

BDF Magazine

*Boosting Top of Europe – Uniting Regional
and European Integration*

Summer 2009



Dear Reader,

As Prime Minister Anders Fogh Rasmussen said in his opening address of the Baltic Development Forum Summit 2008 in Copenhagen-Malmö, the economic and financial crisis did not create the best atmosphere for celebrating the 10 year anniversary of BDF Summits. The crisis has dominated the global political agenda and affected our region severely. Today the overall picture is far from the growth and optimism that reigned only a year ago.

The economic crisis has also revealed serious political problems. A thorough evaluation of some of their root causes is essential if we shall come out on the other side with our free democracies and open market economies intact, but it is not an easy task. Both in the new democracies and in the old ones, politicians are under fire and forces on the fringes of democracy are gaining ground.

BDF will do its best to promote an open dialogue where the new experiences that we are learning every day are not hidden away but taken up. Our

many Members, Strategic Partners and Sponsors – that have stayed loyal in supporting our work despite budget cutbacks – expect us to play this role. The present crisis offers the possibility to change course and sharpen focus. We should use this opportunity.

In his address Fogh Rasmussen also delivered an up-beat encouragement for the Baltic Sea Region to stay focused. I agree with him that the Baltic Sea Region has many opportunities to find flexible ways out of the crisis, based on the high skill level and ability to learn from each other. The Baltic Sea Region could become a frontrunner in the area of research and development, in particular when it comes to green and renewable energy technologies. He saw the Baltic Sea Region as a potential Green Valley of Europe based on high environmental standards, clean tech industries and innovative capacities. This vision is important, not least with the UN Climate Change Conference

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2009 (COP15) that will take place in Copenhagen in December 2009 around the corner. If we manage to clean up the Baltic Sea, then our Top of Europe would do even better.

The present picture has different colours: dark gloomy ones, green and blue colours but also optimistically light ones. The coming EU Strategy for the Baltic Sea Region gives us a new and promising framework for our dialogue. Let us use this framework intelligently, improve our competitiveness that will create positive economic neighbourhood effects in our region.

Enjoy your reading!

Uffe Ellemann-Jensen
Chairman of Baltic Development Forum



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The Baltic Sea Region – a European

Expectations are very high as Sweden is about to assume the EU Presidency on July 1, 2009. On behalf of the Baltic Sea Region, one is tempted, already now, to congratulate the EU for the Strategy for the Baltic Sea Region that the European Commission presented 10 June in Brussels. But, it is still too early. The Strategy will be finally approved by the EU's Heads of Governments in October or December this year.

There are still many hurdles that need to be overcome before we know the final contents of the EU's first geographical mega strategy. The Strategy comes at a moment when the European Parliament is newly elected and the European Commission is outgoing. It will be difficult to attract the full attention of decision-makers that are struggling with global warming and economic cooling. BDF's Summit in Stockholm 5-6 October that is being held in association with the Swedish EU Presidency has the aim of boosting attention and support for the Strategy.

There are many exciting facts that call for strong enthusiasm:

First of all, the timing: it is now 20 years since the fall of the Berlin Wall and five years since the EU enlargement. With the EU Strategy, the Baltic Sea area is keeping up an impressive speed in re-building the Region and in overcoming the bitter division and wrong-doing that the Second World War and the Soviet Union created.

Secondly, the timing is also right from an economic perspective. The world class performance that the Region presented in 2007 compared to other regions has been lost. New initiatives are needed to get back on track and regain positive and sustainable growth rates.

Thirdly, it is a satisfaction to observe that the Baltic Sea Region is a frontrunner in the EU in developing a tool that can make better use of the region's economic potential, the Internal Markets and address

cross-border problems. It can be a possible role model for other regions in Europe. As the EU gets more and more fragmented due to enlargements, regional strategies can help maintain the EU's cohesion and presence since the objective is to exploit the existing EU policies and programmes. It is not an instrument for acting as an EU avant-garde that go further than the other Member States.

Easy to be critical

Is it a good proposal that the Commission has presented? It is easy to be critical. Some call the new document a mere project list rather than a true strategy that builds on clear objectives and targets. It covers too many different projects and sectors. There is something for everyone to find – environmentalists, private sector, regional authorities and governments. It is a big compromise of different stakeholders' interests. Others say that it overlooks the basic problem of the region – the economic crisis. The work on the Strategy started before the full impacts of the crisis was known and the Commission did not manage to adjust to the changing environment. The recent most significant initiatives in the region are not the result of the new Strategy but other policy processes, for example, the new Baltic interconnection project that will improve energy security to Estonia, Latvia and Lithuania and the EU's economic recovery plan that gives priority to green investments in the region. Furthermore, some critics say that the Baltic Sea is now developing new dividing lines, since the non-EU countries – Russia in particular – are not part of the Strategy. It has always been the objective to integrate all parts of the region and not to exclude anyone. Finally, some are saying that the Strategy is old wine on new bottles, since there are no new and additional funds allocated for implementation and the projects are not sufficiently forward-looking.

There is some element of truth in these points, and they all have to be taken into consideration. These points should not divert attention away from the basic



fact that the EU is beginning on a new adventure on a very good basis. The draft Strategy is concrete in its proposals and many projects are implementable immediately. And, finally, the pollution of the Baltic Sea now seems to be taken up seriously. It is all very good.

One has also to recognize that it is an intrinsic part of the EU to find compromises, and the combination of closer European and regional integration processes will unavoidably entail many compromises. We still need to see the final compromises when the European Commission and the eight EU Member States of the Region will have to convince the rest of Europe that it is also in their interest to see the regional Strategy adopted. It is not a given thing, since some will fear that Top of Europe wants to go alone and/or redirect funds from the less prosperous south of Europe.

No new money

The Action Plan is to a large extent the result of a very open and extensive consultation process where the Commission admirably has been listening to the many proposals and ideas that came up during the stakeholder meetings (see interview with Colin Wolfe). These close consultations and involvements are crucial features for a successful implementation of the Strategy, since the main responsibility needs to be fully rooted in the Baltic Sea Region. In this regard, the “no-additional-funds” approach is really critical: Some new but limited funds ought to be set aside in order to ensure a proper and well-functioning governance of the Strategy. Hopefully, the European Parliament will be able to help by forcing some funds upon the Council when the Parliament later this year looks at the budget for 2010.

The first consultation within the new regional stakeholder forum needs to take place as quickly as possible after adoption in order to maintain the positive engagement of NGO, cities, sub-regions and business representatives that has been created. BDF

proposes that it is done in June 2010 and why not in conjunction with the meeting of Heads of Government on 1-2 June in Vilnius? BDF will work closely together with the Andrius Kubilius Government in Lithuania (see interview with Prime Minister Kubilius) with the aim of creating a key venue in 2010.

As regards Russia, relations should be strengthened in parallel with the EU strategy. It is in everybody's interest. BDF will continue to its best to promote an inclusive regional process where Russia is important while respecting the different and distinct decision-making procedures of the EU and Russia. For the same reason you will find two articles on Russia in this Magazine (see interviews with Igor Yurgens and Valentina Matvienko).

The draft Strategy is a good text

The Strategy and its Action Plan will be updated and adjusted in the future. It is an on-going process that ensures flexibility. The EU's Lisbon Strategy is going to be adjusted in March 2010, and the Baltic Sea countries should focus much more on all the elements in the knowledge triangle due to their knowledge intensive economies: education, universities, talents, research, innovation and the fifth freedom (see article with Mikael Lindholm). Still the Strategy includes some highly promising projects such as a Baltic Sea Science link, Innovation, promotion of SMEs, entrepreneurship, and clean tech industries.

Therefore, the conclusion so far must remain positive. The Strategy is a very good document - an innovative policy instrument. BDF is at least very pleased since it follows the call from four consecutive BDF Summits. In addition, it follows the analysis of the State of the Region Report that has also identified most of the subject areas within the two economic chapters as priority areas.

Hans Brask

Director of Baltic Development Forum

How to Energise the Climate for Region – Views of the European

This year the BDF Summit also served as a platform for consulting business representatives, banks, financial institutions, government agencies responsible for private sector development, social partners and other stakeholders on how the EU Strategy for the Baltic Sea Region could contribute to prosperity and a better place to do business.



