

# BALTIC DEVELOPMENT FORUM

[ Report on the Stockholm Summit  
October 2005 ]



*The Baltic Sea Region as a Role Model  
– Achieving Global Excellence in  
Competitiveness and Innovation by 2010*

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## The 7<sup>th</sup> annual Baltic Development Forum Summit 2005

The Baltic Sea Region and its 11 countries - uniquely situated at the “top of Europe” - continues to be a remarkable place to live in and do business in. Courageous political developments over the last decade have paved the way and they can only be measured on an astronomical scale. These achievements have created an enormous potential for the Region to develop a unique, well integrated mix of strong business clusters, high skilled labour, low cost production, a market of 100 million people, and much more.

This dynamic development has drawn world-wide attention to the Baltic Sea Region, and it was with great pleasure that I in October 2005 could welcome the President of the European Commission, José Manuel Barroso, to the Baltic Development Forum summit in Stockholm. As you can read in this report he was truly impressed by the Region's achievements and sees it as a “beacon for the rest of Europe”.

We cannot, however, rest on our laurels. The overall conclusion from the previous summit in Hamburg in 2004 was that it is now time to capitalize on these achievements by fixing the remaining flaws and thereby turning them into economic development. But instead of matching the successful enlargement of the European Union, a tendency of fatigue has emerged and new barriers have started to be erected resulting in weakened competitiveness and economic growth for the Region.

The 2005 Stockholm summit clearly showed that now is the time for our political leaders to overcome their national short-term interests and demonstrate true leadership, and thereby turn the Region's economic potential into reality. In this regard, the fulfillment of the Lisbon Strategy goals, the liberalisation of the service market, and an increased integration with the Russian Federation were defined as top priorities.

We also need to profile the Region more clearly domestically and globally by establishing a distinct identity reflecting what this dynamic Region really represents. Baltic Development Forum will therefore lead an effort over the coming years to establish a strong and credible brand for the Baltic Sea Region.

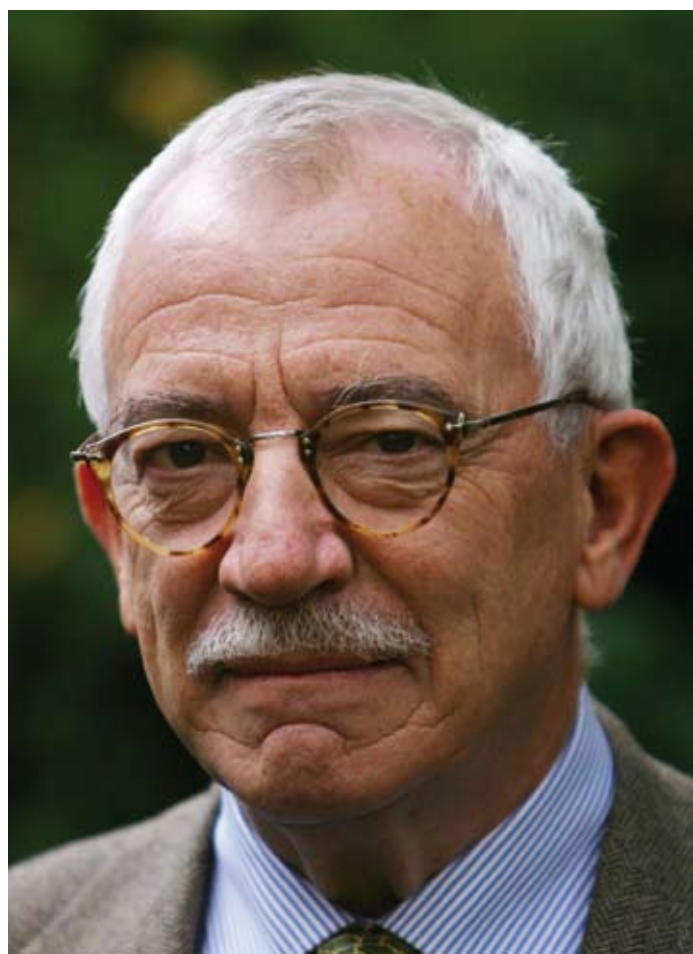
Vision, passion, and commitment are the most important tools to make the Baltic Sea Region a winner region in terms of growth, competitiveness and innovation. Baltic Development Forum will continue to work with governments, business leaders, leading academics and other key decision makers to encourage these traits and assist in building a prosperous and attractive Baltic Sea Region.

The preparations for the 8th annual Summit have already begun, and I hope you will join us in Helsinki on 29-31 October 2006.

Yours sincerely,



Uffe Ellemann-Jensen  
Chairman



# Executive Summary

The 7th annual Baltic Development Forum Summit took place in Stockholm 16-18 October 2005. The summit attracted more than 500 leading decision makers representing business, politics, academics, innovation agencies and the media, who convened for intense cross-sector discussions and for setting new agendas for the Baltic Sea Region. The 2005 Summit was co-organized with VINNOVA, the Swedish Agency for Innovation Systems.

## Will the Baltic Sea Region Stay Competitive?

Despite numerous growth initiatives, including the Lisbon Strategy for Growth and Jobs, Europe continues to be outperformed by several parts of the world. While many political leaders often pay lip-service to economic reform in principal, little is done in practice. The results can be seen on the negative trajectory in world competitiveness as shown in the World Competitiveness Report and the State of the Region Report.

On an aggregate level, the Baltic Sea Region is ahead of the European Union when it comes to implementing the Lisbon goals. This is not enough to be competitive in the world economy, most of the business leaders agreed. In their view, Europe is in a deadlock of decision-making on the service directive, Turkish membership and the EU Constitution. Furthermore, as **Hans Skov Christensen**, Chairman of the Confederation of Danish Industries, expressed it *"The Baltic Sea Region is doing well compared to the rest of Europe, but our region is interdependent with the rest of Europe"*.

**Klas Eklund**, Chief Economist at SEB, stressed the urgency of immediate action and requested more political leadership. *"The diagnosis is clear and evident as well as the medicine"*, he said. Mr. Eklund's conclusion was strongly supported by **Algirdas Brazauskas**, Prime Minister of Lithuania.

The President of the National Bank of Poland, **Leszek Balcerowicz**, suggested that all EU Member States finalise the implementation of already existing treaties, referring to the

completion of the Single Market and the freedom of movement of goods, capital, labour, and services. The need for liberalising the service market in the European Union as a pre-requisite for competitiveness was echoed in practically every session at the summit.

Another strong point was the need for creating a better entrepreneurial environment in the Baltic Sea Region, since it is the small and medium-sized enterprises that produce the largest growth and employment in today's economy. But though most agree on this in theory, there are still few incentives for entrepreneurs to start or grow businesses. **Charles Wessner**, Director of the National Academy of Science in the US expressed it as *"small businesses grow jobs, generate taxable wealth, create welfare-enhancing technologies, transform the composition of the economy, and develop products to ensure our wellbeing and productivity in the future. This is why we punish them!"*

## Innovation Fundamental for Competitiveness

Innovation performance in the Baltic Sea Region remains strong and dominated by the Nordic countries. However, there are a number of challenges that need to be addressed in order for us to stay ahead. **José Manuel Barroso**, President of the European Commission, pointed at the need to increase spending on R&D. *"Those who argue that we cannot compete with countries like China on cheap goods, and should therefore concentrate on high-tech, high value goods, are in for a shock very soon, unless we manage to turn the situation around."* R&D, as well as available and accurate information, are fundamental pre-requisites for innovation.

**Christian Ketels**, Principal Associate at Harvard Business School and the main author of the State of the Region Report, pointed at another area for possible improvement for the region in terms of innovation. *"Research is about turning money into ideas; innovation is about turning ideas into money. We are pretty good at the first one, but not quite as good at the second one."*



# “The Baltic Sea Region is doing well compared to the rest of Europe, but our region is interdependent with the rest of Europe”

In terms of how to stay ahead on innovation and competitiveness, **Kim Østrup**, Vice President of IBM Denmark, proclaimed that a paradigm shift that can make the Region move up the value chain was needed. From his perspective, the new opportunities lie in service innovation and service exports, which depend on *“strong service clusters that can create the complex ecosystem required for service innovation”*.

## Russia, EU and the Region

Trade and economic integration with Northwest Russia with its 12 million people, untapped markets, and growing middle class continues to constitute a major opportunity for the Baltic Sea Region. **Göran Persson**, Prime Minister of Sweden, named it *“the greatest potential for growth and development in our region”*. But the relationship is not uncomplicated and a great number of barriers must be torn down before this potential can be realized. Part lies in bulky technical requirements, cumbersome visa procedures, and insufficient and ineffective infrastructure.

However, these issues can only be resolved through an improved relationship between Europe and Russia, built on mutual recognition and respect. **Sergey**

**Yastrzhembsky**, Special Representative of the President of the Russian Federation, expressed high hopes for a stronger relationship between Russia and the EU, especially after the recently concluded agreement on the four common spaces and the renewed PCA discussion within the framework of the Northern Dimension.

As a concrete suggestion for further integration, Mr. Yastrzhembsky suggested that the Kaliningrad Oblast should be treated as a pilot area for accelerating the creation of the four common spaces, and urged that Baltic Development Forum keep Northwest Russia as a prominent part of its agenda.

**Gerhard Lohan**, Head of Unit in DG Relex in the European Commission agreed that the EU-Russia relationship had been raised to a new level and welcomed the Kaliningrad transit agreement for persons and goods.

## Building a Baltic Sea Region Brand

For too long, the Baltic Sea Region has been a well hidden secret. Already at the Copenhagen summit in 2002, Principal Deputy Assistant Secretary of State in the US, **Charles P. Ries**, recognized this and stated that *“this region is a beacon*

*for what can be accomplished through co-operation and partnership”*.

At the 2005 Stockholm Summit, Baltic Development Forum announced that it would devote a lot of resources to support the development of a regional brand-building exercise lead by **Simon Anholt**, co-founder of the GMI-Anholt Brands Index. **Kai Hammerich**, Chairman of the Baltic Sea Regional Investment Promotion Agencies (BIPA), supported this idea and announced that BIPA would set up a joint office in India to promote investments into the Baltic Sea Region.

The initiative was also strongly supported by **Christopher J. P. Beazley**, Chairman of the ‘Baltic-Europe Intergroup’ in the European Parliament, who looked forward to a close co-operation with the Baltic Development Forum on Baltic Sea strategies.

## Helsinki Summit 2006

The 8th annual Baltic Development Forum Summit will take place in Helsinki, Finland, on 29-31 October, 2006 during the Finnish EU Presidency.

# The Baltic Sea Region

**“like anything worth having, our growth and jobs strategy requires determination, openness, and money”**



José Manuel Barroso, President of the European Commission, addressing the audience at the opening of the 7th annual summit in the Swedish Parliament.

# — a Beacon for Europe

The Baltic Sea Region, with its stellar record in employment, environment and innovation, stands out as a leader in the EU and is ahead of most other member countries with regard to implementing the Lisbon Strategy and meeting the goals of 2010. This was the recurring theme at the Baltic Development Forum's summit. But at the same time most speakers emphasized the danger of complacency and pointed to some of the Region's shortcomings. This means that the countries in the Region need to be extremely focused and work hard if they want to keep their leader positions.

After last year's mid-term evaluation of the Lisbon Strategy for growth and jobs, several causes for its slow implementation have been identified. Primarily they are referred to the lack of national action in terms of economic reforms and inadequate focussing, which is a result of too many priorities and indicators not relevant to economic growth. The revised Lisbon Strategy now classifies the priorities into three broad sectors; i) creating knowledge for innovation and growth, ii) making Europe attractive to invest in, and iii) creating more and better jobs and social cohesion.

In his opening speech at the 2005 Baltic Development Forum summit in Stockholm, **José Manuel Barroso**, President of the European Commission, expressed great confidence in the Member States to realise the Lisbon Strategy: *"like anything worth having, our growth and jobs strategy requires determination, openness, and money"*.

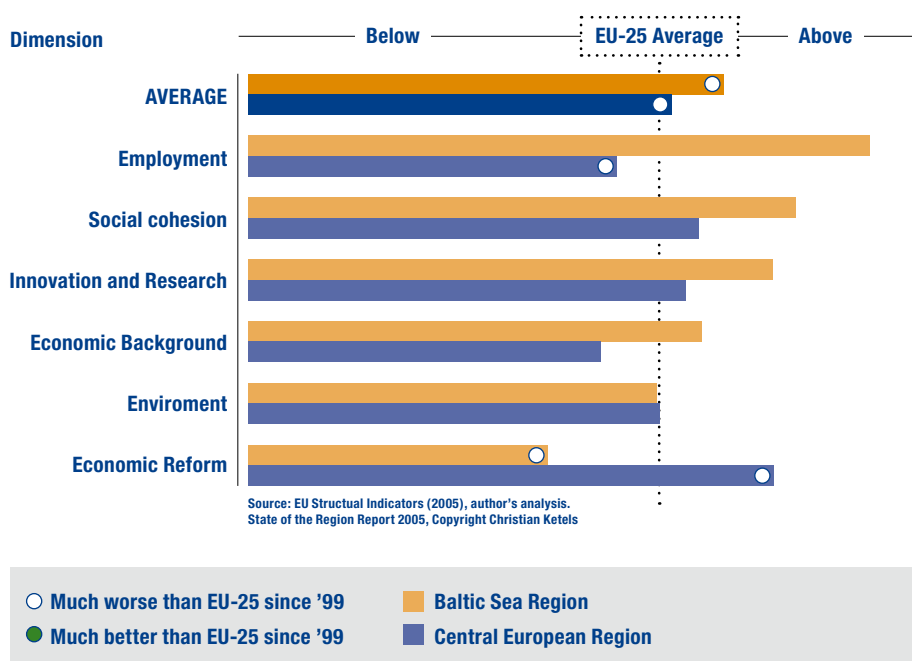
The summit devoted a lot of attention to the creation of a regional process to support the implementation of the Lisbon Strategy. Part of this process is to analyse its performance in the State of the Region Report each year, and discuss the progress, or lack thereof, at the annual summits. But more importantly, Baltic Development Forum will apply the Lisbon Strategy on the Region and, together with our members, partners and stakeholders, define concrete areas for synergies, cooperation, and action to guide the decision makers in the Region.

## Baltic Sea Region Performance

In general, the Baltic Sea Region performs well on the Lisbon Agenda indicators, with several countries taking top positions in the national ranking. As shown

in Figure 1 below, typical strengths are in the field of employment, environment, and innovation, i.e. the "soft" indicators, while we lag behind on typical "hard" indicators such as economic reform. The exceptions are the "Baltic Tigers" – Estonia, Lithuania and Latvia – from which the old EU states can draw inspiration. Overall, the Region is still ahead of the EU-25, but other countries and regions are beginning to catch up. President Barroso recognized this in his speech: *"in many ways, parts of the Baltic Sea Region could act as beacons to the rest of Europe"*. So did Professor **Maria João Rodrigues** who in the Lisbon breakfast session said that *"after the mid-term review regions like the Baltic Sea Region can play a central role, and this is why this forum is so important"*.

Figure 1. Lisbon Agenda Performance by Sector



# “the best performers in this region have open and flexible economies, are open to trade, and open to investment”

Despite the outsourcing of jobs, many of the countries in the Region have relatively low unemployment, which is due to a generally open and competitive economy, not because of protectionism. This sends a strong signal to weak and over-regulated economies that protectionism is not the path to the future, but a slide back into the past. This was also the view of President Barroso, who concluded that *“the best performers in this region have open and flexible economies, are open to trade, and open to investment”*.

But, unfortunately, all is not well and it is not only countries like France that apply protectionist behaviour and barriers against their neighbours. Close to the EU expansion in 2004, several countries around the Baltic Sea adopted so called

‘transition rules’, limiting the freedom of movement of labour from the new Member States. This is highly unfair and the Region would benefit from abolishing these restrictions as well as ensuring a free and effective trade in services, especially since the latter is one of the Region’s core strengths. This was another strong point made by President Barroso: *“We must complete the internal market and promote free competition. The service sector is Europe’s biggest untapped source of growth, and yet we are still burdened with 25 mini markets in the face of growing competition”*.

**Christian Ketels**, Principal Associate, Harvard Business School, encouraged closer co-operation in the State of the Region session by saying *“There is a*

*real potential for us as a region to work together, although we are different. If we achieve that we can truly become a role model not only for Europe but also the rest of the world.”*

**Michael Treschow**, Chairman of the Confederation of Swedish Enterprise, in his speech in the Swedish Parliament defined the opening up of the service sector as the most important opportunity for the Baltic Sea Region: *“Services are underrepresented in this region. Naturally we have to break the deadlock, while being in the EU. Instead of sitting down discussing small things about what is possible or not, let us take a look at the big picture, and let us get started with a pragmatic view, because this is where the action is going to be”*.



