RIGA SUMMIT
5-7 OCTOBER 2003

REPORT

ON THE 2003
BALTIC DEVELOPMENT
FORUM SUMMIT

New Europe Meets Old Europe
-The Baltic Sea Region as a
Global Frontrunner
THE 5TH ANNUAL
BALTIC DEVELOPMENT FORUM
SUMMIT 2003

Jørgen Lindegaard, CEO and President, SAS Group, delivering his view on what needs to be done in the Baltic Sea region.

The Presidents of the three Baltic States, Vaira Vike-Freiberga, Arnold Rüütel and Rolandas Paksas, are being introduced by Uffe Ellemann-Jensen.

A view of the foyer in the Congress Centre at lunch time.

Participants during the Presidential Plenary Session.

Jørgen Lindegaard, CEO and President, SAS Group, delivering his view on what needs to be done in the Baltic Sea region.
The 5th annual Baltic Development Forum summit took place in the beautiful capital of Latvia, Riga, 5-7 October 2003. I would like to thank everybody who made this year’s summit possible: the members and partners of Baltic Development Forum, the prominent panellists, keynote speakers as well as the participants, who came from near and far to take part in this unique regional event.

This year’s summit was held against the backdrop of Latvia’s referendum on accession to the EU, marking the last in the row of candidate countries to overwhelmingly say yes to European co-operation and integration.

The unity of Europe is finally a reality.

The summit thus presented a unique opportunity to discuss the benefits of the encounter between “New Europe” and “Old Europe” in a forward-looking way. At the summit, it became clear that the perception of what is “Old” and what is “New” is really about the mindset of people in the European countries.

With 8 out of 10 countries in the Baltic Sea region belonging to the European Union, the Baltic Sea countries have an obligation to focus on relations with the new neighbours of the enlarged EU. Co-operation with Russia is, needless to say, of the utmost importance. Russia is a key player in European integration in a larger context, and of crucial importance to development in the Baltic Sea region.

There is no doubt that we will see further economic integration and growth in the Baltic Sea region as a result of EU enlargement. However, while the reasons for being optimistic are numerous, we must continue to work hard at achieving the goals we have set. We need a road map for the removal of remaining barriers to trade and investment, and for the creation of a Baltic Sea single market.

Baltic Development Forum will continue to act as a catalyst for regional strategies, co-operation and development.

However, Baltic Development Forum needs political and financial support from stakeholders in the Baltic Sea region. This is necessary if the unity of the Baltic Sea region is to become a reality.

I am looking forward to seeing you next year in Hamburg on 12-14 September 2004.

Yours sincerely,

Uffe Ellemann-Jensen
Chairman
EXECUTIVE SUMMARY

The main theme at the 5th annual Baltic Development Forum summit was how to turn the Baltic Sea region into a global frontrunner, exploring the mix of old and new democracies, and mature and emerging markets. The more than 450 participants and 75 panellists included high level politicians, business executives, media representatives and prominent researchers, both from the Baltic Sea region and from other leading regions in the world.

A Global Frontrunner

Participants all agreed that the Baltic Sea region indeed has the potential to become a global frontrunner. From an American perspective, presented by Principal Deputy Assistant Secretary Charles P. Ries, the region already is a frontrunner: “In our view, you are already there. In terms of open markets, sound economic policies, openness to and use of new technologies, this region is among the most competitive in the world”.

Advantages of the region include, in the words of the Polish Secretary of State Andrzej Majkowski, “strong industrial traditions, closeness of markets, good infrastructure, high levels of education, high growth rates, stability, democracy and a civil society, which all made the region attractive to foreign investors”.

Panellists pointed towards the differences in the region, but agreed that the diversity was a strength. The meeting between old and new democracies and markets create a huge potential for growth and development. As Professor Christian Ketels expressed it: “To be different is good. If you are different there is so much more to gain from cooperating”.

EU Enlargement - opportunities and challenges

With EU enlargement finally in sight, panellists expressed optimism about the future, which is expected to bring further economic integration and growth. Enlargement is considered a benefit, not only to the acceding countries, but also to the EU. A lot of panellists pointed out that the accession countries in the Baltic Sea region are actually doing better than are some ‘old’ members of the EU. Enlargement will not only bring added stability to the EU, but also innovation and dynamism. Robert Cottrell, Central Europe Correspondent, The Economist, noted that it was “time for the accession countries to change the EU - and vice versa”.

There was, however, also agreement on the fact that challenges remain. As President and CEO of SAS Group Jørgen Lindegaard phrased it: “The era of celebration is over. Now is the era of action”. There is still some work to be done, which was also emphasised by Latvian President Vaira Vike-Freiberga, who pointed out that “it is only once the distinction between old and new is eliminated – at least with regard to economic development – that the EU will be truly and fully complete”.

Improving competitiveness

In order to continue to prosper, the region must focus on improving competitiveness. Several panellists, among them Danish Deputy Prime Minister Bendt Bendtsen, called for the removal of remaining barriers to trade and investment in the region. Lithuanian President Rolandas Paksas stressed that “we need to have a clear vision of what we want to achieve after the enlargement of the EU. Only in this way will we be able to achieve
a speedier establishment of a common economic area in the Baltic Sea region, and our economies will become competitive”.

Clusters were emphasised by Professor Ketels as one of the factors that makes for a good business environment, because they increase productivity, and have an important impact on innovation. As discussed also in the Specialist Sessions, the Baltic Sea region has potential clusters within Information and Communication Technology, Transport Infrastructure, Health Care, Energy and Tourism, and these should be developed.

As was pointed out in the Single Market Session, it is important to focus on creating the right institutional frameworks for Small and Medium-sized Enterprises as a platform for sustainable growth. Creating organisational structures conducive to change, and managing human resources in a way that ensures adaptability, was also strongly recommended by the Human Resource Management Session.

Furthermore, as was underlined in the Finance Session, it is crucial to look for new engines for growth, since the EU accession process can no longer be counted on as a driver. The first engine, Erik Berglöf, Director of SITE, pointed out, will be the integration of Russia in regional trade and investment. “This is actually the missing piece of the Baltic Sea region puzzle”.

The importance of Russia

The important role of Russia was the point emphasised the most by panellists at the summit. Russia is a key player for European integration, from a security perspective as well as for economic reasons. Further integration of Russia into the European economy is considered a central objective. The finalising of the Common European Economic Space would be a great step towards this goal. Russian WTO membership is, however, a prerequisite for economic integration.

Many felt that the real comparative advantage of the Baltic Sea region is its position as a gateway to Russia. The Baltic Sea region is where the EU and Russia meet, which raises exciting perspectives for cooperation and economic development in the region. It is considered crucial to engage Russia in the regional cooperation efforts, and to ensure that Kaliningrad also benefits from EU enlargement. As Latvian Prime Minister Einars Repse underlined: “More effort is needed to build a pragmatic and structured relationship with Russia”.

However, as Russian Deputy Foreign Minister Andrey Denisov pointed out, Russia needs clarification about the consequences of EU enlargement for economic relations with the acceding countries. With regard to Kaliningrad, there are also outstanding issues to be dealt with. If these issues are faced in a cooperative manner, Andrey Denisov felt sure that “we are doomed to achieve success”.

Cross-border and Cross-Sector Cooperation is a Must

Another issue, on which all participants could agree, was the need for regional cooperation. As CBSS Commissioner Helle Degn pointed out, “only a common approach to developing the region’s potential will lead to the achievement of the goal of being a frontrunner”. President of IKED Thomas Andersson echoed this point of view: “Networks are essential – no one can do it alone”. Latvian Deputy Prime Minister
Ainars Slesers emphasised that “the regional dimension in the new enlarged Europe – given its size and diversity of members – is getting more and more important”.

President Freiberga underlined that “the future success of our region will depend on its capability to identify uniform priorities and to develop a common strategy for competing with other leading regions”. In line with this point of view was Bendt Bendtsen, who pointed out that while the EU dimension is important, one should not rely solely on the EU. It is up to the countries around the Baltic Sea to take the lead in making the region a global frontrunner: “If we maintain the valuable dialogue and get down to business at home and together, we will succeed in making this region one of the most attractive and investment friendly in the world”.

Many participants also noted that the cooperation between the public and private sphere is needed to become a frontrunner. Einar Repse stated that: “Partnerships between the public and private sector is an essential factor in shaping the best policies for boosting competitiveness”, while Ainars Slesers emphasised that only if politicians, business people, academia and media work together hand in hand, would the region succeed.

Hamburg in 2004

Underlining the commitment of Hamburg to integration and co-operation within the Baltic Sea area, the First Mayor of Hamburg, Ole von Beust, on behalf of the Senate and the Parliament of the Free and Hanseatic City of Hamburg, looked forward to welcoming the summit participants to Hamburg for the 6th annual Baltic Development Forum summit.

The 6th annual summit will be held on 12-14 September 2004.

Recommendations

The Baltic Sea region must come together to define common priorities and develop joint strategies for boosting regional competitiveness. While EU enlargement represents new opportunities, challenges remain. Barriers to trade and investments should be removed, and a Baltic Sea single market established.

The new member countries of the EU should continue their efforts to implement EU legislation. Special attention should be given to establishing the right institutional framework for the region’s small and medium sized enterprises. Their competitiveness within the EU’s single market must remain a high priority.

The relations between the new EU and its Eastern neighbours should continue to be a focal point for Baltic Development Forum. Russian integration into the European economy is a key goal, and of benefit to Russia, the EU and the Baltic Sea region. Russian membership of the WTO must be supported.

Baltic Development Forum should consider acting as a facilitator in the process of developing the basis for a sound business community in Kaliningrad, as an engine for economic growth and integration.
Concrete action must be taken to avoid environmental damage to the Baltic Sea, including crude oil leaks. Such environmental disasters could seriously hamper economic development and prosperity in the region.

A “State of the Region” report should be presented each year at the annual Baltic Development Forum summits. The aim should be to develop key indicators measuring and defining the region's successes and challenges.

A Road Map for the region should be developed, including ideas for improving the various sectors and potential industry clusters within:

- **Information and Communication Technology**: The Internet and mobile penetration in the Baltic Sea region is extremely high. Private business and public institutions should cooperate to gain full advantage of this. Baltic Development Forum was entrusted to take on the lead in developing a platform for a regional public-private partnership within ICT.

- **Transport and Infrastructure**: The region is developing rapidly, which has generated new demands for mobility and efficient transport solutions. The region needs to be linked together by better transport and infrastructure. The Baltic Development Forum Round Table will continue its work in order to promote its eight strategic recommendations.

- **Health Care, Biotech and Life Sciences**: The region's health care sector is facing increased demands and limited resources. Regional knowledge sharing and public-private partnerships should be strengthened in order to optimise the use of resources. Baltic Development Forum will maintain its focus on this key issue.

- **Energy and Sustainability**: Cooperation in the energy sector is a crucial factor in the integration of Russia and the EU. Baltic Development Forum must raise this important point on the agenda, and seek to develop the cooperation potential.

