COPENHAGEN On the verge of another monumental transformation, Europe is rapidly approaching a point of no return which will see the walls coming down - again. With the imminent expansion of the EU, walls of a different kind will fall. Their dismantling will be much less dramatic than 13 years ago, but there will certainly be no lack of excitement, anxiety, and tension. As the walls come tumbling down we want to make sure that we will see new, proud and well functioning structures instead of smoking heaps of debris.

This process will affect our region with vengeance. The Baltic Sea region is facing its most critical period since the fall of the Berlin Wall. Four of the region’s countries are high on the list of candidate countries. It will be a remarkable culmination of a process that began in 1989. No one can claim it will be an easy ride, but according to our authors, it is not over-ambitious or pretentious, but grounded in the realities of the human and natural resources this region has to offer.

The enlargement will send ripples of anxiety and uncertainty through the entire continent and affect both the old and new members as well as the countries that will remain outside the Union. There is plenty of reason to take a closer look at the priorities that are facing the Baltic Sea region in order to create clarity and understanding. It is of crucial significance for the success of the transition that we have precise knowledge of the issues and challenges involved, so that we can maintain the momentum that the EU expansion will create.

Seeing Both the Potential and the Pitfalls

Despite the obvious potential and opportunity, this is a time that is fraught with risk and pitfalls. The future and prosperity of nations are at stake, and it will require prudence, clarity, and information to ensure a safe passage to success. For our region, this is the time to define our common interests and agree on the strategic goals that will help us with establishing the region as a new growth centre and as a magnet for capital and talent. This may sound as a tall order, but according to our authors, it is not over-ambitious or pretentious, but grounded in the realities of the human and natural resources this region has to offer.

That’s the agenda of the current issue of Baltic Sea Agenda. In the previous issue, we focused on one single question, Kaliningrad in light of the EU expansion. This time we take a much broader view, ranging from democracy and participation to environment and infrastructure. Our authors all seem to agree that there is definitely no reason to hide the light of this region under a bushel, but they also point out that there are plenty of challenges that need instant attention if we want to secure the position of the region as one of the leaders in the new Europe.

Aleksander Kwasniewski, Poland’s President, does not hesitate to say that the “region is emanating social stability, progress of democracy and growth of civil societies … It
sets for the others a successful example of the policy of openness and joint, effective solution of many international problems."

This is a common theme in the contributions of this issue, but as President Kwasniewski points out we must do our outmost to capture the momentum and establish ourselves as leaders in a highly competitive environment. "...we cannot rest on our laurels," warns Uffe Ellemann-Jensen, Chairman of Baltic Development Forum, in his introductory remarks. He stresses the need for an open discussion of the most urgent challenges facing the region and, on the eve of the forthcoming 4th Annual Summit of the Forum in Copenhagen, he invites all the participants to join this discussion and look ahead to 2005 in an effort to determine the key priorities for the region.

A Strategic Agenda of Goals And Priorities

Taking the cue from the chairman’s five priorities, our authors cover a lot of ground in their effort to define the strengths and weaknesses of the region. One of the region’s obvious resources is the human capital and the wealth of talent in various scientific fields as pointed out by Hans Skov Christensen, the CEO of The Confederation of Danish Industries. He explains that this is "the first important step for future growth and prosperity in the region." But in order to achieve the ultimate results from the pool of talent, "we need to invest much more in higher education, science and technology" and open our borders and universities to foreign students. We should not fear brain drain, but focus on creating conditions that will lead to brain gain.

The accession to the EU will, along with increased political stability, open a plenitude of opportunity for businesses in the region and outside. Change will be in the air all over the region and change management will become one of the buzzwords, and one of the biggest challenges for the business community as it is adapting itself to the new reality.

Marko Saaret takes a look at the experiences of the past few years, and what is ahead for the region's entrepreneurs and investors as the process accelerates. In his piece on democracy and participation, Ole Vigant Ryborg observes how dynamic the process towards democracy has been. The exchange and learning process is no longer a one-way street, and in a remarkable reversal of roles, some of the Baltic states can now teach their old teachers in Scandinavia how to enhance democratic institutions and increase participation.

Jørgen Lindegaard, the CEO of SAS Group, focuses in his comments on the importance of infrastructure as a crucial factor in the intensifying international competition and the region’s need for positioning itself with a major strategic hub that will connect the region with the international market on a global scale.

Dmitri Trenin, deputy director the Carnegie Endowment’s Moscow Center, sees the Baltic Sea Region as the crucial link between Russia and the EU. The Kaliningrad issue, in his view, should not be looked upon as a liability, but rather as an asset. But it will, of course, require some flexibility from both parties. "For Russia, modernization today is Europeanization" Trenin writes and points out that the long-term result of the European transformation will be positive for Russia. The Baltic Sea region is situated at the crux of the strategic interests and political challenges. This, according to Trenin, just might position the region as "the principal construction site for Europe’s next incarnation."

There is no lack of faith and confidence in the Baltic Sea region’s potential in positioning itself as an economic and political force to be reckoned with by the new Europe. But the message is crystal clear: there is no reason or space for complacency or regional narcissism. The only way to go is to set a clear agenda of strategic goals and priorities and move ahead with determined action.
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The Baltic Sea region is positioning itself as one of the most dynamic and prosperous regions in the world. Thanks to the political will and the grand visions conceived at the beginning of the new European process, much has been achieved in the past 13 years. But no one can rest on their laurels. This is the time to take a closer look at the region’s challenges and options and decide where we want to see the region in the future. International investment and business, the economic and physical environment based on sustainable development, transportation and infrastructure, development and research, and participation and democratic institution building. These are the key issues we consider as top priorities on the regional agenda and on the program of the forthcoming 4th Annual Baltic Development Forum Summit in Copenhagen.

Due to its wealth in resources, well educated people, infrastructure and growth potential, the Baltic Sea region is well positioned to become a model for other countries and regions. “The northern dimension” concept opens tremendous opportunity for expanding cooperation and partnership in the region. This is an opportunity not only for governments, but also for the private sector, institutions and interest groups. Of particular interest and importance is ensuring the civil security of societies by enhancing security at nuclear power stations and in the environment as a whole, the protection of human rights and the fight against crime and terrorism.

Highly skilled professionals in science and technology are the key for the future success of the Baltic Sea region. EU enlargement will create a better foundation for a more educated labour force in the Baltic Sea region. The region already has a strong position with regard to human capital in the sciences - an important step for future growth and prosperity. Brain drain will be inevitable, but no one should worry about this as long as the EU and the Baltic Sea region simultaneously experience brain gain. Examples like Medicon Valley, the cluster of biotech companies in the Copenhagen-Malmo region, shows that companies will be attracted by regions that offer a pool of well-educated people.

The EU accession will bring wider business opportunities for all the countries of the Baltic Sea region and it will help improve relations between west and east. The whole region is expected to develop rapidly, and the development will be highly sustainable since it is based on a liberal business climate, an atmosphere of innovation and high technology. EU accession will improve the whole region’s image by adding political stability, which is expected to attract investors from countries that are not active in the region today. Change management will become one of the big challenges for companies in the region.

The Baltic Sea region has much going for it as one of the growth centres of the future. Transportation and infrastructure are key requirements for success. The challenge is to act now, and use the opportunity to consolidate the region and create the necessary infrastructure that will establish a major hub. The location of Copenhagen Airport makes it a natural choice as the regional hub with access to the international market. This will enhance the position of Scandinavian and Baltic countries and ensure that they can maintain and even expand their share of the global economy.
Transport infrastructure is one of the important keys to growth and prosperity in the Baltic Sea region. A main priority should be to make efficient use of the already existing transit transport infrastructure available in the region. The EU financed TINA programme, adopted among others by the EU member states, the candidate countries and Russia, has provided the starting point through transport infrastructure needs assessment in the candidate countries to enhance future integration, and ensure success by connecting people and exchanging goods.

Russia stands to gain from the forthcoming EU expansion which could become a stimulating factor for Russia’s own transformation. The Baltic Sea region will be Russia’s closest link to the European Union, and this opens up opportunities for Russia as well as for the EU. Kaliningrad is one of the tricky issues on the political agenda between Russia and the EU. But both parties could do something to reach a constructive solution. Moscow should turn Kaliningrad into a laboratory for EU-Russia collaboration, while Bruxelles should consider relaxation of the Schengen regime for Russian citizens. The process would not be without pain and problems for Russia, but in the longer term the results will be positive.

