspective and suddenly you have an answer.

No matter how talented and well-equipped local people may be, they cannot hope to know all the answers. Outsiders have a lot to offer too. Again, look at America. US universities attract the world's

People seem to fear that if the door were opened even a little bit, there would be a stampede to get in. But what if nobody actually turned up?

top graduate students in science and engineering, and studies show that these foreign students not only increase the number of patents granted to universities, they also give a big boost to patents granted to businesses, as foreign graduates who stay on in the US add to the productivity of the wider economy.

As John Stuart Mill wisely remarked, “It is hardly possible to overrate the value, for the improvement of human beings, of things which bring them into contact with persons dissimilar to themselves, and with modes of thought and action unlike those with which they are familiar... there is no nation which does not need to borrow from others.”

In fact, the exceptional individuals who come up with brilliant new ideas often happen to be immigrants. Instead of following the conventional wisdom, foreigners tend to see things differently, and as outsiders they are more determined to succeed. Twenty-one of Britain’s Nobel-prize winners arrived in the country as refugees.

Most innovation nowadays comes from groups of talented people sparking off each other – and foreigners with different ideas, perspectives and experiences add something extra to the mix. If there are ten people sitting around a table trying to come up with a solution to a problem and they all think alike, then their ten heads are no better than one. But, if they all think differently, then by bouncing ideas off each other they can solve problems better and faster, as a growing volume of research shows.

Diversity is not only vital in high-tech; it’s crucial to the economy as a whole, because an ever-increasing share of our prosperity comes from companies that solve problems, be they developing new medicines, computer games or environmentally friendly technologies, designing innovative products and policies, or providing original management advice.

As well as contributing directly to a region’s prosperity, diversity acts a magnet for talent. People are drawn to places such as London or New York because they are exciting, cosmopolitan places. It’s not just

the huge range of ethnic restaurants and cultural experiences on offer; it’s the opportunity to lead a richer life by meeting people from different backgrounds. As Professor Richard Florida documents in his book, *The Rise of the Creative Class*, “regional economic growth is powered by creative people, who prefer places that are diverse, tolerant and open to new ideas.”

Now, it’s true that when countries are technologically backward, they can make huge leaps forward simply by copying what more advanced economies are doing. They may benefit from being culturally uniform, since this makes it easier for everyone to move forward in unison. Likewise, in periods when economic change is slow, more homogeneous countries may find it easier to organise themselves efficiently than more heterogeneous ones. But, in advanced economies, in periods of rapid economic change such as now, the value of diversity and the creativity it spurs comes into its own.

That’s why, as China and India catch up, and as other countries compete to attract the world’s brightest brains, the Baltic Sea Region needs to open up to foreigners in order to stay ahead.

Unfortunately, instead of competing to attract the next wave of foreign talent, the door remains resolutely shut. Foreigners are seen as a problem, not a solution. People seem to fear that if the door were opened even a little bit, there would be a stampede to get in. But what if nobody actually turned up?

Remember the German politician who said he wanted “Kinder statt Inder”, children not Indians? Well it turned out that Indian IT specialists preferred to go work in California or stay at home in Bangalore than move to Bavaria.

Compare that with the UK: from later this year, highly skilled foreigners will be able to come to Britain freely to look for and take any job they like. Australia and Canada actively seek to recruit talented foreigners, while the US is such an attractive place to work that over 10 million highly skilled



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foreigners are working there. The Baltic Sea Region isn't even in the race. In fact, it is actually suffering a brain drain.

So what needs to be done? For a start, governments need to liberalise their immigration rules. Existing schemes for attracting highly-skilled workers are so restrictive and so hedged with conditions that they act as a huge deterrent. If you put lots of hurdles in people's way and make them jump through hoops in order to qualify for a work visa, you shouldn't be surprised if they choose to go elsewhere.

Companies have to pay more attractive salaries to attract and retain their best talent, and governments need to play their part by keeping taxes reasonable.

Above all, though, foreigners need to be made to feel welcome. The anti-immigrant rhetoric that most governments employ to some degree sends out a powerful message that foreigners aren't really wanted, or are only being grudgingly admitted out of necessity. It's not surprising that people prefer the sunnier climes of Australia, the colour-blind dynamism of Silicon Valley or the excitement of cosmopolitan London instead.

But, what about the poorer countries in the region whose citizens increasingly seek more lucrative jobs overseas? For them, the task is first to attract

émigrés back. That is not impossible: most Poles I have met in London don't want to leave Poland forever; they just want to earn extra cash and gain value experience by spending some time abroad. If, and when, they return home, they will bring with them new ideas, new contacts and new capital that will provide a vital stimulus to the economy. And even while they are working overseas, they are not lost. They should be seen as a foreign asset, not so much a brain drain, but a brain bank, to be drawn on when needed.

Countries need to cultivate their diaspora network as much as possible. The benefits of that can be seen in Estonia in the person of President Ilves, who is not just an asset to his country domestically, but also through his international outlook and contacts.

The Baltic Sea Region wised up long ago that it needed to be open to the rest of the world economy in trade and finance in order to thrive. It realised that if it tried to hide from globalisation, it would simply be bypassed. But, when it comes to people – even really talented people – many in the region would prefer that the rest of the world stand still. But, what will actually happen if the region doesn't change is that the rest of the world will pass it by.

Heading for the Young Leaders



Rainer Kattel

Professor of Innovation Policy and Technology Governance, Tallinn Technical University

What are the most important factors for you when you choose a place to work?

I think clearly the most important factor is people – their qualifications, experience, networks they belong to, in a word: how good they are. The more attractive people there are the greater the ‘pull’ to go somewhere new – or stay somewhere old. At my institute in Tallinn University of Technology, we have managed to recruit world-class faculty members to our Technology Governance program (www.technologygovernance.eu) and this has given such an incredible motivational push to everybody working at the institute. But it’s the same for a wider context as well: from institute to university to city; more diversity attracts people with diverse backgrounds and skills, and this creates vibrant and sometimes totally unexpected connections and networks. I think a high degree of diversity in terms of expertise and cultural backgrounds creates a really vibrant work environment where real synergies are created and where it is generally fun to work.

What needs to be done to make the Baltic Sea Region a more attractive place for talents?

The answer is sort of a tautology: to attract more talent, the Baltic Sea Region needs to have more talent. Talents thrive where there are many talented people. I think the Baltic Sea Region states should offer massively (joint) scholarships and other recruitment instruments to talented people all over the world, and the recruitment should be one of the (joint) top political priorities. I also think that

the Baltic Sea Region should become much more diverse, open and tolerant in the sense of culture.

What are in your opinion the main factors to succeed?

I think the key for the Baltic Sea Region is how open we are able to become for world talents. Will this region be one of the first places young people think of when they want to have fun, challenging and culturally diverse study, work and/or life experiences? I think we are far from this, but this is the key to our success.



Jessica Löfström

CEO of ExpanderaMera

What are the most important factors for you when you choose a place to work?

I want to be in a company where ambition can really prosper!

I want to work in an environment where ambition can prosper, where the CEOs feed the hungry lions instead of keeping them in chains until they are so old that they have lost all their creativity and drive by the time they let them out. A place where I am given new challenges all the time and sometimes challenges that might be a little too big for me. A company that says “it’s better to make a mistake than to do nothing at all”. For that job, I would give up ExpanderaMera AB, but I haven’t found it yet

and that's also the reason why ExpanderMera AB came to be. I do hope I provide some of that environment to those of my employees who wish to have it.

What needs to be done to make the Baltic Sea Region a more attractive place for talents?

It all starts when we are very young.

When I grew up, my class and I were treated as a collective in school, although we felt we were all individuals who should be treated and challenged as such. We should not be afraid of elite schools or schools for those who need more, think multitude.

Entrepreneurs must be given the same social benefits as the rest of the employed population. Let entrepreneurs make mistakes; don't think of them as criminals just because their first idea didn't take off and make hundreds of new work opportunities.

What are in your opinion the main factors to succeed?