- **Tourism**: The region has the potential to attract tourism from all over the world. The tourism industry makes significant contributions to the economy, both directly and indirectly. Baltic Development Forum was assigned to examine how to move ahead in this area of the region's economy.
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<td>17.00</td>
<td>Official opening of the 5th annual Baltic Development Forum summit with introduction by the Chairman of Baltic Development Forum</td>
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<td>17.15</td>
<td>Opening Address: Einar Repse, Prime Minister, Latvia</td>
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<td>The Baltic Sea Region as a Global Frontrunner</td>
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<td>17.30</td>
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<td>New Europe, New Markets</td>
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<td>17.45</td>
<td>Concert</td>
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<td>Gala Reception co-hosted by Scandinavian Tobacco Company, Aldaris Brewery and the Latvian National Opera</td>
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MONDAY, 6 OCTOBER

08:00
Registration at the Riga Congress Hall

The Summit’s political theme: “Integrating the Baltic Sea Region after the Enlargement of the EU”

08:30
Two optional breakfast sessions in parallel on central issues for the Baltic Sea region:

I. Extra-regional Experts’ Session:
The Baltic Sea Region in Comparison

Panel:
Robert Cottrell, Central Europe Correspondent, The Economist
Michel Foucher, Ambassador, Embassy of France in Latvia
Anders Åslund, Senior Associate, Carnegie Endowment for International Peace

Moderator: Helle Degn, Commissioner, Council of the Baltic Sea States

II. Media Experts’ Session:
Developing an Image of a Global Frontrunner

Panel:
Annele Aerikkala, Managing Director, Observer (Estonia, Finland, Latvia, Lithuania)
Per Egil Hegge, Editor, Aftenposten
Carl Count Hohenthal, Deputy Editor-in-Chief, Die Welt

Moderator: Thomas Bernd Stehling, Director, The Konrad Adenauer Stiftung

09.45
Contact Break

10.15
Plenary Session:

• Report from the Extra-regional Experts’ Session:
  Helle Degn, Commissioner, Council of the Baltic Sea States

• Report from the Media Experts’ Session
  Thomas Bernd Stehling, Director, The Konrad Adenauer Stiftung

10.30
Presidents’ Plenary Session:
What is Old and what is New? Europe After the Enlargement of the EU

Panel:
Rolandas Paksas, President, Lithuania
Arnold Rüütel, President, Estonia
Vaira Vike-Freiberga, President, Latvia

Moderator: Uffe Ellemann-Jensen, Chairman, Baltic Development Forum

11.15
Contact Break
MONDAY, 6 OCTOBER

11.45  Ministers’ Plenary Session: Using the Encounter Between Old and New to Become a Global Frontrunner

Panel:
Bendt Bendtsen, Deputy Prime Minister, Denmark
Ole von Beust, President of the Senate and First Mayor, Free and Hanseatic City of Hamburg
Andrey Denisov, Deputy Minister for Foreign Affairs, Russian Federation
Andrzej Majkowski, Secretary of State, Poland
Ainars Slesers, Deputy Prime Minister, Latvia
Margereta Winberg, Deputy Prime Minister, Sweden

Moderator: Lykke Friis, Director of European Affairs, Confederation of Danish Industries

12.45  Q&A

13.15  Buffet lunch hosted by the Foreign Investors Council in Latvia

The Summit’s Business Theme: “Building Partnerships to Sustain Economic Growth in the Baltic Sea Countries”

14.30  Two optional sessions in parallel on central issues for the Baltic Sea region:

• I. Single Market Session: Competing in the Single Market - The Impact of EU Membership on SMEs

Panel:
Meelis Atonen, Minister for Economic Affairs and Communications, Estonia
Andris Denins, Director, BDO Invest
Per Eriksson, Director-General, VINNOVA
Marian Geldner, Professor, Warsaw School of Economics
Juris Lujans, Minister for Economics, Latvia
Jorma Routti, Executive Chairman, Creative Industries Management
Thorbjörn Widvey, Secretary of State, Ministry of Foreign Affairs of Norway

Moderator: Thomas Andersson, President, International Organisation for Knowledge Economy and Enterprise Development

Rapporteur: Sylvia Schwaag Serger, Acting Director, International Organisation for Knowledge Economy and Enterprise Development

• II. Human Resource Management Session: Uncovering the Secret to Designing Effective Firms for the Baltic Sea Region: Organisational Culture and Human Resource Management

Key Note Address:
Carl Fey, Associate Dean of Research, Stockholm School of Economics, St. Petersburg
Uncovering the Secret to Designing Effective Firms for the Baltic Sea Region
## MONDAY, 6 OCTOBER

**Panel:**
- Bo Henriksson, Country Manager, ABB Baltics
- Kari Liuho, Professor, Lappeenranta University of Technology
- Stanislav Shekshnia, Dr., Partner, Zest Leadership Consultancy

**Moderator:** Carl Fey, Associate Dean of Research, Stockholm School of Economics, St. Petersburg

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<td>16.45</td>
<td>Business and Finance Plenary Session:</td>
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<td>- Old vs. New Markets Opportunities - How to Sustain Economic Growth</td>
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<td>- Erik Berglöf, Director, Stockholm Institute for Transition Economics</td>
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<td>- Peter Schlaikjer Bruhn, Chief Economist, HSH Nordbank</td>
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<td>- Marek A. Dochnal, President, Larchmont Capital Ltd</td>
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<td>- Viktor Pauli, Member of the Board, Director-General, RAO “UES of Russia”</td>
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<td>- Baiba Rubess, Managing Director, Latvija Statoil SIA and Vice-Chairperson, Foreign Investors Council in Latvia</td>
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<td>Moderator: Mads Jacobsen, Senior Executive Vice President, Danske Bank</td>
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<td>- Ainars Slesers, Deputy Prime Minister, Latvia</td>
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<td>- The New Europe in the New EU</td>
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<td>19.00</td>
<td>Champagne Reception hosted by HSH Nordbank, with welcoming speech by Ulrich Ellerbech, Member of the Board, HSH Nordbank AG</td>
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<td>19.30</td>
<td>Bus Transfer to Networking Dinner hosted by Latvenergo and the Deputy Prime Minister of Latvia</td>
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<td>19.45-</td>
<td>Networking Dinner with welcoming speech by Karlis Mikelsons, Chairman of the Management Board, Latvenergo</td>
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TUESDAY, 7 OCTOBER

The Summit’s specialist theme: “Global Benefits from Shared Priorities”

08.30
Plenary Session:
Transforming the Baltic Sea region into a Coherent Area of Excellence

Key Note Address:
Charles P. Ries, Principal Deputy Assistant Secretary, Department of State, United States of America
Global Benefits from Shared Priorities

08.50
Key Note Address:
Christian Ketels, Principal Associate Professor, Institute for Strategy & Competitiveness, Harvard Business School
The Baltic Sea region as an Engine for the Competitiveness of the Baltic Sea Countries

09.15
Two optional sessions in parallel on central issues for the Baltic Sea region:

I. Kaliningrad Session
Developing a Joint Strategy for Kaliningrad

Panel:
Jackie Coolidge, Program Manager, FIAS
Friis Arne Petersen, Permanent Secretary, Ministry of Foreign Affairs of Denmark
Andrey Denisov, Deputy Minister for Foreign Affairs, Russian Federation
Natalia Smorodinskaya, Professor, Institute of Economics, Russian Academy of Sciences
Mikhail Tsikel, Vice-Governor, Kaliningrad Region
Evaldas Ignatavicius, State Secretary, Ministry of Foreign Affairs, Lithuania

Moderator: Samuel Rachlin, Business Editor, TV2/ Denmark

Rapporteur: Stephan Stein, Head of Office, Hamburg Chamber of Commerce, St. Petersburg

II. Transport Infrastructure Session
Transport Infrastructure from a Business Perspective - Report from the Baltic Sea Round Table

Key Note Address:
Stig P. Christensen, Director, Cowi A/S
Report from the Baltic Sea Round Table: Challenges for the Baltic Sea Region’s Transport Infrastructure

Key Note Address:
Edgar Thielmann, Head of Division, Directorate General for Energy and Transport, European Commission
Transport Infrastructure in the New Europe - Project and Priorities for the Baltic Sea Region

Key Note Address:
Terence Brown, Director-General, European Investment Bank
Private-Public Partnership - Infrastructure as an Economic Growth Initiative
TUESDAY, 7 OCTOBER

Panel:
Guenther Sollinger, Senior Vice President, Air Baltic
Riho Rasmann, President and CEO, Port of Tallinn
Jens-Albert Oppel, Dr., CEO, ISL Baltic Consult
Igor Yurgens, Vice-President, Russian Union of Industrialists and Entrepreneurs

Moderator: Anders Torbøl, Attorney, Partner in Magnusson, Wahlin, Qvist and Stanbrook A/S

Rapporteur: Peter Lundhus, Managing Director, Femer Belt

10.45 — Contact break

11.15 — Two optional sessions in parallel on central issues for the Baltic Sea region:

• I. Health Care Session:
   Improving Health Care through Public-Private Partnerships

Panel:
Jakob E. Bardram, Research Manager, Center for Pervasive Computing
Göran Hellers, Dr., Scandinavian Care Consultant Services AB
Maris Jesse, M.Sc., London School of Economics and Political Science
Kenneth Sandström, President & CEO, Med-In Ltd
Arnolds Veinbergs, Medical Director, Head of Radiology Department, P. Stradins University Hospital

Moderator: Børge Diderichsen, Vice President, Novo Nordisk and Vice-chairman, ScanBalt BioRegion

Rapporteur: Werner Christie, Special Adviser, Norwegian Trade Council

• II. Information & Communication Technology Session:
   Information & Communication Technology as an Instrument for Growth and Improved Everyday Life Trough Regional Cooperation

Key Note Address:
Shigeki Ishizuka, Deputy Managing Director, DoCoMo Europe Limited
Learning from Other Leading Regions - Japanese Visions within Mobile Internet

Panel:
Christer Asplund, Senior Advisor, City of Stockholm
Kenneth Karlberg, President of TeliaSonera Norway, Denmark and the Baltic countries
Imants Freibergs, President, Latvian Information Technology and Telecommunications Association
Kaj Juul-Pedersen, Chairman, Crossroads Copenhagen & Nettest
Bror Salmelin, Head of Unit, European Commission Information Society Directorate-General
Linnar Viik, Professor, Estonian IT College

Moderator: Mats Engelmark, Senior Manager, Invest in Sweden

Rapporteur: Stefan Klein, Director, Hamburg Business Development Corporation
TUESDAY, 7 OCTOBER

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<td>Stefan Klein, Director, Hamburg Business Development Corporation</td>
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<td>• I. Regional Cooperation within Information &amp; Communication Technology</td>
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<td>Ilze Pruse, Head of Project Development Division, IT Center, Riga City Council</td>
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<td>Sanna Koritz, Project Manager, Stockholm Economic Development Agency</td>
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<td>Henrik Juhl, Senior manager, Cap Gemini</td>
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<td>Jimmy Kevin Pedersen, Vice President, City of Copenhagen, Denmark</td>
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<td>• II. Biotech and Life Sciences for Better Health Care</td>
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<td>Jaanus Pikani, CEO, Egeen Inc.</td>
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<td>Horst Klinkman, Chairman of the Executive Board, Biocon Valley</td>
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<td>Moderator: Bo Samuelsson, Professor, Chairman, ScanBalt</td>
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THE BALTIC SEA REGION AS A GLOBAL FRONTRUNNER

“The vision of a united Baltic Sea region within Europe is becoming reality”. With these words, Latvia’s Prime Minister, Einars Repse, opened the 5th annual Baltic Development Forum in Riga. With the unity of Europe in sight, he emphasised that it is now time to set new priorities for the Baltic Sea agenda. According to the Prime Minister, “developing a strong position as a business-friendly region should be a headline goal”.

A no less visionary speech was given by CEO and President of the SAS Group Jørgen Lindegaard, who also called for concerted action across the region. In Jørgen Lindegaard’s view, it is imperative to utilise to its maximum the window of opportunity created by EU enlargement.

Setting New Priorities

Einars Repse noted the challenges that lie ahead: remaining barriers to trade and investment must be removed, a coherent image of the region should be created, the region needs to be linked by improved infrastructure, attention must be paid to issues of social welfare policies, anti-corruption initiatives and capacity building in the public administration. And last but not least, “more efforts is needed to build a pragmatic and structured relationship with Russia”.

But how will the region achieve its goal of becoming a global front-runner? The Prime Minister pointed out that only by working together in unison can the region take advantage of the strength that lies in diversity, and thus achieve its goals. Furthermore, he stressed that “Partnerships between the public and private sectors are an essential factor in shaping the best policies for boosting competitiveness”.

Another idea, which in his opinion should be considered, is the proposal by Chairman Uffe Ellemann-Jensen to establish a Baltic Sea single market, which would stimulate economic growth by creating optimal framework conditions for investments, business and prosperity for the citizens of the region.

A New Era of Action

Jørgen Lindegaard noted that with EU enlargement in place, “the era of celebration is over. Now is the era of action”. What the region needs to act upon is the transformation of the European Union into a Union of Regions.