EU Commissioner for Regional Policy Danuta Hübner and Prime Minister of Estonia Andrus Ansip

The topics were innovation, entrepreneurship, internal market and labour market flexibility. The State of the Region Report provided substantial background information on many of the issues.

EU Commissioner for Regional Policy Danuta Hübner, Prime Minister of Estonia Andrus Ansip, and Head of Public Affairs of Swedbank Peter Nygård gave their view on the situation. The financial and economic crisis was obviously at the centre of attention, but Commissioner Hübner argued that the EU Strategy for the Baltic Sea Region can contribute towards building a more prosperous and competitive region.

Hübner emphasised that the economic pre-conditions are still strong but the potential much bigger. The Baltic Sea Region could – and should – be a forerunner of the Lisbon Strategy for growth and jobs. Basically the Baltic Sea Region countries should improve what they are already very good at – to compete on ideas, innovation, design, research and technology and work together and integrate the markets even further inside the EU's Single Market. The Baltic Sea Strategy can be a great tool in helping the region to become one of the most prosperous in Europe. More specifically Hübner highlighted the following points:

The share of spending on R&D in terms of GDP is very high, amounting to 2% of GDP for the Baltic Sea region which is much higher than EU-27 (1.76%) and also the “old” EU-15 Member States (1.9%). Sweden, Norway and Denmark are the top performers.

The employment rate is very high in the Nordic countries. In the Baltic States it is also high compared to the other EU-12 Member States. Except for Poland, the Baltic Sea region countries have almost reached the employment rate target of 70% set by the Lisbon Strategy. Surely the economic crisis has changed the picture but the employment rate remains relatively high.

The labour force is highly skilled as well as the share of highly educated people, which represents

Business in the Baltic Sea Commission

one of the Region's biggest assets. The knowledge intense services sector and industry is very strong. The Baltic Sea region includes some of the most innovative economies in the world.

The Baltic Sea Region is extremely rich in natural resources: 90% of the iron ore in Europe comes from the northern part of the region and the mining industry is growing. Forestry is important and is being used in new and innovative ways. The energy sector and the clean energies are well developed, not least the wind energy.

Nevertheless, the potential is higher and it could be "untapped" through different initiatives:

1. Deeper market integration is necessary. Businesses are still too inward-looking, with too many products and services aimed only internally or at neighbours' markets. For example Lithuanian trade is concentrated on its immediate EU neighbours, Latvia and Poland, and also Russia and Belarus. The most exposed sectors of the economy have to adapt quickly to competitive pressures in order to survive. Closer trade ties between the Nordic countries would be a natural springboard into global markets, higher productivity and the knowledge intensive companies. Generally, closer trade ties would help withstand global competition better.
2. Synergies and complementarities should be exploited through cluster developments, such as Scanbalt, Medicon Valley, the Öresund Science region. Similarly information and communication technology, food industry, wood production and furniture should be strengthened.
3. The single market needs to work better. Obstacles to trade in goods and services still exist at the practical level also due to lack of coherence in the implementation of legislation. There are too many burdensome administrative processes at national level. SMEs have particular problems and should be helped to export and import more easily. The EU initiative for better regulation should be mirrored at the national level to make rules more user-friendly. Networks must be created to ensure that solutions are found and make better use of the SOLVIT centres.
4. The marketplace for ideas and talents is too localised. The best ideas are generated through exchange, ideally in a diverse team. Hence, if the region wants to exploit its greatest asset – highly educated people – then universities need to network more and researchers need to move around. A critical mass in competence is needed, which is particularly important for small countries wanting high standards in a field. Young talented people should see the entire region as being their home. 



Former Members of the European Parliament Toomas Hendrik Ilves, Estonia, and Christopher Beazley, Great Britain, in the Parliament's Baltic Europe Intergroup played an important role in promoting the idea of an EU Strategy

Colin Wolfe – Man in the Middle

Head of Unit in the European Commission (DG Regio), Colin Wolfe has been responsible for planning and co-ordinating the EU Strategy for the BSR. He has met many people – from grass-roots to responsible ministers in the region.



Q *With your Irish background what has been the most interesting meeting with the Baltic Sea Region?*

A It has been a very positive and enriching experience. As an outsider coming to the region, I have developed a very clear photographic image of a “crisp” region dominated by the bright light, the long, white beaches and a clean environment. More intellectually, the region’s stronghold in innovation, design and good practices in many senses also comes to my mind. Naturally, I am also left with a clear understanding of the very well-established forms of co-operation that characterise the Region. Most people we have talked with seem to have a very clear idea of both the region’s potential and the problems that need to be solved.

Q *Does the Baltic Sea Region have a distinct regional identity?*

A I would like to say yes, but the answer needs to be so nuanced that it becomes difficult to say. The question of identity has so many layers that it depends on how you look at it. Historically there is no doubt an understanding of community, but it also varies between the different countries, experiences, topics, problems and issues that are addressed. What is most important is that there is an interest in con-

tinuing re-building the region on common interests and a wish to address common problems. It appears to be very pragmatic reasoning and good basis to proceed on.

Q *Are you left with a confusing picture after having met so many and different organisations?*

A Not at all. I know that some are critical of the many organisations that exist, but I have only found it positive. It reflects a genuine interest in the region. Most organisations and actors that we have met at the many stakeholder meetings and roundtable conferences held all want to improve the situation and to join up on common objectives. Thereby some co-ordination is possible – and necessary.


Q *How do you maintain the interest of the civil society and a bottom-up process?*



A The Commission’s experience from the wide public consultation has been positive and we should build on it. We propose to have annual consultations with the stakeholders – the grassroots, cities, regions, social partners and the institutions of the EU, including the committee of regions etc. It must be a feature of the strategy that this dialogue – taking place at a forum – is strong and provides input to the formal decision-making. Generally, it is part of good decision-making that all relevant parties are involved – not just governments, and the council of ministers at the EU-level.

Q *At the BDF Summit in Copenhagen/Malmö, economic and business related topics were taken up but has the voice of the private sector been sufficiently strong?*

A The BDF Summit gave valuable input, but we would like to see the private sector more strongly involved. It should also be reflected in the

recommendations of the “prosperity” chapter of the Strategy. In light of the economic crisis it is even more important that their interests are looked after. A balanced approach between the big actors and the smaller ones need to be in place.

 *The BDF Summit took up the idea of the 5th freedom and the region as a laboratory, how is it reflected in the Strategy?*

 The Summit discussion on this subject was very interesting and is part of the Strategy – maybe a little fragmented but it is part of innovation and university co-operation in the Region. It was, however, good that we could attract support for stronger university and research ties. It is a high priority of Nordic Council of Ministers, not least though the Top-Level Research Programme. It may be a matter that we have to look at again in the future. 

European Union Strategy for the Baltic Sea Region: an Overview

The European Commission presented the Strategy on 10 June and the Swedish EU Presidency in the second half of 2009 hopes to have it finally approved by the European Council in October after discussion in the Council of Ministers.

The Strategy covers eight Member States: Sweden, Finland, Estonia, Latvia, Lithuania, Poland, Germany and Denmark and aims at tackling problems and exploiting opportunities that are difficult to address on either local, national or European Level. It is an EU internal strategy which means that relations with Russia and other third countries will be taken up through external policies: Northern Dimension and the Eastern Partnership. An EU partnership with Russia will be essential for many of the initiatives and projects proposed in the Strategy.

The Strategy includes an action plan and some flagship projects. Those are organised around four interrelated objectives to make Baltic Sea Region:

1. **an environmental sustainable place** by reducing nutrient inputs to the sea; preserving natural zones and biodiversity; reducing the use and impact of hazardous substances; promoting clean shipping; adapting to climate change
2. **a prosperous place** by removing hindrances to the internal market; promoting research, innovation; entrepreneurship, strengthening SMEs, increasing the efficient use of human resources; reinforcing agriculture, forestry and fishing
3. **an accessible and attractive place** by improving the access to, efficiency and security of the energy markets and by improving transport links and tourism
4. **a safer and more secure place** by improving maritime safety and security; creating better

protection from major emergencies at sea and on land and by combating cross border crime

At least one Member State will take responsibility for one of the priority areas mentioned above and the flagship projects that are part of each area. The flagship projects could include different actors such as government agencies, regional bodies, NGOs and international organisations etc.