Embrace changes, don't try to resist them
Change old systems, let people grow, give people more responsibility, those who want other things will search their luck elsewhere. The countries that really believe and embrace the above mentioned ideas will be the new tiger economy. That is my religion anyway.



Rain Rannu

Co-founder and Partner at Mobi Solutions

What are the most important factors for you when you choose a place to work?

Coming right out of school to start my own company 7 years ago, and still developing the same company, I have not been exposed to too many different places of work. As a founder, you get to design your own place of work,



Sandor Liive and Karoli Hindriks at the Young Leaders session in Tallinn.

but it is only as good or bad as you are able to make it.

For me, as founder or employee, important factors that define a workplace would be two things: First, inspiring co-workers and leaders that you can constantly learn new things from. And second, an opportunity to do meaningful things while at work. People spend more than one third of their life at work - why waste it on doing something that does not matter?

What needs to be done to make the Baltic Sea Region a more attractive place for talents?

There are two ways to get talents: one is to train them within your own educational system and the other is to attract them from all around the world and get them to work with you. I think we in the Baltic countries and Scandinavia have the first part relatively well solved - our educational systems are some of the strongest in the world. However, if we want to attract talents from all around the world, we need to do something with our attitude, as well as with our immigration laws. Currently, our laws do not distinguish much between low-skilled cheap labour and high-skilled talents, and they make it really hard for us to employ (or even bring in for internship) someone from outside the EU. Real talents do not wait 6 months to get their papers arranged - they will go to another region.

What are in your opinion the main factors to succeed?

For us, I think the main factor was our persistence in sticking around until we succeeded. We started as a self-financed company while still in school in 2001. For the first two years, the founders got no salary. Had we given up and gone to ordinary employment then, we would never have become successful at this.

Committed to fight Climate Change –

By Hans Enocson

National Executive, Nordic Region, GE

Since the inception of ecomagination – our environmental business initiative – the market has really changed. The response to ecomagination has exceeded our expectations. Today, there is clearly a major interest in the environment and how it affects, and is affected by, business. This was not the case when GE launched ecomagination in 2005.

The birth of ecomagination

During our strategic review in 2004 we saw major changes coming in the business environment. We recognised that global challenges in demography and population growth, resulting in growing urbanisation, lack of water, energy supply, security issues and climate change, would pose major challenges for the world and for our customers.

We also saw interest from our customers in more environmentally friendly products, beyond the price and technology aspects. Our CEO, Jeff Immelt, decided to develop a strategy around this and, in 2005, ecomagination was launched.

Every ecomagination product and service must meet two strict criteria – each must bring the customer a strong environmental benefit, as well as an operational one (i.e. higher revenues or lower costs). A process was set up to identify existing and future products and services that live up to these demands. Once the products are identified, they go through a certification process. Certification is done by an independent agency, Green Order.

Today, ecomagination is a company wide business strategy to meet the demands for more energy efficient and less emissive products. It is now a vital part of GE, a company that serves customers in 100 countries and employs more than 300 000 people. Our turnover for 2007 is expected to exceed 170 million USD. In the Nordic region, we have 8500 employees and a turnover of around 3 billion USD (2007) plus exports from the region of around 2.5 billion USD.



Our commitments

We made four commitments to shareholders and other stakeholders regarding ecomagination. The first was to double annual investment in cleaner research and development (R&D) from 700 million USD in 2005 to 1.5 billion USD in 2010. During 2007, we invested around 1.1 billion USD in cleaner R&D, well on our way to meeting the 2010 target. Since we started the ecomagination program in 2005, we have invested a total of 2.7 billion USD in greener technologies globally.

Our second commitment was to increase revenues from ecomagination products to at least 20 billion USD in 2010, with new targets thereafter. Growth is a key focus for GE, with annual targets of 2-3 times GDP. Ecomagination has proven to be a significant contributor to that growth. Today, we have a portfolio of more than 60 ecomagination products and we see a strong order backlog, as well as a robust pipeline for these products.

The third commitment is to improve our own environmental performance. We are reducing our own greenhouse gas emissions and improving the energy efficiency of our own operations at GE. The goal is to lower the greenhouse gas emissions 1 percent by 2012 in absolute terms, even though we have projected strong growth for GE operations. We do this by improving the energy efficiency by 30 percent and reducing the intensity of greenhouse gas emissions by 30 percent. To date, we have exceeded our internal goals, which have the added benefit of lowering our own energy costs. Our investments in energy effi-

Ecomagination Exceeds all Expectations

ciency have proven profitable – it is a net gain rather than an expense.

Our fourth commitment is to keep the public informed about our progress and actions; to be transparent. We do this by publishing an annual ecomagination report and using advertising and communications. Our work can also be seen on our website, www.ecomagination.com

Strong drivers

As you can see from the above the results are beyond our expectations. Demand for the products has been very strong. The debate around climate change has been intense, much more intense than in 2005 when ecomagination was launched. The report from Nicholas Stern on the economics of climate change and the conclusions from the UN Intergovernmental Panel on Climate Change (IPCC) have shown the urgency to deal with climate change. The decision to give the Nobel Peace Prize to IPCC, and to Al Gore for his engagement in highlighting the dangers of climate change, has underlined the need to further invest in environmentally friendly technology.

At GE, we are proud to be able to help fight climate change through our day-to-day business and offer solutions to some of the largest global challenges of our time.

Critical voices

We have sometimes been criticised for our commitment to ecomagination. In the early days some shareholders were concerned about the financial implications of ecomagination and whether it was a sound business strategy that would generate shareholder value. Today, I think it is clear to all that we bring shareholder value to our owners as well as make a contribution to a more environmentally friendly world, which benefits our many stakeholders. At GE, we have used the expression “Green is green” to

illustrate our belief that it is possible to combine our development of environmentally advantageous products and services with a strong financial bottom line. Very few are questioning that belief today.

At times we have been criticized in the media for being too instrumental about climate change, making our ecomagination commitments with the sole purpose of making money and marketing next-generation products under a new name. I think today many people realise that by investing so much money in clean technologies we are actually driving technological innovation and development and starting new industrial processes that will improve our customers’ environmental (and economic) performance and strengthen their environmental responsibility.

Of course, we work with ecomagination because we know it is profitable, that is a main driver. But we also do it because today we know it provides many other benefits - it is the right thing to do and we are proud of being able to make a difference when it comes to fighting climate change and bringing cleaner air and water to people in need. We see in recruitment that our efforts are highly appreciated by the younger generation. Ecomagination helps us attract top talent to GE.

Positive view on dealing with climate change

I am an optimist when it comes to dealing with climate change. Technology can and should provide change. Companies have a major opportunity and should contribute by developing new energy-efficient technologies and less emissive products. But it takes a lot of engagement from both business and the politicians regulating the business. At GE, we have made our commitment through ecomagination. Hopefully, we can inspire others to follow and become partners in developing new products that fight climate change.

I strongly recommend it – it pays off in a myriad of ways.





State of the Region Report 2007

Executive Summary

The 2007 State of the Region Report illustrates the exceptionally strong performance accomplished by the economies in the Baltic Sea Region last year, which mainly is due to the raise in labour productivity and mobilisation. The region's FDI attraction has also improved significantly, while exports and patenting remain stable at high levels. The State of the Region Report evaluates competitiveness and cooperation across the Baltic Sea Region on an annual basis.

Motivation for regional cooperation

Neighbouring countries provide natural opportunities for economic interaction, natural markets, natural investment partners and natural sources of skilled employees. Regional cooperation therefore provides significant benefits for competitiveness and economic performance. However, most neighbourhood effects do not come automatically but have to be earned. In the Baltic Sea Region, the opportunities for the neighbourhood to generate benefits are high but require an active political strategy to overcome remaining barriers. If these barriers can be overcome, the regional dynamics can become an important complement to the European Union, pursuing deeper levels of integration and creating a platform to influence policy making at the EU level. The Baltic Sea Region could become a role model for cross-national co-operation within parts of Europe and benefit European integration.