Jørgen Lindegaard stressed that “the Baltic Sea region is not just a concept, it is a reality”. And in his opinion, “the region has the potential to become a cluster of excellence”. Jørgen Lindegaard, however, cautioned that this would not happen on its own accord. “Frankly, I would not leave it to the EU and national governments to set the agenda for the Baltic Sea region.”
The development of the region, according to Jørgen Lindegaard, should lie in the hands of businesses and local authorities on the Baltic shore, which represent the driving force in the economic and commercial development of the region. It was important to underscore that this included northwest Russia. In line with Prime Minister Repse, he called for public and private players to join forces, specifically urging Russia, being key to the economic development of the region, to take active part in the co-operation.

Jørgen Lindegaard proposed the establishment of a regional body that could set the agenda for the region, push for necessary reforms and put forward ideas and proposals in a continuous dialogue with governments and the EU. Baltic Development Forum was encouraged to pursue this idea. At the same time, he stressed that "wholehearted moral and financial support" from stakeholders in the region was needed to make it happen.

The Baltic Sea Region in Comparison

The Extra-regional Expert’s Session offered a lively and sometimes provocative debate on the merits of regional co-operation and the policies of “New Europe” compared to “Old Europe”. Not everybody agreed on the benefits of regionalism in the EU, and views differed on the socio-economic dispositions of the Baltic States. There was, however, no doubt in anyone’s mind that the Baltic Sea region is bound to achieve success.

More or Less Regional Co-operation?

CBSS Commissioner Helle Degn introduced the Extra-regional Expert’s Session by making a strong case for regional co-operation. Helle Degn’s opinion is that “the region has the potential to become a frontrunner of prosperity in the new Europe”. The differences between the countries in the region, if managed in the right way, give tremendous development potential. Yet, she pointed out, “only a common approach to developing this potential will lead to the achievement of the goal of being a
frontrunner". Commissioner Degn stressed that no country can do it on its own. Countries need to join regional clusters to gain common strength.

The perspective on the region delivered by French Ambassador Michel Foucher, was no less positive. France has substantial interests in the region, and French foreign direct investments are growing. The reasons behind the success of the Baltic Sea region, according to Ambassador Foucher, are the existence of a common political culture, rule of law, democracy, strong institutional networks, a sense of pragmatism, gender equality, capacity for innovation, and a good balance between strong nationhood and international openness.

Contrary to Helle Degn, Ambassador Foucher, however, cautioned that "enlargement can not be successful in political terms, if sub-regional blocks are built on a permanent basis. This is not the way the EU is working". According to Ambassador Foucher, it would also be counter-productive if small countries allied themselves against big countries permanently.

Social Welfare Traps vs. Liberal Economies

The presentation of Anders Åslund, Senior Associate, Carnegie Endowment for International Peace, focused on long-term economic growth in a comparative perspective. The growth rates in the Baltic States of 6-7% were impressive, especially when compared with growth rates of 3.5 % in the US and 1.3% in the EU and Japan. But what would be the effect of EU accession on growth rates? Anders Åslund argued that "the EU poses a clear and imminent threat to the successful Baltic model".

EU accession will have some advantages, but will also place the acceding countries under the pressure of harmonising policies that, in his opinion, should not be changed. The Nordic model, with a tax burden of 50% of GDP, represents, what Åslund termed, a "social welfare trap". At present, the tax burden in the Baltic States is in line with Ireland, which is the best example of a liberal economy in the EU context. Also in the areas of labour market regulations and corruption, the Baltic States are performing better than elsewhere in Europe, and should thus not look towards the EU for improvements. Anders Åslund called for the Baltic States "to stand up and fight for your liberal market economies".

During Q&A, Jackie Coolidge, FIAS, took the floor and cautioned that while the Nordic model was perhaps not the best, neither was the American model, where public services were lacking. It was also pointed out by former Icelandic Foreign Minister Ambassador Jon Baldvin Hannibalson that Finland and Iceland had experienced the same rapid growth as Ireland, while still being labelled Nordic welfare states.
Survival of the Fittest

Picking up where Anders Åslund left off, Robert Cottrell, Central Europe Correspondent, The Economist, noted that it was “time for the accession countries to change the EU - and vice versa”. The countries in the region had made impressive achievements, and were now among the most attractive in the world for foreign investors. The success was underpinned, among other things, by "the stabilising influence of the old European Union to the west, and to the east, the exciting prospect of a new Russia". The Baltic Sea region, Cottrell pointed out, is also home to some of the best and cleanest governments in the world, which, besides Russia, score top grades for political freedom and absence of corruption.

But more than anything, the success of the Baltic Sea region, in Robert Cottrell’s opinion, rested with its people and the willingness to change, as expressed in a quote by Darwin: “it is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change”. Against that background, Robert Cottrell finished by stating that "prospects for the Baltic Sea region, even in a competitive world, look pretty good to me".

Developing an Image of a Global Frontrunner

The media plays a crucial role in shaping images. In developing the Baltic Sea region as a global frontrunner, the perception of the region portrayed in the media is thus of central importance. In the Media Expert’s Session, panellists analysed the media’s coverage of the region. As the panellists pointed out, the Baltic Sea region does not figure in the media as an entity. Thus, there is still a lot of work to be done.

The Baltic Sea Region – What is That?

Annele Aerikkala, Managing Director, Observer (Estonia, Finland, Latvia and Lithuania), opened the session by presenting a survey of media coverage of the region. The conclusion was that the media is not interested in the Baltic Sea as an entity - definitely not as an economic entity. It is overshadowed by EU relations and bilateral relations between countries. Annele Aerikkala pointed out that there is a lack of clarity about how many countries are actually considered part of the Baltic Sea region.

She concluded that “the media has not shown enough interest in this region to bring out an image building procedure. The Baltic Sea region does not have a brand yet”. Mrs. Aerikkala’s recommendation was to find a common platform from which the countries in the region could present the region as an entity to the media.

Per Egil Hegge, Editor, Aftenposten, pointed out that many people think of the Baltic Sea region as three countries: Latvia, Lithuania and Estonia. He compared the Baltic Sea region to the old Nordic Council, which was not well known in the world,
but which nonetheless made life easier for the individual. He warned against too much publicity, as the media feeds on conflict, not harmony, and said that it would take a very big success to get publicity. “The amount of news coverage is a function of size, economic weight, distance and conflict level”. He concluded that conflict levels are the only things that bring small countries into the headlines.

The key to developing a coherent region is to figure out how to be successful in the EU. **Carl Count Hohenthal**, Deputy Editor-in-Chief, Die Welt, agreed that the Baltic Sea region was not yet seen as an entity, politically or economically. He stressed that the road to achieving this goal goes through Brussels. “It is very important for the European Union that these countries get along and that they flourish. If they do not, we all have problems, so we have to be interested”; he claimed.

Carl Count Hohenthal also noted that so far, the main German interest in the Baltic Sea region is political and related to the question of how Eastern Germany will cope with the enlargement of the EU. As a market, however, it is less interesting because the markets are too small. On the positive side, the harbour of Hamburg is becoming the central point for Baltic Sea traffic.

**What is the Concept?**

Several participants mentioned the lack of clarity of the Baltic Sea region concept. Among the solutions mentioned were a name change (in English) to Northern Europe instead of the Baltic Sea region and the maintenance of the Scandinavian names. A number of participants also felt that the region’s role in the EU would be as a frontrunner in relations with Russia. The moderator, **Thomas Bernd Stehling**, Director, Konrad Adenauer Stiftung, finished by stating: “We might have disappointed the organiser because we didn’t come up with a clear recipe of how to develop an image of a global frontrunner, but the good news is there are lots of reasons to continue the work that the Baltic Development Forum is doing”.

**What is Old and What is New? Europe after the enlargement of the EU**

Agreeing on the benefits of EU enlargement, the Presidents of the three Baltic States each pointed towards challenges for the future. Most importantly, there is a need to equalise living standards among the “new” and the “old”. Linking together the Baltic Sea region by improving infrastructure and creating a common economic area are also crucial tasks lying ahead.

**Eliminating the Distinction Between Old and New**

Opening the Presidents’ Session, President of Latvia **Vaira Vike-Freiberga** rejoiced at the vision of a united Europe, which is finally becoming a reality. In the President’s mind, there was no doubt that the joining together of old and new with enlargement would strengthen the EU, and have a positive impact on trade and investment. Musing on the theme of the summit, the president noted that Latvia would join the Euro-zone by 2008, and that “if by that same date, three of the Union’s older members have still not done the same, the question of what is old and what is new will no longer arise in the same understanding of it as we have today”.

“The difference between old and new will disappear only gradually - how fast depends on the intensity of effort and strength of political will.
However, challenges persist, as the President emphasised, because “it is only once the distinction between old and new is eliminated – at least with regard to economic development – that the EU will be truly and fully complete”. President Freiberga called for focused efforts by the governments of the candidate countries to meet the challenges of institutional reform, building administrative capacity and fighting corruption. As she remarked, “the difference between old and new will disappear only gradually – how fast depends on the intensity of effort and strength of political will”.

President Freiberga went on to underline that “the future success of our region will depend on its capability to identify uniform priorities and to develop a common strategy for competing with other leading regions”. Increased competitiveness requires investments in education, research and infrastructure, as well as increased use of know-how. Intensified cooperation with Russia is also essential for the region, which has always served as a trade route between East and West. Against that background, President Freiberga welcomed the work on creating a Common European Economic Space, and called for quick accession of Russia to the WTO.

**Infrastructure is Key**

Arnold Rüütel, President of Estonia, agreed with President Freiberga on the value added to the EU with accession, and underscored the strength that lies in the region’s diversity. In his mind, EU enlargement would lead to an intensification of economic co-operation, which will be good for economic growth in the region. “Our task here is to discuss ways of making the economic growth sustainable, and to ensure the prerequisites necessary for further development”, President Rüütel said.

Of the utmost importance, in President Rüütel’s opinion, is a focus on energy and transport. Ensuring a balanced and integrated development of various modes of transport within the Baltic Sea region is a major task of governments in the region, according to President Rüütel. “I consider further development and extension of Via Baltica and Rail Baltica expressways to central and southern Europe highly important. This would ensure faster and better links between North and South, which will unquestionably contribute to the development of both trade and tourism”, the President said.

Finally, President Rüütel pointed towards an issue close to his heart, namely environmental safety, and expressed the belief that it was in everyone’s long-term interest to ensure safe, efficient and environmentally safe maritime traffic on the Baltic Sea.

**Establishing a Common Economic Area in the Baltic Sea Region**

The call to reduce gaps in economic development was also voiced by President of Lithuania Rolandas Paksas. He pointed towards the progressive reforms
implemented by Lithuania to create a market favourable business climate, the benefits of which could be seen by the growth rates of over 6%. Membership of the EU, in his opinion, would yield further benefits in the form of increased foreign direct investments.

However, the President noted, the divide between old and new was temporarily introduced in the accession process. In the transition period, he expected that some EU member states would apply market protection measures, and put restrictions on the movement of labour. While accepting this as a reality, President Paksas called on the Baltic States and Poland to reduce the divides between themselves, by applying the principles of the EU single market.

Looking ahead, President Paksas stressed that "we need to have a clear vision of what we want to achieve after the enlargement of the EU, and share it among our countries and the citizens of our states. Only in this way will we be able to achieve a speedier establishment of a common economic area in the Baltic Sea region, and our economies will become competitive". In President Paksas’ opinion, a successful Baltic Sea region will not only be a benefit to the citizens of the region itself, it will also set an example to the region’s neighbours, and offer opportunities to expand eastwards the area of security and stability by sharing experiences of democratic reform.

Using the Encounter between Old and New to become a global frontrunner.

EU enlargement will bring an intensification of economic co-operation, and open new possibilities for development of the Baltic Sea region. The speakers in the Ministers’ Session agreed on the potential of the Baltic Sea region to become a global frontrunner. The pluralism and diversity of the region is a strength, which should be taken advantage of. While the panel’s outlook on the future was very positive, they all pointed out that there is still room for improvement in different areas of cooperation. A clarification of economic relations between Russia and the acceding states after enlargement is also needed.

