

## **The Baltic Sea Economic Congress – Warsaw 23 September 2008**

The quick and unprecedented development of the Baltic Sea Region (BSR) is ready to move to a new level. The **EU Baltic Sea Strategy** (EU BSR Strategy) under the direction of the European Commission's Directorate-General for Regional Development (DG Regio) is under preparation, and will be presented to the European Council by June 2009. Input to the strategy is generated during a series of conferences, round tables and seminars, held in the fall of 2008. The **Baltic Sea Economic Congress**, held in **Warsaw 23 September 2008** took its place among these consultative events as a working meeting of practitioners involved in BSR questions. The congress was hosted by the **Office of the Committee for European Integration** together with the **Baltic Development Forum** and a Polish think-tank **demosEuropa**. The event provided the diverse group of participants – representing almost all countries in the region, different levels of administration, and several non-governmental organizations and businesses – with an opportunity to brainstorm together and present new approaches and suggestions. The seminar's clear focus on three areas of economic cooperation (1) Internal Market, (2) Entrepreneurship, and (3) Innovation, in combination with an introduction on (a) the background and scope of the EU BSR Strategy, (b) its political dimension and the issue of governance, and (c) the macro-economic context and opportunities, mapped both the status quo and the potential for development in each of these areas. Subsequent discussion brought to light both the areas of consensus and differences between the member states as can be seen below.

### **Polish Commitment to the Strategy**

Poland demonstrated its strong commitment to the strategy. Undersecretary of State **Marcin Korolec**, Polish Ministry of Economics, emphasized in his contribution to the workshop on Internal Market, how his ministry and the Polish government welcome the initiative of the strategy. Summit moderator **Paweł Świeboda**, Director of demosEUROPA, pointed out that even though Poland is in the unique position of being in quite a number of regional alliances, it highly values being part of the BSR. As one of the largest states in the region with competing regional areas of focus, Polish involvement is a great asset in the development of the strategy. The responsibility for the strategy in Poland is assigned to the Office of the Committee of European Integration (UKIE) and its director **Małgorzata Kałużyńska**.

## **Introduction**

### **(a) Background and Scope of the Strategy**

**Małgorzata Kałużyńska** set the stage for the seminar by summarizing the development process of the strategy and its current stage, by pinpointing the overarching question of the scope of the strategy as an internal or external project with a possible global perspective, as well as by elaborating on its democratic legitimacy. In summing up the positions of the Member States as expressed in their current position papers on the strategy, she identified one unifying priority, which is to increase the region's competitiveness, by tightening economic cooperation, completing the single market, and closer collaboration in R&D and Innovation.

### **(b) The Political Dimension and Governance**

On the issue of inter-gouvernemental cooperation in the region, **Prof. Esko Antola**, Director CentrumBalticum and Jean Monnet Chair, University of Turku, Finland, pointed out that it had been driven mainly through the initiative of Nordic and Baltic States. In the future this would, however, not be enough, he said, requiring stronger engagement from Germany and also Poland. One way would be to involve both countries stronger in leadership and governance. Even though the views of the member states differ on the issue of regional governance – e.g. Finland, Sweden, and Poland saw the existing structures as sufficient for any further cooperation – he advocated a new institutional framework. His research on the topic led him to the conclusion that the existing structures would be inadequate to respond to the needs for accountability and supervision created by the strategy.

### **(c) Macro-economic Context and Opportunities**

In his presentation on the macro-economic conditions of the region, **Christian Ketels, PhD**, Principal Associate, Harvard Business School and author of State of the Region Report 2007, particularly emphasized issues relating to the competitiveness of and in the BSR. He also highlighted the relevance to engage in regional economic cooperation with the example of Poland. The “automatic dynamics” of a sufficiently large domestic market and the proximity to western markets such as Germany, formerly the drivers of the Polish economy, will no longer be sufficient to produce the economic growth the country desires. The next step requires rather “a concerted effort to upgrade competitiveness, i.e. upgrade the productive potential of the Polish economy.... Efforts now need to be region- and cluster-specific.” Hence, “collaboration in the Baltic Sea Strategy is a key tool to enable the development of the northern Polish regions,” he said.