Christian Ketels, author of the State of the Region Report 2005.

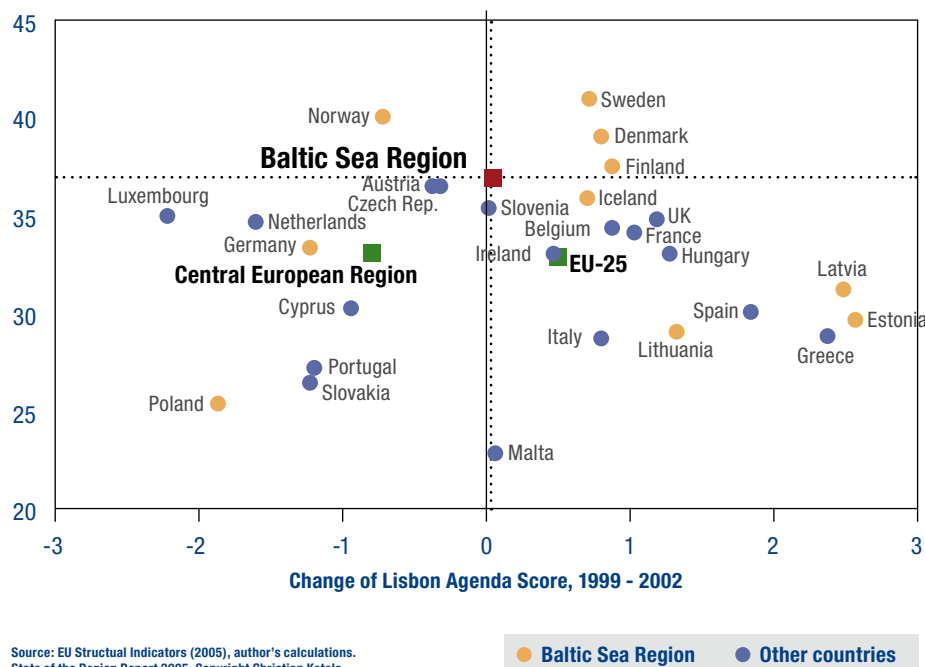


Michael Treschow, Chairman of the Confederation of Swedish Enterprise, encouraged the audience to explore the opportunities of globalisation



Figure 2. Lisbon Agenda Performance by Regions and Countries

#### Lisbon Agenda Score, 2002



Source: EU Structural Indicators (2005), author's calculations.  
State of the Region Report 2005, Copyright Christian Ketels

The State of the Region Report shows that the EU members in the Region, lead by Sweden, Denmark and Finland, are doing very well in terms of the Lisbon Agenda performance (see Figure 2). Not surprisingly, these countries are also among the fastest to convert Lisbon related EU directives into national law. This stands in sharp contrast to the founding six EU member states, which all trail well behind even the 10 new Member States. The EU directives are important components in the Lisbon Strategy, but beyond the raw legislative work, implementation of the directives also sends a strong signal about the individual Member State's commitment to the process. Though Latvia, Estonia and Lithuania receive a lower score than the Nordic countries on the overall Lisbon Agenda performance, they actually score higher on their change rate, which means that they are catching up.

The Head of the Danish Trade Council, **Birger Riis-Jørgensen**, stressed in the session 'Ensuring a Competitive Market' that the Region needs to meet challenges at all levels – national, regional and global – and cooperate between business, politics and academia. He also suggested to shift the focus towards Russia, a great neighbour with a lot of potential. Mr. Riis-Jørgensen emphasised that the completion of the internal market and the Lisbon Strategy was very important, and suggested that all Member States put efforts into the national process to this effect. He concluded by saying that the annual Baltic Development Forum summit serves as a unique and useful platform for sharing ideas and exchanging information about other countries and systems in the Baltic Sea Region.

Focussing on the Baltic Sea Region, the Prime Minister of Lithuania, **Algirdas**

**Brazauskas** stated during the Lisbon breakfast session that there are countries with high growth rates and business friendly environments that still lag behind in terms of the use of technology and developing a modern welfare state. There has to be more emphasis on innovation and continuous economic reforms, the Prime Minister said. The national governments have to take action themselves in order to reach the goals of the Lisbon Strategy. Even though there is no one-fits-all recipe for achieving growth and competitiveness, it is still possible to learn from all the Baltic Sea countries. In his opening remarks, President Barroso was quite positive about the Region's prospects in this regard, because *"as this summit clearly shows, you are open to new ideas and sharing ways of improving competitiveness and innovation in the whole region"*.

**Hans Skov Christensen**, Chairman of the Confederation of Danish Industries, stated in the same session that the diagnosis of the European economy is not promising, and that that immediate action is needed to turn the decline into success. Europe is currently at a deadlock of decision making with the lack of a service directive, long debates about the Turkish EU membership, and the failure to ratify the EU Constitution. *"Europe needs to go back to the business of business, and politicians need to stop digging when they are in a hole"*, Mr. Skov Christensen stated, and ended by saying that *"the Baltic Sea Region is doing well compared to the rest of Europe, but our Region is interdependent with the rest of Europe"*.



President of Estonia, Arnold Rüütel arrives at the Swedish Parliament.

President of Estonia, **Arnold Rüütel** said in the plenary session 'Baltic Sea Region as a Role Model' that Estonia has firmly supported the principles and goals of the Lisbon Strategy – strengthening the competitiveness of the EU and improving employment – since the very beginning. However, President Rüütel wanted to emphasise that we should not make a fetish of competitiveness and forget the social dimension, that is, the people. Therefore, the President warmly welcomed the “Baltic Sea Initiative 2010”, where the main focus is on increasing competitiveness of our Region through innovation, science and education from a bottom-up perspective.

While speaking of the goal of making the Baltic Sea a role model, not only in Europe but also at the global level by 2010, President Rüütel pointed out one crucial aspect: *“While promoting the interests of the Baltic Sea Region, the countries in this region, and the people, must not overlook the common interests of the EU and of the entire area that shares European values”*.

## The Lisbon Strategy – a Toolbox for Decision Makers

In the parallel session on “Growth and Innovation beyond Metropolises”, Professor Maria João Rodrigues, one of the key individuals in developing the Lisbon Agenda, emphasised the link between the Lisbon Strategy and the regional and local level by declaring that the Lisbon Strategy originally was an agenda for regional development. *“That’s why we need a creative translation of this European agenda to each region; it’s up to each region and their stakeholders to make this a creative reinvention of the agenda”*, Professor Rodrigues underlined. She described the agenda as a toolbox and in order to use it as a toolbox each region needs to address a number of critical questions, such as what the main recourses and clusters are, what partners should be involved in the economic development, and what the critical framework conditions are. Professor Rodrigues concluded by saying that even if one addresses these central questions, the main issue is a matter of political leadership. *“We have the toolbox – we have good instruments; the problem is to make sure that this orchestra can play together, and that we have a good climate for cooperation”*, she said.



Chairman of Aviva, Pehr Gyllenhammar making his speech on how to boost the new Lisbon Strategy. The public figures in the panel are from the left: Leszek Balcerowicz, President of the National Bank of Poland, Uffe Ellemann-Jensen, Chairman of Baltic Development Forum, Göran Persson, Prime Minister of Sweden, and Arnold Rüütel, President of Estonia.

## Openness and Enlargement – The Way Ahead for EU

Some speakers in the plenary session ‘Baltic Sea Region as a Role Model’ pointed out several difficulties that the EU needs to overcome to move forward. One of the important issues mentioned was the enlargement. An overall opinion from the panel was that it has been a very positive thing, since it has extended the common market and spread democracy, market economic standards, human rights, rule of law, etc. As stated by Chairman of Aviva **Pehr Gyllenhammar**: *“New members create new energy, which is what the EU needs. The new members show flexibility and openness, and new business models are resulting in dynamism, faster growth and competitiveness”*.

He also emphasised that the EU has to be open by saying *“The EU has been at its best when opening itself to the outside world, and been at its worst when protecting subsidies and trade. Europe is flourishing on openness and is at the same time declining because of protectionism.”* The fact is, according to Mr. Gyllenhammar, that the new Member States are denied the fundamental rights

**“We have the toolbox – we have good instruments; the problem is to make sure that this orchestra can play together, and that we have a good climate for cooperation”**

as members, like free movement to work and study. We should respect the commitment to open markets and stop wasting money on protection mechanisms. Instead, these resources should be used for investing in innovation, resulting in prosperity for the Baltic Sea Region and the EU as a whole. Due to the lack of a fully functioning internal market, EU citizens are denied free choice between *“the expensive and the cheap, the worst and the best”* Mr. Gyllenhammar explained.

### Political Leadership Required

Five years ago the EU-15 concluded that they would create the most competitive and dynamic knowledge-based econ-

omy in the world by 2010. Since then, they have all stagnated and even gone backwards. Mr. Treschow provocatively asked in his opening speech *“who will dare take leadership and provide the necessary steps that are needed?”* All matters are in reforms and the agenda is a *fantastic menu*. In the plenary session ‘Baltic Sea Region as a Role Model’, Mr. Gyllenhammar, stressed that what is required is *“a fresh start, renewed determination and high speed ahead”*.

Also in the Lisbon breakfast session, SEB's Chief Economist, **Klas Eklund** doubted that even the revised Lisbon Strategy would have much impact on growth in Europe. It still contains too many indicators and the real needed change in relation to the Common Agricultural Policy (CAP) and the service directive remain unsolved, which hampers the full potential of the common market, he said. Leadership is needed in Europe, but the old EU countries have not given these issues high priority. This is not likely to change before the pressure from China, India and the US becomes so evident that it cannot be missed. Mr. Eklund stressed the importance of the European leaders *"to get their act together soon"*, but he thought the reforms would have little to do with the Lisbon Strategy when they actually happen.

The panellists in the session agreed that European leaders must show more political leadership in order to create jobs and growth. The people of Europe and its political leaders must also understand the necessity of large changes in relation to the implementation of a service directive, the CAP and the common market. All resources must be mobilised and used effectively to make Europe competitive for the future. *"The diagnosis is clear and evident as well as the medicine"*, Mr. Eklund said.

The panel in the plenary session 'Baltic Sea Region as a Role Model' also pointed out that Brussels usually is given the blame for issues we do not like, which is highly unfair. The national governments are the actual decision makers through the Council of Ministers, but they are only accountable and take credit for decisions they think we approve of. The new EU Constitution was rejected by Dutch and French electorates to humiliate their national governments, not the EU. The general view is that the EU is in a crisis, but Mr. Gyllenhammar believed that it is the national politicians and their governments that are in a crisis. The union is actually not doing all that bad. He summarised by saying that the EU is at a crossroads and that we need to look forward not backwards, to make use of the contributions from the new Member States, implementing the Lisbon Agenda, create a free labour market, and to reduce barriers to business.

## We Cannot Afford to Get Behind in R&D

Another important goal is to increase R&D investments (today below 2 % of GDP) if the EU shall be able to compete at the global market also in the future. In comparison, the US has 2.75 % and Japan 3 %. Only two countries in the Baltic

**"The diagnosis is clear and evident as well as the medicine"**

Sea Region show figures above EU average: 3.5 % for Finland and 4.3 % for Sweden.

**Irene Norstedt**, Head of Sector, DG Research at the European Commission, stressed in the session 'Research and Education' the importance of further investment into R&D and was rather positive about the present level of funding by the countries around the Baltic Sea Region, *"If you do invest in R&D you foster scientific excellence and that attracts more money"*, she said. According to the new Lisbon objectives, the target is that 3 % of GDP should be invested in research (broken down by 2 % private and 1 % public funding). High on this list are several countries in the Baltic Sea Region, and there is a clear correlation between national R&D investments and where the EU funding for research goes.

We are, as **Børge Didrichsen**, Vice President, Novo Nordisk said, facing tremendous competition in the R&D field. The dragon and the elephant – China and India – are investing incredible amounts of financial resources in R&D. If China continues to increase its R&D investment by 25 percent per year, it will outrun the EU in R&D spending in only five years. *"Nobody is taking the responsibility to change that. The business is blaming the politicians and the politicians the lack of money. Bioscience still holds a strong position, but for how long?"*, Mr. Didrichsen asked.

Judging from the points made by the speakers above, there could clearly be a cause for concern regarding EU's ambition to be the leading knowledge-based economy in the world by 2010. It is good to have a common goal of what in average should be spent on R&D, but as **Charles Wessner**, Director at the National Academy of Science in the US asked in the State





Klas Eklund, Chief Economist at SEB in the 'Lisbon Agenda' breakfast session.



Charles Wessner, Director at the National Academy of Science in the US and Christian Ketels, Principal Associate at Harvard Business School.

of the Region session: *"Does the target address the allocation and effectiveness of R&D expenditures?"* His answer was that more R&D investments are only valuable if they are well spent.

The R&D subject will be further developed under 'Innovation – from Ideas to Commercial Value'

## Start by Implementing Existing Treaties!

The President of the National Bank of Poland, **Leszek Balcerowicz**, pointed out in the plenary session on the Baltic Sea Region's role that one way forward, when the EU now is in a stalemate over the Constitution, is to implement existing treaties. He underlined that the Single Market – free movement of goods, services, capital and labour – is at the heart of the EU; it is a fundamental right ensured by the treaty of Rome. It is therefore discouraging to see that movement of services has not yet been realised. The result of this resistance has a devastating effect on EU's economy, since services are a major part of today's economy, Mr. Balcerowicz said. He went on by asking how the EU can even dream of competing with e.g. US if we do not liberalise this important part of our economy, both in terms of the finan-

cial and non-financial market. In order to implement the *acquis communautaire*, the new Member States have liberalised their financial markets. The EU must take its own medicine and live by one single standard and, in Mr. Balcerowicz view, it is now time for the EU-15 to do the same as the new Member States.

The political economy should be more effective at solving common problems. The Lisbon goals are interesting because *"common goals require common measures"*, Mr. Balcerowicz said. The EU needs to have fiscal discipline and stability to solve social problems and must follow the Growth and Stability Pact. A modified pact must be enforced, not only for economic reasons, but also for moral reasons. This is the final test. *"Can we build a European justice or social cohesion without following this?"*, Mr. Balcerowicz asked rethorically.

Chairman Uffe Ellemann-Jensen, moderating this session, summarised by asking the panel; when we now are facing obstacles like the lack of political leadership on the Lisbon Strategy, on the EU Constitution, and the missing EU budget, does this give our Region an even stronger possibility to play an increased role in the future?

One concluding remark by the Swedish Prime Minister, **Göran Persson** was: *"I think so. We are eager to achieve a new constitution to make the enlargement possible. Our region is a success, politically and economically. We are already able to show flexibility, new patterns for co-operation, and mature economies. The Lisbon Agenda does not stop any government from going further than the goals set in the Lisbon Agenda. The more result we achieve in our region, we – eight countries together when Germany joins the club – can make a difference in the EU by acting. We will continue to modernise our economies. We can make a difference. But we can be even better, that is the driving force."*

All actors have to take necessary action to live up to their responsibilities. To be competitive in the world economy, just fulfilling the Lisbon requirements will not be enough, the panel in the Lisbon breakfast session concluded. **Uffe Ellemann-Jensen**, Chairman of Baltic Development Forum, in his endnote remarks summarising the summit even went as far as saying, *"Instead of looking at the Lisbon goals as the ceiling, let us consider them the floor"*.

# Economic Performance and Competitiveness

The annual State of the Region Report is an institution of the Baltic Development Forum summit that provides independent analyses of the Baltic Sea Region's economic performance, competitiveness and innovation. **Christian Ketels**, Principal Associate at Harvard Business School and the main author of the report, underlined in the State of the Region Report Session that while the EU enlargement has changed the Region

for the better and many economic indicators remain strong, the general trend is weakening and the Region is losing ground. There is no single right recipe, no "silver bullet", for competitiveness, Dr. Ketels pointed out. Certain fundamental criteria must be in place and more regional co-operation is needed to reap the benefits of the Region's full economic potential.