No additional funding are foreseen which means that existing funds will have to be better utilised and co-ordinated. The largest financing source is the Structural Funds. Member States have agreed to examine funding projects from their own resources. The international and regional financial institutions, such as the European Investment Bank, the Nordic Investment Bank and the European Bank for Reconstruction and Development, could also contribute.

There should be no new institutions created for the Strategy. The EU's Council of Ministers (General Affairs) will have the political responsibility but a High-Level Working Group of Senior Officials from the Member States will provide input to the Commission that is responsible for implementation, co-ordination and monitoring.

In order to ensure a continuous dialogue with all relevant regional stakeholders an annual forum will be organised in order to make recommendations and present new ideas on implementation. Then the Baltic Sea Region's network of organisations and structures will have to be used. Member States and other regional actors will have to take responsibility as lead partners for specific priority areas and flagship projects.

Lithuania and the Baltic Sea

By Andrius Kubilius, Prime Minister of Lithuania

Andrius Kubilius served as Prime Minister of Lithuania 1999-2000 and was reappointed in November 2008. He is Chairman of the Homeland Union – Lithuanian Christian Democrats. Lithuania will take over the Presidency of the Council of Baltic Sea States on 1 July 2009, and intends to work closely with BDF then. Mr. Kubilius was previously a member of BDF's Advisory Board and is confirmed as speaker at the BDF Summit 2009 in Stockholm.

The Baltic Sea region has relatively weak formal institutions but many extensive networks – can the region play a positive role in the present economic crisis?

The economic turmoil has recently gained impetus challenging the governments of all states in the region. However, economic, financial and energy issues make cooperation more essential than ever. In these circumstances, we should use our traditional ties to ensure new business opportunities and enhance economic cooperation within the Baltic Sea Region. I believe that closer cooperation in the Baltic Sea Region is of great value for all of us, since our countries are tightly connected in terms of trade and investments. It is extremely important for Lithuania; our trade with the Baltic Sea Region comprises over 63.5 % of all Lithuanian trade. Furthermore, 9 states of the Council of the Baltic Sea States members are on the list of 10 major foreign investors in Lithuania. I believe that new ideas, related to the region's future, can best be accomplished through the established, yet reformed, bodies of cooperation.

The framework of the Council of the Baltic Sea States as well as other regional formats should be used more actively to introduce and implement mutually beneficial projects. However, they should be based not only on the governmental level but also involve the business sector. For this reason, we should be working towards a closer public and private partnership in the region. I would also like to underline the importance

of maintaining the economic dynamism of the region by developing even more auspicious conditions for businesses.

In a longer perspective, how can the upcoming EU Strategy for the Baltic Sea Region help improve competitiveness and sustain growth?

The EU Strategy for the Baltic Sea Region (BSRS) is the first regional strategy that presents a number of actions that reflect the need for the Baltic Sea region to be prosperous, safe and secure, environmentally friendly, accessible and attractive. The BSRS includes actions to promote entrepreneurship, innovation, and trade, thus enhancing business opportunities as well as promoting and sustaining the region.

I believe that the EU Strategy could be an important instrument in strengthening competitiveness in the EU, both from a medium-term and a long-term perspective. The Strategy could mainly facilitate cooperation by implementing important EU initiatives such as: 1) The Services Directive, 2) the completion of the EU energy market, 3) the clustering policy. It would also strengthen the voice and increase the visibility of the Region in negotiations on important EU dossiers.

The EU Strategy for the Baltic Sea Region comes at the point of greatest necessity, and the success of it lies in our hands. The priorities established in the preparatory stage of the Strategy are seen by Lithuania as guidelines for further practical implementation and very particular actions.

Firstly, the Strategy should give a stimulus to implement fully the EU legislation such as the single market legislation (free movement of goods, services, persons, capital and knowledge). Particularly, increasing the efficiency of the service sector in a coordinated way would remove barriers and create opportunities for small and medium-sized enterprises. We must also encourage the so-called 'Fifth Freedom' – the freedom of movement of knowledge around the Baltic Sea.

Only by moving towards a knowledge-based society by promoting innovations, research and development can we create a competitive advantage for the region's companies. I would like to see a joint regional cluster policy in action.

What is Lithuania's main priority for the EU Strategy?

Energy and transport are especially sensitive issues for Lithuania. Thus, they are of primary importance to my country. A key feature of the Baltic Sea strategy should be immediate actions to improve energy inter-connections across the region, especially in the three isolated Baltic States, and the establishment of a common energy market. The region cannot be competitive with dependence on a single source of energy. We must put our greatest efforts towards power diversification, promoting renewable energy resources and expanding environmental technologies. I look forward to the implementation of the Baltic Interconnection Plan.

The transport interconnections are to be mentioned separately since it is the number one Lithuanian priority within the Strategy. The transport infrastructure network of the Baltic States is characterised as partly isolated. Via Baltica is a single road connecting the Baltic States with other EU countries while different railway standards limit the transportation of passengers and goods by rail. These circumstances urge the implementation of Rail Baltica and Via Baltica projects seeking to serve the growing needs of freight and passengers. Nevertheless, the development of an East-West transport direction, linking EU and Central Asia, is extremely important to the sustainability of transport services across the Baltic Sea region and to strengthening the accessibility of the entire EU.

In order to achieve these objectives we have to actively involve our neighbouring eastern countries into the cooperation of the Baltic Sea Region, facilitating the conditions of travelling, expanding the network of



Visit of Andrius Kubilius, Prime Minister of Lithuania, to the European Commission on 10 December 2008

contacts, promoting tourism and NGO cooperation.

As there are no doubts that economic cooperation remains an important part of overall regional development, we should continue building upon the positive complementarities and comparative advantages of the Baltic Sea Region to make full use of its economic potential and increase its international competitiveness.

What are the future drivers for growth in Lithuania?

A key element to determine the development of Lithuania's economy constitutes the promotion of export-oriented economic sectors generating high value added. Efficiency of this factor will be enhanced through ensuring macroeconomic and political stability as well as the development of favourable conditions aimed at increasing labour productivity and developing necessary infrastructure. Enhancement of management and technological modernisation of traditional economic sectors could be considered one of the future growth components.

As the high-tech industrial output is quite low in Lithuania, the priority in the near future is to increase its weight. Promotion of the development of high-tech industries with focus on horizontal introduction



Photo by Vilnius Tourist Information Centre


of advanced technologies, that is, by supporting the development of innovative products and stimulating cooperation between companies, laboratories and educational institutions, is expected to considerably boost competitiveness. Promotion of non-technological innovations would be important as well. We think that the maximum effect would be most welcome in pharmaceutical, biotechnology, laser and machinery industry.

The Baltic Sea Region consists of a number of small countries, which enjoy clear benefits from participating in the EU Internal Market. Lithuania's participation in the EU Internal market generated approximately 1.8 percentage point of our annual GDP growth. The free movement of goods and services will remain important drivers of our growth, therefore the Baltic Sea Region must stand firm in defending the EU Single Market principles.

How can Lithuanian companies make better use of the region's many knowledge intensive and world class industries?

According to the European Commission, the greatest added value will most likely be achieved if focus is put on sectors where the region has capacity to

compete in the global market. Competitive clusters should be identified where the Baltic Sea Region could play such a role. To increase and maintain its competitiveness, the Baltic Sea Region has to continue moving toward a knowledge society by promoting research, innovation, as well as information and communication technologies. One of Lithuania's actions in the field of Prosperity/Research and Development (R&D) and Innovation is to look for partners to join a knowledge and innovation community (KIC) of the European Institute of Innovation and Technology (EIT) with the aim to strengthen European Competitiveness through Innovation.