Macroeconomic performance


Regional cooperation is affected by the macroeconomic climate in which it occurs. At the global level, the economic environment has been very benevolent in recent years. The most likely outcome now is a moderate slowdown of the global economy. A much more serious contraction driven by financial market

problems is unlikely, but possible. At the Baltic Sea Region level, the macroeconomic climate is strong. Real GDP growth remains significantly above the level in the EU-15 and has started to outperform both the NAFTA region and the world economy overall. The economies in the Region are entering the later stages of the current business cycle. While there is some risk of overheating, the most likely outcome is for an orderly slowdown of growth rates over the coming months and years.

Competitiveness in the Baltic Sea Region

Prosperity growth has accelerated and is overall on a solid path, even if the high speed of the last year will be hard to sustain. The Region continues to benefit from a solid combination of high labour mobilisation and solid productivity levels. Intermediate indicators of competitiveness, often a bellwether for things to come, send more mixed signals but are generally also at solid levels. The underlying theme of the changes in 2006 has been that the Region is entering the later stages of a classic business cycle upswing.

In terms of underlying competitiveness, the Baltic Sea Region continues to be among the most competitive economies in the world. Where changes occurred since last year, they tended to be positive, reflecting the benign economic climate that the Region is experiencing. The Region's strengths continue to be its sophisticated companies, its asset base, its innovative capacity, and its equal rules for all in competition. Weaknesses exist in the burden that rules and regulations impose on the vitality of competition and in some aspects of the education system. The skill base remains strong for now but there are concerns whether it will remain competitive in a changing future environment. The cluster portfolio of the Region is solid, but a Region-wide strategy to develop it is required, in the face of increasing competition among clusters within Europe and globally.



From the perspective of the European Union's Lisbon agenda, the Baltic Sea Region remains in a leading position, a 'beacon for the rest of Europe' as EU Commission President Barroso commented two years ago. The countries from the Region also get generally good reviews for the direction and implementation of their National Reform Programs, a new policy tool introduced with the re-launch of the Lisbon Agenda in 2005. Regional cooperation could, however, become a more visible part of these programs.

Attractiveness of the Baltic Sea Region as a market for business

The company perspective is based partly on a set of CEO interviews conducted for this Report. As a market, the Baltic Sea Region is not perceived as integrated, largely because the need for locally serving customer needs and the differences in regulatory regimes and legacy market structures require companies to run businesses nationally. The Region is, however, becoming increasingly important as a higher management level to increase the efficiency of business models. The lack of market integration raises cost levels for companies. Further integration will reduce these costs and can attract more foreign companies and open the door for consolidation across the Region. This process has only begun; in the past, regional integration has supported the growth of existing business models but has not lead to their recalibration.

The Baltic Sea Region provides a number of qualities that make it an attractive source of competitive advantages. Its small market size has, however, lead foreign companies to stay outside instead of leveraging these opportunities. Those companies that have come, like GE Health Care, are able to draw on the skill base of the Region in particular. Companies from the Region have seen the distinct nature of local markets and business environments shape their strategies on global markets. Competing on innovation, design, and a will-

ingness to adjust business models flexibly to the specific needs of foreign markets, companies from the Region have been successful in a significant range of businesses across the world. The market opportunities in the Baltic countries, to some degree also in Poland and NW Russia, have invigorated the Region and given companies new opportunities to develop strategic advantages.

Efforts to upgrade competitiveness in the Baltic Sea Region work generally well; better than in many other parts of the world. But the current review of public sector institutions for Baltic Sea Region cooperation needs to be ambitious in its approach to register with the business community. Company leaders



The State of the Region Report 2007.

themselves will need to discuss whether they should create a new Baltic Sea Region voice of businesses as a counterpart to the existing public sector structures.

Without a doubt, 2006 has been a good year for the economies of the Region, a trend that is likely to carry through into 2007. The challenges are further away in the future, related to the Region's position in the world economy and its demographic profile. The most immediate step to address these challenges is the creation of an effective institutional architecture that can devise and execute an action agenda for long-term competitiveness in the Baltic Sea Region.

BDF Chairman, Uffe Ellemann-Jensen, and President & CEO of SAS Group, Mats Jansson are having a word before the official opening reception of the 2007 Summit.



Summit Moderator, Monica Richardson, is greeting Philippe Legrain before the opening session on talents

Anu Tali and the Estonian National Orchestra gave an extraordinary performance at the opening

EU Commissioner for Energy, Andris Piebalgs, is arriving at the BDF Summit



Networking at the Swedbank corner



President & CEO of SAS Group, Mats Jansson, is greeting Estonian President Ilves. Prime Minister of Estonia, Andrus Ansip, is in the middle



Samuel Rachlin moderating the plenary session on financial integration

The City of Tallinn, host of the gala dinner, surprised the participants with an impressive firework show



The gala dinner was held in the modern building of the Tallinn Song Festival Ground



Networking during Sunday's gala opening reception



Swedish Prime Minister Reinfeldt was one of the key figures at the BDF Summit in Tallinn.



Networking in the foyer. In the middle: Baiba Rubess, Advisory Board member in Baltic Development Forum and Managing Director of Latvija Statoil.



Managing Director Poljatschenko from Maersk Line is moderating the transport session



Over 400 participants joined the BDF Summit and followed the sessions with great interest



General Electric's National Executive Nordic Region, Hans Enocson, is being interviewed in one of the contact breaks



The panel is preparing to kick off the 2007 Summit with the opening plenary session on talents



Tallinn Summit 2007

Main Conclusions

General

The economic situation in the Baltic Sea Region has never been more favourable than today. Never before has economic growth been so high in all parts of the region at the same time. The growth rates are outperforming most other regions in the world, including NAFTA, and in 2006 they were even higher than the global growth rates. The BSR continues to be among the most competitive economies in the world, based on open economies with strong innovation capacities, skills, and ambitious research and development programmes. Most countries receive positive reviews for their National Reform Programmes within the Lisbon Agenda of the EU. However, there are challenges that could have significantly negative impact on other parts of the region. Certain economies are at the brink of overheating and the demand for talents and labour is hampering continued high growth. These conclusions pinpoint some of the core issues that should be pro-actively addressed for the Baltic Sea Region and Europe to become the most competitive and dynamic economy in the world.

European Strategy for the Baltic Sea Region

The future success of Europe will to a large extent depend on the successes of its regions. Baltic Development Forum therefore welcomes Sweden's initiative to make a European strategy for the Baltic Sea Region a main priority for its EU Presidency in 2009. The introduction of a regional dimension in the EU context will bring new dynamics into addressing common challenges and opportunities through EU policies and instruments open to EU and EEA members. The European Strategy for the Baltic Sea Region should aim at strengthening the region's integration and to reinforce its growth and competitiveness, thus contributing to the overall

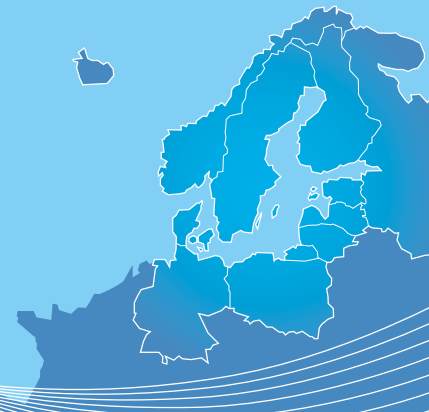
EU competitiveness and fulfilment of the Lisbon goals. In addition, the strategy should encourage joint long-term planning in crucial policy areas for economic development, such as infrastructural and environmental projects, innovation, R&D, etc. Together with its network and partners, Baltic Development Forum will engage in the process to support a strong and focussed outcome of the European Baltic Sea Region strategy.

The Voice of Business

Successful businesses and investments create the prosperity and competitiveness we all benefit from. When developing framework conditions for competitiveness, it is therefore of great importance that national and local governments understand what drives businesses to locate in one place instead of another. In this regard, it is imperative that a joint platform between politics and business is created where tomorrow's growth agenda can be developed. Baltic Development Forum will facilitate this development by providing its platform for such discussions.