## Keeping up the Pace?

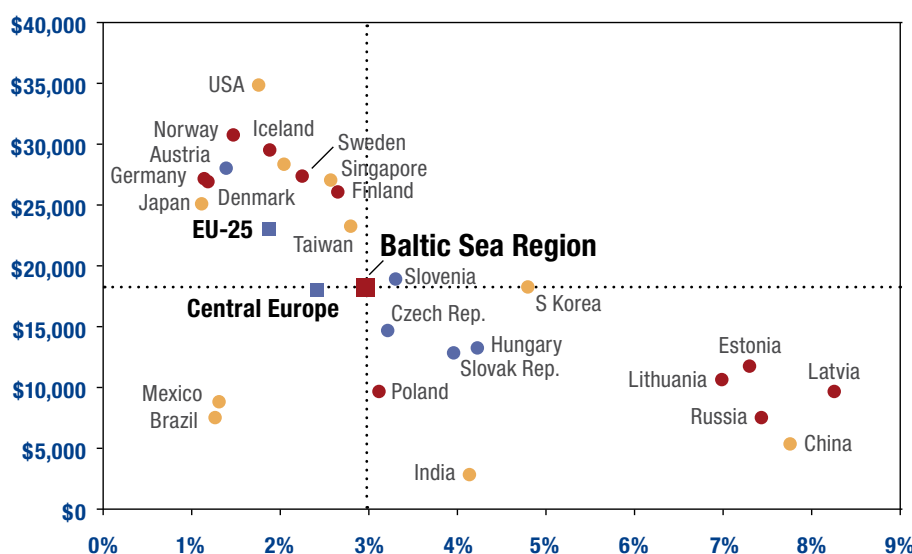
In terms of prosperity growth, the Region still scores high and continues to outpace Central Europe and the EU (see Figure 3). The countries with a high GDP show a slower growth rate, while the Baltic States and Russia with relatively low GDP's show a much higher growth rate and are thereby catching up.

While employment in the Region remains higher than the European average, the employment growth is weaker than in other peer regions. Relative to non-European OECD countries, labour productivity is still a competitive advantage for the Region. As shown in Figures 4 and 5, traditional strengths for the Region such as goods exports and inward investment attraction, however, are slowly losing ground to equal regions, which should be a cause for concern. Service exports show much stronger growth in comparison, which on the other hand should be a clear incentive to open up the service sector and take advantage of the Region's strong position in this area.

Taking an FDI perspective in the Branding session, **Kai Hammerich**, President and Director General of Invest in Sweden Agency (ISA) and Chairman of the Baltic Sea Region Investment Promotion Agencies (BIPA), considered himself an

Figure 3. Prosperity, selected Regions and Countries

Real GDP per Capita 2004,  
PPP-adjusted, \$-US (2002)



Growth of Real GDP per Capita (PPP-adjusted),  
CAGR, 2000-20004

Source: EIU (2005), author's calculations.  
State of the Region Report 2005, Copyright Christian Ketels

● Baltic Sea Region ● Other EU countries ● Other countries

optimist, but added, *"I don't know how optimistic I have the reason to be when looking at Europe"*. Over the last three years, the inflow of FDI to the EU has decreased with 47 %, while it during the same time has increased in USA, Asia, Africa, and Latin America. The reason that the EU-15 is losing ground on competitiveness is, according to Mr. Hammerich, the lack of political leadership and performance. *"Instead of meeting the beautiful challenges of globalisation we are wasting our time on discussing various protectionist measures"*, he said.

The Prime Minister of Latvia, **Aigars Kalvitis** and the panellists in the session 'Ensuring a Competitive Market' agreed that long time growth needs to be secured and the high number of regional initiatives must be better coordinated in the future. The discussion mainly focussed on how to create a better business climate with fewer barriers, more competent human capital, and better access to financial resources in the Region. There is too much diversity in tax and social security standards and rules in the countries of the Region, which leads to a lack of a common approach towards economic growth. Simultaneously, this diversity can result in positive synergies and higher growth, Prime Minister Kalvitis reasoned. His suggestions for higher competitiveness were to: i) attract more FDI to the Region, ii) improve the quality of the work force, and iii) create a good platform for R&D.

Dr. Ketels, from the audience, wondered if there was any coordination between the Baltic countries in terms of the national Lisbon Agenda programmes that EU member countries have to submit to the European Commission. Prime Minister Kalvitis stated that there was none, but he found it a very good idea. The Baltic Sea Region is already doing well in relation to the Lisbon goals, and in the future, the Member States have to inspire each other and benchmark with one another to do even better.

Figure 4. World Export Market Share over Time

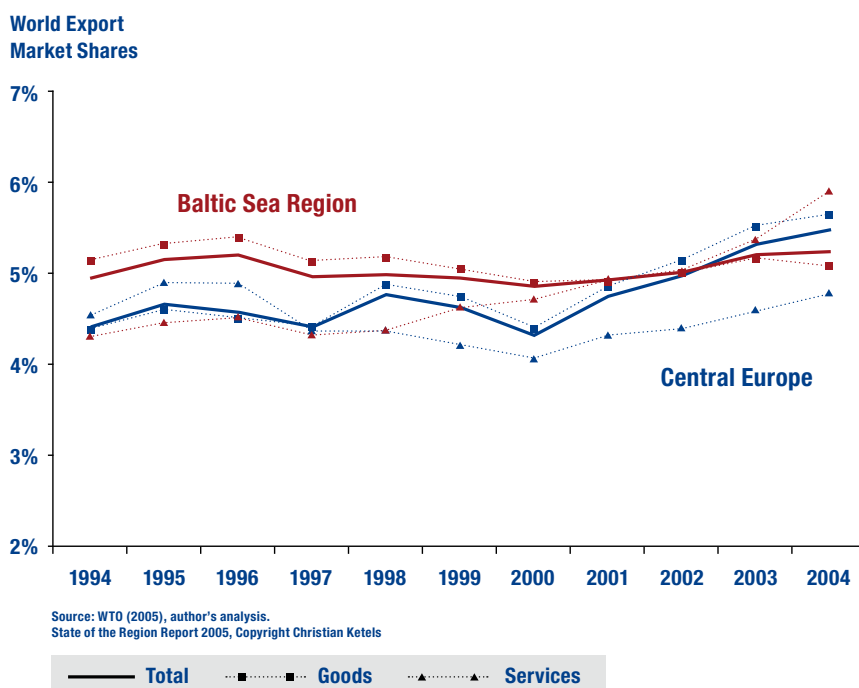
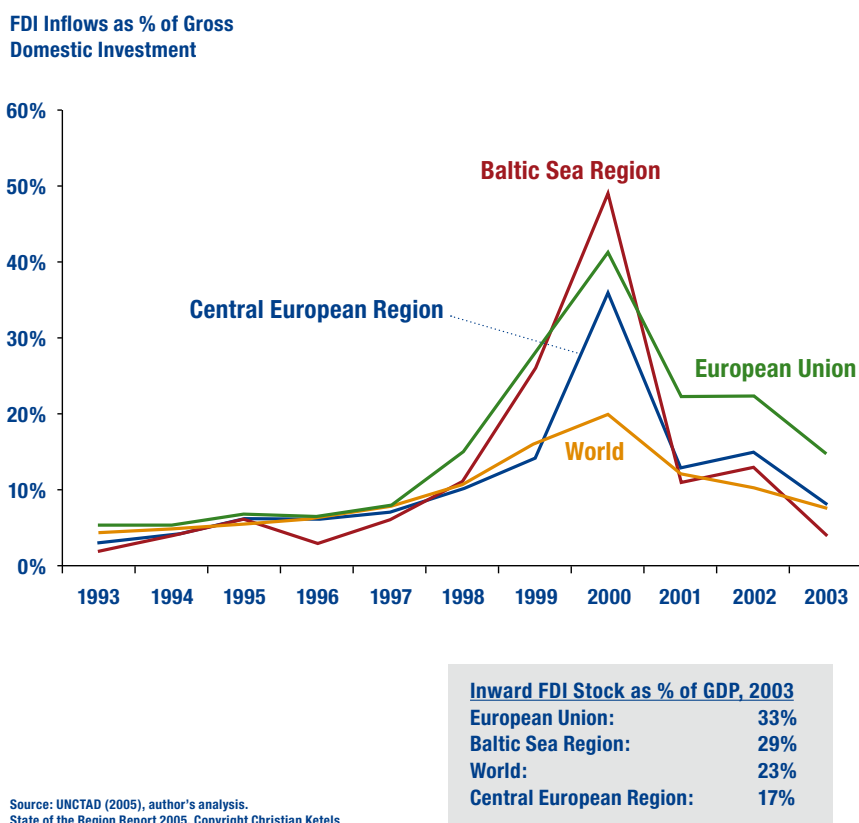
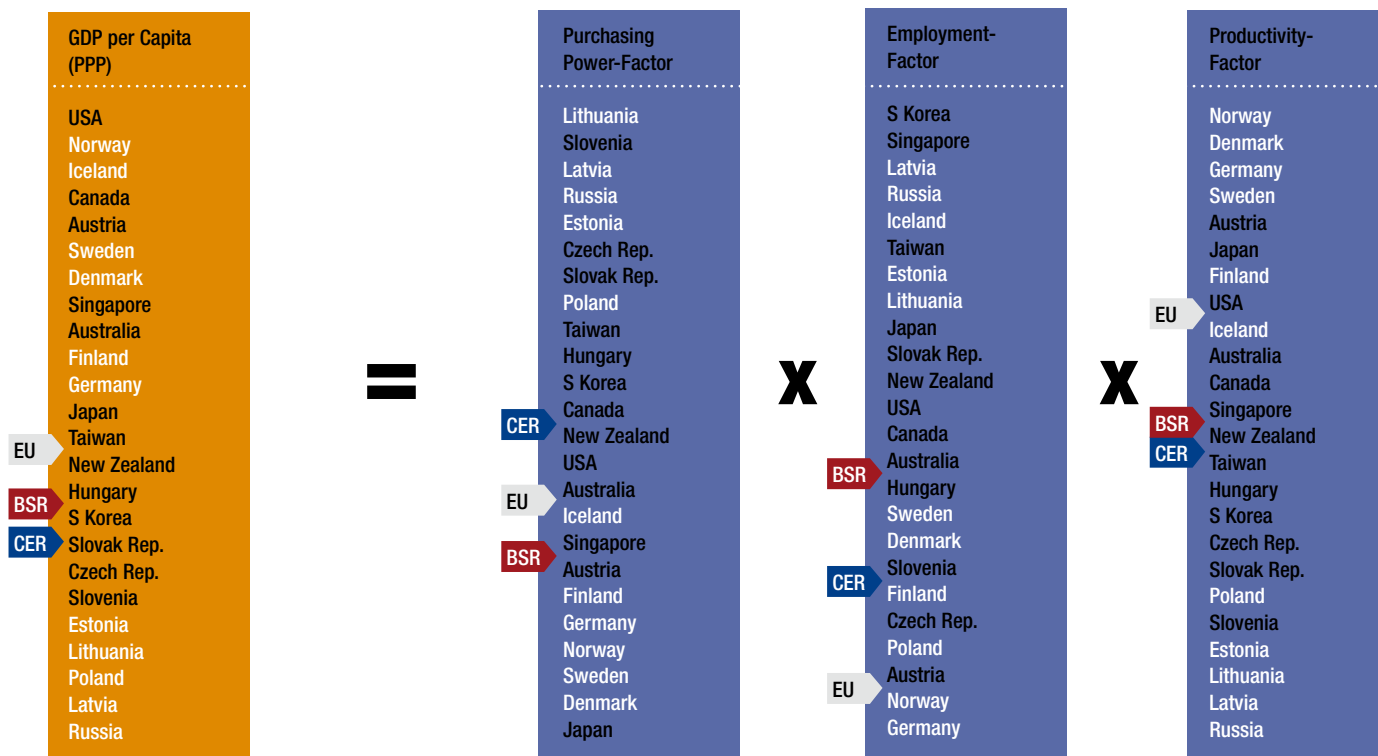


Figure 5. FDI Inflows over Time



Finally, the countries making up the Region remain significantly different in terms of their performance and prosperity drivers as shown in Figure 6. This provides room for improvements and strong incentives for increased co-operation at the regional level to make use of the attractive mix the Baltic Sea Region has to offer.

Figure 6. Prosperity Drivers, selected countries and regions



Source: Groningen Growth and development Centre and The Conference Board (2005), author's calculations. State of the Region Report 2005, Copyright Christian Ketels

## Frontrunners Today – Frontrunners Tomorrow?

All keynote speakers in the plenary session 'the Baltic Sea Region as a Role Model' agreed that the Region is performing quite well but more needs to be done. The 'Baltic Tigers' have accomplished remarkable results in a decade and a half, which have taken generations for other countries to achieve.

The Swedish Prime Minister **Göran Persson** acknowledged: *"The outlook for our region is promising. But the full potential for regional integration is yet to be realised. Together, the young market economies and the mature and reformed ones can achieve a lot more. Challenges*

*are there to be overcome. Opportunities are there to be taken."* This position was supported by Dr. Ketels, who said that the State of the Region Report shows that *"in many areas, we can achieve more together than individual countries can on their own"*.

Sweden, Finland and Denmark are ranked three out of the top four countries globally in the World Economic Forum's (WEF) Growth Competitiveness Index, measuring the macroeconomic prospects for medium-term growth. The Growth Competitiveness Index puts a 50% weight on technological capability, an area in which the Nordic countries are traditionally strong. China (rank 49) and India (rank 50) are still farther down

the road, but, as Chairman of Aviva **Pehr Gyllenhammar** pointed out, there is reason for caution since *"technology travels fast"*. On the WEF's Business Competitiveness Index, measuring the micro-economic conditions for creating prosperity, however, the position is generally weaker, and the Baltic Sea Region overall is losing ground to other countries and regions as shown in Figure 7.

The State or the Region Report supports the conclusion that through significant investments in R&D, education etc., several Baltic Sea countries ensure continued high prosperity and labour productivity growth, well above EU and Central European levels.



## Business Environment Quality – Strengths and Weaknesses

The State of the Region Report shows that the overall business environment quality is still high in the Region, but it is on a negative trajectory. Lower scores appeared across the board, notably also in areas of traditional strengths, such as skills and administrative capacity. Microeconomic data, closer to the companies' daily life, is not that positive, sliding over the last two years. Figure 8 provides a summarised picture of the business environment in the Region.

The President and CEO of TDC, **Henning Dyremose** argued in the session 'Ensuring a Competitive Market' that national public authorities must be improved in order to create an even more attractive business environment in the Baltic Sea Region. *"Authorities must not create more obstacles to businesses. Competitive and attractive markets can be created if smoother and faster administrative procedures are applied"*, he said. Mr. Dyremose also stated that there is a need for harmonisation of regulations within the Region and he recommended all authorities to take up a regional perspective instead of a national one.

## Intelligent Transport System and Infrastructure – Taking the Regional Perspective

One fundamental for a competitive business environment and growth in the Baltic Sea Region is a dynamic, coherent and intelligent transport system paired up with strong infrastructure solutions.

The main messages from the Transport session were that in the Baltic Sea Region we have a number of acceptable elements of transport and infrastructure, but the system is inadequately con-

Figure 7. Business Competitiveness Index

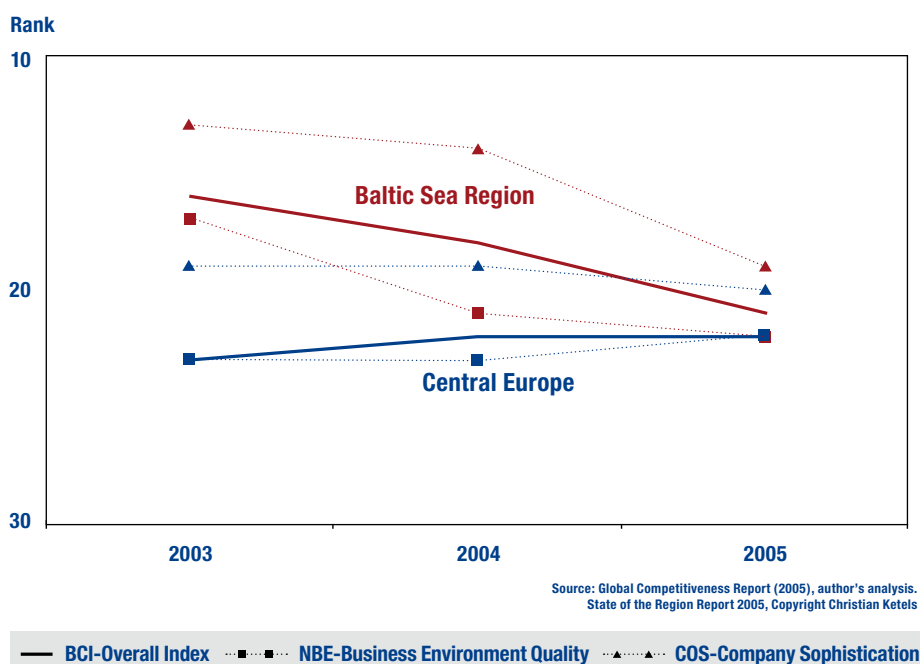


Figure 8. Business Environment Factors in the Baltic Sea Region



nected. “A user friendly and efficient supportive structure is to some degree lacking in terms of standards, administrative procedures, interoperability etc”, said **Karsten Sten Pedersen**, Chief Project Manager at COWI A/S. The panel emphasised the need for measures such as i) reducing administrative barriers and costs, especially between EU-members and non-members (i.e. Russia), ii) improved implementation of harmonisation standards, and iii) better integration between different transport modes.