Moreover, it is believed that Lithuanian companies could make better use of the region's many knowledge intensive and world class industries if strong clusters are developed. To achieve this, Lithuania is ready to take actions on international cooperation in forming and implementing cluster policy which aims at facilitating the establishment and development of an innovative partnership network. It is more effective and efficient for companies to participate in clusters in which enterprises and science institutions work together and have similar economic interests, goals and tasks. 

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Baltic Development Forum 10th Anniversary Summit

30 November – 2 December 2008
Copenhagen – Malmö

Baltic Development Forum held its 10th Anniversary Summit in Copenhagen and Malmö on 30 November – 2 December 2008 under the theme New Conditions, Regional Ambitions – Energizing the Climate for Business.

Program and Participants

The different sessions were organized around three overall themes: the EU Baltic Sea Strategy, Energy and Climate, and Labour Market and Talents.

The Summit also served as a part of the European Commission's public consultations on the draft EU Strategy, which gave the participants an opportunity to offer strategic high-level input to this important process. BDF's State of the Region Report by Christian Ketels served as the main reference document by giving insights into the Summit themes.

At the outset of the programming process, the sessions reflected an optimistic outlook for the



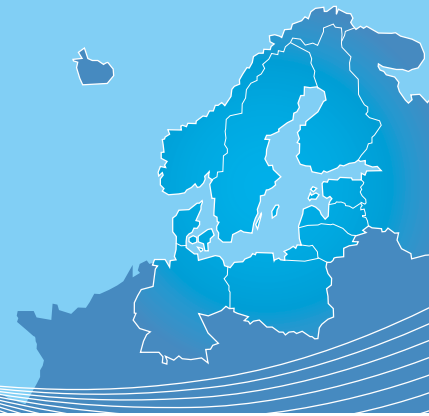
Dr. Christian Ketels presents the State of the Region Report 2008



Danish Prime Minister Anders Fogh Rasmussen and BDF Chairman Uffe Ellemann-Jensen at the opening of BDF Summit 2008

Baltic Sea Region. In light of the development of the financial crisis by mid 2008, the programme was subsequently adjusted to reflect the change of scene. The general feedback from the participants was very positive. An overwhelming majority of the participants found the Summit theme and sessions excellent or good in terms of timing and relevance. Especially appreciated sessions were the ones on Russia, the Malmö session on financial integration as well as the session on Øresund and the State of the Region Report. The business sector also valued the opportunity to give input to on EU's Strategy's economic chapter.


600 participants were registered. More than one third of the participants represented the business sector (35 %), and almost half came from administration and government (46 %). Due to the venue this



year, Denmark and Sweden took the lead in the breakdown of nationals, followed by Finland and the other member countries. The interest from Belgium (the European Commission) and the Netherlands in participating were noticeable also in 2008. As experience shows from previous Summits, there still is a challenge in attracting a higher number of participants from the Russian Federation and Germany. The financial and economic crisis in the Baltic countries influenced participation from these three countries.



Networking Village

For the first time, BDF organised an exhibition and a networking village in connection with the Summit. The core idea of the networking village was to offer interested parties an area where exhibitors could be profiled during coffee and lunch breaks and where all networking could take place. The main reason for participation at the BDF Summit is namely networking (44%) – followed by fact finding (25%), and an interest in specific sessions (21%). Therefore the concept of the Networking Village will be further developed and expanded at the next BDF Summit in Stockholm. 



President Tarja Halonen together with Swedbank CEO Jan Lidén, Minister for Foreign Affairs of Sweden Carl Bildt, and BDF Chair Uffe Ellemann-Jensen

Swedbank Baltic Sea Award 2008

The President of Finland, Tarja Halonen, was honoured with the Swedbank Baltic Sea Award 2008. The award was handed over by the CEO of Swedbank Jan Lidén at the gala dinner of the BDF Summit.

It is the second year the Swedbank Baltic Sea Award is handed out. The award is assigned to an individual or organization that has made an extraordinary contribution to the development of the Baltic Sea Region.

– The Baltic Sea Region needs fiery spirits, individuals who believe that they through a personal and lifelong commitment can make the region stronger, better and sustainable. President Halonen has a longstanding record of focusing on the common good for the Baltic Sea Region, often stressing the fact that we all live in a common region, with common assets, common problems, and common solutions, said the CEO of Swedbank Jan Lidén upon handing over the award.

President Halonen has with her strong commitment for the Baltic Sea region inspired both political leaders and fellow citizens to take a common responsibility for the Region.

President Halonen was appointed among several strong candidates by a jury consisting of the Prime Minister of Denmark Anders Fogh Rasmussen, Swedbank's Executive Chairman Carl Eric Stålberg, and the Baltic Development Forum Chairman Uffe Ellemann-Jensen. The prize sum is €5,000.

Russia Today and Tomorrow – A Changing Political and Economic Landscape

Speakers: Carl Bildt, Minister for Foreign Affairs, Sweden / Igor Yurgens, Chairman, Institute of Contemporary Development, Russia / Peter Elam Håkansson, Chairman, East Capital, Konstantin Khudoley, Dean, School of International Relations, St. Petersburg State University

The Summit clearly expressed the need to deepen the relations with Russia, especially North Western Russia, as part of the EU Northern Dimension policy.


Taking off from the recent political and economic transformation in Russia, the panel members focussed on the impact of the financial crisis and recession on Russia. The possibilities for increased trade and integration between Russia and the rest of the Baltic Sea Region were also discussed.

Igor Yurgens (see separate article) compared the financial crisis today with the one in Russia in 1998, and underlined that Russia is much better prepared this time in terms of money available, governance and financial institutions. Now is also the proper time to build up new institutions. The Russian financial system would stay intact, much due to the state decision to recapitalize some of the country's largest banks. Mr. Yurgens assured that the growing role of the state is only a temporary measure, in order to protect the economy. As far as relations with the rest of Northern Europe are concerned, Yurgens announced that a Northern Dimension business council, which would be lead by Mr. Mordashev, had been created in St. Petersburg. This council will be the reference point for Russian cooperation with BDF and other organisations.

According to **Peter Elam Håkansson** Russia is today completely different from in 1998 when East Capital first entered the Russian market. He praised the Russian market which has very good accounts and protection for share holders and where transparency is not a problem. The figures that East Capital got from Russia are very reliable.

Konstantin Khudoley agreed that the financial crisis would be a stimulus to domestic reforms in Russia. Some believed that the role of the EU and

the US would diminish due to the financial crisis, but Khudoley did not see radical changes of the balance of the forces in the world. Russia is ready to work internationally to find a global solution to the crisis, but will make sure that its own interests are not damaged by a coalition. Russia's WTO accession demanded political will, but politicians in Russia were divided on this issue. The "zones of non-confidence" (such as Ukraine, Belarus and the Caucasus region) were a big problem, and there is a risk that such situations could emerge in other regions, as the Arctic.


Carl Bildt believed that the Russian economy has fallen behind largely due to its Soviet heritage, but that the long-term perspectives are good. Russia has benefited from high energy prices and cheap credits, but this has come to an abrupt end due to the financial crisis. Fundamental reforms – which were neglected during Putin's second presidential term – of the governance system, rule of law, institutions and market mechanism are crucial in order to overcome the crisis and safeguard Russia's position in an international system. Not enough investments have been made in the energy area and therefore oil production is declining and gas production is not big enough to meet both domestic and foreign demand. Russia's biggest foreign policy problem was said to be the relationship with its closest neighbours, which has become even more complicated due to the war in Georgia and Russia's recognition of South Ossetia. Also the authoritarian tendencies in Russia, particularly anti-western rhetoric in the media, have created strains between Russia and its neighbours, EU and the rest of the world. The solution would be true friendship between Russia and its neighbours – to overcome the legacy of history, something that has been achieved in many other parts of Europe. 

Carlsberg's Quantum Leap

In his opening address to the Summit, Jørgen Buhl Rasmussen, President and CEO of Carlsberg Group, presented an insight to the company's leap in less than 10 years from overdependence on the Western European market to a strong local platform in the entire Baltic Sea region. Nowadays, the region represents 50% of Carlsberg's turnover. Particularly in Russia, the growth story has been extraordinary. The Group invested in nationwide coverage for Baltika Breweries and thus got a strong and balanced Russian brand portfolio. Also, the long term market trends were well established in the Region with a general trend to prefer beer to spirits, and an interest to trade up to more premium brands.