The Advantages of the Region

The ministerial panel agreed on the advantages of the Baltic Sea region and on the positive effects of enlargement. Secretary of State of Poland Andrzej Majkowski pointed to the special momentum that was created with the meeting between old and new in the region. Advantages of the region included, in his words, “strong industrial traditions, closeness of markets, good infrastructure, high levels of education, high growth rates, stability, democracy and a civil society, which all made the region attractive to foreign investors”.

Innovation, openness and human capital.
Deputy Prime Minister of Denmark **Bendt Bendtsen**, in describing the region, emphasised “Innovation, openness and human capital”, and went on to suggest that the region should be branded as a viable partner with these keywords.

**Gateway to Russia**

Almost all the panellists underlined the important role the Baltic Sea region plays in bridging together different parts of the European continent. The region has always been a gateway to the East and should continue to be so. It is essential to focus on relations with Russia, and bring the Russian and European markets closer together. However, as Deputy Prime Minister of Sweden **Margareta Winberg** pointed out, the accession of Russia to the WTO is needed in order to facilitate economic relations.

Deputy Prime Minister of Latvia **Ainars Slesers** underlined with regard to Russia that “the past is the past, and it is now time to look to the future”. He pointed out that in the future, economic co-operation with Russia would be a priority for Latvia, and should be for the EU as a whole. State Secretary Majkowski echoed this point of view, explaining that Poland had also decided to stop talking about the past in order to look ahead. The First Mayor of Hamburg **Ole von Beust** described the concentrated foreign activity of Hamburg in the St. Petersburg region as an example to follow, and called for increased assistance to Kaliningrad. He pointed out that it is important to engage all of northwest Russia in the development of the Baltic Sea region.

**The Concerns of Russia**

According to Russian Deputy Foreign Minister **Andrey Denisov**, EU enlargement is highly relevant to the Russian Federation. As Andrey Denisov pointed out, Russia is “deeply concerned with the possible impact of this expansion wave on the relation between Russia and the countries joining the EU”. This concern should be seen in light of the fact that the ten candidate countries accounted for 16% of Russian trade turnover, which, in Deputy Foreign Minister Denisov’s words, represented “quite a considerable figure”.

The Deputy Foreign Minister did not doubt the suggestion that EU enlargement would be beneficial. However, Russia needed a clarification of how these benefits of enlargement would accrue to the Russian Federation.
The Russian Federation has a multitude of bilateral agreements with the candidate countries, which will be in contravention with their commitments as EU members. Not wanting to face the risk of a legal vacuum and ensuing economic damage, the Deputy Foreign Minister made a strong call for trilateral consultations on the harmonisation of the bilateral treaties to start as soon as possible. With enlargement imminent, it was no longer wise to wait any further. Finishing on an optimistic note, Deputy Foreign Minister Denisov expressed the belief that if the outstanding problems were faced immediately, “we are doomed to achieve success”.

Areas for Enhanced Co-operation

Although praising the attractiveness of the region, Deputy Prime Minister Bendtsen cautioned that the region should be careful not to get carried away. The efforts to improve knowledge skills, upgrade infrastructure and remove remaining barriers to trade and investment must continue unabated.

First Mayor von Beust pointed towards transport infrastructure as an issue of importance for a common future in the region. The success of the port of Hamburg as an international trading hub is an example for the region. Voicing also the concerns of the Estonian President, First Mayor von Beust stressed the need to deal with security standards for maritime transport, while Deputy Prime Minister Winberg called for joint action to promote environmental efforts, and establish the Baltic Sea as a clean sea.

Secretary of State Majkowski also underlined the need to enhance co-operation on transport and ecology, and added technology, science and education to the list of sectors where co-operation should be strengthened. Deputy Prime Minister Slesers, echoing the Latvian President, pointed towards the goal of achieving an equalisation of living standards in the new and old Europe.

The Way Ahead

In the opinion of Deputy Prime Minister Winberg, “political and practical cooperation on selected issues in a smaller geographical area of neighbouring states will also in the future be of great importance”. She was also in line with First Mayor von Beust and Secretary of State Majkowski, who pointed out that the Baltic Sea region should seek to draw more on the work going on in the framework of the Council of the Baltic Sea States and the European Union.

However, as Deputy Prime Minister Bendtsen underlined, one should not rely solely on the EU. It was up to the countries around the Baltic Sea to take the lead in making the region a global frontrunner: “If we maintain the valuable dialogue and get down to business at home and together, we will succeed in making this region one of the most attractive and investment friendly in the world”. Secretary of State Majkowski went on to point out that the action of a multitude of different players is needed to succeed: “it is not only state governments, but also cities and regions, institutions of higher learning and companies, NGOs and media, who should engage themselves more actively in the implementation of joint projects”.
Competing in the Single Market – The Impact of EU Membership on SMEs

Accession to the European Union will have an enormous impact on small and medium sized companies (SMEs) in Poland and the Baltic countries. Competition in the Single Market is hard, and it is an ongoing discussion, both in old and new member countries, whether the business environments in the acceding countries are ready for this challenge. The discussions are referring to the organisational structure of the companies, the quality of the products, and especially the policy measures towards the SMEs. In the Single Market Session, which was held in a joint cooperation between IKED and the Baltic Development Forum, panellists pointed towards the need to ensure the right institutional framework for SMEs, focusing on innovation and cooperation.

No One Can Do It Alone

There was general agreement in the panel that the countries on the Eastern shores of the Baltic Sea region have come far, and that the competitive environment in the European Union will have a positive effect on the development of businesses.

The moderator of the session, Thomas Andersson, President of the International Organisation for Knowledge Economy and Enterprise Development (IKED), opened the session by saying that Europe today is at a point of historical opportunity. “The EU enlargement is completed, and the division between "old" and "new" Europe is disappearing. There is rapid technological progress in the acceding countries, and a lot of positive trends in relation to the development of the business environments”, Thomas Anderson pointed out.

The Stronger the SMEs, the Stronger the EU

In his address Meelis Atonen, Estonian Minister of Economic Affairs and Communication, focused on the positive achievements made by Estonian companies to meet EU standards, the prospects of removal of obstacles to trade, but also on a certain scepticism among segments in the Estonian business environment. “The acceding countries have done a tremendous job in meeting the requirements of the Single Market. Free movement will remove obstacles that exist today”, he said, continuing, “However, the size of uncertainty is worrying. Approximately 25% of exporting SMEs cannot estimate the possible effect of the single market”.

This point was echoed by the Director of BDO Invest, Andris Denins, who expressed the dualism prevailing in the Baltic business environment. “There is a tendency to optimism in companies engaged in the EU market, and pessimism in companies not engaged in the EU market. Some companies have big difficulties in meeting EU requirements, because it is costly to meet these standards and because affordable bank loans are not easy to secure”, Mr Denins emphasised. He ended his address calling for better policy measures towards SMEs. “The stronger the SMEs will be, the stronger will be the European Union”.

The Need for the Right Institutional Framework

Having a dynamic environment for innovation is pivotal for SMEs in any country. In his address, Per Eriksson, Director-General of VINNOVA, focused on the importance of cooperation to foster a dynamic environment for innovation.
“Interaction between the public and the private spheres is of utmost importance. Most new innovations will happen when organisations interact with one another.”

Marian Geldner, Professor at the Warsaw School of Economics, stated that “we are definitely living in a time of small companies”. He made it clear that there is a general need for better innovation policies: “The well known political measures are in place in the acceding countries. There is however a problem of political will and conflicting short term and long term interests. Often there is political will, but we are often talking about underdeveloped regions”. He concluded that the “institutional framework for SMEs is still too weak, and there is a need to make it stronger on all layers, such as education, legal framework etc.”

Juris Lujans, Latvian Minister for Economics, agreed with Marian Geldner saying: “The scale of support for SMEs has been inadequate, and there is a need for trimming the institutional framework for SMEs”. He presented a programme for innovation and SMEs initiated by the Latvian Government: “With this programme we want to support areas of long term sustainable growth, and make sure that innovation is also promoted in traditional sectors”.

A Digital Divide to Eliminate

Executive Chairman of Creative Industries Management Jorma Routti also emphasised the challenges for traditional industries. He said that these industries have to introduce new technologies in order to maintain competitiveness.

“New fields of technology give much greater space and opportunities for SMEs than traditional fields of production, even though SMEs live in a hard world of competition. Products are often easy to copy and easy to produce more efficiently at a lower price”. Mr. Routti called for closer links between SMEs and Research and Development. “SMEs need to have access to excellent technology – they can not do it by themselves. There is a need for better connections to universities and research laboratories”, he said.

Thomas Andersson stressed that a fear of a digital divide was indeed emerging. Indicators are showing that the frontrunners, especially certain Western European countries, are getting further ahead of other countries. He therefore underlined the importance of regional cooperation. “Networks are essential – no one can do it alone”, Thomas Andersson said.

Learning From Each Other Through Cooperation

Thorhild Widvey, Secretary of State, Norwegian Ministry of Foreign Affairs, also stressed the importance of learning from each other through regional cooperation. She underlined that Norway has a strong desire to cooperate, “not only in relation to SMEs, but also generally, with the new member countries of the European Union and especially Poland and the Baltic countries”. The Secretary of State presented an
innovation policy plan from the Norwegian government with direct, streamlined measures targeted towards innovation.

“In the future, practical cooperation will focus on projects resulting from financial contributions from Norway and other EFTA states”, she said. “Sustainable economic growth cannot take place without a stable political and financial system that will ensure a predictable environment for investments”, she underlined, making it clear once again that SMEs play a crucial role in the economies of the Baltic Sea region.

Uncovering the Secret to Designing Effective Firms in the Baltic Sea region

Having the appropriate organisational culture and the right human resource management practices are essential to help realise a company's potential. In the Human Resource Management Session, panellists delivered their views on the importance of focusing on human capital, the skills of employees and building teamwork.

Adaptability and Human Capital as Keys to Success

Carl Fey, Associate Dean of Research, Stockholm School of Economics, St. Petersburg, opened the session by emphasising that in economies dominantly characterised by knowledge based production forms, human capital is the most important resource to create competitive advantages. As a result, it is crucial to create a set of organisational practises that capitalise on the full potential of its employees.

Based on a study of over 300 firms working in Russia, Fey showed that adaptability is the most important dimension of organisational culture to focus on. Adaptability comprises being customer-focused, having knowledge-management systems and creating an atmosphere where change is valued as a potential opportunity rather than a threat. At the end of the day, this would be the decisive factor for success and survival.

Mr. Stanislav Shekshnia, Partner, Zest leadership Consultancy, focused on the existence of different management cultures in the post-Soviet period of Russia. He predicted that the dominating “management by fear” attitude amongst Russian leaders would be replaced by a more modern and mature management culture in the future. The decisive factor for this change is the “New Religion” of long-term value creation, which is spreading among Russian business leaders.

It will be a challenge to change the attitude among Russian leaders of today, in order to develop new organisational models and behaviours. Most importantly, Russian CEOs should be much more concerned about their employees and their skills, as Stanislav Sheksnia expressed it: “If you want to play in the global market, you need another type of organisational culture to reach this goal. You must be result-oriented and pay attention to your employees. Those who praise this religion have a big challenge in front of them. First of all, they must be prepared to spend money if they want a mature organisational culture with well-educated people in their organisation”.

Carl Fey reporting from the Human Resource Management session to the plenary.
We Can Do This

Using his own experiences as a businessman in the three Baltic countries as a starting point, Bo Henriksson, Country Manager, ABB Baltics, called attention to the practical problems related to cultural differences when starting up a company abroad.

“We all know this feeling. In practice, it is very difficult to tolerate the neighbour. We love to beat each other in basketball, football, ice hockey. We love to tell jokes about each other. In business it is all the same. Why is he better than me? Why should I learn from him? This is the attitude between neighbouring countries and this is the attitude you meet also as a businessman starting up business abroad”, he stated. For ABB, the solution was found by building an organisational culture on teamwork and team spirit, reflected in the slogan “We Can Do This”.