The panellists also underlined that there is a need to recognise that the Region acts on a global scene and to adapt the transport system thereafter. The Baltic Sea Region, since the last EU enlargement, has to take into account two main global streams of interest: the interest of the EU as a whole and the interest of Russia. There also lies a huge potential in creating better connections to Asia. “If we create better connections to China and Asia we could cut the traveling time with something like 30 days”, **Bengt Gustafsson**, Project Co-ordinator from Baltic Gateway said, and mentioned that private actors like IKEA and Volvo are already including this scenario in concrete planning activities.

According to the moderator of the session, Professor at Turku School of Economics and Business Administration, **Lauri Ojala**, one instrument aiming at connecting the transport system that has been quite effectively used is EU’s Interreg programmes. In other words, better regional coordination can create a well functional transport system, being one essential driver for regional growth and boosting the competitive business environment in the Region.

**Gert Tiivas**, President for Growth Markets at OMX, is continuously working to put the vision of a deeper integrated Baltic Sea Region into reality. He strongly argued in the session ‘Ensuring a Competitive Market’ for the elimination of barriers related to capital markets and stock exchanges, the harmonisation of rules and regulations, and easy access for investors to financial markets as yet another driver of economic growth. “If we want to be a successful region we have to ask ourselves one question: Do we achieve this rather by

competing with one another or would we be better off if we found ways to co-operate more closely with one another and compete on a global scale?”, he asked.

The final discussions turned towards the issue of taxation as an important element of competitiveness. Despite the high taxes, the Scandinavian countries are still among the most attractive areas to conduct business in. However, most of the panellists agreed that no one should pay more than 50% in tax. The friendly taxation system introduced by the Baltic States was taken up as a very successful example of how to encourage entrepreneurship and attract investments. In general, the panel agreed that there was a need to decrease differences in regulation and supervision in the Region, to attract more investments and entrepreneurs, and to take a more regional approach instead of a national one.

## The Metropolises – Lighthouses Showing the Path for Growth

One concrete initiative of such a regional approach has been taken by the Regions’ metropolises called the “Baltic Metropolises” (BaltMet). Through their positions as centres of gravity, they function as crucial drivers for competitiveness, innovation and economic growth for the entire Region.

Several of the Mayors in the panel underlined the necessity of co-operation – increasing the major cities’ competitiveness on a global scale – and competition between the metropolises in order to attract FDI: “This co-operation will of course not eliminate competition between the cities, but this is not the goal – the main goal is to strengthen the whole Baltic Sea Region by strengthening the links between the metropolises in the Region”, stressed **Aivars Aksenoks**, Mayor of Riga. **Jussi Pajunen**, Mayor of Helsinki, said: “Through concrete co-operation, which includes defending joint interests, the Baltic Metropolises are able to keep a real added value to the economic growth in the whole region.”

The CEO of Metro International, **Pelle Törnberg**, applied a business perspective and underlined the importance for the

# [ “A paradigm shift

major cities in the Region to benchmark their performance and attractiveness with other cities in the Region and beyond to stay alert.

## Focus Beyond the Metropolises

If the entire Baltic Sea Region is to become a role model for Europe and globally in competitiveness, innovation and economic growth, the peripheral areas must be included in the overall economic interaction in the Region.

In the session “Growth and Innovation beyond Metropolises” the main point made by Director of Oy MetsäBotnia AB, **Jukka Laitinen**, was that education and a well-functioning infrastructure are the key areas to focus on in order to enhance possibilities for the industry in non-metropolitan areas. He also stated that peripheral areas should avoid competing with the large cities: *“The capitals need the healthy and good countryside and the countryside needs the capitals, and they should find a balance and good interaction”*, he said. This notion was largely echoed by **Thomas Hackett**, Director General Lending Operations Europe, European Investment Bank, who said that we have to admit that peripheral regions face a lot of handicaps vis-à-vis the cities; it is hard to compete with the *“the bright lights of the cities”*. However, one can at least *“do quite a lot to render the Regions more attractive by fundamental capital and social infrastructure”*. One can try to overcome some of the structural handi-

caps through investments in terms of communications, roads, schools, hospitals, and social infrastructure.

**Simon Anholt**, Government Advisor on Nation Branding and Public Diplomacy, addressed the importance for peripheral regions to manage their reputations – their brands. Whenever we buy, or buy into something, we do it with both our heads and our hearts; decisions are as much based on feelings as on practical data. This goes also for tourists, investors and export buyers. Important to bear in mind, reputation management is not a little marketing detail to “stick on the top” – it is a fundamental strategic component.

There is, according to Mr. Anholt, a tendency among public servants to come up with stories that are boring. They end up saying that we are all about innovation and for the value of innovation. *“Congratulations, you have got the same mission statement as 11 798 cities on the planet. It's incredibly important that you have something interesting to say about yourself”*, Mr. Anholt emphasised and concluded by stating that we are in a fiercely competitive environment and the only way we can possibly stand out is by knowing exactly who we are, exactly where we are going, and strive to make sure that our actions and policies tell that story”.

## Can the Baltic Sea Region Compete on a Global Scale?

An issue frequently discussed by businesses, governments, and the press is whether Europe will be able to compete with the emerging Asia region? Both China and India are both becoming clearly competitive also in high-end production and research, with an increasingly skilled and educated workforce and a cost structure that is hard to match. **Klas Eklund**, Chief Economist at SEB and the moderator of the session on ‘Can the Baltic Sea Region Compete with Emerging Asia’, referred to a poll where 73% of Europeans feared losing their job to emerging Asia and posed the questions; can we compete with Asia, and if so, what competitive advantages do we have in the Baltic Sea Region to compete with?

Vice President of IBM Denmark, **Kim Østrup**, quickly answered that we should not look to compete with Asia on their terms, but we should define a new ballgame. *“A paradigm shift is needed”*, he said, i.e. we need to move up the value chain. From Mr. Østrup's perspective, the new opportunities lie in service innovation and service exports, which the Baltic Sea Region is well positioned for. But for the service industry to grow, barriers must be removed in order for a strong market to develop. From the service directive debate in the EU, however, it is clear that there is a lack of political will for establishing the necessary requirements for such a market. The effect is that we do not use the Region's competitive advantages to the best of their potential. *“The Baltic Sea Region needs strong service clusters that can create the complex ecosystem required for service innovation”*, Mr. Østrup said.

# is needed” ]

**“If you want to reduce unemployment, you have to reduce protection for employment. If you can’t fire, you will not hire”**

**Reinhard Stuth**, State Secretary in the City of Hamburg, supported Mr. Østrup in his conclusions, but added that we need to look at Asia and China in particular, not only as a competitor, but as a strong partner and opportunity to be explored. Hamburg is serving as a gateway to Europe and Asian business is growing fast. Container shipments from China to Hamburg grew with 27 % over the last year, and during the same time, more than 40 new Chinese businesses were established there. This means that we have to develop a better understanding for, and co-operation with, Asia. As for China, continuity in personal relationships and additional relationship builders such as exchange programs, knowledge sharing etc. is incredibly important. These views were shared by other speakers in several sessions throughout the summit.

The CEO for the mid-sized Lithuanian company Libra Group, **Tomas Juška**, was enthusiastic about the Baltic Sea Region’s possibilities. He convincingly argued that we need to start looking at the possibilities instead of the obstacles and be confident in what we know, and that we have an attractive combination of skills and resources to offer. Competence development and flexibility are the most important factors in staying ahead in the global economy, argued Mr. Juška.

In his opening remarks in the Swedish Parliament, **Michael Treschow**, Chairman of the Confederation of Swedish Enterprise, was positive about the Region being able to retain its jobs despite of globalisation. His perception was that the Baltic Sea Region plays a crucial role and there are still lots of opportunities because the neighbouring countries can create clusters both in traditional and new industries and establish integrated value chains within the borders of the EU. *“There are differences in the Region from which we can benefit. Low cost labour is just around the corner, you do not have to go to China.”*, he stressed as an example and said: *“I am a great believer in the EU, but I am also a strong believer in the Baltic Sea Region, where the excitement of being different creates opportunities”*.

## Entrepreneurship – Creator of New Jobs

Entrepreneurship was a hot topic at the summit and was extensively discussed in several sessions. In short, there was a strong and unchallenged understanding that entrepreneurs are crucial for the future growth, prosperity, and competitiveness for single countries, for the Baltic Sea Region, and for the EU as a whole. At the same time, a clear majority argued that there are too many barriers for entrepreneurship and that too little is done for creating a true entrepreneurial environment in the Region.

The panel in the session ‘Creating a Genuine Entrepreneurial Environment’ stressed the importance of doing more for entrepreneurs in the Region. But, according to **Johan Staël von Holstein**, Chairman and CEO of Iqube, an incubator providing support to a large number of small start-ups in Stockholm, went further and said *“We are doing all wrong”. The Multi national companies [MNC’s] will never be the ‘creators’ of new jobs. The governments must stop the tax releases for the MNC’s and give more support to the small and medium sized companies. They will create the jobs in the future”*.

In the parallel session ‘Innovation as Competitive Advantage’, **Tor Bonnier**, Chairman of the Forum for Innovation Management in Sweden, made a similar observation. From a Swedish perspective, he explained, the weakness is that innovation is concentrated on the traditional large businesses with strong R&D resources, but we have forgotten the entrepreneurial base resulting in an incredibly low level of commercialisation of new inventions and ideas. *“This is why the Swedish economy has stagnated”*, he said.

**Egils Milbergs**, Chairman of the Center for Accelerating Innovation, USA, explained that today’s situation with a stagnant Europe and a fast growing Asia is not unique. In the 70’s and 80’s Japan and Korea were the Asian tigers and America



suffered. The situation was met by the US by allowing the economy to be flexible and adjust to the situation. The private industry adjusted by cutting cost and increasing efficiency in production. A flexible labour market created employment instead of the other way around. As a result, the capital business and entrepreneurial sector boomed and in the 90's America was the job generator of the world. **Charles Wessner**, Director of Technology & Innovation, US National Academy of Science, made a similar conclusion in the State of the Region session where he said *"If you want to reduce unemployment, you have to reduce protection for employment. If you can't fire, you will not hire"*.

Mr. Treschow stated in his opening remark that *"we have entrepreneurship, but this is probably where the Region is the weakest"*. He put the question to the audience of who would create this new entrepreneurship in the Region? According to him we have to break the existing negative spirit and create entrepreneurs like for instance in India. *"Only businesses with entrepreneurial people will create needed opportunities and reduce unemployment rates"*, he answered.

Also **Stefan Hultstrand**, Partner at Ernst & Young Sweden, in the session 'Ensuring a Competitive Market', emphasised the importance of having a strong and driving entrepreneurial society, since it is a fundamental part of any competitive region. In the State of the Region session, Dr. Wessner outlined the fundamentals for a competitive business environment as bringing different actors together, developing intermediating institutions and mechanisms (clusters), and focusing on entrepreneurs and small businesses.

The State of the Region Report confirms that there is a wide agreement on the

Figure 9. Entrepreneurs per Capita and Country

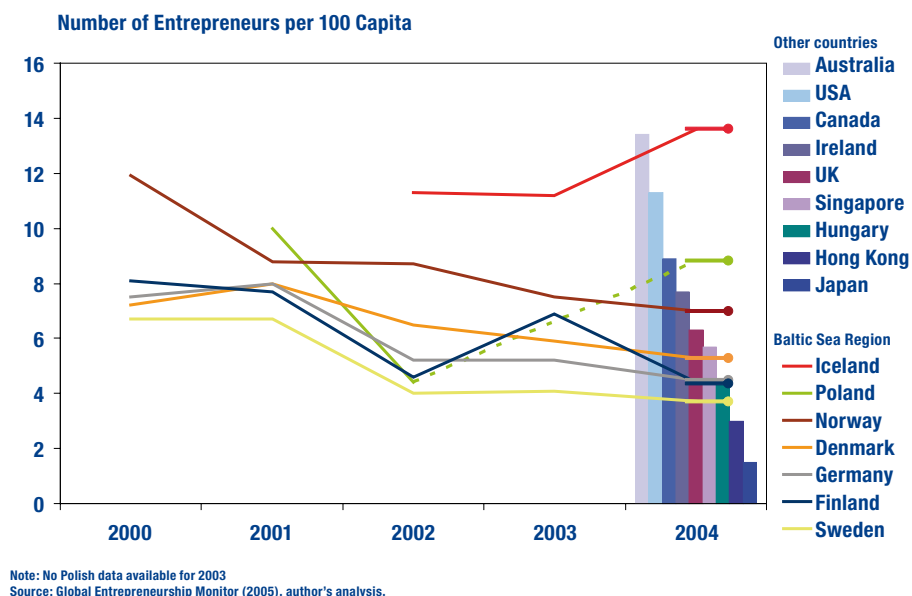
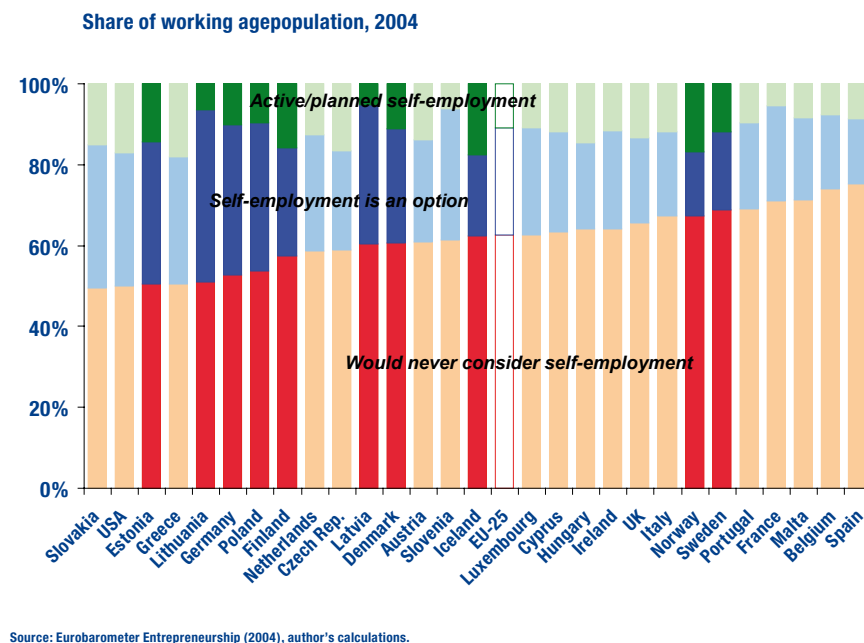


Figure 10. Attitudes towards Entrepreneurship



importance of entrepreneurship, but still, it reveals that the level of entrepreneurship in the Baltic Sea Region is very low as shown in Figure 9. Not surprisingly, these results correspond to the

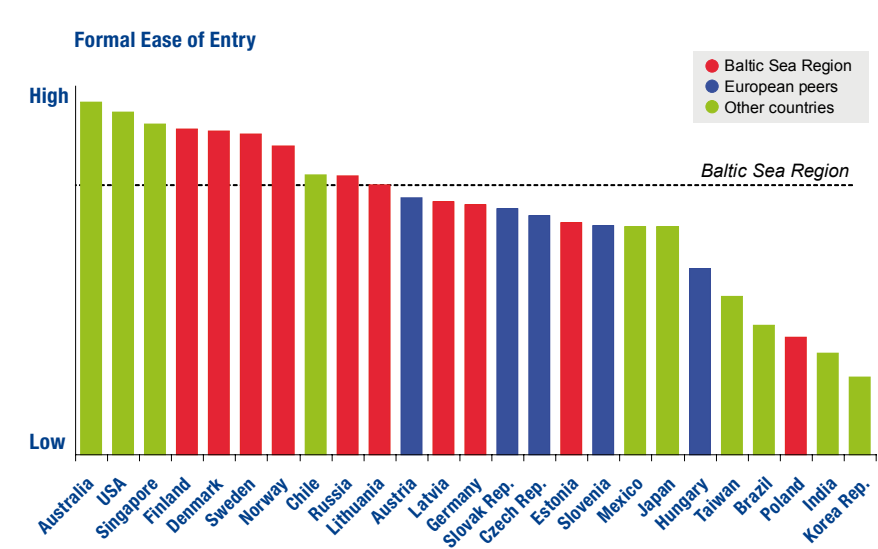
general attitudes and readiness to start a business in the same countries shown in Figure 10.