Democracy and public participation are flourishing in the Baltic States. In some areas of both public participation and transparency the Baltic states have overtaken the older Scandinavian democracies. In a reversal of roles they have something to show and teach the old democracies. As small and well functioning countries there is a potential for the Baltic states to become laboratories for improving democracy. But they also encounter problems as they move on to the next stage - entering the EU and handling the public concerns with regard to their new European status.

The Baltic Sea region has set an example for regional cooperation in sustainable development by being the first to adopt goals for sustainability. Despite the good intentions, most countries have excelled with words, but have been short on action. Lack of funding prevents implementation of programs, although research shows that only small fractions of the world’s military budgets are needed to move from word to action on some of the most urgent environmental issues. It is time to define the priorities in order to ensure the region’s position as a leader in sustainable development.

Taking the cue from the implications of the EU enlargement, Baltic Development Forum has set the agenda for the upcoming 4th Annual Baltic Development Forum Summit in Copenhagen, 13-15 October. From market opportunities to the challenges of a smooth infrastructure and public participation, this agenda will be presented to and discussed by more than 300 executives and decision makers from the public and private sectors. In conjunction with the summit, we will launch the Baltic Sea Research Network in order to bring together research institutions in the region and from abroad.
COPENHAGEN  The Baltic Sea region has experienced tremendous and encouraging development during the last 13 years. The Baltic Sea region is moving ahead towards its aim - to become one of the most dynamic and prosperous regions in the world, with integration, partnership and mutual benefit at the top of its regional agenda. But we cannot rest on our laurels. We need to set new priorities and new goals reflecting the emerging new Europe - and the new world order. We need to build "new bridges" across the Baltic Sea region.

I ask myself if anyone could imagine highly sophisticated industrial countries like Sweden or Germany functioning as well without an efficient transport infrastructure? Could anyone imagine the clean beaches and pure drinking water of Scandinavia without this region’s stringent policy on sustainable development? Or the high level of female participation in Nordic public life and business management without this region’s sophisticated educational system and a solid, democratic tradition?

We have indeed come a long way during the last 13 years as a consequence of political will and grand visions. The EU enlargement is another result of our common efforts. The EU enlargement offers enormous benefits for the candidate countries, and indeed for Europe as a whole. At the same time it gives us an opportunity to take a closer look into our own neighbourhood, and ask how we want the Baltic Sea region to develop in the future.

This is the important challenge facing the more than 300 leaders from business, politics and academia at the 4th Annual Baltic Development Forum Summit in Copenhagen 13-15 October. We want them to look beyond EU enlargement and offer their views on what the Baltic Sea region, including Russia, should look like by 2005. We will be asking exactly how and where to use our efforts in the years to come.
Since our first summit in 1999, Baltic Development Forum has through its various activities identified five key areas, which we think are vital to the future development of our region:

- Optimal framework conditions for regional and international investments and business
- A sound economic and physical environment based on the principle of sustainable development
- Intelligent and regionally coordinated transport infrastructure
- Increased investments in research and knowledge circulation
- Active civic participation and strong democratic institution building

The summit participants are the true driving forces of the Baltic Sea region. And at our 4th annual summit, we ask whether this year’s participants agree that the key to the region’s future development lies within these five areas.

In a written message to the participants at the Summit in St. Petersburg in September last year, President Putin said that the Baltic Sea region can and must become the symbol of constructive international partnership. I agreed with the President then and I agree now. We are on the right track, but time has come to get our future priorities right and set new goals for our region.

Various issues such as EU enlargement, the EU’s Northern Dimension Action Plan, the future of Kaliningrad, biotechnology, transport infrastructure, supply chain management, research networks, etc., will be dealt with at this year’s summit. I imagine the conclusions will be as far reaching as ever.

In this special summit issue of the Baltic Sea Agenda, we have presented the five key areas mentioned above to independent observers from the region to solicit their views. I hope this publication proves to be an interesting read, and I look forward to seeing you at the 4th Annual Baltic Development Forum Summit in Copenhagen this October.
Regional Opportunities

Baltic Sea Region in Position to Lead

by Aleksander Kwasniewski
President,
The Republic of Poland

WARSAW Cooperation in the Baltic Sea region is of unique nature, because it encompasses countries with different historical experiences and different status in such important international structures as NATO and the European Union. There are Baltic Sea states that are members of these organizations, states that aspire to this membership, but also countries that today are not applying for membership in either NATO or the EU. This makes the Baltic Sea region a specific laboratory for studying diversified forms of close collaboration not only in a new Europe, but also on a broader international scale.

The Baltic Sea region commands a tremendous, though still not fully used, potential for cooperation. In the economic field, our trump cards include strong industrial traditions, proximity of the markets, good infrastructure, high educational standards and one of the world’s highest economic growth indicators.

In the political sphere, the Baltic Sea region is emanating social stability, progress of democracy and growth of civil societies across its neighbourhood. It sets for the others a successful example of the policy of openness and joint, effective solution of many international problems.

There are many areas that require a further deepening of our mutual cooperation. We are being faced with new challenges in the economy and technology, transport and ecology, science and education. To be able to live up to these challenges and be successful, we should make even better use of the possibilities afforded by the Council of the Baltic Sea States, the European Union and its concept of “northern dimension”, by various forms of interregional and trans-border cooperation. Not only the governments of states, but also the cities and regions, higher schools and companies, non-governmental organizations and the media should ever more actively contribute to the implementation of joint projects.

Higher Priority for Civil Security

It seems to me that cooperation within the sphere of broadly understood civil security should become one of the most important, far-reaching priorities of the Baltic Sea cooperation. For some time now, Poland has been acting as the lead country in this area within the Council of the Baltic Sea States. It is an extensive and extremely forward-looking area, particularly essential at a time when the soft security determinants gain in significance and even take precedence over the traditional military aspects of hard security.

The adequate security of nuclear power plants, ecological security, joint land and sea operations by rescue services, mutual
assistance in law enforcement and the protection of human rights, collaboration between police and border guard forces in combating terrorism, organized crime and illegal migration - these are but some of the required and promising directions of concerted measures required on a regional scale.

I am confident that apart from the short-term gains to be made from the practical values of cooperation in these areas, our efforts will in the long run also contribute to a further strengthening of trust among the nations of the Baltic Sea region, to perpetuating stability and to a growing sense of belonging to a regional community.

Then, we shall be able to say that the Baltic Sea basin brings us together more closely than it separates us.
COPENHAGEN Does the Baltic Sea region have a future in the knowledge based economy? I would like to start by answering this question. I believe that the region has a large potential for becoming a dynamo for the development of a much more competitive and knowledge based European economy. But we too have to do many things right before we get there.

Several studies show that we are dealing with a considerably unrealised business potential in this particular region. But what is this potential? I suppose some people would argue that several countries in the Baltic Sea region currently have weak economies, and therefore can hardly be seen as new tiger economies. As for the time being this is partly true, but the winners of tomorrow are not necessarily the strong regions of today.

First of all, we need to invest much more in higher education, science and technology if we are going to meet companies’ needs for more knowledge. This is the reason why the European Union has set up The Barcelona Declaration, in which the goal is to use 3% of GDP in the EU on research and development by 2010. It is therefore admirable to see how well the countries in the Baltic sea region are already moving in this direction.

I will try to address the major challenges for companies, universities and policy makers concerning

### Research and Development

#### A Regional Dynamo for Europe's Knowledge Economy

*by Hans Skov Christensen, CEO, Dansk Industri, The Confederation of Danish Industries*

![Image](image.png)

**Figure 1**

*Source: EUROSTAT, 2002*
higher education, science and development. To put it very simply, companies in the Baltic Sea region need:

- A highly skilled labour force in the field of science and technology
- More knowledge circulation and a dynamic, mobile labour force
- Networks of excellence, which can face the global competition

Bring in The Highly Skilled to Increase Growth

The enlargement of the EU will increase the basis for a more skilled labour force in the region and hence improve the growth potential. Statistics speak their own clear language about the potential of the region with regard to human capital. The populations in the Baltic States especially are for example highly educated compared to other candidate countries or for that matter the EU15 in general. See Figure 1.