Professor Kari Liuhto, Director of Turku School of Economics and Business Administration, focused on the consequences of different business cultures in the Baltic Sea region. According to his studies, the Baltic Sea region of today is characterised by at least four different types of business cultures, influenced by national traditions as well as specific historical circumstances, such as the Soviet legacy. However, in Kari Liuhto’s opinion, the economic integration of the region will continue despite these differences.

Looking at Russia’s situation after the EU enlargement, he expected the Baltic countries and Finland to become important gateways between Russia and the EU. This gateway position was already reflected in the large number of Russian investments in the Baltic region. According to Kari Liuhto, one should not forget that with the EU enlargement, Russian companies already represented in the Baltic countries would automatically be further tied to the EU. Kari Liuhto concluded that the development in the Baltic Sea region should not be characterised as “Old Europe meets New Europe”, but rather as “Old Friends united again in New Europe”.

Old vs. New Market Opportunities - How to Sustain Economic Growth

Ten new member countries will join the EU on May 2004. The challenge is to sustain economic growth after the enlargement. According to the panel in the Finance Session, the task will be just as important as was the phase of transformation in the nineties. Partnership, dialogue and promotion of reforms must be at the top of the agenda in all countries around the Baltic Sea.

Mind the Gap

Peter Schlaikjer Bruhn, Chief Economist of HSH Nordbank, said that the initial problem is that there still is a large gap between the new and old EU member countries, and also between the EU and Russia.

“The big question is whether we will see a catching-up process or not. The catching-up scenario is likely because of the accession. Strong and well-functioning institutions are no doubt very positive for growth”, Mr. Bruhn said. He alleged that it was tempting to compare the process with a race between to two runners. "However, if the countries
ahead in the race are getting their speed up, it will actually benefit those behind even more, so that they run even faster”, Mr. Bruhn predicted.

Senior Executive Vice President Mads Jacobsen of Danske Bank agreed with this notion, and said that one should not forget that the new member countries are already highly integrated in Western economies. He pointed out that all of the new EU member countries in the Baltic Sea region actually fulfil the Euro-criteria. He mentioned that Portugal, Greece and Spain had not fulfilled the Euro-criteria three-four years before they entered the Euro-zone. “The four new EU countries of the Baltic Sea are therefore in a very strong position”, he said.

Mads Jacobsen listed some of the economic consequences of EU membership. He said that it will increase trade, increase direct investments, increase subsidies from the EU, increase the need for greater policy discipline concerning budget deficits etc. and, finally, membership will support and press forward market reforms. “There is also in my mind no doubt that we will see interest rates convert. We’ve seen it in all the old EU countries and we will see it in the new EU countries. And that will also help boost economic trade”, he said.

Partnership Will Solve Our Challenges

Marek A. Dochnal, President of Larchmont Capital Ltd, said that for a long time we have had a situation where Western companies were investing substantially in the East. “But it is still very rare for Eastern companies to invest in the West”, Mr. Dochnal pointed out. According to Mr. Dochnal, the main question to be discussed in this regard is whether Western companies will be able to change from this one-way street of doing business.

Vice-Chairperson of Foreign Investors Council in Latvia Baiba Rubess agreed with this notion and emphasised that both parties have to take account of each other in the future. Both Mrs. Rubess and Mr. Dochnal called for partnership between the involved actors to solve this challenge, which could have major implications for the economic growth in the region and for Europe as a whole.

The Director-General of the Unified Energy Systems of Russia, Viktor Pauli, pointed out that cooperation within the energy sector is the most logical model for partnership between Eastern and Western Europe. “There is no alternative for cooperation in the energy field in Europe. The East-West energy integration is both a political and economic integration and part of establishing a single economic environment in Europe”, Mr. Pauli stated.

Unlocking the Key to Integration, Growth and Development

Baiba Rubess, who is also Managing Director of Statoil in Latvia, emphasised that it is indeed important to unlock the key to integration, growth and development. “This is a question that not only politicians and academics try to address on a national level. Those of us in the day-to-day business try to find the right key everyday”, Mrs. Rubess said. She believed that finding the right key to unlock the synergies between the mature and emerging markets around the Baltic Sea, would allow growth.
Following up on the five priorities endorsed during the 5th annual summit in 2003, Baiba Rubes pointed out dialogue between all actors, transparency, improved business ethics, innovation and education as the main factors for unlocking growth.

New Engines for Growth

Director Erik Berglöf from the Stockholm Institute for Transition Economics said that over-all we need to look for new engines for growth. The first engine will be the integration of Russia in regional trade and investment. “This is actually the missing piece of the Baltic Sea region puzzle”, Mr. Berglöf said. “It’s often said that the region is a bridge for foreign investments into Russia, but when you look at the data, it’s more or less the opposite. Russia is really expanding very rapidly and nobody seems to be aware of the speed with which it is happening”, Mr. Berglöf pointed out.

The second engine must be fuelled by deeper and further specialisation within industry in the region, and the third factor is the financial sector. “The financial sector has to get involved in financing the corporate sector. So far it really hasn’t”, Mr. Berglöf pointed out. All external financing has come from foreign direct investment. This has to change. SMEs in particular need to get access to funding, and this is the challenge for the financial sector in the years to come.

The Investment Climate is Most Important

The fourth and most important engine is the investment climate. Peter Schlaikjer Bruhn warned that this process is not necessarily safe and sound. “Looking at the discussions about the Growth and Stability Pact makes one a little pessimistic. Once you’re in, discipline seems to fade a little bit among some countries”, Mr. Bruhn said.

During the discussions, Jürgen Machalett, President of NORD/LB Latvija, took the floor and said that one should not neglect the pressure coming from the ten accession states: “Old Europe can learn a lot from New Europe with its whole reform process of the nineties”.

However, Erik Berglöf emphasised that this final engine has to be internally driven by the countries themselves. “The investment climate engine will not be driven by external factors such as the EU accession process anymore”, he pointed out.
New Europe in the New EU

Adding Value to the EU

Using Latvia as a case in point, Deputy Prime Minister Ainars Slesers made a convincing presentation of the benefits that “new” Europe will bring to the European Union with enlargement. Experiencing growth rates of 7.5%, Latvia by far outruns the EU. The long-term economic strategy of the government, focusing on shifting to a knowledge-based economy, reducing the tax burden, eradicating bureaucratic obstacles, achieving transparency and entering into active dialogue with the business community, provides favourable working conditions for business, and makes Latvia an attractive location for investment.

The real comparative advantage of Latvia, according to the Deputy Prime Minister, lies in its position between the European Union and Russia, making the country a gateway to the markets of Russia and the CIS. This is underscored by the country’s skilled human resources, of which an overwhelming majority speaks Russian as well as other European languages. By harbouring the potential to become an important business centre in Europe, Latvia can contribute to furthering stability and economic growth in both the Baltic Sea region and in the EU.

Deputy Prime Minister Slesers furthermore underlined that “the regional dimension in the new enlarged Europe – given its size and diversity of members – is getting more and more important, and it provides additional opportunities for our Baltic Sea cooperation”. In his view, the strategic aim of this cooperation over the next decade should be “to achieve a greater homogeneity in the region in terms of living standards and levels of prosperity”. However, he emphasised, only if politicians, business people, academia and media work together hand in hand, can the region succeed.

Global Benefits from Shared Priorities

The enlargement of the EU calls for new strategies for economic development and regional cooperation in the Baltic Sea area. Regional cooperation still represents a real economic potential for the region. However, if we want to exploit this economic potential, we need a new strategy and a follow-up process that recognises that all countries must continue to benefit significantly from the cooperation. That was the message during the opening session of the summit’s final day.
Already a Global Frontrunner

During their presentations, Christian Ketels, Professor at Harvard Business School, and Charles P. Ries, US Principal Deputy Assistant Secretary for European and Eurasian Affairs, both emphasised that the economic outlook for the region generally looks good.

“During the course of this Summit, you've had the chance to discuss how the Baltic Sea region can become a global frontrunner. In our view, you are already there. In terms of open markets, sound economic policies, openness to and use of new technologies, this region is among the most competitive in the world”, Mr. Ries said. He pointed out that in international economic politics today there are new realities that offer challenges to the established ways of doing business. "If the Baltic Sea region continues to show the ingenuity and perseverance for which it is known, you should thrive in this changing climate”, Mr. Ries appraised.

Importance of Cluster Development

Professor Ketels illustrated the outlook for the region by addressing the main objectives for sustaining and increasing the economic prosperity the region has enjoyed so far. “The only way to sustain and increase economic prosperity is really to increase the productivity in the companies. This is not just about doing something cost efficient, but also about creating something unique, something that adds value to your customers, something that they are willing to pay for”, Professor Ketels emphasised.

Christian Ketels emphasised that one of the factors that makes for a good business environment are the so-called clusters, which are important because they increase the productivity with which companies can compete, and have an important impact on innovation.

"If you manage to mobilise a cluster or a group of institutions that are co-located in a region or a country or in a state, together you can really achieve more for prosperity than when you compete individually. That's why they are so important, and why we put cluster development on our agenda”, Professor Ketels stressed, adding that it is not about which cluster you are in, it is what you do in the clusters that is interesting for a country.

To Be Different Is Good

Professor Ketels believes that the region's differences can work as its strengths. “To be different is good. If you are different there is so much more to gain from cooperating”, he stressed. The region should seek to use its differences as a productive asset, on which it can build economic prosperity.

The same message was heard from Charles Ries, before he introduced a new and revitalised US regional policy for Northern Europe under the acronym e-PINE. The policy aims to expand and deepen existing multilateral ties. The U.S. will thus seek to work with regional bodies in carrying out policies and development programs. E-PINE also builds on the principle of “exporting success”. As Charles Ries noted, the US sees the Baltic Sea area as a model for the world.
“I urge you to share your wisdom with other nations and regions that yet but dream of achieving all that you have here”. This also included sharing wisdoms with the EU, as Charles P. Ries put it: “We look forward to a good dose of that Baltic trading spirit to be seen in Brussels. The Baltic Sea region, which generally enjoys higher growth rates than the rest of Europe, can be a model for good business practices that stimulate employment and investments”.

A Strategy and a Follow-up Process

If the Baltic Sea region wants to succeed, Professor Ketels stressed the need to move to a new model of cooperation that really raises prosperity in all member countries of the Baltic Sea region. He urged the countries of the region to come up with a clear strategy outlining why this region is unique, who should take responsibility for the development on each level, and what should be the framework for the development.

“We need a strategy and a follow-up process. Finally, we need indicators at each Baltic Development Forum summit on what has been achieved in the preceding year, and what are the new topics we need to address in order to make the region a global frontrunner”, Professor Ketels said.
Developing a Joint Strategy for Kaliningrad

Following up on the discussion at the summit in 2002, Baltic Development Forum once again had the Kaliningrad Oblast on the agenda. The differing views on the development of the Oblast presented at this year’s summit showed that there is a continued need to pay attention to this important region of Russia in the Baltic Sea area. Whereas all panellists voiced the need for action, they differed in the analysis of where the challenges lie, and how they should be met.

As an introduction to the session, the moderator, Business Editor of TV2/Denmark Samuel Rachlin, pointed out that the transit issue, which was the centre of focus in 2002, had been successfully solved. However, “One year later, regrettably, one must say that apart from this, not much else has changed in Kaliningrad”. While there is “no shortage of good intentions on the sides of both Russia and the EU, what is really needed is action, co-ordination - and of course capital”.

The Adverse Effects of EU Enlargement

Deputy Foreign Minister of Russia Andrey Denisov started by pointing out that “Kaliningrad Oblast is above all a region of Russia, and Kaliningrad’s problems are Russia’s problems”. It was Russia’s responsibility to ensure the adequate conditions for development of the Oblast, and they were working hard on it. While external assistance was welcomed, Russia, according to Denisov, was not insisting on it. Russia, however, did insist that “the European Commission and the neighbouring countries shoulder their share of the burden when it comes to mitigating the consequences of EU enlargement, solving all additional enlargement-related problems facing the Oblast today”.