According to many of the panellists, the low level of entrepreneurship is the result of a lack of interest from politicians for the entrepreneurs and an unwillingness to create a business environment in which they can operate and thrive. This is quite astonishing since politicians rhetorically acknowledge the fact that start-ups of small and the development of medium-sized businesses are fundamental for growth and competitiveness. Nevertheless, little concrete action is taken to provide a vibrant entrepreneurial environment. In Sweden, for instance, no new multi-national enterprise has been established since the 1970's. In the plenary session on the State of the Region, Dr. Wessner concluded *"small businesses grow jobs, generate taxable wealth, create welfare-enhancing technologies, transform the composition of the economy, and develop products to ensure our wellbeing and productivity in the future. This is why we punish them!"*.

Mr. Staël von Holstein believed that to make a difference and to impact the politicians, the entrepreneurs need to get more politically active. Not necessarily within the existing political parties, but in the public debate highlighting obstacles that prevent new ideas to be turned into businesses.

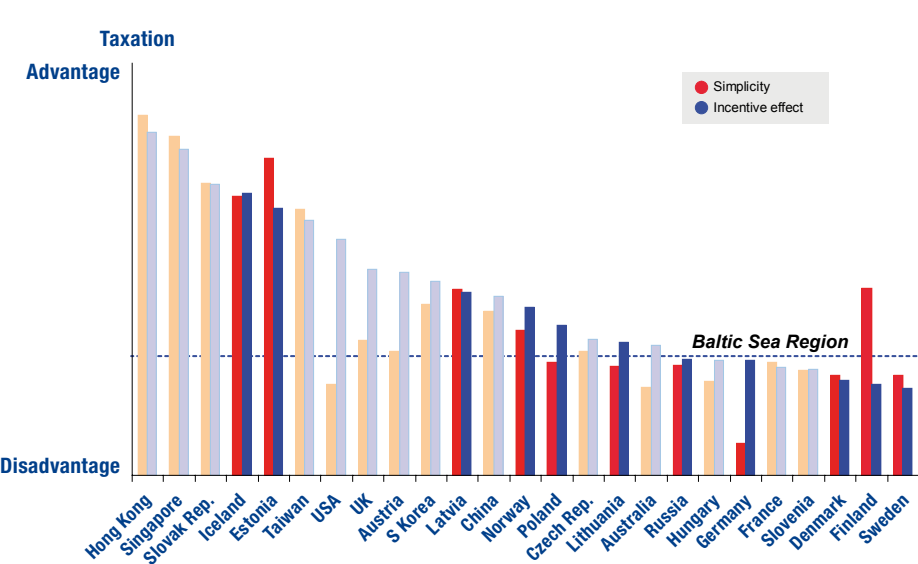
During the session on 'Ensuring a Competitive Market' Mr. Hultstrand suggested several actions to create a better entrepreneurial environment: i) break down barriers to entrepreneurship; ii) improve attitudes towards entrepreneurs; iii) ensure entrepreneurial education; and iv) provide additional sources for capital funding. His conclusions are to a high degree backed by the State of the Region Report, which gives several examples of barriers generally related to entrepreneurship, such as administrative procedures, taxation rates, and the level

Figure 11. Barriers to Entrepreneurship - Administration



Source: World Bank - Doing Business (2005), author's analysis.  
State of the Region Report 2005, Copyright Christian Ketels

Figure 12. Barriers to Entrepreneurship - Taxation Levels



Source: Global Competitiveness Report (2005), author's analysis.  
State of the Region Report 2005, Copyright Christian Ketels

of flexibility of the labour market (shown in Figure 11, 12, and 13).

If they are related to the differences in entrepreneurship per capita (Figure 9)

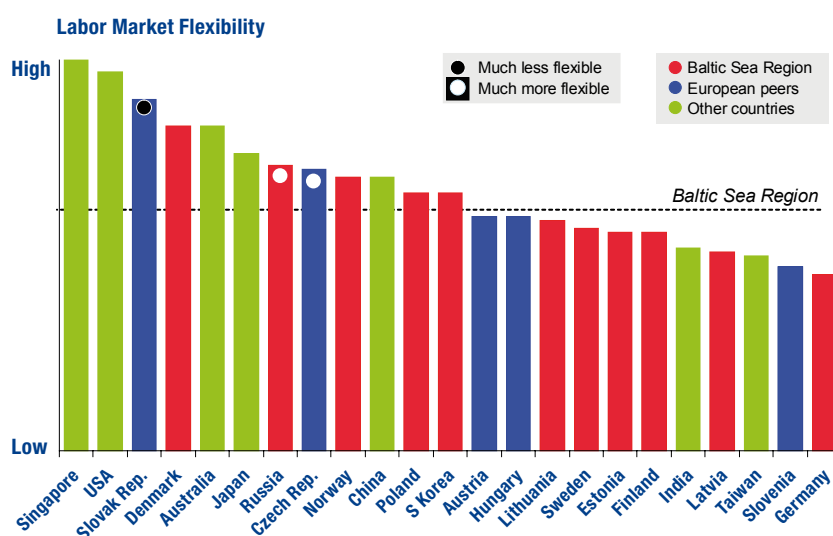
and national attitudes towards entrepreneurship (Figure 10), there is a striking correlation between the readiness to start your own business and the incentives, or lack thereof, to do so.

Dr. Wessner put his finger on yet another barrier to start or grow a business and at the same time proposed a model for how to overcome it. He explained that there is normally a serious early stage funding gap for businesses, which is commonly referred to as the 'Valley of Death'. One instrument to help entrepreneurs cross this stage is to create a government programme that can provide capital for early stage technology development. In the US it is called the Small Business Innovation Research programme (SBIR) and it distributes \$2 billion per year. The modalities of the programme are explained by Figure 14. Dr. Wessner believed this model to be suitable for the Baltic Sea Region, especially since varieties of it are already used by Sweden and Finland.

To help remedy some of these issues and assist in creating a prosperous entrepreneurial environment in the Baltic Sea Region, the State of the Region report suggests that more analysis of barriers to entrepreneurship, more benchmarking of entrepreneurship policies, and more information on entrepreneurial opportunities should be conducted.

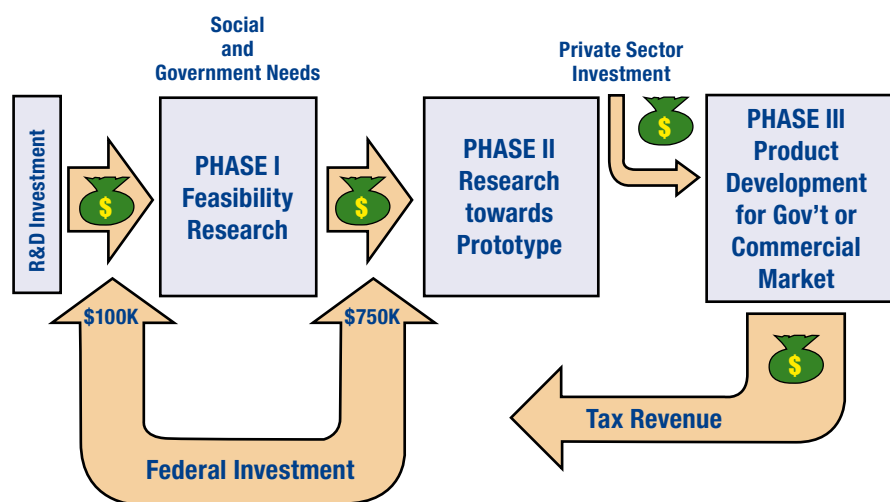
As for the Baltic Sea Region perspective, the panel in the session on Entrepreneurship underlined that we must see the benefits from having a diversity of business and countries. Interaction and new teambuilding between sectors and countries will give clear and positive results. In addition, we should not see the global competition from Asia as a threat but rather as an opportunity to exchange experience and to reach new markets.

Figure 13. Barriers to Entrepreneurship - Labor Market Barriers



Source: World Bank - Doing Business (2005), author's analysis.

Figure 14. SBIR Model



Source: Charles W. Wessner, Director of National Research Council, BDF Summit 2005

# Innovation

Innovation is a proven driver of economic growth, productivity, job creation, and raising standards of living. In the global economy, low costs, high quality, rapid product deployment, and organisational agility form a baseline to compete, but these traits characterise many markets and competitors.

Prosperity requires strengthening this baseline and more; it requires good innovation management. Innovation fosters new ideas, technologies and processes that lead to better jobs and higher wages, and, as a result, a higher standard of living. The ability to innovate will therefore be the single most important factor in determining business success in the 21st century.

## World Leading Innovation

Many of the fairly small countries around the Baltic Sea already compete on innovation, but competition is increasing and a better understanding of what makes innovation tick is needed. Alone, many of these individual countries will struggle

to stay ahead of the global competition, but if they join forces they can form a critical mass of more than 100 million citizens and thereby vastly increase their chances.

There are clear indications in the State of Region Report that the Baltic Sea Region can develop into a world-leading Region for innovation. The Nordic countries are in many ways world leaders in innovation and competitiveness while the Baltic countries, Poland and Russia, exhibit remarkable dynamism and momentum for change with high GDP growth and the strongest improvements in many innovation indicators. Furthermore, the Region shares strong historical ties, growing trade, and increasing interest in forming a common platform for discussion, policy exchange, and action in the field of innovation.

Common values, structures and priorities in the areas of health and environment and the balance between economic growth and quality of life form a strong platform on which to build. The

unique national profiles provide an impressive source of experience and viewpoints from which to draw.

However, the Region's competitive advantage in terms of innovation input is not matched by its innovation output, which is worrying and is a clear area for improvement. In the plenary session on the State of the Region, **Christian Ketels**, Principal Associate, Harvard Business School, said *"There is a gap in the capacities we have created in terms of scientific research and the outcomes in terms of economic innovation, i.e. companies that succeed on the market with new products, services, and business models. Research is about turning money into ideas, innovation is about turning ideas into money. We are pretty good at the first one; we are not quite as good at the second one."* A breakdown of the Region's innovative capacity and performance is presented in Figure 15. The eastern-rim countries continue to make strong improvements in innovation performance, but convergence is not yet on the horizon.

**“The world of innovation is far from being flat”**



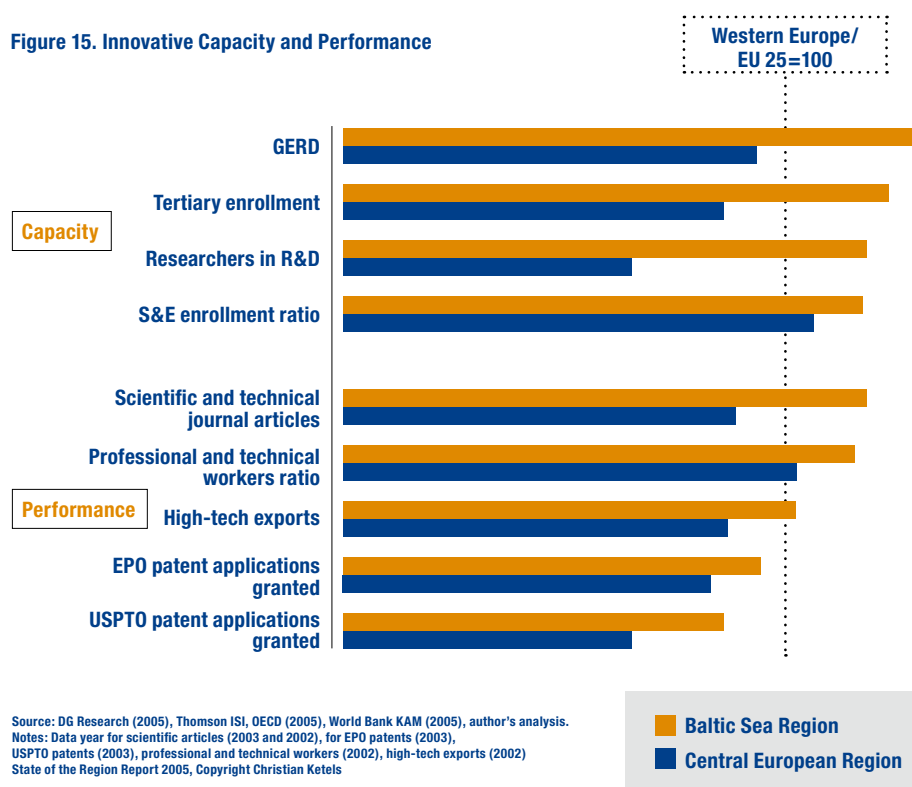
# – from Ideas to Commercial Value

The Director of General Lending Operations Europe, European Investment Bank, **Thomas E. Hackett**, drew everyone's attention to the important fact that innovation also can cause tension in society. Contrary to what many believe, he explained, innovation does not occur everywhere. *"The world of innovation is far from being flat"*, he quoted Professor Richard Florida and continued: *"Our world is amazingly spiky, in terms of both economic horsepower and cutting-edge innovation, surprisingly few regions truly matter in today's global economy"*. Managing the disparities between the innovative centres and peripheral areas without hampering the growth in the centres, will be among the top political challenges of the coming decade in the EU, emphasised Mr. Hackett.

## How Attractive is the Baltic Sea Region for R&D?

Though the situation looks quite promising in terms of general innovation performance, **José Manuel Barroso**, President of the European Commission, explained that at their current pace, China's research investments are set to overtake Europe's in just five years. In this regard, he warned that *"Those who argue that we cannot compete with countries like China on cheap goods, and should therefore concentrate on high-tech, high value goods, are in for a shock very soon, unless we manage to turn this situation around"*.

Figure 15. Innovative Capacity and Performance



Per Eriksson, Director General for VINNOVA, addressing the summit participants at the Gala dinner in Stockholm City Hall. VINNOVA was co-organiser of the 2005 Summit.



Sylvia Schwaag Serger, Counselor at the Swedish Embassy Science Office in China together with Summit Moderator Samuel Rachlin participating in the Official Launch of the State of the Region Report 2005.

**Sylvia Schwaag Serger**, Counselor at the Swedish Embassy Science Office in China and a contributor to the State of the Region Report, supported this trend in the State of the Region session. *“In the global economy R&D activities will go to those markets with attractive environment, human capital, and low costs. China is the most attractive market today for multinational enterprises’ R&D activities. If these trends continue, by 2010 China will have more Ph.D.’s in science and technology than the US”*, she said. Even though this sounds like frightening news, Dr. Schwaag Serger underlined that the coin has two sides: *“China should not be seen primarily as a threat; it presents significant challenges but also significant opportunities”*. Therefore, she concluded, the stakeholders and decision-makers in the Region should address how these challenges and possibilities could be met through joint action.

**Charles Wessner**, Director of Technology & Innovation, US National Academy of Science, believed that we do have reasons to be nervous about the R&D allocation gap between Europe and China and the shift of comparative advantages this results in worldwide. The solution, according to him, would be to ensure that public policy encourage private activity, mainly focussing on small businesses. The goal in the Lisbon Agenda to achieve that a raw 3 % of GDP goes to R&D is not the solution, in Dr. Wessner’s opinion: *“More R&D is valuable only if it is well spent”*.

In the session ‘Research and Education’, **Bo Samuelsson**, Chairman of ScanBalt, argued that the European education and research systems are considered to be too fragmented, and in order to remedy this situation and ensure access to competencies and knowledge, we need to build stronger networks between universities. **Børge Diderichsen**, Vice President, Novo Nordisk supported this idea in the same session by stating *“The way to go there is to build on what we do best and exploit our collaborative culture to a maximum. It is important to identify the complementary competencies and create networks for instance in clinical research”*, he said. The ScanBalt campus is such an initiative, which in the life science and biotech business has created a trans-sectorial and trans-disciplinary concept consisting of networks of education and R&D between the public and private sector, i.e. companies, universities, and hospitals. The campus will act as a platform to improve co-operation, increase collaboration, and create critical mass.