Furthermore, it is positive to notice that the ratio of tertiary students enrolled in science, mathematics and engineering is high in the Baltic countries. See Figure 2. Accordingly it seems that the countries in the Baltic Sea region have already established a solid foundation of scientific human capital. I believe this to be the first important step for future growth and prosperity in the region. This is indeed very promising regarding the fact that one of the major problems in Europe today is young peoples’ lack of interest in science and technology.

To put this in perspective, the highly skilled labour force in science and technology is still growing in Asia and the United States whereas it is a major challenge to encourage young people in the EU to take degrees in science and technology.

Also, I see a problem in the decrease in the number of people who actually choose a job in the R&D sector in the Baltic Sea region. I have been informed that many talented researchers have left the scientific labour force, and are now “under-employing” their skills in jobs which, although offering greater security and better pay, probably do not offer the same intellectual challenge. In general, it is a fairly sad development when people do not take full advantage of their education. From a business point of view it can even be fatal, because skills, especially in science and technology, are essential for the creation of a knowledge intensive economy in Europe.

I think every country in the region has a great responsibility to upgrade their universities, and thereby make it more attractive both for students and...
scientists “to have a career” on the national or regional “campus”. If we miss this point, I am afraid we will see more brain drain from all the countries in the Baltic region to e.g. the United States. We have to build up both excellent companies and universities that scientists and engineers find interesting enough to return to several times in their career.

Give a Few, Take a Few
We cannot prevent and we should not avoid brain drain. From a business point of view mobility in the field of science and technology is necessary, because it promotes the exchange of experience, new ideas and not least innovation transfer. That is why international and regional collaboration is so important and why we have to promote the free mobility of labour. I see this mobility as a cornerstone of globalisation. In my point of view therefore, we should not so much worry about brain drain, but more about how we can ensure that the EU and the Baltic Sea region also experience brain gain.

Companies need a mobile labour force in the Baltic Sea region and in the EU in general. That is in order both to be able to rotate their employees throughout their global organisations and also in order to employ highly skilled people from abroad. People, who would otherwise most likely find occupation in the United States or in Canada. We need these people in our region, and therefore we also oppose any transitional periods for the EU candidate countries in relation to labour mobility.

It is however not sufficient to attract specialists from outside the region. We also need to make it easier for the human capital to move around within the region. The circulation of highly skilled labour is an important means in the creation of a science base of an international standard in the Baltic Sea region. It is therefore necessary to increase the flow of students and researchers from East to West, and equally important to increase the flow from West to East.

Sharing Talent and Labour for Mutual Benefit
The Baltic Sea region already has access to student exchange programs in the European Union. One example is the Socrates-programme that supports the exchange of students of higher education within the EU and countries from the candidate countries.

Poland has participated in the Socrates-programme since 1998, while the Baltic countries have participated since the beginning of 1999. I am pleased to see that a growing number of Polish students, especially those who are study engineering, come to study in Denmark. In 1999 the total number of students in Denmark in the Socrates-programme was 58, and in 2000 this number doubled. We are also glad to see that many students from the Baltic countries, especially Lithuanian students, choose to study in Denmark.

Denmark also offers engineers with a Bachelor’s degree from the Baltic countries and countries from Central and Eastern Europe a 2-year scholarship to complete their Master’s in universities or technical colleges in Denmark. During this 2-year period the foreign students are connected to a Danish company that co-finances the arrangement with the government. Both universities, companies and students are very pleased with this arrangement.

Some of these engineers will probably find a job in San Diego. Some of them will find work in Copenhagen, and a fair share of them will return to their countries with not only scientific knowledge, but also with a deeper cultural understanding of the Baltic Sea region. An understanding I am sure we will all benefit from when it comes to further collaboration and mobility in the region.

We have to encourage students to study abroad and to circulate in the region. At the same time we have to make our own universities so attractive that we can make sure they will return some day - either as scientists or as part of a life long education. To be a dynamic part in the global economy it is vital that we do both.

Networks of Excellence to face Global Competition
The knowledge based economy increases the need for stronger industry-university links, focusing on training highly skilled specialists and on transfor-
ming science into new technology. I am pleased to see that interaction between industry and universities has been strengthened in several countries in the region, and extended from what was originally limited sponsorship to closer collaboration in developing joint courses, vocational training, and common investments in new science and technology.

But if we compare the region with Munich, London or California we have a long way to go. Companies in general need a more transparent and focused science system, where you can establish strong networks with excellent scientists and students. In Denmark, the government is going to propose a new law which will attempt to modernise the governing and the organisation of universities. This is an important step towards creating more independent and focused universities, which will be a decisive factor in the knowledge based economy.

Universities are cornerstones for our research as well as higher education, and we need larger investments from both the public and private sector in order to make them global centres of excellence. The Confederation of Danish Industries is therefore strongly supporting that Denmark meets the Barcelona Declaration.

In this regard it is important to be aware of the possibility of receive funding for new networks of excellence in the forthcoming European 6th Research Framework Programme (2003-2006). This programme has many good opportunities for bringing companies in the Baltic Sea region closer to the European companies and universities.

In fact, it is our experience that the science system in many of the candidate countries is already very internationalised. Nevertheless, I would like to stress the good opportunities available for entering the 6th Framework Programme, and the benefits to be gained from scientific networks and new knowledge from joint research and technology projects. I am therefore also very pleased with the fact that the candidate countries are considered as equal to EU member applicants in the new framework programme.

**Medicon Valley - One way to excel**

Danish companies and universities have a tradition for collaboration with other Nordic partners, and I see an enormous potential for developing this collaboration with the other countries in the Baltic Sea region. In fact, such a fruitful collaboration in the Baltic Sea region is already taking place with regard to life science.

Denmark and Sweden are forming one of the strongest life science clusters in Europe. In 1997 the Oresund region founded the concept of Medicon Valley. No less than 22 % of all the biotechnology activities in Europe are located here. The experiences from the Oresund region in many ways form an example as to how cooperation across borders can create a dynamic business environment and attract excellent life science researchers and other human resources to the Baltic Sea region. It is examples like this we have to promote in all parts of the Baltic Sea region.

Companies in a competitive global environment will always be attracted to regions with a well educated work force. People, who are highly skilled, especially in science and technology, hold the key to future development and growth for European enterprises.

That is why we have to take full advantages of a flexible labour market within the EU, and to make sure that every country in the Baltic Sea region spends sufficient resources on research and development as well as education.

That is crucial for the development of tomorrow’s knowledge intensive economies and therefore a fundamental task for all governments in the region.

**Hans Skov Christensen** is President and Chief Executive Officer of the Confederation of Danish Industries. An economist by education, he joined the Danish Employers’ Confederation in 1972 and in 1985 became its Director General. Hans Skov Christensen took on his present position at the Confederation of Danish Industries in 1991. He is a member of the boards of Danida, The Centre for European Policy Studies, Tivoli A/S and The Maersk Singapore Pte Ltd. among others.
When European leaders bring the negotiations surrounding the accession of 10 new countries to the European Union to a close in Copenhagen in December, they will also be signalling the beginning of a dramatic change in the business climate of the whole Baltic Sea region.

In some areas, the upcoming enlargement is going to radically change the business climate of the region, and with less than two years to the realisation of enlargement, it is essential that businesses prepare themselves for the new times to come. The changes for business in the region are mainly expected to be positive, but in some areas there will also be some short-term negative consequences.

The main positive changes are:

- **Stability in region.** Estonia, Latvia and Lithuania will be joining both NATO and the EU. Membership of the two organisations will reduce the risk of tensions between the three Baltic countries and their Russian neighbour. Most important, is the signal that accession gives to outside investors who today have a very limited knowledge of the region. Post accession, they are expected to view what will now be member countries of the EU and NATO as stable objects for investment.

- **Broadening of business relations towards the west.** Since independence, the Baltic states have seen a wide range of different Nordic investments. The countries’ accession to the European Union and NATO creates expectations that businesses from other countries will also consider Estonia, Latvia and Lithuania as suitable places for investment.

- **Baltic countries as bridge between west and east.** EU membership may improve the currently rather cool relations between the Baltic states and Russia - especially in the case of the relationship between Estonia and Russia. This could open up wider business possibilities for the Baltic countries, as well as increase western interest in the region. All three Baltic states see themselves as possible bridgeheads for those interested in conducting business between east and west.