Vice-Governor of Kaliningrad Mikhail Tsikel voiced the same concerns about the adverse effects of EU enlargement, and pointed out that “Kaliningrad had become an involuntary integration partner” in the EU enlargement process. Currently, the most important issues for the region were to solve problems with regard to transit of goods and energy supplies. Both Andrey Denisov and Mikhail Tsikel pointed towards the successful compromise on the transit visa issue as a positive example of EU-Russia cooperation, which bode well for future co-operation.

However, while Russia had delivered on its part of the deal struck at the EU-Russia summit in Brussels in 2002, “the progress on the European Union side, meanwhile, is not so obvious”. According to the Deputy Foreign Minister, the EU Commission had yet to deliver on its pledge to seek a solution to outstanding problems. Instead, “what we hear are calls for investing time, efforts and resources in tailoring new common strategies... What we need is to act expeditiously to solve outstanding problems of today and combine our efforts to do so as soon as possible”.

A Joint Strategy as the Way Ahead

Permanent Secretary of the Danish Ministry of Foreign Affairs Friis Arne Petersen emphasised that EU enlargement presented the opportunity to realise the vision of the Baltic Sea region as the most dynamic growth region in Europe, provided that the necessary co-operation could be secured. In this context, “Kaliningrad will have to participate – or fall behind”. The Permanent Secretary expressed his belief that the way forward was to work out a joint strategy for the Oblast, which could make the
Kaliningrad region a model for EU-Russia co-operation – as President Putin had proposed himself.

He pointed out that the direction chosen by President Putin was towards a high degree of Russian integration in the European economic development. This policy is very beneficial to Kaliningrad, as the Permanent Secretary phrased it: “Every step we make towards the integration of the Russian and European economy will make life more easy for Kaliningrad. The more harmonious the EU-Russia relations are, the easier it will be for Kaliningrad to reap the benefits of the potential of the Baltic Sea region”.

 Whereas the EU and bilateral donors, such as Denmark, have shown substantial financial commitment to developing Kaliningrad, aid is not going to solve the problems of the Oblast: “We have to be realistic. A joint strategy can not be based on hopes for large amounts of foreign aid. A Kaliningrad joint strategy will therefore have to address fundamental framework conditions for economic development and allow the region to mobilise its own resources”, Mr. Petersen said.

A joint EU-Russia strategy, in his opinion, should thus include a business plan that creates the basis for a sound business community as the engine for economic growth and integration. “Such a business plan could be worked out in co-operation between the local and foreign business communities and in co-operation with a strong regional organisation”, the Danish Permanent Secretary said.

We Have to be Practical

State Secretary, Ministry of Foreign Affairs, Lithuania, Evaldas Ignatavicius called for pragmatism in the further discussions about Kaliningrad. “We were in a lot of politically-oriented discussions, now it is time for deeper matter of fact discussions, for concrete proposals and elaboration of co-operation mechanisms. We have to be very practical”. From the point of view of Lithuania, Kaliningrad has increasing potential, but there is still a need for a long-term strategy. The State Secretary strongly supported the call for an EU-Russia joint strategy of co-operation vis a vis Kaliningrad, “defining very concretely legal and financial instruments, priority co-operation areas and projects”.

Numerous co-operation structures already exist between EU and Russia, as well as bilaterally and regionally. Nevertheless, according to the State Secretary, financial instruments for implementing joint projects, as well as smooth mechanisms for decision-making and co-ordination have been lacking.

With the successful resolution of the transit issue in mind, Evaldas Ignatavicius summed up by expressing the conviction that “we will be able to solve all existing issues, allowing Kaliningrad to utilise the economic dynamism of the Baltic Sea region and potential of EU-Russia relations”.

"We have to be very practical."
The Economic Situation - Unsound Growth or Recovery?

A study by the Foreign Investment Advisory Service (FIAS) on administrative barriers to investment in Kaliningrad, presented by Program Manager Jackie Coolidge, showed that the Oblast has administrative problems to resolve before it can become an attractive location for investment. Based on a survey of 500 businesses in the region, FIAS made a ranking of the obstacles facing business. At the top of the list are administrative barriers to accessing land and construction permits, followed by cumbersome customs procedures and problems with tax and corruption. The land market was described as non-transparent, inefficient, highly bureaucratic and with high levels of corruption. Jackie Coolidge, on the other hand, pointed out that in other administrative areas, the picture is not as bleak.

A Negative Outlook

Professor Natalia Smorodinskaya, Russian Academy of Sciences, provided another look at the Oblast from an economic perspective. She expounded the belief that while the special economic zone in Kaliningrad had produced high growth rates, this growth was not sustainable. The special economic zone, contrary to its purpose, had lead to an import oriented economic growth, with huge budget deficits to follow. The influx of foreign direct investment was, in Smorodinskaya's words, "miserable". "If Kaliningrad was a sovereign state, it would face a devaluation of its currency, but since it is a part of Russia, it enjoys the chance of transferring risks to the Russian economy and covering costs by the federal centre", she stated.

In Professor Smorodinskaya's view, neither the Russian federal programme nor the EU development plans would solve the problem of the Oblast, because neither "concern the basic need of the region to alter the very pattern of its unsound growth". She went on to point out that now is the time for Russia and the EU to acknowledge that Kaliningrad has no alternative to integration into the European economic space. A joint strategy providing the basis for sustainable economic growth is needed. Baltic Development Forum was urged to act as a facilitator in the process of formulating this strategy.

An Optimistic Picture

Quite a different picture of the economic situation in Kaliningrad was painted by Vice-Governor Mikhail Tsikel. According to him, positive socio-economic changes have taken place in Kaliningrad. He acknowledged that the special economic zone could be criticised, but stressed that "We are not a sovereign state, do not forget that. Our goal is not to have a perfect import-export balance". He underlined that "we all face problems of sustainable development", but pointed out that figures illustrate a quite positive development.

Opposing the bad image always connected with Kaliningrad, Vice-Governor Tsikel listed positive factors: growth rates higher than in neighbouring countries; a 30% increase in trade turnover with Lithuania, Poland, Germany; a turnover of 2.2 billion USD annually in the multitude of joint enterprises in the Oblast; sale of goods produced in Kaliningrad to mainland Russia worth 759 million USD. "And we only have 1 million citizens", he stated. Contrary to Natalia Smorodinskaya, Tsikel said that foreign direct investment was forthcoming: "Kaliningrad is attractive to foreign investors, investors are coming to the Kaliningrad Oblast".
In summing up, rapporteur Stephan Stein, Hamburg Chamber of Commerce, noted that many panellists had emphasised the positive outcome of the transit-issue, as an example of fruitful cooperation. He called for the same efforts to be put into ensuring economic growth. According to Stephan Stein, there is a need for an international investment council. Establishing an independent foreign direct investment agency was a possibility. Stephan Stein furthermore proposed setting up a Kaliningrad investment fund to boost economic development.

Transport Infrastructure from a Business Perspective - Report from the Baltic Development Forum Round Table

The Baltic Sea region is developing rapidly, and is expected to continue doing so. The removal of commercial barriers during the last decade has generated new demands for mobility and efficient transport solutions. Baltic Development Forum launched a Round Table on “Challenges for the Baltic Sea Region’s Transport Infrastructure” after the 2002 summit. During this session, the conclusions of the Round Table were presented and funding issues discussed. The session gave Baltic Development Forum a mandate to carry on its work to improve the development of the transport infrastructure in the region.

The Conclusions of the Baltic Development Forum Round Table

The moderator of the session, attorney Anders Torbøl, partner in Magnusson Wahlin Qvist Stanbrook A/S, began by emphasising the need to create a common priority list of transport and infrastructure issues in the Baltic Sea region.

Director of COWI A/S Stig P. Christensen responded to this request and said that the Baltic Development Forum Round Table had already set eight strategic focus areas for the region. “The Round Table seeks support for these priorities and proposes that the private sector, the governments and the EU consolidate efforts to promote solutions to the eight strategic issues and to the transport infrastructure in the Baltic Sea region”, Mr. Christensen stressed.

Stig P. Christensen pointed out that the key issue is to get the Baltic Sea region and its transport infrastructure on the map. “The Baltic Sea is in itself a barrier for mobility in the northern part of Europe. The enlargement makes the Baltic Sea area’s importance even greater and creates a new, unique and challenging opportunity to create new transport systems in the region”, Mr. Christensen said.
The eight strategic issues in short:

1. Create documentation and acknowledge the importance for European development of a rapid regional economic development and integration of the Baltic Sea region.
2. Promote a vision for exploiting the Baltic Sea region’s unique perspectives for development of transport systems and infrastructures.
3. Promote the development of the Baltic Sea as an increasingly important “gateway to Russia and the Far East”.
4. Evaluate and promote the “Baltic Sea region of modern intermodality”.
5. Support and develop the unique regional “importance and value of air transport”.
6. Strengthen and promote “commercial/sustainable development of Motorways at Sea and Short Sea Shipping”.
7. Document the economic benefits of an accelerated harmonisation of standards. Promote a “Fast track harmonisation pilot project” or implementation programme.
8. Make a commitment to implement a joint framework/programme for operational PPPs (private-public partnerships, national-international).

Views from the European Union

One very important factor in realising the Round Table’s priorities and strategic issues is support from EU. The newly published Van Miert report describes a new list of priority projects. Head of Division, Directorate General for Energy and Transport of the European Commission, Edgar Thielmann proclaimed that the commission had just decided to put most of the identified projects in the Van Miert report on its own agenda. “The Commission would like to see projects involving more than one member state implemented much faster and we would like to see financing directed to specific projects”, Mr. Thielmann stressed.

Mr. Thielmann was very positive towards infrastructure projects in the Baltic Sea region, and urged the private sector to present concrete project plans to the EU. Mr. Thielmann concluded, “The European Commission supports the outcome of the Round Table work but would like to add and strengthen two elements in the final outcome: The issue on safety and security must be strengthened involving all countries in the Baltic Sea region, and the private sector should develop airports and connect the airports with other transport modes, to create intermodality”.

Finally, Mr. Thielmann underlined that the transport systems should not stop at the borders of the enlarged EU. It was important to include countries outside the EU, especially Russia, in the infrastructure plans.

The Van Miert report

The High-Level Group on the trans-European transport network (TEN-T) was mandated by the Vice-President of the Commission in charge of Transport and Energy to identify by the summer of 2003 the priority projects of the trans-European transport network up to 2020 on the basis of proposals from the Member States and the acceding countries. This exercise is part of a broader review of the Community guidelines for the development of the trans-European transport network. The Group, which was chaired by Mr Karel Van Miert, consisted of one representative from each Member State, one observer from each acceding country and an observer from the European Investment Bank. The Group met on 10 occasions between December 2002 and June 2003.

Motorways at Sea

The CEO of ISL Baltic Consult, Jens-Albert Oppel, agreed with Mr. Thielmann on the importance of creating concrete transport projects as soon as possible. He stressed that it is essential to develop a vision and a strategy of intermodality in the Baltic Sea region. As an example, he mentioned the Via Mare Baltica project, which combines the different transport modes. “The Baltic Sea is not a barrier but an infrastructure that links the region”, Mr. Oppel said. “We need to make concrete projects for the Baltic Sea region, and this could be the Via Mare Baltica. This is not a vision, but a concrete project which will be implemented in the nearest future”.

According to the President and CEO of the Port of Tallinn, Estonia, Riho Rasmann, there is a problem regarding the competitive situation between ports and harbours in the region. “Let us cooperate, are nice words, but how do we really overcome this competitive issue in the Baltic Sea”, Mr. Rasmann asked. He urged the Round Table to also discuss and involve the free movement of people, capital, goods and services.

The Importance of Private-public Partnerships

Director-General, Lending Operations, the European Investment Bank, Terence Brown focused on funding issues. Whereas traditional projects were publicly funded, private-public partnerships present a new alternative. However, he pointed out that “unless the private sector can provide a better service at lower costs, then there is no real reason to go through a private-public partnership. Private-public partnerships can be value for money, but should not be used for purely budgetary short-term reasons. Therefore, I fully share the statement made by the Round Table working group that traditional ways of financing infrastructure should not be forgotten”.