Buhl Rasmussen mentioned the following pros and cons of the Baltic Sea region as a market place: It is an important growth market that may balance a more mature market exposure in Western Europe. There is still much potential in the Region as economies and markets develop further. The existing com-

panies are strong, both financially and with regard to market positions. The local management is robust, with a can-do attitude, innovative mindset, ability to implement with speed and action orientation, and high experience in market and culture. Nevertheless, there is a demand for highly experienced professionals, workforce mobility, infrastructure investments, and measures to prevent inflation and currency fluctuations. Also increased collaboration to support stable economies, stronger integration of Russia, and free flow of goods and services across all borders is needed.

To conclude, Buhl Rasmussen described the Region as strong and complimentary with an accessible commercial environment. There are opportunities for further collaboration with Russia, but there is none "one size fits all"-solution. While growth is slowing down, increased cooperation to support stable economies is needed. Despite this, opportunities continue to be attractive also in a relative perspective. 



Jørgen Buhl Rasmussen, President and CEO of Carlsberg Group, giving his opening address to the Summit

Russia and the Baltic Sea Region

By Igor Yurgens, Chairman Institute for Contemporary Development

How is economic development in Russia proceeding during the crisis?

In the face of the global crisis, Russia's great economic and financial revival ran into a wall last year. In the closing months of 2008, finance stopped flowing, goods stopped being delivered, investment plans were cancelled and much of the economy simultaneously started hoarding dollars. The economic numbers we have seen so far this year are shockingly bad.

That said, in the long-term—even in the medium-term—Russia's story remains one of tremendous promise. Russia has 26% of global gas reserves and 7% of global oil reserves and is the world's largest exporter of oil after Saudi Arabia. The country boasts a highly educated workforce with over 70% of the eligible population in tertiary education. Russia's geography makes it an important trading partner. Trade with China will continue to grow in importance and Russia is the EU's third most important trading partner.

Journalists have recently been trying to draw parallels between the current crisis and what we went through in 1998. Even though both crises are very serious, many of the comparisons fall flat. This time the government has responded quickly by increasing liquidity, providing capital injections into the banking system, and ensuring payment of external debt obligations. In 1998, the private sector largely assumed the cost of the crisis, whereas the state is now stepping in with its massive reserves to help relieve a lot of the pain.

What is the situation on the financial markets?

In the first half of 2008, Russian equity was one of the five best-performing markets in the world. By the end of October, it was among the worst. In three terrible months, Russia went from safe haven to pariah. There was roughly \$1trn of value destroyed in Russian equities between early August and late October. In an awful year for financial markets globally, Russia was among the worst.

Past performance, though, is no guide to future performance. The questions now are how far have

asset markets discounted the actual economic and financial damage to the Russian corporate? And when can we start to expect an economic recovery?

The government could well prove to be the biggest winner of them all. Having saved the oil-price windfall, the public sector is now in a position to make the contrarian trade and sell out of dollars and buy into distressed equity at a time of low commodity prices. The irony of the crisis is that it is not the creeping ambition of the state that has proved the main danger to the free market in Russia but rather the failure of global finance. Russia's private sector has not been threatened by too little exposure to the globalised economy, but by too much.

Could you speak to the question of improving business relations between Russia and the Baltic States? What are the moves that need to be taken?

There have been some substantial positive shifts over the last few years in the relations between Russia and the Baltic states, particularly in the Russian-Latvian relations. That said, the relations are still strained.

I would argue that the current period of crisis actually presents an opportunity, an opportunity to set aside old preoccupations and more pragmatically focus on areas where Russia and the Baltic states can effectively cooperate. In particular, the potential synergies between the Latvian and Russian economies are tremendous. Over the past two years, trade between Russia and Latvia has already grown by 40 percent, and in the Pskov region, private enterprise is dynamically expanding with the participation of Latvia's small business entrepreneurs. This is the kind of cooperation we need to see more of across the whole region.

Does Northwest Russia have a special role to play in relations with the Baltic countries? What are the challenges there?

Northwest Russia was the historical, industrial, cultural and political centre of Russia for many



– The Way Forward

years. Russia's current government, led by President Medvedev and Prime Minister Putin, has had a lot of success in promoting economic development in the part of Russia where they both hail from. Northwest Russia has been growing rapidly in recent years. The development of domestic and foreign trade, as well as the recent construction boom, allows the regional economy to prosper. In fact, the region beats the rest of the country by wide margin in developing its industries. Though industry is clearly one key factor, the region is also a key transit artery with a well-developed infrastructure.

There is enormous potential for stronger cooperation between Northwest Russia and the Baltic countries. The region will benefit from public infrastructure projects and new Public Private Partnerships. Improvements in terms of investment attraction and tourism infrastructure in Northwest Russia are necessary in the near future.

In particular, what are the issues with regard to the Kaliningrad region?

There are some barriers in terms of financial infrastructure, which needs further development. Currently, banks have special focus on getting project financing in tourism, real estate, ports and pipelines. Strategic partnerships and direct investments in ports and tourism projects are especially needed.

In terms of tourism, a lot has to be done in the Kaliningrad area. The tourism infrastructure, in particular, requires substantial investments. While St. Petersburg has an amazing cultural and architectural scene, the rest of the region – and notably Kaliningrad – is underdeveloped in terms of tourism.

Can the Baltic Development Forum play a role in trying to develop a dialogue between Russia and the region?

Absolutely; the Forum is already playing a vital role. Platforms such as the BDF Summit are extremely important in achieving higher involvement and deeper integration from the Russian side. Keeping this dialogue going is crucial. BDF can play an important



Igor Yurgens, Chairman Institute for Contemporary Development

role particularly in facilitating dialogue between the governors of Russia's Northwest and their counterparts in the Baltic States. 

The Moscow-based Institute for Contemporary Development was established to unite the country's intellectual capital and leading experts to develop policies and recommendations important to Russia's future. Mr. Yurgens is Chairman of is also First Vice President at Renaissance Capital, a leading investment bank focused on emerging markets, and Vice President of the Russian Union of Industrialists and Entrepreneurs, Russia's leading business organisation. Mr. Yurgens is a member of BDF's Advisory Board

The Role of St. Petersburg in the

By: Valentina Matvienko, Governor of St. Petersburg



Valentina Matvienko

St. Petersburg is historically known as a bridge between the Baltic Sea region and Russia. What is the role of St. Petersburg today?

With its five million residents, St. Petersburg is Europe's northernmost megapolis. Our city is a bridge between Russia and Europe; it is also a big part of the Baltic Region and a crossroads of many transportation routes. Throughout history, St. Petersburg has been efficiently and proficiently making use of its unique geopolitical position.

We highly value and appreciate the stable relations that we, in the course of centuries, have built with our Baltic neighbours. We are extremely pleased with the fact that the commercial exchange of St. Petersburg with the countries of the Baltic Region now has reached one third of the total external commercial exchange of the city, which in 2008 amounted to USD 4.2 billion. Traditionally, Germany remains our leading partner in the Baltic Region. At the moment,

it is the third biggest trade partner of the city.

Our city is an active participant of many international forums and organisations associated with the Baltic Region. Among the leading ones are the Council of the Baltic Sea States, the Nordic Council of Ministers, Baltic Development Forum, Union of the Baltic Cities and the Organisation of Sub-Regional Cooperation of the Baltic Sea Countries.

All 9 countries of the Baltic Sea region are represented in the city on the Neva River. I am pleased to point out that the Heads of all Consular Institutions have the most active attitude towards developing cooperation between the countries of the region and St. Petersburg.

Has the interest in cooperation with the Baltic Sea region increased or decreased in St. Petersburg?