Negative impact to some business areas are due to EU regulations. With EU membership comes a wide range of European regulations that have to be followed by businesses in all member countries. These new regulations and EU-harmonised standards will be difficult for pretty much every company to come to terms with. For example, the food industry will be forced to introduce new health standard regulations. Larger companies in the Baltic states will have to change their accounting methods when new EU-accounting rules come into force, and so it goes on. EU-membership can also have sector specific consequences, as is the case when it comes to the abolition of tax-free sales. This is an area that is expected to hit the port of Tallinn especially hard, and it may have consequences for the number of tourists - currently around six million - that visit Estonia every year.

**Getting Ready for More Changes**

Part of the business community is already aware of the changes to come. However, there is also a part of the business community that is unaware of what is about to take place.

This is an issue that involves many different elements. First, there is the question of the development of the overall business climate. Another question is how the bare fact of enlargement in itself is expected to have a positive impact on the general economic climate of the whole region.
Estimates for the economic development expected as a result of enlargement differ. Almost all economists expect economic growth in both the Baltic states and Poland to increase even faster as a result of accession to the European Union. The goal is that all member states of the EU are expected at a certain stage to be at the same economic level. It is widely accepted that this catching up process can only be realized if economic growth is higher in the new member countries than in the countries that are presently members of the EU see Figure 1.

Main features for the expected increase in economic growth are:

- An expected increase in the amount of foreign investment following membership of the EU and NATO. Investments are expected to come from companies in countries that today have limited knowledge of the Baltic Sea region.

- Another area that is expected to boost economic growth is the expected improvement in infrastructure. With the possibility of EU-funding for infrastructure projects, it will be easier for national governments to tackle this issue.

- Improved market access - both to the west and to the east - is expected to increase economic growth. One example is the abolition of the double tariffs that Russia currently applies to goods from Estonia. Another is that the region does not currently have full market access to the west is for its agricultural products.

Taking Advantage of Growth after Enlargement

The composition of foreign investments in the Baltic states is well known. Finnish business is dominant in Estonia because of its proximity, but even taking this into consideration, Scandinavian corporate investments in the area by far out-number investments from other European and American companies. Swedish companies are the predominant investors in the financial sector, the Finns in high technology, the Norwegians in trade and the Danes in manufacturing. This at least is how the picture is often portrayed, although in reality it is far more nuanced than that. The dominant position of Scandinavian businesses in the community of foreign investors has led several analysts to predict that future prospects for growth lie with investors either south or west of Denmark.

One example is Erik Terk, Director of the Estonian Institute for Future Studies. Terk does not expect any miracles to come out of enlargement, and he practically rules out growth in the numbers of Finnish and Swedish investors. In his view, the Baltic region has most to gain from EU membership by increasing business links and attracting investors from countries like Germany, the UK, France and from other countries outside of the local region. “For investors from these countries, membership of both the EU and NATO would send a clear signal of stability,” says Terk.

Using the same logic, Terk also warns of the consequences that could arise if enlargement was postponed. Either by a complete deadlock in the negotiations at the European Council in Copenhagen - a highly unlikely scenario - or - more likely - a negative outcome in the referenda on EU membership in one or more of candidate countries.

Scandinavian investors already in the Baltic states would be expected to react calmly, since their knowledge of the countries is deeper, while investors from countries further away would surely react negatively if the populations of one or more of the Baltic states were to reject EU membership in these referenda.

Well Positioned to Become Bridges

Even though the EU accession of the Baltic countries is most widely seen as a tool to improve western links to Estonia,
It is quite clear that it will also help to develop relationships to the east, namely with Russia. Estonia will see an immediate effect in her relations with Russia when the country joins the European Union.

Today, Russia applies double customs tariffs on all Estonian goods and they are bound to disappear when Estonia joins the EU. Russia does not apply double tariffs towards Latvia and Lithuania.

However, more important is the expected general improvement in relations between the Baltic states and Russia - especially in the case of Estonia and Latvia, where problems with the large Russian speaking communities in the two countries have soured the relationship in the past. However, by joining the European Union, the Baltic states will come under the umbrella of the EU's common foreign and security policy, and thereby it will virtually be impossible for Russia to continue to exercise foreign policy pressure on its former satellites.

There is also the interesting prospect of the Baltic states becoming a bridge between east and west. One example is in the IT sector where there is an enormous need for programmers. Some years ago, IT companies invited programmers from countries like Russia and the Ukraine to live and work in London, Paris, etc. - but often without success.

However, by the end of the nineties, there were the first signs of a reverse trend where foreign investors in the IT sector established themselves in the Baltic states, and let their Baltic counterparts - with their excellent local knowledge and language skills - deal with the Russian IT people. Therefore, functioning as a bridge between east and west is an area in which the Baltic states see a lot a potential and opportunity for growth.

**Stormy Weather in Forecast Too**

With a lot of positive economic developments in the pipeline, the only worrying question is to what extent EU membership will negatively impact the candidate countries of the Baltic Sea region.

One question asked both in the Baltic states and in Poland concerns taxes. EU membership comes with a wide range of obligations, and first and foremost, the new member states have to pay around one percent of GDP to the EU budget as a kind of membership fee. All candidate countries are expected to get far more money in return from Brussels than they pay. Yet the money coming back is paid directly to farmers, regional authorities, etc. This means that the return flow of money does not end up directly in the coffers of the state, and as such, it cannot be used in the state budget.

The logical and expected consequence of this is a tax-increase in the candidate countries. This is today denied by leading politicians, who are afraid that the prospects of increased taxes as a result of EU membership will lead to a negative result in the referenda to be held next year.

Another argument for tax increases is the way EU funding from the different aid-programmes works. There are no projects that are solely financed with money from the European Union. As a general principle, the EU demands national or regional co-financing in all projects concerning infrastructure, social affairs etc. This means that countries like Poland, Lithuania, Estonia and Latvia all need to generate more state money in order to get access to EU funding.

Therefore, it remains an open question as to whether a country like Estonia will be able to continue with its very liberal tax system after enlargement. One example is the present Estonian system where companies do not have to pay taxes on revenues, if the profits are reinvested in the company. To continue with this type of tax system would require a large...

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**Corporate Income Tax in the Baltic Sea Region, percent**

![Graph showing corporate income tax in the Baltic Sea Region](image)

**Source:** Estonian Investment Agency
amount of foreign investment. See Figure 2.

The Baltic states especially are well known as countries with a high degree of economic freedom. When listening to the arguments of euro-sceptics in the Baltic countries, their main point seems to be that EU membership would prevent the countries from pursuing the track of economic liberalism. This is an argument that stands in stark contrast to those put forward by euro-sceptics in Scandinavia, who mainly see the EU as an organisation that focuses on the needs of business, and not on the needs of its citizens.

It is questionable however, as to whether there is any reason to fear that EU membership will dramatically damage the liberal economic freedoms found in the Baltic states. According to the Index of Economic Freedom Rankings carried out by The Wall Street Journal, Estonia is ranked fourth in the world (Lithuania 29th, Latvia 38th). Estonia’s fourth place is shared with Ireland, an EU country since 1973, proving to a great extent that being an EU member state and maintaining a liberal economy should be possible, along as there is a political will to do so. See Figure 3.

Complying With EU Standards and Demands

Whatever the intentions regarding maintaining a liberal business climate, there is no doubt that conditions for businesses are about to change in both the Baltic states and in Poland. EU membership comes with a wide range of demands and regulations that business will have to live up to.

The food industry will have to meet demands on everything from food additives to cooling processes. Larger companies will soon be experiencing the introduction of new EU accounting rules, which will not only demand that companies change their current accounting systems, but will also change the way they calculate their profits and present financial information to the public. The environment is another well-known area in which EU demands are going to change conditions for businesses during the coming years.

It is impossible to say exactly what kind of changes will appear and in which country. Even though enlargement is not expected to take place until the summer of 2004, all candidate countries have already started to implement the coming EU regulations. Implementation differs from country to country, and efforts have been concentrated in different areas in different countries.

One explanation of this is the need to ensure that there is sufficient administrative capacity to guarantee that firstly, information regarding the new rules reaches all those who need the information and secondly, that all that rules are followed, and that they are interpreted equally in all parts of the countries concerned.

The question of administrative capacity was until recently the European Commission’s main concern when looking at the candidate countries preparedness for accession to the European Union. Not until recently did the commissioner
for enlargement, Günter Verheugen, issue reports that stated that the candidate countries now had the administrative capacity to handle all new EU regulations.