Research and education are major prerequisites for regional development and global competitiveness and that is especially true for life sciences/biotechnology, which was the point of departure of this session. The European education and research systems are considered to be fragmented and isolated and furthermore Europe has a non-competitive level of funding for education, research, and development compared to

# "Innovate or die! – Information is perceived to just fuel innovation, but information is a prerequisite for innovation"

our competitors. Taking an EU perspective, **Irene Norstedt**, Head of Sector for Innovative Medicines, DG Research, European Commission, advocated the importance of investment, and specifically promoted the groundbreaking project "the Joint Technology Initiative and the European Technology Platform". EU is supposed to double the funds and to extend the programme from four to seven years, she explained.

President Barroso ensured that innovation is a top priority at the Community level, and informed the audience that the Commission recently had tabled its first ever 'Research and Innovation Action Plan'. The plan proposes to put research and innovation, combined with funding, at the heart of EU's funding, to create incentives for businesses to research and innovate, and to encourage trans-national co-operation on these issues.

## Information and Competence Mapping – Essential for World Class Innovation

*"Innovate or die! – Information is perceived to just fuel innovation, but information is a prerequisite for innovation"*, **Erkki Järvinen**, President and CEO at Rautakirja OY, said and underlined that for the Baltic Sea Region to be innovative it needs accurate and timely information both for internal use and to market itself outside the Region.

In the Baltic Sea Region there is a certain imbalance and asymmetry of information, which creates a barrier to trade and knowledge exchange. In the new EU Member States and Russia, the history of gathering industry specific information is young or still lacking. In order to enhance innovation in the Baltic Sea Region, the Council of Baltic Sea States (CBSS) has initiated a regional gateway to information, the 'Baltic Sea Common Information Space', providing updated, accessible and reliable first class information about the Baltic Sea Region. There is also a lack of visualising knowledge and R&D competences that was discussed during the session 'Baltic Sea Region Competence Map'. A competence map could identify existing networks and clusters and thereby facilitate cross-collaboration resulting in more dynamism in the Region.

## Innovation – a Regional Advantage?

**Mikael Lindholm**, Editor at the think-tank Monday Morning and moderator of the session 'Innovation as Competitive Advantage', put the finger on two weaknesses pointed out by Dr. Ketels and Dr. Schwaag-Serger in the State of the Region session: *"We are good at turning money into ideas, but not as good at turning ideas into money"* and *"we know too little about innovation"*. Many of the Baltic Sea countries are currently world leaders in innovation, but can this be used as a competitive advantage at the regional level, and how can we make this competitive advantage sustainable? In other words, Mr. Lindholm asked, how can we turn the Baltic Sea Region into a sustainable innovative machine?

CEO and Editor in Chief of the think-tank Monday Morning, **Erik Rasmussen**, representing the Danish Innovation Council, provided part of the answer to these questions by sharing his broad experience on demand driven innovation. In his view, a number of fundamental requirements have to be in place for innovation to move society: Firstly, there must be a clear definition on what you mean with innovation and competitiveness. Secondly, you need a group of committed triple helix representatives on board, and thirdly, innovation should be spread like a 'virus' in society.

**Egils Milbergs**, Chairman of the Center for Accelerating Innovation in the US, agreed in general and pointed out that innovation and economic growth requires practical action. In his view, the main requirements for creating an effective innovation climate in the service society were: i) to build better innovation ecosystems; ii) manage these ecosystems as networks; iii) change the IT infrastructure from optimising individual enterprises to promoting trans-enterprise collaboration such as Linux; and iv) increase investments in service innovation. Mr. Milbergs' described the innovation process as creative destruction, which we all wanted, except for when we actually had to deal with it. *"But if you are determined to be innovative, you need to accept both sides of the coin"*, Mr. Milbergs concluded.

# Baltic Sea Initiative 2010

## A Unique Growth Driver

### Background

The Baltic Sea Initiative 2010 was the main underlying theme for the Stockholm Summit, with several sessions reflecting the outcome of the past year's work. It was initiated by the Baltic Development Forum at the Hamburg summit 2004, and is a joint platform for discussion and coordinated action open to all holding a stake in the competitiveness of the Baltic Sea Region. The initiative has been supported by VINNOVA, and more than 100 stakeholders representing business, politics, research, organisations, and innovation agencies have contributed to the work.

Stakeholders have met in action groups focusing on five areas concentrating on: i) cluster development, ii) entrepreneurship, iii) research and education, iv) building a Baltic Sea Region brand, and v) creating a common Baltic Sea information space. The results from each area were processed at three stakeholder meetings held during the past year.

The focus areas named above provided the sub-themes for the Stockholm Summit and were discussed in several of its sessions. Moreover, they were analyzed in the comprehensive '2005 State of the Region Report', which included concrete suggestions for action within each area.

### Not Just Another Initiative – Making a Difference

The initiative has attracted a lot of attention both within and outside the Region, including the institutions of the EU. This was evident not the least from the many references to the initiative made by several keynote speakers. In his opening remarks, the President of the European Commission, **José Manuel Barroso**, warmly welcomed the Baltic Sea Initiative and its focus on cluster development. He encouraged the future work of the initiative and expressed that he was looking forward to sharing the results and experiences from it.

Also the President of Estonia, **Arnold Rüütel**, in the session on 'the Baltic Sea Region as a Role Model', emphasized the importance of the initiative linking private, public and academic players in increasing the competitiveness of the Baltic Sea Region from a bottom-up perspective. In addition, **Slava Khodko**, Chairman of the Board of the North-West Investment Agency, highlighted the initiative as a prominent example for true cross-border co-operation and explained that Northwest Russia wanted to become more active in some of its projects. Last but not least, Sergey Yastrzhembsky, Special Representative of the President of Russia, expressed his support of the initiative.

The Baltic Sea Initiative was also heavily discussed in the plenary session 'Future Strategy to Assure Global Excellence'. Keynote speakers representing business, innovation, and government agencies discussed how the Baltic Sea Region could move forward and deliver tangible results to enhance growth and competitiveness. The panel agreed that the Baltic Sea Initiative, as a network of networks, was the right way to increase the impact of each stakeholder's potential and create synergies wherever possible. The panel was disturbed by the State of the Region report showing a weakening trend in traditionally strong areas for the Region, and stressed that there is no room for complacency in the face of global competition.

The President and Group CEO for Nordea, **Lars G Nordström**, drew the attention to the financial services sector as a concrete area for improvement. He specifically pointed out that the lack of freedom of movement of services was hampering growth in the Region and should be addressed immediately. **Peter Egardt**, President of the Stockholm Chamber of Commerce and Chairman of the CBSS Business Advisory Council, backed Mr. Nordström in his conclusion and pointed to this as a specific goal to pursue within the framework of the Baltic Sea Initiative.



## The Future Process

**Per Unckel**, Chairman of the Nordic Council of Ministers, explained that the Stockholm Summit - part from marking the first anniversary of the Baltic Sea Initiative - provided an important milestone as the same day as the start of the Summit an agreement had been reached to form a Core Group of key stakeholders to facilitate the work of the Baltic Sea Initiative. Each Core Group member has committed to facilitate at least one action area, beneficial for the entire Baltic Sea Initiative network. Membership in the Core Group will be rotating and based upon the ambition and ability to drive a key issue of interest for the Baltic Sea Initiative.

Mr. Unckel also announced that he and the Nordic Council of Ministers had accepted to take over the role as main facilitator of the Baltic Sea Initiative from the Baltic Development Forum. He ensured that the initiative would continue to be an inclusive and transparent network of networks, working to improve the Region's competitive potential. He also explained that the Core Group would monitor and promote the work undertaken in the individual networks, that the results would be digested by the Core Group and brought to the attention of the relevant decision makers with concrete action proposals. The Deputy Director General of TEKES, **Heikki Kotilainen**, underlined the importance of providing not only general statements but concrete results and proposals. Mr. Unckel expressed that he was looking forward to working with the Baltic Sea Initiative stakeholders in the coming year, and said that it was his ambition to have concrete deliverables ready in time for the 2006 Baltic Development Forum summit in Helsinki.

The action areas and Core Group members for 2006 are:

1. Cluster Development – Nordic Council of Ministers
2. Building a Baltic Sea Region Brand – Baltic Development Forum
3. Marketing of investment promotion – Baltic Sea Investment Promotion Agencies
4. Market Driven Innovation – VINNOVA, TEKES, Nordic Innovation Centre, and Nordic Council of Ministers
5. Financial Markets – The Business Advisory Council of the CBSS
6. Research Cooperation – Nordic Council of Ministers



Per Unckel, Secretary General of Nordic Council of Ministers, explaining the way ahead of the Baltic Sea Initiative 2010.

### Baltic Sea Initiative Milestones

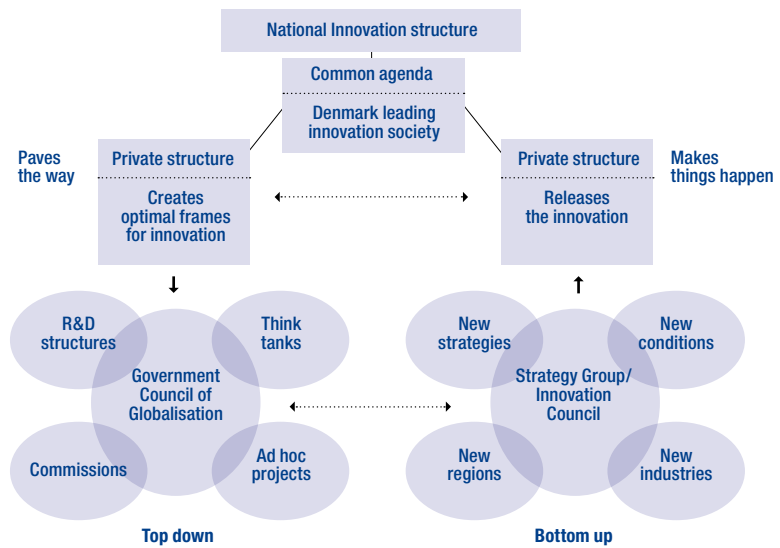
- September 2004: BSI launched at the 6th BDF Summit in Hamburg. Baltic Development Forum accepted to be the initial facilitator
- 18-19 November 2004: 1st Stakeholder conference in Timmendorfer Strand, Germany
- 24-25 February: 2nd Stakeholder conference in Malmö, Sweden
- 8-9 June: 3rd Stakeholder conference in Gdansk, Poland
- 7 September: 1st Strategic meeting in Copenhagen
- 16 October: 2nd Strategic meeting in Stockholm. Core Group formed. Facilitation handed over to the Nordic Council of Ministers
- 16-18 October: 7th BDF Summit in Stockholm

The experience of **Tor Bonnier**, Chairman of the Forum for Innovation Management in Sweden, was that there is a strong link between the development of effective innovation systems and a well functioning entrepreneurial environment. We should therefore focus more on creating strong incentive systems for these entrepreneurs to establish more businesses and for researchers to commercialise more of their ideas. To achieve this, business angels should be less heavily taxed on their services, public companies and government agencies should fund start-ups to a higher degree, and a more holistic view on innovation should be adopted by the government, suggested Mr. Bonnier.

In Mr. Rasmussen's view, it is important that you look at innovation with the right mindset. *"Don't try picking the winners but look for the best solutions"*, he said. This means that you should develop new solutions that require new corporations, new partners, and new relationships. In Denmark, Mr. Rasmussen explained, the public and private structures have integrated their innovation approach into 'The National Innovation Structure' shown in Figure 16. This ensures that both structures work towards the same goal and maximises output from both strands. Mr. Rasmussen believed that the Baltic Sea Region would benefit from a similar structure, and suggested that the Baltic Development Forum should consider taking on such an initiative.

The problem with innovation activities, as presented by **Kristian Birk**, Head of Division of the National Agency for Enterprise and Construction in Denmark in the session 'Co-operation on Innovation in the Nordic-Baltic Region', was that the success rate of innovation related investments is low. Therefore, there is a need for a broader concept of innova-

**Figure 16. The National Innovation Structure**



Source: Innovative Denmark 2005, Erik Rasmussen BDF Summit 2005

tion encompassing product, organisational and process development, along with marketing and sales. This mixture would create success where three innovation driving forces are identified as research driven, price driven, and user driven innovation.

Other initiatives that could promote innovation are cross-disciplinary master level education programmes, mapping of innovation activities, and more public-private partnerships on R&D investments. The Baltic Sea countries should stand united, according to Mr. Birk, in order to make the Region reach its full potential, and one solution could be the creation of a common platform for user driven innovation based on the existing strongholds and clusters. *"We all have to take a look at how to get a higher yield on our knowledge investments"*, he concluded.

As President. Barroso made clear in his opening remarks, the European Commission has recently adopted a 'Research and Innovation Action Plan' to facilitate better opportunities of trans-

ferring knowledge into economic value and commercial potential. It should provide consistent framework conditions for national and regional authorities to develop their own innovation policies, explained **Pierre Vigier**, Deputy Head of Innovation Policy, DG Enterprise, European Commission, during the session 'Co-operation on Innovation in the Nordic-Baltic Region'. In the future, the Commission's role will be to foster stronger practical co-operation among innovation actors and thus boost synergy initiatives.

The main conclusion from this session was that there is a need to focus on market driven innovation and the facilitation of clusters in the future from all actors in the Baltic Sea Region and in Europe. There are benefits for all, both public and private actors, to work together across borders to identify and manage challenges and create better opportunities for innovation in the future.

The European Spallation Source (ESS), possibly to be hosted by Sweden, could be such an initiative that could enhance

the innovative environment in the Baltic Sea Region. A spallation source is used to smash neutrons and the outcome gives us knowledge about nano-technology, how to make safer and lighter products etc. This is a European initiative initiated by a collaboration of several European labs and organisations to increase our competitiveness with spallation sources in the US and Japan. The Special Negotiator for ESS, **Allan Larsson**, underlined during the session on a European research centre the importance of the joint support from the science and business communities. *“ESS is a driver of economic growth and development and has to be financed according to that”*, Mr. Larsson said.

## Cluster Development

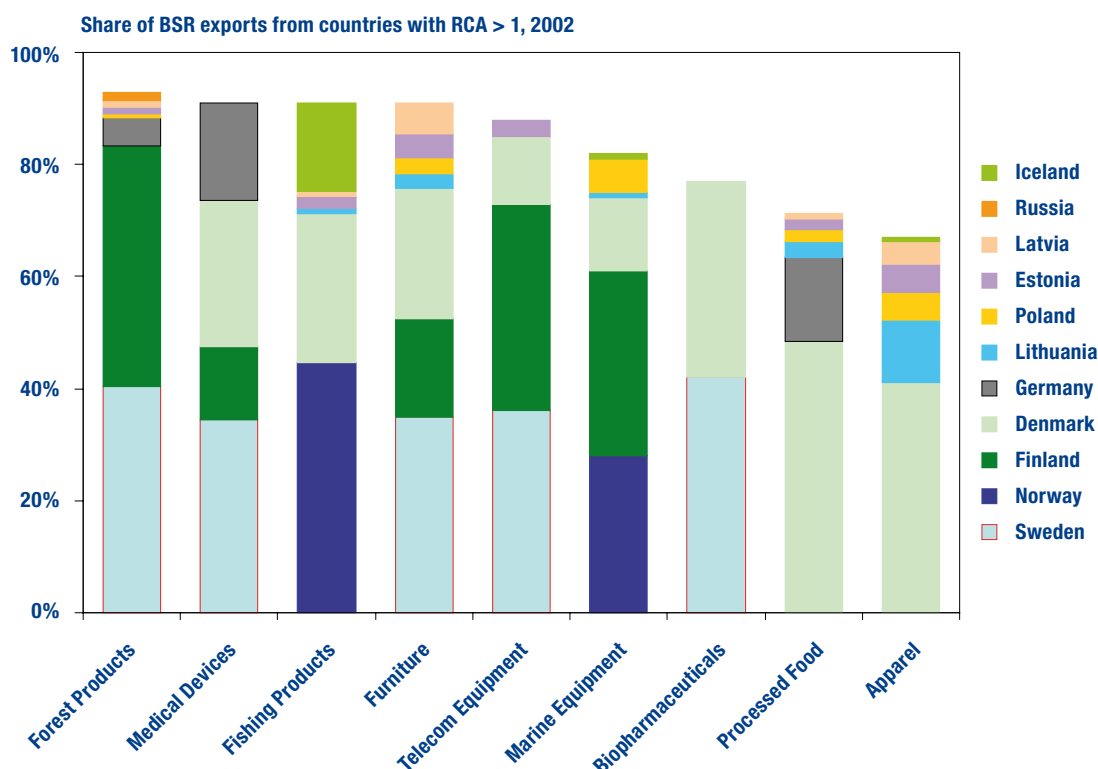
In the search for the businesses of tomorrow, linking existing globally positioned clusters in new ways is an important method. The Baltic Sea Region has a strong cluster base with a rich portfolio of regional clusters and overlaps in cluster-export specialisation across countries in the Region, as illustrated by Figure 17. The State of the Region Report suggests more co-operation between related clusters, benchmarking of cluster policies, and creation of consistent data on clusters

and cluster policies across the Region, such as Bio-Pharmaceutical, ScanBalt, and Maritime business.