Skills & Talent

Unless Europe can attract, develop and retain talents of the highest quality, it will face great challenges in its quest to become the most competitive and dynamic knowledge-based economy in the world. It must therefore continue to strive for scientific leadership and push its universities' rankings. In addition, Europe and the Baltic Sea Region should focus on upgrading its innovation structures by encouraging new markets for innovative goods and services, prioritising financial resources to R&D, and changing the risk-taking attitude towards innovation. Baltic Development Forum will continue to further this agenda with national, regional and European partners.



Energy & Environment

The Baltic Sea Region is at the heart of the political energy debate with the EU – Russia energy relations increasingly being an important topic EU-wide. For the Baltic Sea countries to fully leverage the opportunities their position offers, this requires extensive further development both regionally and EU-wide. First, a consistent and predictable energy policy framework, reducing uncertainty, should be established to facilitate investments. Second, competition should be increased by forming a regional – and ultimately – a single European electricity market, with functioning links with the countries neighbouring the EU. Third, active promotion of R&D and innovations is required to provide new technologies to capture CO₂, make transport more efficient etc. Baltic Development Forum will engage public and private strategic partners in developing regional aspects on innovative energy solutions fighting climate change culminating in the UN Climate Summit in Copenhagen in 2009.

Financial Market Integration

A better integrated financial services market in the Baltic Sea Region can help reap the benefits of globalisation by injecting efficient lubricant in the business system, thus fostering economic growth and prosperity for its citizens. Deregulation has led to increased regulation in the implementation phase, which in turn severely hampers such a development. Governments, regulators and market actors in the Baltic Sea Region are therefore urged to develop a system for the financial services sector that can open up for a better integrated and stronger financial service market in the Region. Baltic Development Forum will seek support from these partners to develop an analysis similar to “Sustaining New York’s and the US’ Global Financial Services Leadership” providing better insight into possible financial niche markets for the Baltic Sea Region.



Björn Carlson, Edgar Savisaar and Jan Lidén

Baltic Sea Award

The winner of the first Swedbank Baltic Sea Award, Mr. **Björn Carlson**, was announced at the 9th Annual Baltic Development Forum Summit in Tallinn. The award was created to reward extraordinary contributions to the development of the Baltic Sea Region.

Mr. Carlson is the founder of Baltic Sea 2020, a foundation with an aim of stimulating creative interdisciplinary and international collaboration in a variety of areas resulting in political, economical and physical measures taken to improve the environment of the Baltic Sea over the coming decade.

The jury consisted of Andrus Ansip, Prime Minister of Estonia, Uffe Elleman-Jensen, Chairman of Baltic Development Forum, and Carl Eric Stålberg, Executive Chairman of Swedbank.

The Award will be distributed once a year at the annual Baltic Development Forum Summits.

BDF Summit 2007

Session Summaries

Top of Europe – Creating a Centre of Gravity for Talents

The panel addressed the overriding theme of the Summit: how can the talent shortage in the Baltic Sea Region be attended to? The background presumption for the session was that the Baltic Sea Region is performing well economically, but that it must do better when it comes to safeguarding the long-term need to attract, develop and retain talents. Human capital is essential if the Region - and Europe as a whole – is to fulfil the imperatives of the EU Lisbon Agenda and become the most competitive and dynamic knowledge-based economy in the world.

According to a recent Manpower survey, 41 per cent of employers worldwide claim to be facing difficulties in hiring due to lack of qualified candidates in their markets. The demographic development of the countries in the region and in Europe further accentuates the need to attract labour and expand the labour force. If not more labour is attracted, productivity will decrease in the years to come, **Nannette Ripmeester**, Managing Director, Expertise in Labour Mobility, pointed out. **Lars Petter Ørving**, Managing Director of Manpower North & East, added that companies do not only need to develop job-strategies but also age-strategies. Salaries and low taxes were also named as key elements to attract talents. But in-

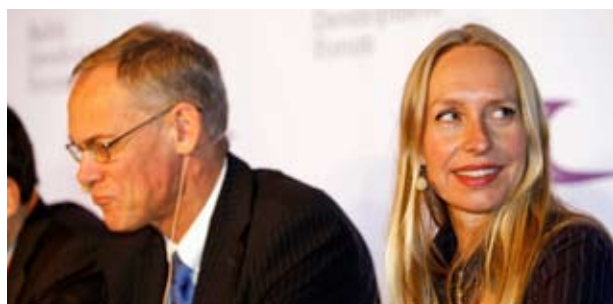
creasingly also other factors matter, such as job-fulfilment, attractive technologies, welfare conditions, low crime rates, holiday-schemes, job possibilities for spouses – in general a family friendly society.

All speakers of the panel agreed that a broad-based approach was needed to tackle the different problems and that co-operation in the Baltic Sea region could be very helpful. **Andrus Ansip**, Prime Minister of Estonia, called for measures ranging from university upgrading, freer movement of students and researchers, more investments in research and development, favourable conditions for entrepreneurs, innovation and healthy economy. **Philippe Legrain**, author and visiting fellow of London School of Economics, argued strongly that the Lisbon process is the reminiscence of old Soviet-type five-year plans. The old recipe – invest more in R&D and innovation – is no longer good enough any longer. He also called for an open and liberalised immigration policy that regards immigrants as a solution rather than a problem. “Immigrants need to feel welcomed, otherwise we shall not be surprised by the fact that the sunny climates of Australia, the colour-blind dynamism of Silicon Valley or the excitement of cosmopolitan London is preferred”.

Nannette Ripmeester:
To young people
– national borders do not exist.



Andrus Ansip



Lars Petter Ørving and Nannette Ripmeester



The Launch of 2007 State of the Region Report

Hans Brask, Director of Baltic Development Forum, opened the session by noting that the State of the Region Report has become a useful tool for profiling the Region internally as well as externally.

Christian Ketels, Principal Associate at Harvard Business School and author of the report, added that the actual objectives of this report has been to become a mirror, where facts are collected in order to give an impression of what makes a Baltic Sea Region; as well as an incitement to strengthen regional co-operation and an instrument for highlighting the attractiveness of the Region to foreign investors.

One of the most remarkable findings of the report mentioned by Christian Ketels is that the neighbourhood matters. Cooperation among neighbouring countries has significant benefits for competitiveness and economic performance. "One of the reasons why the rich countries are rich is that they are lucky enough to have rich neighbours." Ketels stated in his presentation. These provide natural partners for economic interaction, natural markets, natural investment partners and natural sources of skilled employees.

When referring to the co-operation on the European level, Christian Ketels stated that achiev-

ing agreement on competitiveness-related issues in an EU 27 with a high degree of heterogeneity is a rather complicated task. Parallely, it is more plausi-

Johnny Åkerholm: The report should contribute to a situation where we talk less and act more when it comes to creating a Baltic Sea Region.

ble to reach an agreement on a regional level, within the Baltic Sea Region, as the gains from common regulations are higher among neighbours with close economic ties. At the same time, the potential to negotiate a compromise is larger within few countries with a higher degree of cultural proximity.

Both **Johnny Åkerholm**, President & CEO, Nordic Investment Bank and **Halldór Ásgrímsson**, Secretary General, Nordic Council of Ministers agreed that the neighbours matters. Jonny Åkerholm listed a number of challenges that the Baltic Sea Region should face together: consequences of peripheral location; energy supply / demands; pollution of the Baltic Sea, and shrinking labour force. On his part, Mr. Asgrimsson stressed the importance of integrating all countries in the Baltic Sea Region, including Russia.



Hubertus von Dewitz, Linnar Viik and Maciej Zylicz

University Upgrading

The supposition of this session was that Europe is losing ground in relation to international universities: only Oxford, Cambridge and Imperial College in London made it into the top ten in the most recent university ranking, the rest were American universities.