I am sure that this interest in cooperation with the countries and cities of the Baltic Region will never slow down. In the recent years, it has significantly increased. We can see this, for example, in the growth of our commercial exchange and improved our economic relations. The Baltic is our mutual home, and it is very important for us to understand each other and work together in order to solve problems that arise. We welcome initiatives that may deepen our economic relations, especially given the European Union expansion. At the same time, we are actively joining new programs and projects promoting cross-border cooperation. We see this as a unique opportunity to improve the image of St. Petersburg and increase its investment attractiveness.

On a regular basis, we carry out "Days of Cities". With Helsinki, Riga and Tallinn we have them annually, taking turns hosting it in St. Petersburg and the other involved cities. Recently, Oslo and the Stockholm region have joined this partnership program. 58 projects involving participants from other European Union countries have been implemented in St. Petersburg in 2008. Under the umbrella of the inter-government Agreement between Russia and Finland alone 24 projects have been implemented that St. Petersburg takes part of and 15 projects with

Baltic Sea Region

participation of our city and other regions. Furthermore, St. Petersburg takes active part in the Mutual Monitoring and Selection Committees of such programs as “Estonia-Latvia-Russia,” “South-East Finland – Russia,” and “The Baltic Sea Region.” We have developed a joint strategy on these programs for the period until 2013. The major issues we are interested in are environment protection, logistics, institutional development of entrepreneurship and informational integration.

What is being done to strengthen this cooperation?

We take active part in the work of international organisations of the region. This is a whole system of permanently functioning forums, meetings and consultations, which takes into consideration the interests of all the countries of the Baltic Region, including Russia. The Council of the Baltic Sea States, which has inter-government status, plays an important role in this process: Each year, St. Petersburg initiatives are included in the composition of Russia's proposals. Our city contributes to the annual summit of the Baltic Development Forum and cooperates closely with the Union of the Baltic Cities and the Organisation of Sub-Regional Cooperation of the Baltic Sea States.


A year ago, the City Government adopted the “Tolerance Program” on harmonisation of the inter-ethnic and inter-cultural relations, which can be considered as one of our initiatives to facilitate the strengthening of mutual cooperation. In May 2008, a joint declaration on cooperation in inter-cultural dialogue development was adopted at the meeting of the directorial board of the Organisation of the Baltic Sea Countries Cooperation. We suggested holding our meetings concerning these issues on a regular basis. We are currently discussing the possibility of establishing an expert group on tolerance issues.

In the recent years, new instruments of strengthening cooperation with foreign partners have appeared. We are opening business and information centres abroad. Such offices have already appeared in Hamburg, Riga and the Estonian cities Kohtla-Yarve and Rakvere. We also have such offices at our closest

neighbours', in Finland: in the Kotka-Hamina and Häme provinces and in the cities of Jyväskylä and Turku. These centres always have the most updated and accurate information on St. Petersburg, its investment potential and options for holding congresses and cultural events. You can even order marketing researches by branches and find a business partner.

How can the Baltic Development Forum facilitate the strengthening of the cooperation between St. Petersburg and the Baltic Sea Region?

We highly value the atmosphere of constructive dialogue inherent in the Baltic Development Forum. This helps us to look for responses to new challenges that the world economy brings into our lives. I hope that exactly such sincere conversation about mutual problems will become the major topic of the XI Summit of the Forum in Stockholm that is scheduled for October 2009. Presently, all countries of the Baltic Sea Region have to put together their efforts in the security area, in rational exploitation of the energy sources and in solving environmental problems. We must be more active in using the potential of our cooperation for expanding our trade and economic connections, developing small and medium businesses and attracting investments.

Development and strengthening of our cooperation is in the interest of residents of all countries and cities of the Baltic Sea Region. Its future depends upon the efforts we are jointly undertaking today. 

Ms. Matvienko is the governor of St. Petersburg since 2003. She was previously a long-serving government official and diplomat of the Russian Federation.

Energise the Future – Northern Europe's Energy Map of Tomorrow

Speakers: Connie Hedegaard, Minister for Climate and Energy, Denmark / Håkan Buskhe, CEO, E.ON Nordic / Sandor Liive, CEO, Eesti Energia / Dirk von Ameln, Permitting Director, Nord Stream AG

Europe is still far from offering an integrated and competitive energy market. Elements necessary to improve the regional energy cooperation were discussed.

It is clear that the Baltic Sea Region through closer co-operation can become a highly relevant showcase for the rest of Europe and globally, and that the

Firm leadership and determination can pave the way for the region to be in the forefront
(Connie Hedegaard)

countries in the Region have an immense potential to get all actors – private as well as public – together to address, commit and fulfil the EU energy and climate

objectives in their Region.

According to **Sandor Liive** the prerequisite for regional cooperation is trust and market integration. Regional energy security must be defined among neighbours. A better solution than the current national security of energy supply regulations is need-




Connie Hedegaard



Sandor Liive, CEO Eesti Energia

ed. A single, common energy market area should be created, that can guarantee energy security.

Håkan Buskhe said that it is not possible for one country or one company to solve the current problems alone. Only joint and sustainable solutions can lay the necessary tracks for the energy sector's future. There is a need for a cross border framework for industries. Not to forget, customers' choices of energy solutions may lead to different business models – customer driven ones.

Dirk von Ameln underlined that the prosperity of the European economy depends on finding the right way forward in terms of energy supply; additional supply and new infrastructure is a solution to the current situation. 

Climate Change of Business – Towards an Integrated Baltic Sea Region Energy Market

Speakers: Karlis Mikelsons, President & CEO, Latvenergo / Marcel Kramer, CEO, Gasunie / Susanne Störmer, Vice President, Novo Nordisk / Ole Krog, Deputy Director General, Confederation of Danish Industry


Marcel Kramer outlined that a reliable regulatory framework and investments in new technologies are the prerequisites for a well-functioning Baltic Sea Energy market. Nevertheless, attention has to be drawn to the human capital and skills, in order to develop new ways of operation.

Susanne Störmer stressed that in order to create a strong and efficient energy market more structural investment in energy supplies, implementation of energy savings from simple solutions and increased production of renewable energy are needed.

According to **Karlis Mikelsons** a precondition for a strong, full-fledged energy market is a power grid system management and planning by a common transmission system operator for the Baltic Sea

region. Conditions for equal market opportunities have to be set. Integrated and effective energy markets can provide major advantages for the security of supply.

Ole Krog added that the implementation of the EU's third liberalisation

package should help to obtain a more competitive market. The region needs an efficient framework for investments in infrastructure, an actual ownership separation between the distribution and retail parts of the energy supply chain, and a fully transparent market. 

There is no cheap energy in the world anymore; energy has become precious and an expensive source (Karlis Mikelsons)



Offshore Wind Farm at Rodsand, Denmark, Photo: Ole Christiansen

Diversity and Harmonisation Required

By: Håkan Buskhe, CEO E.ON Nordic

The greatest challenge facing the Baltic Sea region and Europe today lies in the achievement of energy supplies that reduce dependence on energy provided from outside Europe and a system that creates the conditions required for competitive energy for industrial growth and, at the same time, satisfies the most rigorous demands on environmental and climate protection.

In December 2008, the European Parliament adopted the European Commission's energy and climate package (Green Package 20-20-20), which includes demands for a 20% reduction in carbon dioxide emissions and a 20% improvement in efficient energy utilisation by year 2020. This means that Europe has established a clearly defined goal for reduced carbon dioxide emissions.

One of the world's most important climate meetings, COP 15, will be held in Denmark in December 2009. The EU's climate package and the results of the UN summit meeting in Copenhagen will establish an agenda for the future. There is no doubt that the energy sector will play a key role in efforts to develop tomorrow's climate-smart societies.

Within E.ON Nordic, we are convinced that tomorrow's energy systems for the Baltic Sea region and Europe must be based on diversity, a combination of small-scale and large-scale energy solutions that include everything from hydropower, nuclear power and natural gas to wind, sun and biogas.

The cities of the world are growing in leaps and bounds, and urbanisation is creating enormous environmental problems. And that's why E.ON believes it's important to commit itself to Sustainable Cities, metropolitan areas with self-sufficient solutions for energy, waste management and transports.