However, behind the scenes in Brussels, there are several critics that see the Commission’s conclusions as being politically motivated, rather than being based on the actual reality on the ground in the candidate countries. There is especially one area where it is doubtful whether the candidate countries are fully prepared for the accession, and that is in the local courtrooms. In principle, all local judges should be ready to use and interpret all EU laws if a company suddenly ends up in court arguing that local authorities or another company is in breach of EU law. Yet despite intensive training of both judges and civil servants in all candidate countries, it is expected that there will be several problems in implementing and interpreting EU regulations in the first years after accession.

**Greater Mobility and Higher Salaries**

On top of the EU regulations, enlargement is expected to lead to changes in the entire labour markets of the Baltic states and Poland. One area is the question of free movement of labour, which has already led to noisy debate in many of the present EU member countries. The countries that wish to are allowed to introduce a period of up to seven years where they can prohibit labour from the new member countries to go to a candidate country for work. Debate has been intense, and at some stages, the possible problems with free movement of labour have been exaggerated to a ridiculous extent, as when a study ordered by the Finnish trade unions showed that 400,000 Estonians were considering going to Finland to work. If that were the case only 300,000, Estonians would be left to run the country.

Nobody can say for sure what the consequences of free movement of labour are going to be, but everybody expects that it will lead to an increase in salary levels in the candidate countries, and that it will also have an impact on some businesses in the labour intensive sectors.

All in all, dramatic changes are expected to take place in the Baltic Sea region during the coming years. The conditions under which business operate will change, but so will the general climate for economic investments and growth. Change, it would appear, will be on the top of the business agenda for many years to come.
Air Transport

A Strong Airport Gives a Strong Region

By Jørgen Lindegaard
Chief Executive Officer,
SAS Group

COPENHAGEN  Transport and infrastructure perspectives in the Baltic Sea region are closely interconnected with the overall European infrastructure. It is by no means a law of nature that a European region has its own intercontinental gateway. Three major hubs are a foregone conclusion: Frankfurt, Paris and London occupy a special position due to their strong population concentrations. But where to naturally place the other two or three hubs that Europe needs?

In many ways, the Baltic Sea region seems to be a natural choice for an intercontinental gateway. But it is not self-evident that this position cannot be challenged. Strong forces in other regions also want to develop their infrastructure. Competition is tough, and instead of impeding free development in the area, it is necessary that the region offers space and opportunity for initiatives.

Several of the regions that the Baltic Sea region competes with are favoured by a greater degree of homogeneity. On the other hand, our region is characterised by vision, courage and initiative as well as a well-developed capability for multinational co-operation.

Several of the regions that the Baltic Sea region competes with are favoured by a greater degree of homogeneity

New Political Realities - New Opportunities

Our region is favoured by the existence of a large, well-developed and well-organised airport in Copenhagen. We see it is a major advantage that this airport not only serves the region’s large international airline, SAS, but also handles flights from many other international airlines and countries.

Efficient co-operation is the prerequisite for appropriate development, not only for SAS, not only for Copenhagen Airport and not only for the Baltic region, but for the whole of northern Europe. The strength of the existing structure is the interaction between SAS, as the only major airline, and Copenhagen Airport as a hub. Denmark is the entire region’s gateway to the global market.

The strength of the existing structure is the interaction between SAS, as the only major airline, and Copenhagen Airport as a hub

With the opening of Eastern Europe, we have, for the first time, the opportunity to use the critical mass in the Baltic countries to create a new dynamism for Scandinavia and the entire region. The whole region commands a population of about 100 million, and its development is partly driven by the advanced Scandinavian economies. The Baltic area will be Scandinavia’s new domestic market.
This market provides an excellent opportunity for the continuing development of the small, Scandinavian economies. For many years Scandinavia has faced the problem that with a market of only 15-20 million people, it has been unable to muster sufficient critical mass. This is now a possibility as the borders of Europe move eastwards, both politically and in a market perspective.

The Strategic Role of Air Traffic

A condition for developing a network economy involves the establishment of a tight transport infrastructure in the Baltic countries. With long distances inside the region, air traffic will play a major role in the creation of such accessibility.

The other - and decisive - condition for a development of the Scandinavian and Baltic economies is that this part of the world is effectively connected to the global economy, industrially, culturally and with regard to research.

Aircraft-based transport again has a strategic role to play. Air traffic combined with communication technology enables the Scandinavian and Baltic countries to have global accessibility and thus a share in globalisation.

We are talking about mutual reliance, based on long-term risk sharing and on SAS having such a size and foundation in Copenhagen Airport that a stable passenger basis can be guaranteed.

It is thanks to this unique interaction that Scandinavia and the Baltic area currently have efficient transport connections to the rest of the world. Transport is vitally important for the integration of the Scandinavian countries into global markets and for a successful development of a unified Baltic Sea market.

“A strengthening of Copenhagen Airport, with SAS at its side, will be of benefit to the whole region.”

Accordingly, a strengthening of Copenhagen Airport, with SAS at its side, will be of benefit to the whole region. Conversely, the region will easily return to some sort of provincial status if the most frequented junction is placed somewhere in the European continent. Birds of a feather flock together. That is true both of air traffic and regional policy.

Jørgen Lindegaard has a background in telecommunications and has held a number of senior executive positions since 1975, including President of Fyns Telefon A/S, Københavns Telefon A/S and Director of TeleDanmark. He joined GN Store Nord A/S in 1996 and became its President and CEO in 1997. Jørgen Lindegaard took on his present position as President and CEO of SAS Group on May 8, 2001. He is the Chairman of Sonofon Holding A/S as well as Member of the Board of the Financing Institute for Industri og Håndværk A/S and Telenor A/S.
Infrastructure Development

Towards a Baltic Sea Economic Space

by Sven-Ole Mogensen,
Former Principal Administrator,
DG Transport and Energy,
European Commission

The Baltic Sea region is emerging as one of the most promising growth centres in the new Europe. The EU enlargement could end up creating a Baltic Sea Economic space - including Russia. Yet fulfilment of this objective, the successful development of a common economic space in the Baltic Sea area, will necessarily depend on the resolving of two major issues. The first one is of a political nature, whereas the second one concerns transport infrastructure.

A first condition will be to further strengthen the ongoing political and economic cooperation with Russia, including the Kaliningrad region. For the time being that region suffers from economic stalemate in comparison to its neighbours, who benefit from substantial EU pre-accession aid.

The second condition is to make efficient use of the already existing transit transport infrastructure available in the Baltic Sea region, as defined in the transport infrastructure development programmes co-financed by the EU in the candidate countries.

New Relations - New Trade Patterns

The trade flows in the Baltic Sea region have changed fundamentally since the 1980’s. During the 1990’s the Baltic Sea region managed to lay the foundation for a functioning market economy which reaped the benefits from these efforts in terms of increasing prosperity. The development led to a total disruption of traditional trade patterns in COMECON - the organisation for economic and trade cooperation among the socialist countries during the Cold War.

After the initial severe setback in foreign exchange of commodities of the former Socialist countries, new trade partners soon started to replace the old ones. As a result of this, the European Union is now the most important trade partner of the Central and East European countries.

The transport corridors in use today are to a large extent the same as before 1989. The European Commission has long recognised the need for improving the transport infrastructure between the Union and Central Europe after five decades of neglect.

To upgrade the transport infrastructure, a specific transport infrastructure needs assessment in the candidate countries was commissioned in 1995 to prepare for the extension of the Trans-European Transport Network into the enlarged European Union.
This was the commencement of the EU-financed TINA-programme, adopted by the EU Member States and the candidate countries together with Russia, Belarus, Ukraine and Moldova.

Success by Connecting People and Exchanging Goods

First of all, a further development of the already good relations established between the Russian president and the EU should be promoted. The new era of a closer cooperation between the European Union and Russia, which was established after 11 September opens up unforeseen perspectives for a sustainable development leading to the establishment of a Baltic Sea Economic Space. A commitment from the Russian Federation in support of this will have beneficial influence on the development of Russia’s economy as a whole.

Secondly, the importance of creating integration and growth through the appropriate infrastructure cannot be - and must not be - underestimated. The need for closer political and economic cooperation in the region is obvious. Likewise, the region needs to further develop its transport infrastructure. Success in the global economy of the 21st century depends on connecting people and exchanging goods and knowledge. Intelligent infrastructure is a prerequisite.