Anders Flodström, University Chancellor, Swedish Universities, stated that we are facing several major trends; the need for creativity and growth, the making of universities into houses of knowledge, and the fact that all future generations will be global. He also emphasized that the Baltic Sea Region has to adjust to the new global university situation where competition and ranking are central. Several countries were currently restructuring, Denmark being the frontrunner, Germany establishing elite universities and Norway and Finland announcing new structure reforms in a while.

Anders Flodström: We compete globally and look at the ranking to see how we are competing. In BSR we need fewer but stronger research universities to compete in Europe and globally.

Hubertus von Dewitz, Executive Director, Siemens AG, outlined the changes in industry and the reality of cooperation with industry and universities, including Siemens' cooperation with 600 universities worldwide. Upgrading the universities

should be built by further enhancing the partnerships between business and research institutions and universities as well as building on current best practices. Cross-border and cluster-specific areas of business and research could be used as models in this regard. Hubertus von Dewitz also shared the view expressed by Anders Flodström that fewer but stronger universities were needed, and in the case of the Region it could - if selected carefully - give rise to clusters of research.

Linnar Viik, Associate Professor, Estonian IT College, stated that he was not in favour of concentration, but rather for decentralisation. To his mind, small research units could be more productive than big centralised institutions: "In the matter of attracting talents we should focus on the exemptions, then genius will come and the Baltic Sea Region can be lucky to get one", he pointed out.

Maciej Zylicz, President and Executive Director, Foundation for Polish Science, concurred with the Albert Einstein quote which challenges the knowledge-based societies by saying that "imagination is more important than knowledge, which is missing in our current education system". Rather than producing more at the universities, it would be necessary to force people to think rather than to reproduce. Maciej Zylicz agreed that the Region should adjust to the new competitive situation by learning from the US, where the universities receive grants with overhead.

Shaping a Fully Integrated Baltic Sea Financial Market

According to the report “Financial Integration in the Baltic Sea Region – Benefits and Barriers” published by Baltic Development Forum, Swedbank and Romann Kreumert, there are numerous potential benefits from a better integrated finance sector in the Baltic Sea Region. Cross-border financial services improve capital allocation in the economy as more and better investment opportunities are available to investors. Furthermore, integration can expand risk sharing opportunities by way of increasing the scope of portfolio diversification. The increased cross-ownership of assets across regions facilitates regional specialisation in the physical economy’s production of goods and services.

Through these mechanisms, and through the development of better and less costly financial services, financial integration has the potential to foster economic growth and welfare. Integration can increase financial stability through risk diversification and improved shock resilience resulting from increased liquidity. Market entry by foreign investors could improve the pricing of financial instruments, enhance competition and in a longer perspective favour the development of sound institutions contributing to the stability of the financial system.

Peter Egardt, President and CEO of the Stockholm Chamber of Commerce and Chairman of the CBSS BAC summarized the importance of a more

integrated financial market in the Baltic Sea Region: it can help reap the benefits from globalization by oiling the business system. However, **Jan Lidén**, President and CEO of Swedbank Group, pointed out that to attract strong international investors, the Region would have to be perceived as one integrated investment area.

The current fragmentation, in terms of different currencies, regulations, taxes etc, is an obstacle in this regard. **Igor Yurgens**, First Vice President of Renaissance Capital in Russia, argued that the Baltic Sea Region, as a wealthy trader on the global markets, still is a very attractive place to invest in, but that it would clearly benefit from being more integrated.

In Mr. Egardt’s view, the deregulation has not been efficient in dealing with these problems, since it sometimes leads to more regulation in the implementation phase. An efficient way to remedy this would be to set up a joint regional task force for harmonising relevant EU directives. Or, ideally, a system of mutual recognition among the financial inspectors in the Region could be installed. This would be a true showcase for the rest of the EU, Mr. Egardt concluded.



Jan Lidén



Jan Lidén, Indrek Neivelt, Igor Yurgens and Peter Egardt

Creating a Breeding Ground for Talents

– Building on Strong Clusters

In the global competition for talents, strong regional knowledge-based clusters could act as magnets that attract talents and reduce brain drain. In this context, the key issues discussed by the panellist were; how to identify talents; how to attract the right ones; and how to create an environment or a culture to retain them in the Baltic Sea Region.

Fredrik Andersson, CEO of Nova 100 AB, representing a talent-recruiting company, argued that it was important to talk to the talents themselves, instead of talking about them. He also underlined that companies should not be afraid of talents. The talents are usually not - in contrary to their reputation - spoiled or have big demands. And the employer stands ready to offer creative solutions in accordance with their wish to create incentives for them to stay in the company.

Further, talents attract talents. Talents wish to interact with other talents. Talents want to be “where it happens”. Fredrik Andersson pointed out that talents were drawn to big cities rather than to clusters built around regional universities. He believed that the Baltic Sea Region could become a “cluster of talent” in the future, as the Region builds on democratic societies, freedom and on companies based on modern business culture. On his part, **Harald Furre**, CEO of Oxford Research, referred to the results from research

on how people viewed Scandinavian working conditions. It showed that Scandinavia had strengths, such as high quality of life, but, at the same time, weaknesses such as heavy taxation on income. And, more regrettably, that it was relatively hard to be accepted in Scandinavian societies as a foreigner.

Fredrik Anderson stressed that mobility was integral to talents. Following on this point, **Børge Diderichsen**, Vice President of Novo Nordisk A/S, stressed that talents, if not sufficiently stimulated, might return to where they came from, or might move to other places. He outlined, however, that the knowledge circulation that occurs when talents move around to study and work also gives new perspectives. He made clear that it is not about bringing people here to exploit their talent, but also to keep this circulation creative. Børge Diderichsen mentioned Novo Nordisk’s “Return Fellowship” to returning Danish researchers, and another similar one in Poland, as examples of how talent can be convinced to come back.

Also, the panellists discussed advantages of creating big research institutions instead of a variety of small ones. Mr. Furre noted that it is important to maintain room for specialisation, but, parallelly, competition between smaller institutions can be creative in itself.

Fredrik Andersson,
Harald Furre, and
Børge Diderichsen



Esko Aho: We have a lot of opportunities here in the Baltic Sea Area to pull our resources together in an excellent way.



Esko Aho and Lena Gustafsson

Innovate or Bust!

Taking the European Innovation Policy to the Next Level

The global competition on knowledge-intensive products and services is accelerating. The increasing competition from emerging markets, such as China, India or Brazil, should not be viewed as threats, but rather as some of the greatest opportunities of our time. This is how **Dan Steinbock**, Director of India, China and America Institute, set the scene at the session that discussed how the Baltic Sea Region can enhance its innovation capacity.

Moving higher in the value-added chain is no longer the formula for success of the advanced economies, as we see more and more emerging markets using the same measures. Deeper regional integration will be necessary to unite our innovation competences and stay on top in the global competition. **Esko Aho**, President of Sitra, named three strategies as key aspects to the future success of Europe; 1) market creation for innovative goods and services, 2) prioritizing existing financial resources to R&D, and 3) changing Europe's risk-taking attitude in innovation. **Lena Gustafsson**, Deputy Director of Vinnova, agreed, but also highlighted that universities and high-quality and diversified research are equally crucial parts of the innovation

process. Lena Gustafsson advocated the creation of excellence centers, where private and public sectors are equally involved.

Dan Steinbock: Competition from emerging markets should not be viewed as a threat, but rather as one of the greatest opportunities of our time.

Rainer Kattel, Professor at Tallinn Technical University, mentioned the following key elements that are missing in European policy level; a common Baltic Sea regional policy on education, R&D and innovation; integration of the European educational system; and administrative capacity to designing innovation policies in the new EU member states. Esko Aho suggested pulling fundamental research resources together in the Region, which Lena Gustafsson supported and urged to open up the borders to more shared activities. At present, the burning platform that calls for change is environment, where joint R&D activities could be created in the Baltic Sea Region.