## **Workshops**

### **(1) Internal Market**

**Ole Toft**, Head of Department of EU Affairs, Foreign Ministry, Denmark, described the internal market very aptly as the “jewel of the crown of European integration,” and pinpointed the relationship between a successive and successful integration of markets and states in the EU. Of comparable significance was the relationship between the EU BSR Strategy and the Internal Market, not in the least because of the importance that inter-regional trade and mobility have for the national economies of the individual member states.

The single market provided also the best example, why any regional development agenda anchored below EU level could not be effective, or would, indeed, be limited in scope. The framework conditions of the region’s internal market were those of the EU single market. This was also the reason why the Commission needed to be in charge of the project. On the other hand, the entire EU would benefit from the BSR’s initiative and comprehensive approach on this topic, as it could likely to set the standard for rest of the Union.

In line with this, **Kristin Eckardt**, Foreign Ministry, Sweden, presented the general scope of actions to be taken, and how through result-oriented actions, clear prioritization and an integrated approach the improved BSR internal market will pave the way for the rest of the EU to follow. She provided also specific examples of actions as base for the discussion.

### **(2) Entrepreneurship**

**Christian Vintergaard, PhD**, Managing Director at Øresund Entrepreneurship Academy, presented the model of entrepreneurship education which his organisation provided in the integrated macro-region of Seeland and Southern Sweden. This practical know-how would enable students and researchers to see themselves as entrepreneurs and to turn their research into business operations. The lack of such knowledge often prevented further entrepreneurship initiative, as would administrative burdens. These constituted up to 5% of the GDP in some BSR member states, a burden often heaviest to carry for SMEs. **Lydia Jørgensen**, Senior Associate, Jacobs & Associates, described the potential for better regulation to improve competitiveness and gave a practical overview over possible instruments employable in this process: “Good governance and sound regulatory practices are necessary to encourage productivity, investment and innovation, create new jobs, and boost potential growth and competitiveness in the BSR, while maintaining high standards of consumer and environmental protection.”

### **(3) Innovation**

The innovative potential of the region was very high, but still only partly developed. **Krzysztof Rybiński**, Ernst & Young and former Deputy Governor of the Polish National Bank, showed this by statistically mapping out the region's human resources and their qualification. He then suggested specific visions and actions, such as providing "an EU-funded framework for universities to offer graduate programmes designed according to the needs of innovative companies". Other actions like the creation and promotion of a trademark "Created in the Baltic Sea Region" would help to market the innovative achievements and expertise of the region globally, increasing its competitiveness. In addition to that, **Bogumil Hausman, PhD**, VINNOVA, presented the Swedish take on this issue, with initiatives on trans-national cluster development and measures to support SMEs.

#### **Summary – Scope of the Strategy**

In responding to the introductory question on the internal or external dimension of the strategy, **Hanna Lehtinen**, Director, Foreign Ministry, Finland, summarized in her conclusion of the seminar that the focus of the strategy will have to be internal. However, in face of the political reality, the external dimension has to be taken into account, and treated in a "careful and balanced" manner. Any measures in this direction are to be conducted under the existing framework of the Northern Dimension, in accordance with the mandate given to the commission.

The unprecedented undertaking of a regional strategy was then set into perspective by **Olof Ehrenkrona**, Swedish Ambassador, Foreign Ministry, who emphasized that this is "an EU strategy for the Baltic Sea Region, not a BSR strategy for the EU." Hence, the guiding question in the development of the strategy has to be: "How does the regional approach correspond best to the overall concept of the European Union?" This means that as far as its relationship with the wider framework of the *aquis* is concerned, the path mapped out by the EU BSR Strategy should technically be applicable in other regions of the EU as well (in a separate process and at its own time, of course).

Concluding, co-moderator and co-organizer of the congress, **Hans Brask**, Director, Baltic Development Forum, emphasized the crucial role of Poland in ensuring a successful adoption of a EU Strategy for the BSR. From this perspective the Baltic Sea Economic Congress had been a very important event, since Poland's general views were now clearer, he said, and its commitment to the project impressive. Everyone was now looking forward to the updated Polish non-paper that was in the making.