The 4th Annual Baltic Development Forum Summit, will put special focus on this fundamental issue. The aim is to outline the ideal infrastructure in the Baltic Sea region.
MOSCOW Russia’s stated long-term goal is integration with — not (for a couple of decades at least) into — the European Union. This partial integration means, in reality, re-achieving compatibility with the EU in various fields, from economics to legal affairs to security. Apart from the functional dimension, this task has a distinct geographical one.

Since 1995 Russia has been in direct contact with the EU territory — along the 1,300-kilometer long Finnish border. Within a few years, the EU-Russia interface will be extended to include Russia’s borders with Estonia, Latvia, Lithuania and Poland. Kaliningrad will find itself within the union territory. In other words, the practical issues of a Euro-Russian link-up will have to be tackled primarily in the Baltic Sea area.

Moscow should take Europe’s concerns seriously, not defensively, and work to turn the enclave into a laboratory for EU-Russian collaboration.

For now, much attention is focused on Kaliningrad. Those who had been saying in the past that it was the EU enlargement, not NATO’s, which would create real problems for Russia, feel vindicated. They are right — but only up to a point. It is exactly the problems that compel the sides to work for solu-

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tion of that “winning duo” is in St. Petersburg, which is also the Baltic Sea area’s biggest metropolis. It is St. Petersburg’s misfortune to be governed in an unimaginative and utterly corrupt way, but it is up to the nascent civil society in the city to try to change that. A new dynamic city leadership would use the opportunities offered by St. Pete’s traditional role as Russia’s “window on Europe”. If there is a natural locomotive for Russia’s European drive, then it is undoubtedly Petersburg.

This channel works both ways, however. Close contact with the environment-conscious Scandinavians has been gradually changing the mentality of the Russian public, Russian companies and even the Russian authorities. The thing, however, is not merely to stop sinning. One has to take care of past sins as well. Parts of Russia’s North-West are gigantic dumping grounds for all sorts of hazardous items, including nuclear-related waste. Europe’s help has been making a difference there, but it will be essentially up to the Russians themselves to come up with ways of decontaminating their own habitat.

For Russia, modernization today is Europeanization. For the European Union, reaching out to Russia should not only be about securing its eastern frontier. The format and quality of the EU’s relations with Russia will be indicative of the role that Europe intends to play world-wide in the future. As in the case of Russia’s internal transformation, we are dealing here with a long-term proposition. It will be up to the Europeans to decide how they want to define their common homeland at some future date. But it might – just might – be that the Baltic Sea, the Med of the North, could become the principal construction site for Europe’s next incarnation.

The format and quality of EU’s relations with Russia will be indicative of the role that Europe intends to play world-wide in the future

Dmitri Trenin is deputy director of the Carnegie Endowment’s Moscow Center and head of its foreign and security policy program. Before joining Carnegie in 1994, he served in the Soviet and Russian armed forces. Until his retirement as Lt. Colonel in 1993, he also taught area studies at the Defense University in Moscow. Dr. Trenin won his Ph.D. from the Institute of the U.S.A. and Canada, Russian Academy of Sciences (1984), was a senior fellow of the Academy’s Institute of Europe (1993-1997) and a visiting professor at the Brussels Free University (1993-1994). Dmitri Trenin is an author of several books and numerous publications. His most recent work, “The End of Eurasia: Russia on the Border Between Geopolitics and Globalization”, appeared in 2001 in English.
Democracy and Public Participation

What the West Can Learn from the East

by Ole Vigant Ryborg
EU Correspondent, Monday Morning Weekly

BRUSSELS  Democracy is flourishing in the Baltic States and after little more than a decade, the eastern side of the Baltic Sea seems to have the potential to become a role model for experiments in the development of democracy and the question of active public participation in political decision making.

In fact, in some areas, the pace of development in the eastern half of the region has been so rapid that it is time to reverse the trend for exporting democratic traditions and ideas. Whereas in the early nineties, the Nordic countries made a huge effort to help the newly independent Baltic states in their efforts to transform themselves into modern democracies - it now looks like Estonia, Latvia and Lithuania can return this favour, and provide the Nordic countries with inspiration about modern democracy.

This development comes at a time when Estonia, Latvia, Lithuania and Poland are about to join Sweden, Finland and Denmark as members of the European Union - which means that virtually the whole region will become a part of the EU. This creates the interesting possibility of the region becoming a world leader in the development of democratic structures and experiments, as long as the countries in the region are willing to listen to and learn from each other.

The Teachers’ Turn to Learn
The era of what until today has been seen as the one-way traffic of advice and ideas about democracy from west to east has finally ended. The years of transition are over, and the time has now come to engage in an exchange of ideas, where especially the west has to come to terms with the thought that there might be something to learn from the east.

In just 10 years, the three Baltic states have gone from independence to fully functioning democratic market economies. A record of accomplishment that can both serve as a role model and example for other countries in involved in the same process, as well as provide inspiration to further improving the democratic structures in “the old democracies.”

Today the era of transition towards democracy is over. See Figure 1. Instead, all the countries in the Baltic Sea region share the same problems and face the same challenges as all other democracies. Questions like how to respond to public frustration over lack of political influence, and how to deal with decreasing national political influence in the face of globalisation are issues of concern to all.

Active public involvement
While the problems of creating and securing an inspiring and well functioning modern democracy are identical for all countries, the countries of the Baltic Sea region are in a special situation as historically they all have varying experiences of the democratic process.

The Nordic countries have developed their consensus democracy over a period of a century. Here, the question of public participation in political life is taken care of by a large number of organisations like trade unions, environmental NGO’s etc. On the other hand, in the last ten years, countries like Estonia, Latvia and Lithuania have all had the advantage of being able to start their democracies almost from scratch. This has provided opportunities for these countries that do not really exist in countries like Sweden and Denmark, where tradition is a major obstacle when it comes to modernising the way the national democracy works.
Already today, a country like Denmark could learn a couple of things in the areas of both transparency and increasing public participation by looking across the Baltic Sea.

For example, Denmark seems to be the last democratic country in the region not to publish the agenda of the government’s weekly meeting. The agendas of government meetings are secret in Denmark, and the Danish prime minister gives the only information available following a government meeting at the traditional briefing on Tuesdays.

A visit to the government meeting room in Estonia is enough to make a country like Denmark look like something from the Stone Age.

In the government Stenbock House, in Tallinn, every minister has a computer screen in front of him/her so that government meetings can take place without the use of paper. In addition, at one end of the government meeting room - overlooking the sea - press information officers follow the meeting, and via the internet inform the public how far the meeting has progressed, and what decisions have been made. This is a practise far from the one used in Denmark, where both the media and the public accept that their only source of information from government meetings is the prime minister’s press conference.

From The Stone Age to Cyber Democracy

When it comes to ensuring public participation in political life, a country like Estonia can teach the Nordic countries a thing or two as well. For more than a year, Estonia has been running the TOM project. ‘TOM’ is an Estonian acronym for “Today I Decide”.

TOM is a web portal where all citizens can present proposals for debate. If an idea gets the support of a majority of the portal users, then the ministers responsible - whether they like the idea or not - are obliged to tell the public. The most noteworthy result in the program’s first year has been the decision to let Estonia follow the European system of summer and winter time - a proposal that was first put forward on TOM.

Another fierce debate that took place was the question of whether Estonia should re-introduce the death penalty. An idea strongly rejected by government and parliament, and as such would not have stood a chance of ending up on the political agenda had it not been for TOM.

The Estonian TOM experiment has set an interesting new trend for public participation in political life. The normal life of parliament and government is driven by political alliances and tactical manoeuvre. An environment would make any politician think twice before raising a subject like the question of re-introducing the death penalty. However, when the issue is introduced by the people, all politicians are more than willing to engage in such a debate. A project like the TOM web portal has thereby become an important way of getting the question of values reintroduced into everyday political life and debate.

Corruption Survives as the Scourge of the Past

The greatest democratic concern today is actually the one of corruption in all areas of public administration. Citizens in the Baltic states see civil servants as being corrupt, and the effects of this as well as the efforts involved in fighting both
this perception and the actual corruption itself will be an issue for many years to come.

For decades under communist rule, the ‘gift’ of a bottle of vodka, or similar created a strong tradition and expectation among users of public administrations that they could improve the handling of their own case by giving petty bribes. So ingrained is this practice that, according to a study made by the Swedish Södertörn University, the people of the Baltic states still believe that this is the case today. Clearly then, the question of fighting bribery is not only a matter of raising public salaries and punishing those who take bribes - it is just as much a question of fighting a tradition that has been in place for decades. See Figure 2.