Moderator Christian Ketels addressing the executive panel

Executive Panel

– The Baltic Sea Region from a Business Perspective

The 2007 State of the Region Report demonstrates that one of the key strengths of the Baltic Sea Region is the sophisticated companies located there. However, without these successful and competitive companies, several of the Baltic Sea countries will quickly have to redefine their far reaching welfare models.

As part of this year's State of the Region Report, a large group of leading business executives were asked to give their perspectives on how they operate in the Region, what the unique qualities in the Region are, and what can be done to upgrade the Region's competitive position.

Against this background, four executives took part in an in-depth discussion on the business attractiveness of the Baltic Sea Region lead by the author of the report, **Christian Ketels**, Principal Associate at

Harvard Business School.

Jan Lidén: We need a better exchange of ideas between business and political leaders to find effective solutions to common problems.

General qualities of the Baltic Sea Region include its well developed infrastructure and skill base, innovative capacity, and openness for competition on equal terms for

domestic and international companies. More specifically, **Hans Enocson**, National Executive for the Nordic Region of General Electric pointed out the demanding customer base of early adopters making the Region an attractive test market for global roll-outs.

Børge Diderichsen, Vice President at Novo Nordisk, pointed at the Region's current role as an attractive recruitment base for skilled personnel, but raised a



Hans Enocson and Jan Lidén

warning finger that this position might be threatened in the future due to too small investments in expertise.

In order to further improve its competitiveness, all business leaders agreed that the Region would have to become more integrated. In this regard, **Jan Lidén**, President & CEO of Swedbank Group, called for stronger engagement from business leaders in the public debate. **Valdo Randpere**, CEO of IBM Estonia stressed that to be able to attract the best and the brightest to the Baltic Sea Region, we must be more open to foreigners.

Climate Change and Energy

– Turning Threats into Opportunities

The starting point of this panel discussion was the challenges posed by climate change and the increased need for new sources of energy. There was a common understanding of the need to mobilise attention and concrete efforts on all levels: globally within the framework of the UN; on the European level/EU; as well as at a sub-regional level.

Fredrik Reinfeldt, Prime Minister saw the need for the EU to elaborate a new strategy for the Baltic Sea Region to take on board the tasks to address energy, climate and environmental questions. With the EU-enlargement, the region has changed fundamentally. This calls for new perspectives that reinforce the region's competitiveness in line with the Lisbon-objectives and ensure compatibility when it comes to economic growth and reduction of green house gas emissions and protecting the environment. Reinfeldt saw a common need to promote green certificates, renewable energies, energy efficiency and green taxes.

Matti Vanhanen, Prime Minister announced that a new Finnish national climate and energy strategy was going to be elaborated. It includes changes in the tax system and taxes on cars that represent a big part of total carbon dioxin emissions. Regional approaches have to complement national efforts. Vanhanen saw a need to discuss the possibilities of developing common approaches, pooling of expertise and resources, and enhancing the application of new, environmentally efficient technologies.

Andris Piebalgs, Commissioner for Energy also saw possibilities of turning threats into new business opportunities. In the future, Europe's global market niche would be clearly linked to the field of energy and climate change. In particular, the Baltic Sea Region has the possibility of delivering world-class leadership within energy efficiency and renewable energies. Some of the countries of the region are world leaders in these areas. As regards interconnection, Piebalgs thought the starting point should be "the more the merrier", since an economy of scale and scope would have to be applied. It would also be conducive to higher safety of supply and competitiveness.

Mikael Lilius, President and CEO of Fortum also saw the Baltic Sea region as a potential role model for the rest of Europe and as a forerunner.

The Nordic electricity market – that grew with the incorporation of Estonia – is definitely a role model. However, to be a frontrunner demands predictable, consistent, and more harmonised market schemes which could create a higher level of competition in the region. Too often the countries make separate support schemes for different energy renewables and different taxation schemes which afterwards have to meet on the same energy market.



Andris Piebalgs
and Mikael Lilius



Fredrik Reinfeldt,
Matti Vanhanen
and Mikael Lilius

Erik Rasmussen, CEO of House of Monday Morning proposed in his concluding remarks that Baltic Development Forum as part of the regional strategy proposed by PM Reinfeldt draw up a white paper on the elements necessary to improve regional energy co-operation. It would be a good basis of discussion for the next Baltic Development Forum summit. The ambition is not to compete but to help the government realise the vision of closer and more efficient regional energy co-operation. I would be part of the preparation of the UN summit in Copenhagen in 2009 during the Swedish Presidency.

Secret of Entrepreneurship

– A Formula for Success

Entrepreneurship is the backbone of our economies. It creates jobs, innovative products and economic growth. One of the major challenges in the Baltic Sea Region is to turn new companies into growth companies. High-growth companies are the drivers of the economy and require policies that are better and more diversified than the ones targeting companies with little growth potential. In the session, **Michael Dithmer**, Danish Permanent Secretary of State, highlighted some important aspects that need focus in entrepreneurship development, such as competence building, access to capital and entrepreneurial culture. He also pointed out that Denmark has launched several programs to improve these factors as a part of its globalisation strategy.

Michael Dithmer: In a truly entrepreneurial society, you should accept that some have to fail.

Martin Thorborg, Founder of SPAM fighter and a serial entrepreneur, talked about the importance of information/competence sharing among entrepreneurs. He underlined that passion and focus are the key formulas for success in entrepreneurship and stressed that user-driven innovation,



Martin Thorborg

i.e. good understanding of customers and markets, is among the prerequisites of a successful business.

While all entrepreneurs in the panel agreed that the entrepreneurial spirit cannot be taught at school, **Karen Wilson**, Advisor at EFER, advocated that universities and networks among faculties play an important role in the development of the entrepreneurial culture. Children should be inspired by being exposed to role models and to the possibility of entrepreneurship already from an early age. Karen Wilson stressed that instead of focusing on how to start a company, entrepreneurship education should focus on how to grow a company.

The panellists all underlined that the acceptance of failure is a part of a truly entrepreneurial culture, which needs to be improved in the Baltic Sea Region and in Europe generally.

**Sergiusz Gniadecki,
Martin Thorborg,
Nick Ustinov and
Karen Wilson**



Balancing Super-Growth Economies

– Paving the Baltic Tigers' Path of Tomorrow

Over the past decade, the Baltic countries have been described as economic wonders on Top of Europe – models for competitiveness and economic development. In 2006, the Baltic countries reached the highest economic growth ever, a rate expected to continue. Nevertheless, an increasing number of analysts have raised warnings of the risk of an emerging negative economic trend if a number of measures from both governments and private sector are not undertaken. Already today, the development has contributed to increasing wage pressure, shortages of skilled labour, creating social division between those that are well prepared to take advantage of these new opportunities (young, urban, well educated) and those that cannot follow the stream, and creating a danger that legacy infrastructure will deteriorate without investments.

The key question raised during the session was how to stay on a solid growth path without overheating the Baltic economy.

There was unanimity among the panellists that the Baltic countries are now returning to a normalisation of conditions. **Juhan Parts**, Estonian Minister of Economic Affairs, assessed that the upcoming period will be characterised by moderate growth. He pointed out that one of the main reasons for the unprecedented rapid growth in Estonia, was its purposive and business-friendly atmosphere. Making business even more convenient and secure is important for further development. He explained that the expectations of the Estonian public raised rapidly in the pre-election period. Fortunately today, the expectations are of less pronounced character, as booming could become a real problem for the economies. On her part, **Baiba Rubess**, Managing Director of Sta-

til Latvia, was optimistic about the future. Although an increase in productivity and efficiency is needed, she believed that the growth in GDP will be around 4-6 %, which is again a normalization of conditions. Following this point, **Remigijus Šimašius**, President of the Lithuanian Free Market Institute agreed with Ms Rubess and added that “overheating is not a danger; it is losing productivity that is a problem. We must not lose steam”. He mentioned four challenges to be faced in order to increase productivity; investments in new technologies, new working culture, new forms of management; and less bureaucracy. Both



Remigijus Šimašius: Overheating is not a danger; it is losing productivity that is a problem. We must not lose steam.