One example of such a solution is the Västra Hamnen (Western Harbour) area of Malmö, where we created an energy system 10 years ago based 100% on locally renewable energy. Today, this section of the city is totally self-sufficient in terms of energy supplies, when calculated on an annual basis. Whenever the Harbour area has a surplus production of energy, it is distributed throughout the rest of the Malmö area and, when necessary, energy supplies are provided to the area from one of our other production plants.

Electrical supplies are provided by wind power plants and solar cells, there are solar collectors that generate heat and anaerobic digestion of waste to produce biogas. There is also a system of heat pumps and aquifers that enable E.ON to store heat generated during the summer in the bedrock for subsequent utilisation during the winter in the form of district heating. Since everything is situated locally in the city district, the climate impact from the area is virtually non-existent.

A large percentage of the city's climate impact is caused by transports. The transport sector accounts for a very large percentage of energy utilisation and uses a very small percentage of renewable energy.



Biofuel, Photo: Thomas Tolstrup

for Handling Global Challenges




Håkan Buskhe

We firmly believe in biogas as a climate-smart fuel alternative, and we are involved in several biogas production plants in Sweden. A passenger car powered by biogas creates a climate impact equivalent of only one-tenth of today's EU limit value for classification as an environmental car.

In addition to vehicle fuel, electric cars and electric-hybrid cars offer very substantial potential for more efficient energy utilisation in the transport sector and reduced carbon dioxide emissions.

In the Nordic region, we have excellent potential for achieving climate-smart, competitive energy supplies, but most other countries in the world are not as fortunate. Several cross-border programs of cooperation and increased transmission interconnections would contribute to energy solutions and systems that, based on local conditions, would be able to cover the needs of more countries.

It will be important for future energy policies to develop market-based, competition-neutral control mechanisms in a common Nordic/European energy market. Regulations, fees and taxes in the production chain must be harmonised within the EU in order to create an effective energy system with equal competitive conditions throughout the entire Union.

In conclusion, in order to achieve a solid base for a successful new energy map for Europe and the Baltic Sea region we must find the balance between competitive energy and high supply reliability combined with respect for the environment and climate. To be able to do this, we need energy systems that comprise a combination of interacting large-scale and small-scale solutions. Cross-border, uniform frameworks and political game rules for creating an effective energy system with equal competitive conditions throughout the entire Union. Håkan Buskhe was speaker at the BDF Summit 2008. 

E.ON is one of the world's largest privately owned energy companies, with 30 million customers.



Car powered by biogas, Photo: Nils Bergendal

Northern European Knowledge

By: Mikael R. Lindholm, Managing Partner, Innovation Inside



Mikael R. Lindholm

The Baltic Sea Region could be a frontrunner in developing the “fifth freedom” in the European Union – the free movement of knowledge. Enabling knowledge and researchers to move freely from country to country in the region, enriching corporations as well as academic institutions, the Baltic Sea Region could gain innovative and competitive advantages in the world economy

To compete in the world economy the Northern European countries in the Baltic Sea Region need access to knowledge and talented people. These are the most important prerequisites for turning the competitive advantages of the region into competitive products in an increasingly competitive world market.

Unfortunately, demographic ageing, decreasing labour force, inflexible labour markets, high taxes and tight migration policies undermine the accessibility to human capital in the region. Worse, there is a drain of talent as bright scientific minds are increasingly moving outside the region, lured particularly to USA by a dynamic entrepreneurial culture, better wages and more accessible opportunities.

In order to compete successfully in the world economy as an innovative, dynamic and knowledge-based region and properly exploit its competitive advantages, the Northern European countries need to be better at developing, attracting and retaining the best and brightest.



Hálldor Ásgrímsson, Secretary General, Nordic Council of Ministers

To this purpose, the countries should establish a single Northern European Knowledge Market increasing the cross-border mobility for high-skilled labour, enabling the individual to access the businesses, universities and institutions in the region more easily, while attaining similar work or research conditions, and simultaneously enabling companies, universities and institutions to access workers, researchers, students – and knowledge – in the region more easily.

This was the conclusion of a top-level discussion at the Baltic Development Forum’s annual summit 2008. The participants were Astrid Thors, Minister of European Affairs of Finland, Hálldor Ásgrímsson, Secretary General of the Nordic Council of Ministers, and Jørgen Ørstrøm, professor at Copenhagen Business School.

According to Hálldor Ásgrímsson, knowledge is the single most important production factor today, which is why the Nordic countries – some of the most research intensive in the world – already have taken steps toward the establishment of a fifth freedom among the Nordic countries. These include the new generation of Nord-plus programmes, fostering mobility between the five Nordic countries and the three Baltic States, the meta-regional Nordic research council NordForsk and the development of a new generation of collaboration on research and innovation between the Nordic Council of Ministers and North West Russia.

“The Nordic Council of Ministers has also initiated the Nordic top-level research initiative, aiming to develop research in close collaboration with research units and enterprises, and promote innovation. The initiative aims to strengthen the knowledge base and competitiveness of the Nordic countries and enable a critical mass on central areas, on a scale that the countries could not achieve on their own,” said Ásgrímsson.

The measures are necessary, according to Astrid Thors, who is critical towards the present status of the

Market

EU Research Policy: “It is too bureaucratic, too top-down, not enough driven by researchers themselves.”

Astrid Thors finds that the biggest challenge for the fifth freedom in a European context is to make sure that young researchers from the Baltic Sea Region find it interesting to work in the region and to attract new people from other parts of the world. At the same time, she questions the benefits of the so called Research Directive that enables knowledge workers from third countries to enter the EU labour market but still restricts the movement within the EU too much.

“So far only a few countries have implemented it. Only Belgium, Denmark, Finland, Germany and Norway have declared themselves open in principal to reciprocal, open funding programmes for researchers from other countries. And even so, in Finland, for instance, not a single institution has volunteered to make use of it.

Jørgen Ørstrøm Møller cautions that the barriers to the free movement of knowledge and people in the Baltic Sea Region are detrimental to the ability of the region to compete globally.

“The Baltic Sea Region can only compete globally by being smarter and focus on knowledge – a production factor that can be used over and over again, be shared with others and improved after your own taste – and by offering something different that attracts interest from the rest of the world,” said Ørstrøm Møller.

He emphasizes that networks – not least the internet – is an important enabler for the region and that the educational sector in the Baltic Sea Region will play a crucial role in supplying the people in the region with competencies and abilities that nobody knows for sure what will be.

According to Hálldor Ásgrímsson, the Nordic Council of Ministers is already considering pursuing networks as an enabler by considering taking an initiative to establish a common knowledge infrastructure for the fifth freedom in the Baltic Sea Region.

“This could include physical infrastructure for high-capacity networks around the entire Baltic Sea, networks for advanced research collaboration and digital services and the establishment of eScience as a common research area,” said Ásgrímsson.


It is clear that in order to establish a Northern



Astrid Thors, Minister of European Affairs, Finland

European Knowledge Market, stakeholders from policy makers, business leaders and academia need to collaborate in addressing the major obstacles and formulating solutions that also involve issues on immigration, labour market structures, income taxes, university structures, educational curriculum, etc. To fully exploit the knowledge potential of such an initiative it would be beneficial to establish a number of accelerators, such as cross-border competence networks and cross-border research and educational projects.

“There is a need for flagship projects that could brand the Baltic Sea Region as a region with a knowledge factor that has global value. This would attract students from the rest of the world that are needed to globalise the universities in the region. Only then there could be true interaction with other major knowledge centres in the world, which is crucial to success,” said Ørstrøm Møller.

The timing of a Northern European Knowledge Market initiative is good. The Baltic Sea Region initiative could work as a pilot or frontrunner project within the EU Strategy for the Baltic Sea Region that may provide valuable input to the development of a larger European Research Area. Consequently, Baltic Development Forum is taking steps to organise the initiative. The stakeholders include governments, businesses, universities, science parks, EU, the Nordic Council of Ministers as well as public and private institutions and organisations. 

Mikael R. Lindholm was previously Editor-in-Chief at Computerworld and Directing Editor at the think tank Monday Morning in Denmark. He is the author of numerous books on creativity, innovation and information technology.