In today's global economy, industries and innovation agencies are teaming up globally to create new approaches to innovation systems, cluster development models and theory, general knowledge management, etc. As we heard in the session on 'Facilitating Clusters and Networks' this is also the situation in the Baltic Sea Region, where innovation agencies have started to establish regional coordination networks and teaming up with leading global forces, such as 'The Competitiveness Institute' (TCI) or the 'Innovation Alliance'.

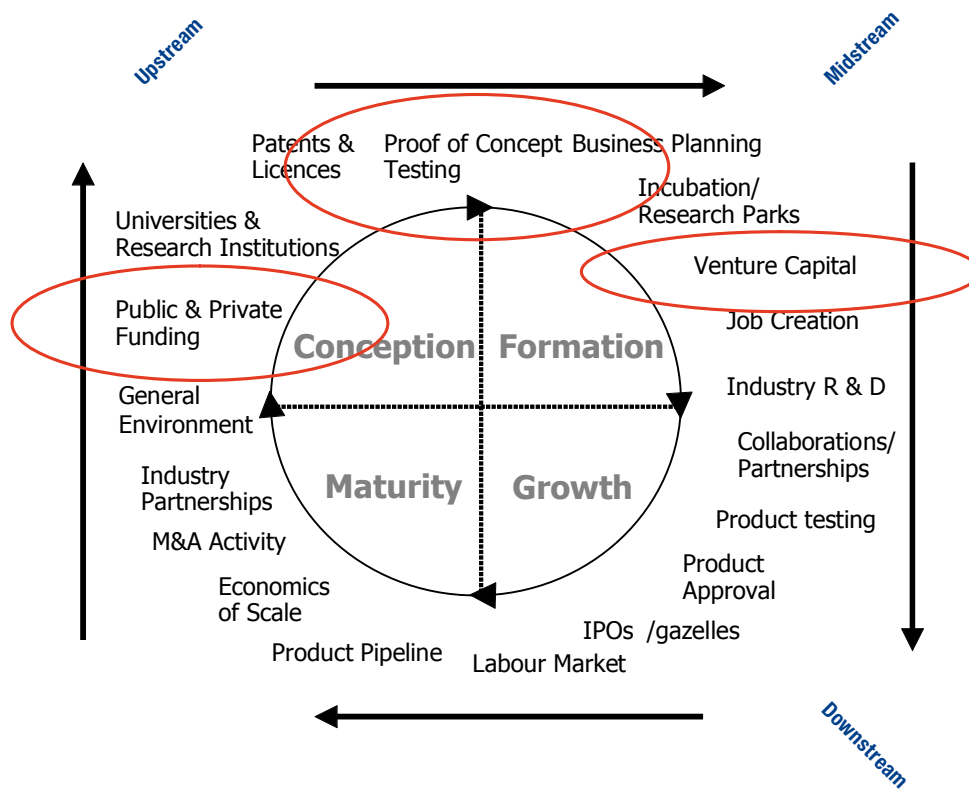
**Alec Hansen**, President of TCI, provided his experiences from working with clusters in this session, and underlined the importance of acknowledging several definitions of clusters, which all contribute to the overall concept of clusters. The links between industry, government, and academia, often referred to as triple helix, are crucial to cluster development, but how do you facilitate the process of clustering, Mr. Hansen asked.

Figure 17. Cluster Specialisation Overlaps



Source: WTO (2005), Institute for Strategy and Competitiveness, author's analysis.  
State of the Region Report 2005, Copyright Christian Ketels

Figure 18. The Innovative System at Work



Source: Mikael Örum, Ventac Partners, BDF Summit 2005

**Karin Markides**, Deputy Director General at VINNOVA, provided an answer by saying “Cluster building has to be scaled to the level where it is needed, which means that it should be possible to go from one level to another. It is our vision that all possible weak links have to be identified and improved in order to strengthen the cluster formation”. According to **Heikki Kotilainen**, Deputy Director General at TEKES, a cluster “is like a chewing gum, each time you take a bite it looks different. The triple-helix elements encompass different elements within themselves. We need some sort of super structure to keep the triple-helix constellation together”. The panel agreed with Mr. Hansen that several definitions of clusters could be considered a strength as long as this resulted in co-operation and common initiatives among the parties involved.

Both Mrs. Markides and Mr. Kotilainen acknowledged the need for a reinforced co-operation within the Baltic Sea Region when it comes to cluster facilitation in order to unite strategies, which is what the ‘Northern Cluster Alliance’ (NCA) is about. Mr. Kotilainen explained that their vision was to establish regional cluster co-operation, where the Nordic countries could be leaders in cluster development. **Krzysztof Gulda**, Director in the Ministry of Economy in Poland, strongly supported this idea and stated that “developing clusters should not only be implemented on a national scale, but on a regional level as well. It should be possible to develop a regional concept of clusters.” In its work, NCA could draw from the experience from ScanBalt, a true cluster co-operation, a network of networks within the biotech and life-sci-

ence sector with triple helix members from throughout the Baltic Sea Region.

### Venture Capital and Private Equity – An Undervalued Element for Innovation

The European Commission has in reports from 2002-2003 pointed out essential elements for improving the climate for attracting venture capital (VC) and private equity (PE), both being essential elements for innovation as Figure 18 illustrates. The conditions for high-tech start-up companies have been improved and Europe has to accentuate world class research and know-how, where strong intellectual properties are a theme to facilitate strong management to supply the large unsatisfied markets. This could lead to integrated technical,



**“We have strong clusters in the Baltic Sea Region, but in order to attract more risk capital and get the venture capitalists interested we need more political will”**

commercial people and financial strategies. **Mikael Ørum**, General Partner of Ventac Partners, said during the venture market session: *“We have strong clusters in the Baltic Sea Region, but in order to attract more risk capital and get the venture capitalists interested we need more political will”*.

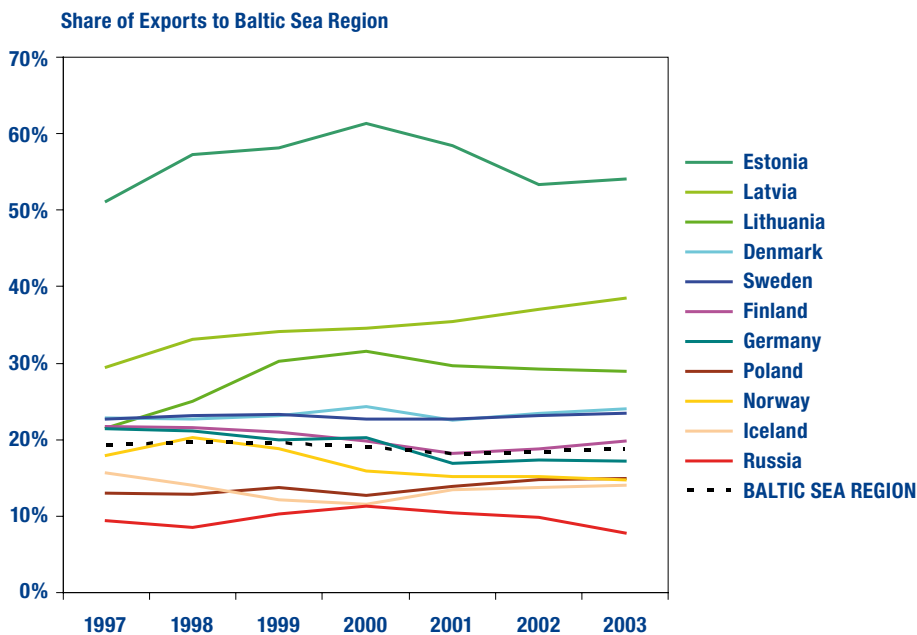
**Ulf Söderholm**, Partner at Andulf Advokat AB, provided some of his experiences related to the legal systems in the financial structure. He pointed out that the main reason for Europe lagging behind the US in connection to VC and PE was that the US started many years ago, while Europe is just getting off the ground. One of the reasons for this is the legal environment, which in relation to young innovative companies has not been very rewarding. Entrepreneurs and investors must be encouraged and rewarded for taking the “risk” of starting, building and growing a business. Simultaneously, promotion of simple administrative requirements, low costs for starting a business, and incentives for investing in R&D have to be initiated from the authorities’ side.

The challenges remain to provide a continuous tax and legal framework with clear rules for the marketing of commitment and transparent tax structures, which will establish limited liability for investors. In addition, the stock market mechanism could provide the exit route for investors, and thereby return funds to investors to support new high-growth companies.

Sufficient investment opportunities are a prerequisite for success along with sustainable business models. According to the panel in the venture session, the prescription for the elements to be put in place are: i) young innovative companies; ii) funding structures with a consistent tax and legal framework; and iii) high growth markets with functioning stock market mechanisms. If these elements are in place they will help the Baltic Sea Region to become one of the leading marketplaces and driving forces in the European economy.

# The Baltic Sea Region,

Figure 19. Trade Integration with Russia



Source: WTO (2005), author's analysis.  
State of the Region Report 2005, Copyright Christian Ketels

Russia plays a crucial role in the development of the Baltic Sea Region. The Region is not only the gateway to larger Russia from the West, but Northwest Russia, through the City of St. Petersburg, the Leningrad Oblast, and not the least Kaliningrad Oblast constitute important opportunities.

From a western point of view, the traditional way of looking at Russia, or the Soviet Union to be correct, from the Baltic Sea Region perspective has, over the last century, been a way to keep the threats it posed (be they political, environmental, nuclear etc.) under control.

Today, the situation is changed and Northwest Russia is looked upon, not as a threat, but as a major opportunity with a population of around 12 million people, large untapped markets, and a steadily growing middle class. Several speakers throughout the summit spelled the same message. The Swedish Prime Minister **Göran Persson** said, *"the greatest potential for growth and development in our region probably lies in the economic exchange with Russia"*. This was backed up by **Christian Ketels**, Principal Associate, Harvard Business School, who identified integration with Russia as *"the biggest economic opportunity for the Re-*

*gion"*, but at the same time, he emphasised it would be the most challenging one to realise. The current trade integration with Russia is shown in Figure 19.

A number of issues will have to be worked out at various levels between Russia and its neighbours, including the EU, before we can talk about anything near true integration. From the Russian perspective, Dr. Ketels explained, it is important to realise that *"Russia wants to be treated as a part of the region, and not only as a partner."* We should therefore focus on building long-term structures that benefit both sides and can support the change necessary.

Baltic Development Forum has over the years put great emphasis on Russian integration by encouraging a continuous discussion and providing a neutral platform where the parties can meet in a de-politicised and constructive environment as equals. Baltic Development Forum is determined to tirelessly promote and assist in the continued effort to make Northwest Russia a truly integrated part of a prosperous Baltic Sea Region.

At this year's summit, two prominent sessions were devoted entirely to Russia; one government level discussion on EU-Russia integration, and another where representatives from Northwest Russia discussed their role as part of the Baltic Sea Region.

# Russia, and the EU

## Intensified EU-Russian Co-operation

The summit moderator and senior Russia correspondent, **Samuel Rachlin**, introduced the EU-Russia plenary session with the words “*We need each other!*”, and expressed trust in that the parties would find the right formula for this relationship, beyond the political level. Russia is rich on natural resources, labour, and brainpower – the rest of the Baltic Sea Region has advanced technologies, know-how, and capital. *The challenge is to find the right balance and mix in our exchange of commodities*”, Mr. Rachlin said.

A major part of the discussion focused on the recently agreed roadmaps for the four common spaces that include shared objectives and concrete steps for strengthening the relations between EU and Russia. Both **Sergey Yastrzhembsky**, Special Representative of the President of the Russian Federation for the Relations with the European Union, and **Gerhard Lohan**, Head of Unit in DG Relex in the European Commission, agreed that the roadmaps have constituted a major step forward and have raised the EU-Russia relations to a new level. Mr. Lohan emphasised that the roadmap provides a long-term vision for the EU-Russia relationship.

The speakers anticipated the recent agreement on the four common spaces to spark a more comprehensive discussion on the EU-Russia long-term vi-



Gerhard Lohan, Head of Unit in the European Commission, and Sergey Yastrzhembsky, Special Representative of the President of Russia, and Samuel Rachlin, Summit Moderator and Moscow Correspondent for TV2 Denmark.

sion. The EU-Russia relationship was regulated in 1997 for a ten-year period through the so called Partnership and Cooperation Agreement (PCA). Though the agreement will be automatically extended unless terminated by one party, both EU and Russia are considering how the PCA can be developed. At times, the PCA has been criticised, but looking back, the parties agreed that its preamble and introductory articles are

actually not bad at all. As a response to Russia's concern about the EU-Russia negotiations being transferred from the Northern Dimension to EU's European Neighbourhood Policy (ENP), Mr. Lohan ensured that the EU had listened to this criticism and that the discussions would remain under the Northern Dimension framework.



*of the Baltic Sea Region”, Mr. Yastrzhembsky said. “That is why we, together with our European partners, are not only interested in the sustainable development of the region, but also bear common responsibility for its future”, he continued. Mr. Lohan concluded with a joke referring to the fact that if the EU and Russia had not decided to be close partners already, this would have been taken care of by their increasingly long shared border.*

Swedish Prime Minister Persson announced in the session ‘The Baltic Sea Region as a Role Model’ that special emphasis would be put on Russia in 2006 from a Swedish perspective. *“To Sweden, intensifying co-operation with Russia - bilaterally, on a regional basis and through the European Union - is a top priority”,* the Prime Minister said. It will focus on the investment climate in Russian regions - new regional markets that can provide great opportunities.

Sweden will also seek to involve Russia in all EU initiatives to enhance regional economic integration in the Baltic Sea Region and will work with Russia to ensure that the four roadmaps agreed on at the EU-Russia summit earlier this year will yield concrete results, the Prime Minister explained.

### Northwest Russia's Role in the Baltic Sea Region

In relation to the Baltic Sea Region, both Mr. Yastrzhembsky and Mr. Lohan agreed that it is one of the regions that demonstrate the highest level of economic development and quality of life in the world. *“This part of Europe is strategically located between East and West, and its rich history and vast human and industrial potential is among the region's demonstrating the highest level of economic development and growing quality of life. That fact surely adds to the international importance*

In terms of Northwest Russia's important role for the future economic performance of the Baltic Sea Region, Estonian President **Arnold Rüütel** was sure that in only a few years, the weight of the Baltic Sea Region will have increased even more, especially due to the development of St. Petersburg, which has shown impressive results. This could give a significant drive to the development of the entire Region, President Rüütel said.

**Slava Khodko**, Chairman of the Board, North-West Investment Agency, believed that the Baltic Sea Region was a good platform for business integration and project co-operation between the countries around the Baltic Sea, and thought the prospects for further investments in the Region were good.

### Trade Barriers – Creating a Lack of Investment Flows

Mr. Khodko explained what industries in Northwest Russia have the greatest potential for integration and growth, mentioning sectors such as transport, tourism, natural resources (e.g. forest industry and energy), and also the growing high-tech sector. He said that one of the obstacles was the insufficient coordination of investment flows into the North-western Region, and he also regretted that so much of the Baltic Sea Region's potential is not being used to its full extent.



## “That would both help solve the problems of social and economic development and speed up the development of the entire Baltic Sea Region”

The Associate Dean of Research at the Stockholm School of Economics in St. Petersburg, **Carl Fey**, moderating the session on Northwest Russia, commented on the amazingly small amount of foreign investments between Russia and the countries in the Baltic Sea Region. He shared the hopes that the obstacles for FDI would decrease in the near future and, combined with the focus on removing trade barriers (customs, registration and visa issues), companies in the Baltic Sea Region could start investing in Northwest Russia at a broader scale. He also underlined the importance of Russia joining the World Trade Organisation (WTO) in 2007 to further alleviate on the environs for trade and growth.