Erkki Raasuke, Chairman of the Board and Group CEO of Hansabank, and **Baiba Rubess** added the importance of investments in Research & Development in order to keep the “steam” in productivity.



Sandor Liive

Young Leaders of Today and Tomorrow

Good and effective leadership is a prerequisite for competitiveness. A new wave of emerging young leaders has hit the Baltic Sea Region and the session presented four dynamic, bright talents managing successful companies.

The general message from the panel was that self-esteem, self-confidence, innovative thinking and a strong vision are the most important elements of successful leadership. **Rain Rannu**, Founder and Partner at Mobi Solutions, also advocated the importance of risk-taking in the world of entrepreneurship and leadership. Young managers often meet barriers from older, more experienced counterparts and face challenges in terms of lack

Karoli Hindriks: The courageous ideas are always the ones that are first hated, but then become revolutionary.

of authority especially in Nordic countries. These attitudes have led to the flight of many talented young people who seek leadership opportunities outside of the Region.

According to **Sandor Liive**, CEO of Eesti Energia – a leader since the age of 22 – there is an urgent need to create awareness of this problem and form incentives for young leaders to boost their abilities in their home country. Flexibility and openness towards young leaders on the labor market must be improved according to all panelists.

Jessica Löfström, CEO of ExpanderaMera, stressed that the school systems in the Region should be responsible for nurturing students with leadership potential. The youngest panelist, **Karoli Hindriks**, the 24 year-old Country Manager of MTV Estonia, added that the Baltic Sea Region lacks “winner attitude”, which is common in the United States and Asia, where the spirit of competition and hard work are paved already at the elementary school level.



Jessica Löfström

Bringing Asia Closer

– Euro-Asian Transport Connections

“We are not competing - but completing each other in the transport market”, **Kari Konsin**, Project Manager at the International Railway Union said in the session on Euro-Asian transport connections. Kari Konsin also introduced the expression co-modality targeting the complementarities of different transport modes. As the flows of goods to the markets in Russia and Central Asia literally are booming - and if the Baltic Sea Region wants to benefit from the increasing market demands, it is of outmost importance to promote the Baltic Sea Region as a dense and coherent region, **Janis Marsans**, State Secretary at the Latvian Transport Ministry, stated. The session moderator **Kirsi-Maarit Poljatschenko**, Managing Director at Mærsk Line also underlined the importance of transport and logistics and called for better branding and promotion of the sector for its ability to provide new jobs and generate growth and prosperity.

Given recent research findings that state that the amount of transported goods is expected to increase from 6 million TEUs to 20 million TEUs by year 2020, we must ask ourselves if the Baltic Sea Region is prepared for this, Kirsti-Maarit Poljatschenko pointed out. To meet these increasing demands we would need

to put the basic business theory of the four P's into practice, said Kari Konsin, referring to product, price, promotion and place. **Jon Halvard Eide**, Coordinator at the North Sea Commission, presented a draft Master Plan for transport and logistics in the Baltic Sea Region, which could contribute to improvements of the eastern connections by identifying corridors, exploring financial solutions and by outlining a coherent transport strategy.

Kirsi-Maarit Poljatschenko: I encourage you to go across borders, across sectors and businesses to generate more understanding of what the future will be like.

Jaani Pietikainen, Head of the European Investment Bank's Helsinki Office, rounded up the transport session by saying: “The EIB, NIB and the European Bank for Reconstruction and Development are eager to finance high quality projects in the transport sector”.

Jon Halvard Eide, Janis Marsans, Kari Konsin and Jaani Pietikainen



Global Challenges, Regional Solutions

– Boosting European Competitiveness

Uffe Ellemann-Jensen, Chairman of Baltic Development Forum, summed up by praising the visionary and clear cut business perspective the Summit had provided on global challenges such as the lack of talents, competitiveness upgrading, innovation, entrepreneurship, climate change, transportation and energy security. Some ten years ago, the agenda was predominantly political addressing the future EU and NATO enlargements. As these goals were now fulfilled, the shift in focus towards a business and competitiveness-oriented agenda was requisite.

Uffe Ellemann-Jensen: We need a European strategy for the Baltic Sea Region.



Artis Pabriks

The encouraging initiative to develop a European Strategy for the Baltic Sea Region, launched by the Swedish Prime Minister Fredrik Reinfeldt the day before, was indeed the right thing to do, said Uffe Ellemann-Jensen. In order to give the strategy a real potential, **Thomas Stehling**, Director at Konrad Adenauer Foundation, urged the audience not to rely on Brussels, but to take real action in the region. Thomas Stehling added that Baltic Development Forum was a suitable facilitator in preparing the strategy due to its unique ability to link business and politics. Uffe Ellemann-Jensen announced that Baltic Development Forum would take the lead in creating a cluster analysis on strengths and weaknesses and subsequently set up a task group to bring forward a message of support to the UN Climate Conference in Copenhagen 2009.

With regard to the challenges related to the hunt for talents, Uffe Ellemann-Jensen concluded that tal-

ent is a scarce resource, and in order to attract, develop and retain talent and to create a dynamic society, we have to be more tolerant and open minded in matters of immigration, gender qualities and younger generations. **Artis Pabriks**, former Minister of Foreign Affairs of Latvia, called for better “trade of ideas and further integration around the Baltic Sea Region” to play in the highest division on global competitiveness. As the State of the Region Report showed, the Region is not as competitive as it could be; whilst the Nordic countries always rank among the highest on world



Uffe Ellemann-Jensen

Uffe Ellemann-Jensen: Infusing the business agenda into the political debate is the reason behind Baltic Development Forum.

competitiveness, the fast growing Baltic countries still have some catching up to do. The panellists therefore called for stronger involvement from business actors in the competitiveness debate.

Another main message was the call for inclusive - not exclusive - co-operation, which was aimed at better involving Russia, Poland and Germany in the neighbourly co-operation around the Baltic Sea. **Halldór Ásgrímsson**, Secretary General of the Nordic Council of Ministers, called for pooling of resources on globalization in order to become stronger on world markets.

Acknowledgements

The 2007 Summit Partner was:

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The Strategic Partners of the Baltic Development Forum are engaged in a long-term commitment to sustain dynamic and innovative growth in the Baltic Sea Region. Our Strategic Partners are:



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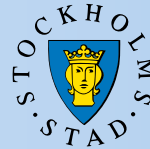
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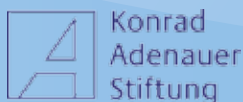
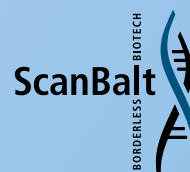
SAS Group



The Members of the Baltic Development Forum constitute a valuable corner stone in developing the Region, and they provide the basis for our activities throughout the year:



The Baltic Development Forum co-operates with important organisations with interest in developing the Baltic Sea Region. Our Co-operation Partners are:



Summit Hosts 2007:



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The Following prominent regional actors hosted sessions at the Summit:

Swedbank hosted the session “Shaping a Fully Integrated Baltic Sea Financial Market”.

Novo Nordisk hosted the session “Creating a Breeding Ground for Talents – Building on Strong Clusters”.

VINNOVA hosted the session “Innovate or Bust! – Time to Take the European Agenda to the Next Level”.

InterBaltic and the City of Hamburg hosted the session “Bringing Asia Closer – Euro-Asian Transport Connections”.



About Baltic Development Forum

Baltic Development Forum is an independent non-profit networking organisation with members from large companies, major cities, institutional investors and business associations in the Baltic Sea Region.

Baltic Development Forum works with a wide range of partners, including businesses, governments, regional organisations and research and media institutions.

The mission of Baltic Development Forum is to promote the Baltic Sea Region as an integrated, prosperous and internationally competitive growth region.

As the leading high-level and agenda-setting networking organisation in Northern Europe we facilitate and develop new initiatives, partnerships and international contacts to stimulate growth, innovation and competitiveness in the Baltic Sea Region and its 11 dynamic countries. We seek to develop the

Baltic Sea Region as a global centre of excellence and to establish the Region internationally as a strong and attractive place brand.