Even more important than raising the salaries of civil servants, is the need to create rapid and non-bureaucratic administrative procedures. When bureaucracy works smoothly, the incentive and the need to use petty bribes disappears.

Moving in the Right Direction
There are many signs that the Baltic states are on the right track in this area. Efficiency in local, regional and national administration is improving - especially with the help of modern technology.

At the same time, both the Baltic states and Poland have had a large degree of success in establishing common administrative procedures, and a common interpretation of national rules by both local and regional authorities.

While the early nineties were years where many rules were interpreted differently from county to county, it is today clear that equality before the law has been established. One clear indication of this can be found in the statistics being produced by the ombudsmen in the countries of the Baltic Sea area.

10 years ago, most cases landing on the tables of the relatively new ombudsman institutions in Poland, Lithuania, Latvia and Estonia were fairly simple - often concerning problems stemming from elderly people not receiving the pension they were expecting, or similar. "Today the picture is very different. We have roughly the same amount of cases as we had years ago. But the cases we deal with today are far more complex, and that is a good sign," says Allar Jõks, the Legal Chancellor of Estonia.

Learning the Ropes - an Exercise in Democratic Behaviour
Taking stock after 10 years of transition, official bodies such as the OSCE and the EU as well as independent organisations conclude that democracy now works in all Baltic Sea countries with the exception of Russia. However, the fact that democracy works according to international standards does not mean that the public is satisfied. The increasing distrust of both parliament and government can be explained by a combination of several factors:
• Expectations for democracy after independence were extremely high, and with such high expectations comes a higher risk for disappointment
• The track record for fulfilling election promises is very low.
• The independent media see it as one of their main chal-
challenges to investigate participants in political life thereby creating intensive focus on political spending and political perks.

When for example Estonian newspapers indignantly report that the country’s president has bought new curtains for the presidential palace at a cost of Euro 6,000, it is not just a sign that the independent media in the new democracies is alert, and fulfilling its role as the fourth estate. The fact that that the story came to the media’s attention in the first place is also a good indicator of transparency. However, it is also a sign of the problems facing modern democracy when the media decides to expose and criticise politicians for acts that seem both fair and legal.

In the Nordic countries, the media tend to report only the more sensational stories, whilst ignoring everyday life. That is one reason why the public is poorly informed about progress of democracy in the Baltic Sea region. Last year, the Danish weekly, Monday Morning, carried out a survey of more than 1,000 Danish press articles relating to the countries that are candidates for EU membership. It showed that if the public only used these newspaper articles as their main source of information, then their impression of these countries would be built on crime, prostitution and lack of democracy See Figure 3.

New Challenges Just around the Corner
From a period with decades of division, the Baltic Sea area has developed into a region with a well functioning and flourishing democracy, where everybody can learn from each other. However, the situation is fragile.

It is expected that Poland, Lithuania, Latvia and Estonia will all finalise the conditions for their accession to the European Union during the EU summit in Copenhagen in December. If everybody sticks to the current time schedule, then the four Baltic countries will hold referendums on EU membership next year.

Here, the east of the region can still learn a lot from the west. It is vital that the result of a referendum is not determined by the public sentiment that the country is divided on an issue like the question on EU membership.

Another lesson to be learned is the need to create national parliamentary structures strong enough to ensure that influence on important policy areas concerning the everyday life of citizens is still retained when many areas of decision making are moved from the local capitals to the common institutions in Brussels.

![Danish Media Paint a Negative Image of the East](image_url)

**Estonia**
- sport/culture
- enlargement
- security policy
- business
- history
- crime
- the Estonia ferry disaster
- minorities
- prostitution
- free movement of labour

**Latvia**
- sport/culture
- enlargement
- minorities
- prostitution
- street children
- history
- corruption
- business
- domestic policy
- security policy

**Lithuania**
- sport/culture
- enlargement
- business
- crime
- security policy
- history
- domestic policy
- nuclear power
- prostitution
- free movement of labour

**Poland**
- sport/culture
- enlargement
- crime
- business
- history
- domestic policy
- security policy
- free movement of labour
- prostitution
- agriculture

The main reason for concern is not the level of debate, but on the contrary, the fact that there is a lack of a European debate in the candidate countries. Euro-sceptics in Poland, Lithu-
ania, Latvia and Estonia have all pointed out that they have just left one Union (The Soviet) and are now about to join another (The European). Yet this kind of rhetoric has until now had very little impact.

Still something to Learn from Scandinavian Countries
Countries like Denmark, Sweden and Finland can provide inspiration and the opportunity to shop for ideas in relation to how to create and organize debates and discussions on Europe in the run-up to the referendums.

However, more important is the question on what is to take place after the referendums. It will be of key importance that the new influence found in Brussels, which Poland, Lithuania, Latvia and Estonia are bound to share with other European countries in the future, is in evidence to the public at home. It is a major concern that public interest and engagement in politics and democracy will diminish, if the public gives up trying to influence their own situation because of the fact that Brussels seems so far away.

In the long term, the risk of such a situation is smaller. There is a growing amount of evidence that young people - especially from the candidate countries - see Europe as a natural platform to seek influence. This was confirmed when a thousand young people met in Denmark recently as part of the “Briding Europe” initiative. A poll conducted among the participants in this initiative showed that they see Europe as a natural area for political influence.

Yet a challenge for the immediate future is the need to create national structures that clearly show and ensure that national parliaments will continue to exercise influence on key areas like the environment, consumer protection, etc. - even though many of the new laws governing these areas will be drawn up in Brussels.

Ole Vigant Ryborg is a Danish journalist. He has covered European affairs since 1988 and has been the Brussels correspondent for different Danish media since 1991. Ole Vigant Ryborg today works as the EU correspondent of Monday Morning Weekly.
TALLINN Just imagine that the Earth is a space shuttle supplied with diverse resources for the crew to survive travelling the Universe. Different sections and levels (the continents) and many different size cabins (states) are found on board this shuttle. The limited resources are shared by all of the crew.

We can all try to predict how living conditions will change on the different levels and sections in the next decades of our space travel, and how this might change the living conditions of the whole crew. This might be an exciting intellectual exercise. It also underlines why sustainable development on a global and regional level should be a key priority for all decision makers - not at least in the Baltic Sea region.

The reality is that ten years after the Earth Summit in Rio de Janeiro, and thirty years after the UN Environmental & Development Conference (UNCED) in Stockholm, truly sustainable development remains a near impossibility for many countries, because of the obstacles caused by wars and conflicts, restricted human rights, political corruption and non-democratic governments. For others, sustainable development requires political will to change the way we live and cooperate with other nations in order to adopt policies which put social and ecological justice before narrow self-interest and economic greed.

Solidarity And Partnerships to Help Poor Countries

The ways in which the industrial countries have developed in the past are not sustainable in the future. We need a new degree of global solidarity and partnership in order to take special responsibility for assisting the poorer countries in the world by directly addressing their pressing environmental, social and economic problems.

Quality of life in one part of the world should not be maintained at the expense of others. This may sound like pure utopianism, but in fact, one region has begun to lead the way. The Baltic Sea region has emerged as a good example of regional cooperation - it has become the first in the world to adopt common goals for sustainable development.

In the Presidency Declaration of the Baltic Sea States Summit on 3-4 May, 1996, the heads of governments agreed on an agenda for action. The declaration proposed three thematic action programmes - including increased people-to-people cooperation and civil security; economic coordination and cooperation; and strengthened environmental protection - and it also announced the development of an Agenda 21 for the Baltic Sea region. The agenda was adopted by the foreign ministers at the meeting of the Council of 11 Baltic Sea States on 22-23 June, 1998 (Nyborg, Denmark).

That strong message of political willingness comprises the agreed goals and an action programme for sustainable development, including time frames, actors and proposals for financing. It is important to note that the agenda has been worked out jointly
by a partnership of national governments, regional networks of cities and regions, intergovernmental organisations, the business community, environmental NGOs, and international financial institutions.

Emphasis has been put on building a foundation for the transition to sustainable development. The responsibility for leading sector implementation work is distributed among the countries and international organisations in the Baltic 21 Steering Group: Poland and Helsinki Commission (HELCOM) for agriculture; Lithuania and Sweden for education; Denmark and Estonia for energy; the International Baltic Sea Fishery Commission for fisheries; Finland and Lithuania for forests; Russia and Sweden for tourism.