The Vibrant Øresund Region – Positive



The Øresund Region represents one of the most integrated sub-regions in the Baltic Sea Area. The total population of Southern Sweden and Eastern Denmark is 3.6 million. In 2000, the two countries were tied together by the Øresund Bridge, which facilitated the movement of labour and boosted the economic development. Nowadays, a quarter of the combined GDP of Sweden and Denmark is generated in this area. Positive economic neighbourhood effects have been created and earned through strategic decisions and choices. It is therefore an interesting case-study for wider integration dynamics in the Baltic Sea Region. This was one of the reasons for organising the 10th Anniversary Summit in Copenhagen-Malmö and inviting several speakers from this sub-region to the different Summit sessions.

Inviting all the Summit participants to cross the Øresund Bridge and to take the short ride by gas buses from the Bella Centre in the newly developed Ørestad in Copenhagen to the end-note session and Gala Dinner in the Malmö Opera house created the right mind-set and awareness of the vibrant Øresund region. The President of the Skåne Regional Council **Jerker Swanstein** welcomed all to the second part of the BDF Summit by underscoring the importance of the regional partnerships in the areas of trade and industry, education and communications. The Øresund and the Baltic Sea regions are major export and labour markets, and in the future they are expected to bring increased educational exchanges and further tourism.

The Øresund Region is strong in cluster development in knowledge-intensive industries and services not least due to the 12 universities and colleges in the region – united through the Øresund University alliance – and its 150,000 students and 14,000 researchers. Other joint cluster initiatives taken are the Medicon Valley and the Øresund Science Region.

Colin Carlile, Director of the European Spallation Source Scandinavia informed the summit participants about the Skåne Region's bid for hosting a world-leading European Centre for material research in Lund, which would introduce further world-excellence in research to the Øresund region. It has the potential of having a very positive impact on the wider Baltic Sea Region as well. The EU-Strategy for the Baltic Sea Region will be able to help bring about such a wider impact. At least it is an ambition of the Strategy to set up a Baltic Science Link that will improve the research infrastructure. Since the Summit,



A clear majority of EU research ministers now supports building the European Spallation Source in Lund, Sweden – here the Director of ESS Scandinavia Colin Carlile

Neighbourhood Effects have been Created



the Swedish candidacy to build the ESS facility has received support from a clear majority in the EU. It is now clear that the ESS in fact will be built in Lund, Sweden. Congratulations!

The Øresund region is also a clear illustration of the importance of physical infrastructure development as a prerequisite for economic progress and prosperity. The Øresund Region has grown rapidly since the fixed connection was established in 2000. Before the bridge was built the contacts were quite meagre despite the short distance. The good Danish-Swedish match is also due to the fact that the wider Copenhagen area is in demand of labour and the Skåne region has the necessary supply.


Øresund: Two Countries – One Region

The special Summit session on the Øresund Region addressed how a regional identity can be promoted, national legislation adapted, labour market structures improved and talent attracted in order to further strengthen the competitiveness of the region. A need to focus on few but important sectors was expressed, and that successful cross border cooperation needs to be complimentary; when national needs differ integration evolves. How well will the Øresund Region position itself in the global economic slowdown and still keep up the quest for investments, talents and innovation was the question asked in the panel discussion about the Two Countries acting as One Region.

“We had a cluster before anyone knew anything about clusters, before Michael Porter even invented it”, Stig Jørgensen, CEO Medicon Valley Alliance stated frankly and alluded to the Medicon Valley Alliance which hosts globally renowned brands as Novo Nordisk, Pfizer, Astra-Zenica and Gambro.

“The Øresund Region is probably better equipped [to face the global recession] than many other regions because of the strong focus on clusters”, **Steen Donner** stated representing Copenhagen Capacity and Region Sjælland, and continued by saying “but still we will need measures to strengthen our competitiveness in the future.” His recipe for a regional success was to show will and not least political courage to focus on just a few important sectors; Life science, IT and clean tech.

Knowledge and Research seem to be the buzz words for the Oresund Region, along with Cross border Cooperation and Complementarity. All panellists could agree upon the fact that the success of the regional integration is forced by complementarity in need.

And in spite some teasing about which side of the bridge is the most progressive, the panel left the audience confident that the Oresund Region is, at least on the regional level, prepared to function as one entity. Still many bureaucratic and administrative barriers need to be removed in order to harvest its full potential. One important factor is the presence of two national currencies: If the euro were introduced, further integration and economic benefits would be achieved. The next steps lie in the hand of the two national governments involved. There has been a bottom up approach to integration in the region; local ambitions are dynamic but this is not always reflected and fully backed at national levels. 



Jerker Swanstein, President of the Regional Executive Board, Region Skåne

BDF Chairman Uffe Ellemann-Jensen greets Estonian Prime Minister Andrus Ansip at his arrival to the Summit Opening Session at the University of Copenhagen



Welcoming Reception in the City Hall of Copenhagen



Danish Prime Minister Anders Fogh Rasmussen: "Today the importance of BDF as a forum for debate, innovation and networking is unquestionable"



Entertainment during the Gala Dinner by artists from Malmö Opera



Gala Dinner at the Malmö Opera hosted by Swedish Region Skåne



Fruitful networking

Entertainment during the Gala Dinner by artists from Malmö Opera



Finnish President Tarja Halonen is having a word with Swedish Foreign Minister Carl Bildt



Photos by Christopher Grant



BDF Director Hans Brask, Danish Prime Minister Anders Fogh Rasmussen, Copenhagen University Pro-Rector Lykke Friis, BDF Chairman Uffe Ellemann-Jensen, and CEO of Carlsberg Jørgen Buhl Rasmussen



BDF staff at the BDF Stand



Session on How to Cope with Baltic Sea Challenges



Audience following the session with great interest



Baltic Sea 2020 Stand in Networking Village



And What About the Young Ones? Session with Danish Minister for Education Bertel Haradter among others (second from left)



Networking in the Swedbank Stand



Strategic Partners



Members



About Baltic Development Forum

The leading platform for decision-makers from business, politics, academia and media in the Baltic Sea Region

The Baltic Sea Region is becoming one of the most important international regions – in Europe and globally. The combination of the Nordic and Baltic countries, Germany, Russia, and Poland delivers critical mass and large potential. The up-coming EU Strategy for the Baltic Sea Region illustrates that the political will to reform and develop the Region's potential continues through new integration initiatives.

Who We Are

Baltic Development Forum (BDF) is an independent, non-profit and politically neutral networking organisation with members representing large companies,

governments, major cities, institutional investors, business associations and media in the Baltic Sea Region and Northern Europe. The network includes more than 4.000 decision-makers. Our vision is to make the Baltic Sea Region the most prosperous and dynamic economic centre in Europe and in the world through integration, innovation and partnership.

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

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Please contact Katarina Tafvelin at ktn@bdforum.org

What We Do

Our main activities include

- Setting a common regional agenda
- The annual Summit – the Baltic Sea Region “Davos meeting”
- Round tables and seminars with key decision-makers
- Thematic projects and reports, especially the annual State of the Region Report

We are in close co-operation with

- National governments and central administrations
- Cities, sub-regions and regional governments
- Universities and research institutions
- EU and other International Organisations
- Members, Strategic Partners and Summit sponsors
- Companies and business associations

The annual Summits, held in alternating venues in the Region, gather more than 600 decision-makers from business, politics, academia and media from all the Baltic Sea Region, Europe and beyond.

BDF Priority Areas 2009

1. The EU Strategy for the Baltic Sea Region
2. Energy Co-operation in the Baltic Sea Region
3. Creation of a Single Northern European Knowledge Market
4. Promotion of the Baltic Sea Region in global markets
5. Establishment of a Virtual Baltic Sea Region Think Tank
6. State of the Region Report 2009
7. The 11th BDF Summit 2009 in Stockholm
8. Increased Cooperation with Russia

How to Join Us

We welcome new Members and Strategic Partners. If you wish to join the Baltic Development Forum or need more detailed information please contact Associate Director Jørgen Christensen, phone +45 60 21 85 80, E-mail jc@bdforum.org.

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politics, academia and media
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Baltic  Development Forum

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