Being the preferred platform for decision makers from business, politics and academia Baltic Development Forum is a unique platform for innovative thinking, informal cross-sector/cross-border/cross-level encounters and concrete new business opportunities with a global perspective.

Baltic Development Forum is chaired by **Uffe Ellemann-Jensen**, Minister for Foreign Affairs of Denmark 1982-1993. Mr. Ellemann-Jensen is co-founder of Baltic Development Forum and the Council of the Baltic Sea States. The Baltic Development Forum Honorary and Advisory Boards consist of high-level political dignitaries and prominent business executives representing the entire Baltic Sea Region.

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We welcome new Members and Partners from business, politics and academia represented in the form of companies, governments, metropolises, regions, organisations or academic faculties. For more information, please contact Baltic Development Forum by phone +45 70 20 93 94 or by e-mail: bdf@bdforum.org.



Børge Diderichsen, Vice President, Novo Nordisk, is having a word with Globe Forum's COO, Niclas Ihrén, in the networking break



The charming city of Tallinn was the perfect place to organise the 2007 BDF Summit, which focussed on talents in the Baltic Sea Region



The audience was enjoying the exclusive panel on energy and climate change



Young Estonian artists are performing during the Summit's unforgettable gala dinner



Participants are dancing enthusiastically at the gala dinner hosted by the City of Tallinn



Summit participants are being entertained by traditional Estonian folk music



The jury is signing the first Baltic Sea Award. From left: BDF Chairman, Uffe Ellemann-Jensen, CEO of Swedbank, Jan Lidén, and Prime Minister of Estonia, Andrus Ansip.

The Summit attracted great attention from the Estonian as well as the international press.

Selected BDF Activities 2007

1 March 2007, Bruxelles

European Parliament Conference on the new Northern Dimension Policy and Baltic Sea Strategy

Speakers and participants at the conference were Commissioners, Ministers, Council representatives and MEP's. A main theme for discussion was the Northern Dimension policies related to the Baltic Sea Region.

16 March 2007, Warsaw

"Milestones of European Integration – the Past, the Present and the Future" conference

Mr. Ellemann-Jensen participated in the discussion on the future integration and development of Europe. The event was organised by demosEUROPA – Centre for European Strategy in co-operation with the German presidency in the European Union.

19 April 2007, Copenhagen

Baltic Sea Initiative Stakeholder Meeting on "Talents in the Baltic Sea Region"

The meeting was arranged by the Nordic Council of Ministers and supported by the Baltic Development Forum. Representatives from business, politics and academia discussed the challenge of Talent Scarcity in the Baltic Sea Region. One of the main conclusions was that the Baltic Sea Region owes much of its strong competitive position to its successful high-tech and knowledge intensive industries.

10 May 2007, Hamburg

Baltic Sea Region Programme 2007-2013 Conference

The event was arranged by the Free and Hanseatic City of Hamburg, on behalf of eleven participating countries around the Baltic Sea, the Investitionsbank Schleswig-Holstein as Joint Managing Authority. The conference offered practical information about the future Interreg Programme, its priorities and new project ideas. Deputy Director, Adam Kanne, presented strategic priorities for the future development of the Baltic Sea Region. The

conference, attracting 450 participants, provided input to the future Interreg Programme.

21-23 May 2007, Timmendorfer

Strand Fifth Branding the Baltic Sea Region conference

The event was arranged by Baltic Development Forum and Konrad Adenauer Stiftung. Baltic Development Forum has initiated Branding the Baltic Sea Region-process to fully unlock, develop and communicate the potential of the people, companies, organisations and institutions of the 11 countries comprising the Baltic Sea.

31 May 2007, Stockholm

Baltic Development Forum's Visionary Group

hold a meeting with a focus on two major topics: In what areas and in what way could the Baltic Sea regional co-operation add a specific value for participating countries, institutions and business; and what mechanicals are needed to fulfil such ambitions.

1 June 2007, Stockholm

Baltic Development Forum's Member and Partner meeting

The event focussed on "Talents on Top of Europe - how to fuel the knowledge economy in the future?" Some of the main priorities recognized were: how to attract and keep high-technological business in the Region; strengthening relations between business and academia; encouraging mobility and co-operation between the Region's different universities and research institutes; and upgrading the level of universities to reach the global top 10.

6 June 2007, Bornholm

"Trends Strategies and Branding in the Baltic Sea Region" conference

The conference was organised by B7 Baltic Islands Network. It discussed the perception of the Baltic Sea Region as a tourism destination and the challenges



islands face. BDF gave insights of the Branding process of the Baltic Sea Region and encouraged the islands to get on board.

8 June 2007, Hamburg

Dinner seminar “Hamburger Morgensprache” at the Hamburg Chamber of Commerce

At the ceremony at the Hamburg Chambers of Commerce, Chairman Uffe Ellemann-Jensen received the “Hamburg-European Friendship Award”. In connection with the ceremony he was asked to give this year’s “Europe Speech”.

11 June 2007, Berlin

“Talents on Top of Europe” seminar

Baltic Development Forum was one of the co-organisers of the event. One of the main conclusions, reached by the leading representatives from business, government and research within the ICT and Life-Science, was that the unique co-operation model used in the political field by the countries around the Baltic Sea needs to be extended to the public-private sector in order to increase the competitiveness and attractiveness of the Baltic Sea Region.

13 June 2007, Malmö

Council of the Baltic Sea States (CBSS) of foreign ministers

Chairman Uffe Ellemann-Jensen took part in the meeting. At the opening dinner, Mr. Ellemann-Jensen, addressed the guests and shared his views on the future of the CBSS as one of its founders. The Parties agreed that a reformation of the institution was needed, and that a strategy for the Baltic Sea Region should be developed to find new and effective ways for regional co-operation in a globalised world.

15 June 2007, Bodø

High Level Group meeting on Transport for Sustainable Growth in the Baltic Sea Region

The meeting was organised by Baltic Development Forum. The main outcomes of the meeting were: the Region needs to form a common transport development strategy as a policy guideline for investments; the High Level Group (HLG) seeks permanent connections to financial institutions and co-operation with the European Commission, especially the Northern Axis steering group; and HLG supports and encourages new types of sustainable logistical systems.

25 June 2007, Visby

Baltic Sea Convention

Baltic Development Forum was a host of the session on “Creating a brand of the Baltic Sea Region”.

7 September 2007, Sopot

Baltic Ports Organisation General Assembly

The event was organised by the Baltic Ports Organisation. Mr. Brask delivered a key note speech under the heading “New Europe, new times and new challenges”.

13 September 2007, Riga

CBSS High Level Meeting

Director Hans Brask was a key-note guest speaker on the CBSS high level meeting on “Higher Education and Science for Sustainable Development and Competitiveness of the Baltic Sea Region”. The meeting addressed the need for making the education in the Region more competitive and attractive.

25 September 2007, Helsinki

State of the Region Report 2007 Pre-launch

The event was arranged by Baltic Development Forum and Nordic Investment Bank. The Report was developed together with the Nordic Investment Bank and the Nordic Council of Ministers. The author of the report, Dr Christian Ketels, Principal Associate at Harvard Business School, gave a presentation of his preliminary findings.

4-6 November 2007, Tallinn

Baltic Development Forum Annual Summit

Titled “Global Challenges, Regional Solutions – Creating a World-Class Arena for Business and Talents on Top of Europe.”

16 November 2007, Turku

2007 Maritime Outlook Conference

The conference was organised by the University of Turku Centre for Maritime Studies. The conference discussed the latest trends in the maritime sector. Mr. Kanne gave an overview of the Baltic Sea Region’s progress in growth, trade and competitiveness.

Baltic Development Forum
The leading high-level network for
decision-makers from business,
politics, academia and media
in the Baltic Sea Region.

**We initiate and facilitate processes to
make the Baltic Sea Region the most
dynamic and prosperous economic
centre in Europe and the world.**

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