Many Words, Less Action And No Money
All countries have been successful in affirming the framework of Agenda 21 and its long and short-term targets, goals, and objectives. But difficulties arise when it comes to implementation. The Baltic 21 activity reports show serious and concerned messages in between the success stories and optimistic progress announcements.

Messages like "the Baltic Sea region has started on the road towards, but is still far from, sustainable development"; "the use of natural resources is also far from being sustainable in any of the Baltic Sea region countries"; "several important positive trends are visible, but a number of fundamental economic, social and environmental criteria for a sustainable society are not met" indicate that the outcome of the agenda may very well be - "we tried our best, but it came out as always".

In other words, to ensure that the agenda is transferred into real action for sustainable development in the Baltic Sea region - and ensure the leading position of the region as an example for others - better efforts are needed to overcome the obstacles to genuine progress.

According to the media, or the speeches and presentations of politicians, businessmen and environmentalists, it seems that the biggest obstacle in achieving sustainability in our region - and on a global level as well - is lack of funding. However, according to the World Game Institute, the world only has to invest 1.0 percent of what it annually spends on its military investments in order to mitigate global climate change; or 1.3 percent in order to guarantee the world population clean drinking water; or 0.6 percent to stop the depletion of the ozone layer; or 4.2 percent for giving up the use of non-renewables. And these are just some of the many examples with a global perspective.

Widespread Ignorance Requires more Education
In other words, the main issue here is defining our priorities. Are our decision-makers aware and educated enough to set priorities that would enable our "crew" to survive? Are we all enlightened enough to direct and support the decision-makers and to make our own everyday consumption patterns as sustainable as possible? Are we in the Baltic Sea region willing to prioritise our sustainable development for the benefit of present and future generations?

Stockholm Environmental Institute
SEI-Tallinn is a member of international SEI family, celebrating its 10th anniversary with an International Conference "Sustainability - vision possible" held in Tallinn on November 14th. SEI has introduced sustainability related issues to government and at grass root level over the last decade not only in Estonia, but in the whole Baltic Region and in the CEEC as well.

For more detailed information please visit: www.seit.ee
Consumers International and UNEP conducted a global survey about the status of implementation of the UN Guidelines for the Consumer Protection on sustainable consumption. Questionnaires were sent to governments worldwide, 52 of which were returned in addition to eight national case studies. The findings speak for themselves: 38 percent of the governments were unaware of the guidelines, 50 percent had no specific measures in place to monitor progress and implementation, 64 percent were involved in some form of product testing or eco-labelling, 56 percent have some economic instruments in place, 85 percent support product polices for efficient and cleaner production, 72 percent have implemented some form of sustainable practices in their own operations.

Therefore, it would appear that the greatest obstacles to environmental and related socio-economic progress are to be found between our ears. One major outcome of recent Baltic 21 efforts is an Agenda 21 for Education in the Baltic Sea region. Finding ways to disseminate sustainability related educational work is vital. Only common effort from the governments, politicians, private and third sectors will achieve positive change, and enable our region to transform words into action and continue its status as a world leader in sustainable development.

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Dear Reader,

The autumn of 2002 will indeed be rich in summit meetings focussing on EU enlargement (The European Council in December), relations with Russia (EU/Russia Summit in November) and various other issues. Hopefully, it will also be rich in clear visions and concrete results.

EU enlargement will provide new market opportunities and prosperity for the candidate countries. We would all benefit from enlargement in terms of trade, stability and prosperity. We should also welcome our new neighbours to a challenging and hopefully mutually beneficial cooperation.

At the same time, we also need to look outside the enlarged union, and at our other neighbours and partners around the Baltic Sea. Russia’s integration into the Baltic Sea region is of vital importance. However, Norway is also an important partner, not to mention the Ukraine and potentially Belarus. The three latter are clearly not covered by the Baltic Sea Rim, but are still essential when shaping a new and wider Europe.

The challenges ahead
Russia and the enlarged EU have common borders and many shared interests, not least commercially. Strengthened cooperation within the EU/Russia Partnership and Cooperation Agreement (PCA) is crucial.

WTO-membership for Russia should be the medium-term goal. And we would like to see people and goods flowing more freely across our borders in the future.

However, issues like the visa-regime for the Kaliningrad enclave, its long-term development, unreasonably long delays at border crossings, a lack of direct foreign investment in parts of Northwest Russia as well as many other obstacles still need to be addressed. The EU’s Northern Dimension is an important tool in this regard and a new action plan has to be approved shortly.

We also have to develop an intelligent and effective transport infrastructure in the Baltic Sea region to link it effectively with the rest of Europe. Furthermore, we need to ensure a sound, sustainable environment, increase the opportunity for research and knowledge circulation, create better conditions for business, support active public participation as well as many other initiatives in order to reinforce the potential for growth and prosperity in the region.

If we succeed, the Baltic Sea region could become the new growth centre of Europe as well as a prime example of effective partnership and cooperation. Annual growth rates of between 4-6 % clearly prove the region’s potential. However, we need to set the priorities and get the work done if we want to build on this.

The 4th Annual Baltic Development Forum Summit
This is the ambition when more than 300 executive decision makers from 10 countries, the European Commission, and various international and regional organisations...
gather for the 4th Annual Baltic Development Forum Summit in Copenhagen, 13-15 October. Within the well-known informal atmosphere of this forum, the high-level participants will meet, discuss and network. This is private-public action at its best.

The list of speakers, moderators, panellists and participants is impressive. Last year’s summit in St. Petersburg represented a breakthrough in the efforts of our organisation to remove barriers and strengthen ties between countries in the Baltic Sea region. This year, 200 business leaders, 2 presidents, 4 prime ministers, 6 foreign trade and finance ministers, 100 leading academics and researchers as well as numerous journalists will put the Baltic Sea region on the global agenda for 3 days. In the words of Baltic Development Forum’s chairman, Uffe Ellemann-Jensen, we will have to “build new bridges” in our region. We have to draw a new “road map” for the region whilst at the same time ensuring that participants are briefed on current developments and opportunities.

Baltic Development Forum has identified 5 top priorities for the region as presented by our chairman on the first pages of this publication. We now have to test the waters, and let the key players in the region take a stand.

Launch of the Baltic Sea Research Network

One of our new initiatives this year is the launch of a special network within Baltic Development Forum’s “network of networks”. At the 4th Annual Summit we shall launch the Baltic Sea Research Network encompassing leading research institutions around the Baltic Sea, but also from abroad, like the Harvard Business School.

Research and development is a precondition for wealth and growth. Researchers throughout the Baltic Sea region have recognised the importance of exchanging ideas, viewpoints and results for the benefit of the societies in the whole region. However, Baltic Development Forum acknowledges a need for further developing the communication between business, politics and
The Baltic Sea Research Network

The network is member-based, and consists of leading research institutions in the region committed to subjects of interest for the Baltic Sea region. The aim of the network is to link the research environment in the Baltic Sea region even more closely to business and politics for the benefit of all.

At the summit there will be a special session dedicated to this new network. We’ve asked five leading researchers from the region to share their views on the need for a network of this kind, and what the perspectives and possibilities will be if the network reaches its full potential. The session will be followed by a discussion between the panel and participants.

Baltic Development Forum increases its member base

During 2002, Baltic Development Forum has welcomed 12 new members. More than 40 institutional and business members from Finland, Estonia, Sweden, Latvia, Norway, Denmark and Germany are supporting our day-to-day work. We are currently looking to broaden the member base, including new members from Poland, Lithuania and Russia. To optimise our work, a limit of a 100 members has been established. We hope to gradually achieve this goal through a balanced increase from all over the region.

The 2003 Summit

Preparations for our fifth annual summit have already begun. The venue we have chosen for next year’s summit will be announced during the gala opening at the Copenhagen City Hall on Sunday 13 October. As always, we intend to challenge the conclusions from the previous year during the summit. We suggest that specific Baltic Development Forum Round Tables are established for more in-depths discussions on the summit’s specialist themes. Furthermore, in the coming year, our chairman will present the summit’s conclusions in different forums in and outside the region. Our aim is to find the most imperative business and political themes for next year’s summit.

Baltic Development Forum has become a real factor that political leaders and business executives in the region have come to rely on. We intend to strengthen this position and continue our mission in the years to come.