According to Mr. Brown, there is still much to be done with the transport systems in the Baltic Sea region. That is why he found the work from the Baltic Development Forum was asked to consider ways and means for such an initiative, with a view to sustaining growth through further dialogue and action in this field between the public and private sectors.
Development Forum Round Table important. The possibilities are there, and as Mr. Brown stated, “In the transport area, the Baltic Sea region can not just be a player – it can be a leader”.

Senior Vice President of Air Baltic Guenther Sollinger agreed with Mr. Brown that the Baltic Sea area has a lot of possibilities if it takes firm action on investments in and improvement of the transport infrastructure. “There is a potential to strengthen the interregional transport systems, especially between the three Baltic countries”, Guenther Sollinger said.

Baltic Sea Region – a Front-runner.

Vice-President of the Russian Union of Industrialists and Entrepreneurs Igor Yurgens characterised St. Petersburg as the Russian hub for the economic development of Russia. Looking at the region from a political perspective, Mr. Yurgens noted that “If the Baltic States act as a friendly area towards Russia, there will be a natural bridge between Russia and Europe. We can create a fantastic opportunity for the growth potential, and the Baltic Sea region will be a frontrunner. If we fail for political reasons, we lose a lot of opportunities”.

Mr. Torbøl closed the session by underlining the unique opportunity that the work of the Round Table creates, in the sense that countries in the region can work together across borders, across sectors, and also across the border of the European Union, by including representatives from Russia.

Improving Health Care Through Public Private Partnerships

In a thought-provoking session, panellists presented examples of public-private partnerships in health care, as well as ideas for meeting future challenges within the health care sector. Demographic changes in the Baltic Sea region are increasingly posing a problem for the public health care systems, which operate with limited resources. Establishing public-private partnerships and making full use of the quantum leaps in technology is a way to make health care provision more efficient at a lower cost with benefits to the individual patient, to industry and to society at large.
For the Baltic Sea region, prospects are exciting, as voiced by the Vice-President of Novo Nordisk, vice-chairman of ScanBalt BioRegion Børge Diderichsen. "My belief is that in our region, we have a number of very exciting competencies and technology available", Børge Diderichsen said. “To bring them together in order to combine the classical pharmaceutical disciplines - represented by universities, hospitals, companies – with medical devices, communication technology, microelectronics and nanotechnology as well as IT is a very exciting prospect. My vision for this region is that we will be able to bring together some of these competencies to create a lighthouse on the global map”.

Regional Networking to Improve Health Care

As an example of a successful regional public-private partnership, Medical Director Arnold Veinbergs presented the BIT-NET project implemented between hospitals in the three Baltic States and Sweden. By sharing information and experiences through the use of modern communication technologies in a regional network, the hospitals in the project are able to improve diagnostic accuracy, make specialist consulting services easily available and improve treatment planning. As Dr. Veinbergs put it: "Modern telecommunication has great potential for improving quality of medical care by making specialist knowledge and judgement available for patients far away from highly specialised medical centres".

Against the background of the successful BIT-NET project, the Paul Stradins University Hospital in Latvia has developed further networks with partners in Russia, the US, Germany and Canada for different kinds of medical treatments. There is also a plan to establish a network containing regional hospitals, insurance companies, immigration departments and physicians, thus improving co-ordination, accessibility and diagnostics internally in the country. There are numerous possibilities for expanding these kinds of networks across borders and across sectors.

The Benefits of Public-Private Partnerships

President and CEO of Med-In Kenneth Sandström went on to explain why it makes sense to establish public-private partnerships. Although the public health care organisations possess a lot of expertise, the structural environment and political decision-making process is not conducive to change. The private sector, on the other hand, could bring about change – fast. Public-private partnerships thus, in Kenneth Sandström’s words, could achieve the goals of “providing better quality of care at lower cost through speedy structural changes, by utilising innovations, new technology and process optimisation”. The public sector benefits from financial synergy, speed of change, increased flexibility and improvement of services, and the private sector gains access to attractive markets and longer running contracts.

Kenneth Sandström described a virtual health advice centre, which has been created in Finland. In the centre nurses provide round-the-clock health care advice by telephone and Internet. The centre is able to counsel patients and direct them to the...
correct level of care. In providing for a high level of self-care, and by filtering out non-emergency cases, the centre helps ensure that health care providers can focus on the patients who are in real need of care, thus saving resources. Comparative studies between centres operated by public and private sector showed that the private sector was by far the more efficient. Kenneth Sandström, on a final note, suggested that the EU and governments make innovation funds available for public-private partnerships.

Meeting the Challenges of the Future

Describing the future challenges for the health care systems of Europe, Dr. Göran Hellers made a strong case for the use of social enterprises. Dr. Hellers pointed out that Sweden is facing an increase of 50% in the cost of health care services over the next 10 years, while at the same time operating with a budget deficit. Since the tax-financing model is not feasible in this situation, something else needs to be done. In Dr. Hellers’ opinion, “social enterprises are a solution for the years to come”. However, opposition to this solution from some politicians and the medical profession is currently strong.

Dr. Hellers described important elements to a social enterprise, such as profit-sharing, the existence of external financing, the provision of security of survival of the institution, and a flexible, accountable and independent decision-making structure. It is essential that the objectives of both the public and private sectors be taken into account. The soft values of the public system should be incorporated, and private entrepreneurs should not lose sight of the social aims. On the other hand, it is also crucial that politicians accept the private financial initiative and the revenue cost culture. In Dr. Hellers’ experience, "the overwhelming risk for social enterprises is the political risk". Thus, the most important thing of all is that “social enterprises be kept totally free from political intervention”.

Speaking from his experience as a consultant, Dr. Hellers described a model that could be an example to follow. In this model, used for a unit in a hospital in Lisbon, a special purpose company was created, the ownership of which was divided between the external consulting company, the local consulting company, the hospital and the national bank. In Dr. Hellers’ opinion, this unit is a model for future hospitals: “I see hospitals in the future more like shopping malls, than like the traditional hierarchical structure with a vertical command structure. They will be housed in facilities with 50-100 different operators working quite independently and in an efficient and flexible way than other organisations”.

Adding Technology to the Picture

In describing the research and development taking place in the Centre for Pervasive Computing in Aarhus, Denmark, Research Director Jakob Bardram gave the audience a view of the vast possibilities of modern technology. The term ‘pervasive computing’, Jakob Bardram explained, “is basically the sixth wave in a long wave of technological development. We are currently leaving the Internet age, going into the mobile age. We are researching the next age of computer technology, where you don’t have to carry anything. You just have a chip to identify yourself, and then you will have access to computer technology everywhere. And – I really mean everywhere”.

The research conducted at the Centre for Pervasive Computing is done in cooperation between public health organisations and private companies, with funding...
from national research funds. This co-operation gives the private companies added value, as there are, under normal circumstances, very few resources and skills to conduct research and development in small and medium sized enterprises. This public-private partnership aims to create new kinds of patient treatment, enabling self-treatment and home care, as well as making work routines more efficient through “virtual health care”.

Research aimed at adding computers and sensors to hospital beds, pill containers and ultimately to pills would make information about patients’ health status easily available, thus saving consultation time and freeing resources. Making medical information available and accessible everywhere, for example by inserting computers into walls and medical equipment, will also increase efficiency and allow for home treatment, leading to increased patient satisfaction and quality of life.

Biotech and Life Sciences for Better Health Care – Regional Cooperation in Research, Education and Public-Private Partnerships

At the workshop in the afternoon, participants were introduced to Scanbalt, and examples of projects within the Scanbalt network. The moderator Bo Samuelsson, chairman of ScanBalt, introduced the workshop by presenting ScanBalt, the network of networks. ScanBalt is a collaboration between existing networks and public/private organisations in the Nordic and Baltic countries (including Poland) together with northern Germany and northwest Russia. The aim of Scanbalt is to create a globally competitive meta-bioregion within life sciences. More information can be found at www.scanbalt.org.

Jaanus Pikani, CEO of Egeen Inc. and steering committee member of ScanBalt, presented a proposal for collaboration in ScanBalt BioRegion, called ScanBalt Clinical Research Network. The idea is to take advantage of the existing knowledge and experience of the universities, hospitals and companies in the Nordic and Baltic areas to create a dynamic and comprehensive platform for a high quality pre-clinical and clinical research with strong involvement of the IT-sector and IT-based technologies.

Chairman of the executive board of BioCon Valley, Horst Klinkman, presented ScanBalt Campus, a strategic key project in ScanBalt. ScanBalt Campus deals with the idea of creating a network of education between universities, companies and other actors from the biotech / life sciences communities around the Baltic Sea. ScanBalt Campus will deliver a framework for joint activities within ScanBalt BioRegion in the field of knowledge formation, meaning education and research, which are closely interrelated.
**Regional Co-operation on Information and Communication Technology as an Instrument for Growth and Improved Everyday Life**

Baltic Development Forum believes that the Baltic Sea region could become a global frontrunner in clever use of information and communication technology through private-public partnerships. There is a huge potential for growth. The region, however, needs a closer private-public partnership and a joint vision. Panellists in this session presented their views on how the region can move ahead. The panel supported the idea of creating a common regional framework for developing a public-private partnership within ICT.

**Learning from Other Leading Regions**

Introducing the session, Shigeki Ishizuka, Deputy Managing Director of DoCoMo Europe Limited, provided insight into the practices of NTT Docomo, which has over 45 million subscribers, representing more than half of Japan’s cellular phone market. DoCoMo at present has over 1 million users in Japan within 3G services, which is now branded as “3A”, an acronym for “Anywhere, Anytime, Anyone”. Shigeki Ishizuka described practical private and public applications already in service and said that both central and local governments have intensively promoted mobile Internet services in Japan.

**Does the Baltic Sea Region have the Potential as a Global Frontrunner within ICT?**

The moderator, Mats Engelmark from Invest in Sweden, began the session by stating that for a foreign investor, a market with 100 million people is a quite interesting market. “I believe we have all the prerequisites – we are growing faster than the rest of Europe, we have all the needed skills, with quite prominent universities. We have multiple carriers connecting east and west”, Mr. Engelmark stressed on a very positive note.

The President of TeliaSonera Norway, Denmark and the Baltic countries, Kenneth Karlberg, supported Mr. Engelmark’s argument. “The basic prerequisites are in place to establish the Baltic Sea as a global frontrunner”, Mr. Karlberg said. However, he also pointed out that while the region previously was able to succeed alone, the human and financial resources of a single nation are not enough anymore. “But as a common region, we can prosper”, he said.
As documentation of the potential in the region, Senior Advisor of City of Stockholm Christer Asplund presented the publication “mWatch – a survey on mobility readiness in the Baltic Sea region” - a kaleidoscope of state-of-the-art mobile innovation in the Baltic Sea region. Christer Asplund noted that: “There are a lot of living labs in the region, and the mWatch report is just presenting 23 out of thousands of cases”.

New Ways of Working Together

President of Latvian Information Technology and Telecommunications Association Imants Freibergs pointed to the dynamics of the knowledge economy as a driver of the region: “The western part of the region has well-developed know-how, a high networking readiness and established R&D support structures. In the eastern part of the region, there are highly competent human resources within ICT engineering, but there is also a risk of brain drain due to lacking investments in human capital and innovation”, Mr. Freibergs said. He stressed that the region needs to share best practices and to create this network of clusters in the whole region. “And don’t forget St. Petersburg as a key knowledge cluster”, he pointed out. “Instead of competition between the local clusters, we should try to complement each other with different skills.”

Mr. Karlberg focused on how to utilise the region’s potential through public-private partnerships: “As a leading operator, TeliaSonera has the responsibility of bringing new services to the whole region and to keep the region in the forefront. However, we cannot take care of this responsibility alone. Following the decline in the ICT business during the last couple of years, it is essential that governments invest in research and education to maintain the edge”.

The chairman of Crossroads Copenhagen, Kaj Juul-Pedersen, gave an example of a Baltic Sea ICT cluster, gathering private and public institutions in a research environment to create new mobile services and knowledge through experiments and prototypes: “It is important not only to focus on technology, but also on areas like media and arts to create benefits for citizens and customers. Also the business model development and how to make end-user value are very important drivers for creating a knowledge society”.

Bror Salmelin, Head of Unit, European Commission Information Society Directorate-General, focused on the implications of new technology development and said that the real challenge is whether the region is able to capture this tremendous technology development potential, and turn it into a strong society development. “We should not only speak about regional co-operation in a geographical perspective, but also in a mental perspective, and about how we could complement each other in a more effective way. I think the Baltic Sea region can jointly tackle this complex issue to stay in the forefront of the knowledge society that we want to build in Europe till...
2010 and even beyond. We will not achieve this with traditional tools. We support fresh thinking and co-operation”, Mr. Salmelin stressed.

What Should be the Goals for the Region?

The panel agreed that it is essential to define common goals and drivers for further sustainable development in a regional perspective, both short-term and long-term. As Bror Salmelin expressed it: “We need to ask ourselves where we want to be 15 years from now?”

IT-Advisor and Professor of Estonian IT College Linnar Viik pointed out that “We need a common framework or organisation being responsible for regional dialogue and development”. On specific goals, Linnar Viik identified a strong need for innovation: “Following the trend of free movement of people and capital, we will have an increasing demand for cross-border public services, which will further rise from May 2004 with the enlargement of the EU. However, if we look into existing cross-border public e-services in the EU, we have none! The region that focuses on cross-border functioning applications will definitively be a true frontrunner and role model”.

Christer Asplund proposed some specific goals. “Let us say there are 100 ICT local clusters in the Baltic Sea region. A goal could be to triple or multiply this number five times to have massive impact, to inspire ourselves and to improve our global competitiveness. Not only for the cities and the regions, but also for the companies like Ericsson, Nokia, TeliaSonera and the thousands of small and medium enterprises”. Furthermore, in his opinion, the region needs to measure itself in order to see how the region manages each year. “To assess our effort, we could use the Mobile Readiness Index introduced in the mWatch report”, he suggested.

The panel agreed that the regional approach is essential, but is also a major task. The responsibility for managing this task should be shared between private industry and local and central governments. The panel also supported the idea of a common regional framework or organisation. As summed up by rapporteur Stefan Klein, Director of Hamburg Business Development Corporation, “the panel confirmed the strong belief in the Baltic Sea region’s potential as a global frontrunner within ICT. Private companies and public institutions should co-operate to gain full advantage of this”.

The ICT workshop in the afternoon presented the opportunity to go into depth with the theme of the morning ICT-session, including some examples of new cooperation.

Sharing of Best Practices Between Cities

Project Manager Sanna Koritz, Stockholm Economic Development Agency, and Ilze Pruse, Director of the Information Technology Centre in City of Riga, presented the Riga eCity & the Stockholm mCity projects as an example of a cross-border cooperation on sharing best practices. By making use of each other’s different competencies and backgrounds, it was possible to develop better and more efficient services. Ms. Pruse pointed out that: “We need a network or database of experience, between municipalities, containing ideas and processes, so we do not to design the bicycle twice”.

Stefan Klein reporting from the ICT Session.
… and Between Sectors

Vice President of City of Copenhagen Jimmy Kevin Pedersen and Senior manager in Cap Gemini Denmark Henrik Juhl presented a Digital Self Service project in Copenhagen, as an example of a public-private cooperation in the region. The vision is to be open 24 hours a day, 7 days a week for the 500,000 citizens and business contacts, and at the same time organise work flow for the 60,000 employees of the municipality. According to Mr. Pedersen and Mr. Juhl, it became obvious very early in the process that this vision could only be fulfilled through a public-private partnership.

Kaj Juul-Pedersen stated that it is good to see the public sector defining requirements for the private sector. With the public sector as a heavy investor in new technology, it is also a key driver for further growth in the ICT sector.

Financing of Future Regional Work

The suggestion from Baltic Development Forum to create a regional platform with focus on cooperation within ICT met with the following commitments:

Head of E Work Sector in the European Commission/IST Jacques Babot drew attention to the eEurope programme of 3.5 Billion Euros over the next three years. The EU not only funds R&D projects, but also supports actions like the idea of a common Baltic Sea region organisation. Furthermore, Mr. Babot informed that EU programmes are already open to forthcoming new members: “The Baltic Sea region has a specific role in helping the emerging countries into the EU. Baltic Development Forum could very well be the organisation taking the lead. The EU would very much like to help through structural funds”.

Steiner Tveit, President of Market Unit Nordic & Baltic at Ericsson, was pleased to observe the spirit of networking in the region, but to accelerate the process there is a need for focus: “We can not be best in all fields - Ericsson will support you in this journey”.

Mandate from the ICT workshop 7 October:

We, the participants at the 5th annual Baltic Development Forum Summit, endorse the initiative to further develop a platform where cities, central administrations, development agencies, ICT companies and universities can meet and share common visions for the Baltic Sea region within ICT.

We support and urge the Baltic Development Forum organisation to consider ways and means for the establishment of a Baltic Sea ICT secretariat, which should:

- Be a platform for development of a common vision and identity for the region within ICT.
- Arrange executive network meetings across borders and sectors for representatives from all 10 countries around the Baltic Sea and facilitate Public Private Cooperation in a virtual cluster of ICT knowledge.
- Be a forum for “open mind sharing” of best practices and create innovative ideas of new public end-user services, and thus a common strategy of service platforms and infrastructure needed, ethical standards and absence of legislation and other barriers to regionalisation.
- Be "midwife" for potential cross-national projects, ensure matchmaking, be an innovation catalyst and facilitate the applications for financing and fundraising.
- Brand the Baltic Sea region within the ICT area.
PARTICIPANTS

Distribution of participants by sector

- A/S Aldaris, Latvia
- A/S Baltic Pulp, Latvia
- A/S Vereinsbank Riga, Latvia
- AB Bankas Nord/LB Lietuva, Lithuania
- AB Swedish Export Credit Corp.
- ABB Baltics, Latvia
- Activision Life International A/S, Poland
- Activision Life International A/S, Lithuania
- Activision Life, Latvia
- Administration of Kaliningrad Region, Russian Federation
- Aftenposten, Norway
- Agency Leta, Latvia
- Air Baltic Corporation, Latvia
- American Chamber of Commerce, Latvia
- Antilles Banking Corporation, Netherlands Antilles
- ART TV, Latvia
- Associated Press, Latvia
- Baltcap Management Ltd., Finland
- Baltic 21, Sweden
- Baltic Assembly, Latvia
- Baltic Candles Ltd., Latvia
- Baltic Communications Ltd., Russian Federation
- Baltic Course, Latvia
- Baltic Int. Centre for Economic Policy Studies, Latvia
- Baltic Power Control Centre, Latvia
- Baltic Sea Forum, Germany
- Baltic Sea Parliamentary Conference, Denmark
- Balticja Forums, Latvia
- BaltSeaNet, Germany
- BASF Aktiengesellschaft, United Kingdom
- BASF, Nordic/Baltic, Denmark
- BDO Invest, Latvia
- Belgian Embassy in Vilnius, Lithuania
- BICEPS, Latvia
- BioCon Valley GmbH, Germany
- Bizness un Baltija, Latvia
- British Chamber of Commerce, Latvia
- British Embassy, Latvia
- Business News, Latvia
- Business, National News Agency, Latvia
- Cap Gemini Danmark A/S, Denmark
- Capteco A/S, Denmark
- Carnegie Endowment for International Peace, USA
- Centre for Baltic Studies, Öresund University, Denmark
- Chamber of Commerce & Industry, Sweden
- Chamber of Commerce and Industry Kiel, Germany
- Chancellery of the President of Estonia
- Chancellery of the President of Poland
- Chancery of the President of Latvia
- Chancellery of the President of Lithuania
- CIM Creative Industries Management Ltd, Finland
- City of Copenhagen, Denmark
- City of Helsinki, Finland
- City of Malmö, Sweden
- City of Stockholm, Sweden
- Cleanig GmbH, Germany
- Confederation of Danish Industries, Denmark
- Confederation of Danish Industries, Latvia
- Copenhagen Airports A/S, Denmark
- Copenhagen Institute for Futures Studies, Denmark
- Copenhagen Malmö Port AB, Denmark
- Council of Baltic Sea States, Estonia
- Council of the Baltic Sea States, Sweden
- COWI A/S, Denmark
- Crossroads Copenhagen, Denmark
- D.E.C., Group Holding A/S, Denmark
- DaimlerChrysler Danmark AS, Denmark
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IATVENERGO

SKANDINAVISK TOBAKSKOMPAGNI

Riga City Council

Information Society

TELEBALT

European Commission

European Investment Bank
SERVICE PROVIDERS

Aldaris

capteco

LATVIJAS NACIONALA OPERA

INTERNATIONAL MEDIA PARTNERS:

THE BALTIク Times

Observer

n о r t h e n

enterprise

Northern Europe’s business magazine

Photos by Hanne Paludan Kristensen
ABOUT
BALTIC DEVELOPMENT FORUM

Baltic Development Forum aims to advance the growth potential in the region through the forging of new partnerships between leaders from businesses, national and local governments, academia and the media. The mission of Baltic Development Forum is to position the Baltic Sea region as a dynamic and prosperous economic frontrunner in Europe and the world. Baltic Development Forum envisages an integrated region, where partnership and co-operation are at the top of the agenda; a region moving uniformly forward with shared priorities, co-ordinated across borders and sectors.

Established in 1999, Baltic Development Forum has consolidated its position as a leading networking and agenda-setting organisation in Europe. Through our wide range of activities, we offer opportunities to:

• Be part of an exclusive, high-level, interactive network of more than 2,000 executives;
• Meet new business partners across borders and sectors;
• Exchange ideas and develop regional strategies with decision-makers from business, politics, academia and the media;
• Influence the regional agenda and participate in the development of the region.

Baltic Development Forum is chaired by Uffe Ellemann-Jensen, former Danish Minister for Foreign Affairs.

Baltic Development Forum’s Honorary Board consists of Hans-Dietrich Genscher, former Minister for Foreign Affairs of Germany, Jón Baldwin Hannibalsson, Ambassador, former Minister for Foreign Affairs of Iceland, Lennart Meri, former President of Estonia, Kazimiera Prunskiene, MP, former Prime Minister of Lithuania, Klaus Schwab, President of World Economic Forum, Krzysztof Skubiszewski, former Minister for Foreign Affairs of Poland and Thorvald Stoltenberg, President of Norwegian Red Cross and former Minister for Foreign Affairs of Norway.

Baltic Development Forum’s Advisory Board consists of Hans Dalborg, Chairman of Nordea, Toomas Luman, President of the Estonian Chamber of Commerce and Industry, Grete Faremo, Executive Vice President of Storebrand, Jaakko Iloniemi, Ambassador, President of the Crises Management Initiative, Viktors Kulbergs, Chairman of National Economic Council of Latvia, Andrius Kubilius, MP, Former Prime Minister of Lithuania, Andrzej Oлечowski, Chairman of the Central Europe Trust Fund, former Minister for Foreign Affairs of Poland, Wolf-Rüdiger Janzen, Secretary General of the Kiel Chamber of Commerce and Igor Jurgens, Vice President of the Russian Union of Industrialist and Entrepreneurs.

Baltic Development Forum’s daily activities are supervised by its Board of Directors. Director Ole Frijs-Madsen is in charge of the Baltic Development Forum secretariat.

Baltic Development Forum’s member organisation is an exclusive interactive network of business executives from large companies, business services, major cities, institutional investors and business associations. Sponsors can be associated with Baltic Development Forum as partners in connection with the annual summit, events and project activities.

Information about the networking activities and events of Baltic Development Forum can be found at www.bdforum.org.
Baltic Development Forum looks forward to seeing you at the 6th annual summit in Hamburg, 12-14 September 2004