Also, Swedish Prime Minister Persson was concerned about the high number of remaining barriers for trade and investment still in existence, and stressed that they would need to be removed. The main vehicle to achieve that was to work through the EU, he explained.

**Mikhail Sverdlov**, Deputy General Director, Eurosib, underlined from a businessman's perspective the fundamental importance the logistic and transport sectors play for the economic integration of the Baltic Sea Region. In unison with other speakers, he suggested that the logistics and infrastructure in general

should be improved, specifically in relation to the border crossings with Russia.

### Kaliningrad – A Pilot Area Accelerating European Integration?

Another important issue discussed in both Russia sessions was the so-called “Kaliningrad factor”. Kaliningrad represents both problems and potential, both in the Baltic Sea Region and within all of Europe. Mr. Yastrzhembsky commented that Russia's intention was to make Kaliningrad Oblast a pilot area for accelerating the creation of the four common spaces. *“In practical terms, that means that we would like to view that territory as a kind of centre for development of innovative technologies of bilateral co-operation and partnership”*. According to Mr. Yastrzhembsky, a number of measures have been undertaken to improve the conditions for social and economic development in the Kaliningrad Oblast, among them the law on the special economic zone, which he believed would significantly add to the investment climate and stimulate capital in-flows into the area.

In order to avoid isolation of the Russian enclave, and to make it an organic part of the regional integration process, Mr. Yastrzhembsky asked that the Baltic Development Forum keep Northwest Russia as a prominent point on its agenda and

formally invited the Forum to co-host an event in due course in Russia following the successful Baltic Development Forum Summit in St. Petersburg in 2001. *“That would both help solve the problems of social and economic development and speed up the development of the entire Baltic Sea Region”*, Mr. Yastrzhembsky concluded. Mr. Lohan welcomed the positive developments in Kaliningrad, highlighting the Kaliningrad transit agreement for persons and goods as a good example.

The suggestion to turn Kaliningrad into a pilot area for integration with the EU and for economic growth was echoed by several other speakers. For instance, in the session on Northwest Russia, **Konstantin Khudoley**, Professor and Dean of the School of International Relations at the St. Petersburg State University, also argued this point. Another concrete point made on how to reach a higher degree of integration was to allow Northwest Russia to open up to the Baltic Sea Region and promote its business opportunities as part of the regional identity.

Swedish Prime Minister Persson generally supported continued economic development and regional integration of the greater St. Petersburg area and Kaliningrad as a matter of special importance.

# Building a Baltic Sea Region Brand

The commercial battle between nations and regions for inward investment, export sales, and tourism is today increasingly fought by using place branding - the careful and strategic management of reputation and identity. It is therefore not surprising that numerous business executives based in the Baltic Sea Region and active on the global market believe that the Baltic Sea Region needs to be more visible and convincing as a strong player in the EU and in the rest of the world.

The issue has also been discussed at length at the Baltic Development Forum summits, dating back at least to St. Petersburg in 2001. Simultaneously, a large number of national stakeholders have worked on a number of branding activities partly related to the Baltic Sea Region.

But to develop a strong and recognisable brand identity, these activities must be coordinated so that all actors share the same goal and pull in the same direction. In the session 'Ensuring a Competitive Market', **Henning Dyremose**, President and CEO of TDC, pointed out that *"Administrations must themselves believe in and act according to the fact that there actually is a Baltic Sea Region. National*

*authorities must avoid silo thinking inside countries"*.

**Slava Khodko**, Chairman of the Board, North-West Investment Agency in Russia, noted in the session on Northwest Russia that *"branding of the Baltic Sea Region as a unique cultural and economic identity, uniting countries with different history and level of development was something that we should get around to as soon as possible"*.

There are now clear indications that strong players, both public and private, are ready to join forces and visions and work together towards building one regional identity and brand. Baltic Development Forum, in co-operation with strategic partners such as the Baltic Sea Region Investment Promotion Agencies (BIPA), the Baltic Sea Tourism Commission (BTC), and Konrad Adenauer Stiftung, took a first pre-step towards a joint branding initiative by gathering key stakeholders from the Region; leading place brand experts met in a colloquium on building a Baltic Sea Region brand in May 2005. The discussions on a joint vision and political commitment for a Baltic Sea Region branding strategy were very productive.

## Creating a Trademark for Success

At the Stockholm summit, a second pre-step towards a joint Baltic Sea brand strategy was taken through in-depth and action oriented discussions in the session 'Branding the Baltic Sea Region - Creating a Trademark for Success' and the subsequent workshop on the same issue. Fundamental strategic issues of branding the Region were addressed including the benefits and obstacles of place branding, as well as how a road map for the future process could look like.

**Simon Anholt**, co-founder of the Anholt-GMI Brands Index and a world-leading place brand expert, defined place branding in terms of the Baltic Sea Region as a *"long-term plan for earning and maintaining a distinctive, positive, and competitive regional reputation at home and abroad"*. Effective branding emphasises what already exists, and subsequently enables a place to be marketed to the rest of the world in order to ultimately bring comparative advantage in relation to competing nations and regions.



Simon Anholt in action in front of a spellbound audience. The topic is Building a Baltic Sea Region Brand. The other panellists in this session are from left to right Kai Hammerich, President & Director General of Invest in Sweden Agency, Linda Fredheim, VP Corporate Brand Strategy, SAS Group, Samuel Rachlin, Summit Moderator, and Christopher J. P. Beazley, MEP and Chairman of the 'Baltic-Europe' Inter-Group.

**“it is important when talking about branding the Region that you share some basic common values, that these values make sense to your audience, and that they are trustworthy”**

## Opportunities

Skilfully performed, place branding has proven to directly benefit progressive and developed countries and regions. Concrete examples of such benefits are an increase in attracting and retaining new industries, new investments and intellectual capital, encouraging rapid economic growth, attracting new tourists and visitors, extending media coverage, and much more.

## Challenges

It is crucial to understand the difference between branding a place and a tube of toothpaste, Mr. Anholt underlined. Jingles and logos do not do much for a country or region. Absolutely essential when branding a place is that the brand you create closely corresponds to the spirit of this place, since a place is made up of both geography and people with a sense of belonging, values, and perception of what they represent. Furthermore, the brand has to be relevant to all constituencies having an interest in the brand, which would be a critical point for the Baltic Sea Region that is made up of several countries speaking different languages, having different cultures, customs etc.

Vice President for Corporate Brand Strategy, SAS Group, **Linda Fredheim**, confirmed Mr. Anholt's conclusion and stressed *“it is important when talking about branding the Region that you share some basic common values, that these values make sense to your audience, and that they are trustworthy”*.

### Benefits from successful place branding:

- Attracts and retains the best and brightest
- Encourages more rapid economic growth
- Attracts and retains new industries, new investments and intellectual capital creating economic development and employment
- Attracts new visitors for travel and tourism
- Ensures positive media coverage
- Makes the Baltic Sea residents confident that this is the place for them to achieve their potential
- Makes the brand available as a valuable asset for the use in communications issued by businesses and government agencies while seeking partnerships to leverage its influence
- Encourages people who left to come back, bringing new skills and knowledge to the region

## The Process

In short Mr. Anholt gave an overview of the steps in creating a Baltic Sea brand. The first one is to research and analyse the essence of the Region, its strengths and weaknesses. Secondly, a strategy needs to be developed for what you want to accomplish and how. Thirdly, an image of the Region must be identified, making it clear what makes it stand out among other places and regions. Until now, this has mainly been an internal process, but now the brand should be communicated to the outside world. This is the fourth step, which is followed by a continuous process of brand management to keep the message straight.

Several of the existing forces in the Region have already understood the process. **Gabriele Kötschau**, Director of the CBSS Secretariat, underlined in the session 'Baltic Sea Common Information Space' that in order to achieve a successful branding exercise of our region, partners must first and foremost have access to factual and reliable information to make a skilled analysis. Moreover, they need channels through which to communicate the brand to the rest of the world.

## The Place Branding Hexagon

Place branding is probably the most difficult branding exercise you can undertake, and it is built up by numerous variables working together as one. The Anholt-GMI Brands Index has divided them into six groups in the so called 'Place Branding Hexagon' shown in Figure 20. The six groups making up a place brand are Tourism, Brands, Public policy, Investment and immigration, Culture, and not the least the People. Together, the groups form an 'image' of what the Baltic Sea Region is that will help communicate the brand.

The smaller the place, the easier it is to define which concrete features compose it and should be communicated. In a complex and somewhat abstract case as the Baltic Sea Region, one strategy is to adapt a process similar to growing pearls in oysters. You insert a little piece of grit into many oysters and wait for some of them to develop pearls. You nurture these pearls – the regional success stories – and start threading them up on a string making up the necklace that you show to the surrounding world.

### Requirements for successful place branding:

- Combine the geography of the place with its people
- Be credible in your claim. Something unbelievable cannot be supported and will ultimately fail
- The Baltic Sea Region brand must be relevant to all of the different constituents who have an interest in it. This group includes business and government, as well as people of various ages, ethnicities, languages, cultures and more
- Capture what makes the place different, compelling and attractive
- Articulate a great idea, i.e. the promise the place makes, combined with an assurance that it will constantly deliver on that promise
- Make a strong and long term commitment to the brand

Figure 20. The Place Branding Hexagon



Source: Simon Anholt, BDF Summit 2005, [www.earthsspeak.com](http://www.earthsspeak.com)

## TOURISM

The first 'pearl' on this necklace would be **TOURISM**. The tourism boards normally have the loudest voice and the biggest marketing budgets, and are therefore the ones that literally sell the place. However, the image they communicate is usually geared towards tourist attraction, which will not necessarily be helpful if you are into inward investments.

From the discussion in the session 'Tourism Co-operation in the Baltic Sea Region', it is clear that the industry is standing at strategic crossroads. The political, economic, and technological changes of the past decade have revealed an opportunity to make the Baltic Sea Region *one single* tourism mega-product with global potential. The tourist boards across the Region have identified mainly two challenges to be solved for this opportunity to be realised. The first one is to establish long-term co-operation for solving issues related to cultural diversity, differences in service standards, development, and competitiveness. The second pre-requisite is that you have to raise global awareness about this opportunity by making the Baltic Sea Region more visible.

An early successful forerunner in this field is the Cruise Baltic project, which demonstrates a clear success story and great example of close coordination between destinations and ports within the Baltic Sea Region. Though the project is limited to the cruise industry and the ports, the Project Director of Cruise Baltic, **Signe Adamsen**, explained that from her experience, the core working areas to be addressed in a future joint strategy for successful tourism co-operation and product development would be: i) to

harmonise services and quality standards in each destination/port; ii) to brand the Baltic Sea countries as pearls of the Baltic Sea; and iii) to create a common PR strategy for overseas markets. She also welcomed more similar action-oriented initiatives in the Region. As a final point, Ms. Adamsen underlined that co-operation like this would not be possible without very active partners who are willing to openly share knowledge with each other.

The Managing Director of the Swedish Tourist Authority, **Dennis Bederoff**, argued that the lack of visibility of the Baltic Sea Region had to do with weak and underdeveloped products rather than too little marketing. His alternative approach was that better coordination among regional stakeholders from government, industry, and organisations on increasing tourism attraction through product development should be the future joint strategy for the Baltic Sea Region, which the Cruise Baltic project seems to confirm.

From a marketing perspective, **Lars Thomassen**, Vice President, BBDO Europe, emphasised that before creating new products within tourism, the stakeholders would have to identify the relevant target group, i.e. the type of tourists they wish to attract. Thereafter, new products that are easy to communicate would have to be developed corresponding to the image we would wish to sell. When these crucial elements are in place, the actors should identify a 'communication tunnel', a suitable media, through which the Region could be advertised. In order to raise the awareness of the Baltic Sea Region and promote the tourism industry, Mr. Thomassen suggested to do more joint events and PR activities.

## BRANDS

Mr. Anholt introduced the second pearl in the Baltic Sea necklace, **BRANDS** of products represented in and connected to the Region. In modern society, brands often form the popular image of a country and play a significant role in the national identity. "What would the image be today of e.g. Sweden without Volvo and Ikea, or Japan without Sony and Toyota?", Mr. Anholt asked rhetorically. Mr. Thomassen agreed with this point and said that "to build a regional brand you need to create tangible products that can promote the Region and move into consumers' minds". In his view, because most products are nationally related, this will constitute a difficulty in relation to branding the Baltic Sea Region.

Providing a corporate perspective, Ms. Fredheim explained that the SAS Group strongly supported the development of a Baltic Sea Region brand since the company has expanded its business to the entire Region. She further explained that the SAS Group has extensive experience from branding activities, especially from their very active involvement in establishing the Scandinavian brand through the slogan 'It's Scandinavian'.

## PUBLIC POLICY

The third pearl, **PUBLIC POLICY**, tends to be the one that can make the most changes in people's attitude about nations most quickly, Mr. Anholt explained. Reference was made to the Swedish Prime Minister's speech on the problem with the Baltic Sea looking like a "spinach-soup". Building on this image, Mr. Anholt raised the question what would be communicat-



ed about the real existence of the Baltic Sea Region if all its countries adopted a common policy to tackle this problem together. *“An awful lot! It would make it look like a reality in people’s minds”*, Mr. Anholt answered.

In this sense, the discipline of a brand is good for politicians since it makes them understand, as all CEO’s do, that their brand, representing their intangible assets, is often more worth than all their tangible assets of the country put together. Mr. Anholt quoted Shakespeare, *“If you take my wallet you take trash, but if you take my good name you take everything I ever had and everything I ever will have”*.

## INVESTMENT & IMMIGRATION

**INVESTMENT & IMMIGRATION**, the fourth pearl, is a short term for business-to-business communication, i.e., the way places communicate directly to the business sector, inward investments (FDI), and as an attractor of talent and knowledge.

Taking an FDI perspective, **Kai Hammerich**, President & Director General of Invest in Sweden Agency (ISA) and Chairman of the Baltic Sea Region Investment Promotion Agencies (BIPA), explained that the FDI market has changed significantly due to globalisation with increased competition and new players emerging every day. In this climate, you need to have a strong value proposition consisting of mass markets with 100 million consumers or more.

American investors have already started dividing the EU into regions; Baltic Sea Region, British Isles, Continental Germany etc. In this new reality, Mr. Hammerich said, we need to shift from wasting resources on national marketing strategies when investors do not care about national boundaries. Instead we should join forces and make the best out of the Baltic Sea Region together with its 100 million consumers and abundance of competences. *“We are so small, so tiny and with limited resources, which is why we don’t reach that far on our own. Therefore, we must do things together, join forces, and do it in a very concrete way”*, Mr. Hammerich said.

To back up words with action, Mr. Hammerich explained that six out of the ten BIPA agencies representing Denmark, Estonia, Finland, Latvia, Lithuania and Sweden have set up a common office in India, from where they will jointly promote the Baltic Sea Region to the Indian economy and investors.

## CULTURE & HERITAGE

As the fifth pearl in the hexagon, the distinct **CULTURE AND HERITAGE** gives a place a three-dimensional identity. Countries, cities, and regions have an advantage over regular products because culture and heritage represents the emotional ‘soul’ of a place. In the Baltic Sea Region, there are both similarities and differences in this aspect, but as **Hans Dalborg**, Chairman of the Board, Nordea, pointed out in his gala dinner speech, *“We are similar enough to be able to co-operate, different enough to have a lot to learn from each other, and numerous enough to form a strong home market”*. This could be combined into a unique selling proposition and constitute the string on which the pearls are hung, thereby tying the countries together.

## PEOPLE

A place brand strategy that does not include the **PEOPLE**, the human capital, of that place is not worth the paper it is written on. This is the single most important element that can attract the talent you need, immigration, visitors, tourists, and consumers. Some compare the process of looking for a nation’s or region’s identity to mining, since one needs to dig deep into the history, the culture and the geography of that place to find out what the genius of its people is. The communication of this human capital is what brand strategy is all about, Mr. Anholt explained.



Chairman of Nordea, Hans Dalborg during his dynamic speech at the Gala Dinner.



President & Director General of Invest in Sweden Agency, Kai Hammerich, sharing his view on how to build a Baltic Sea Region Brand.

### National Identity Convertible to Regional Identity?

National identity is nation brand and nation brand is national identity, Mr. Anholt said. The nation brand is simply national identity made communicable, made useful, set to work – a method for competing in a globalised world. The big question is, can a region have an identity of its own like a country, and if so, what is it? According to the panellists, absolutely, and for the simple reason explained by Mr. Anholt that the Baltic Sea Region is not about advertising, jingles, or logos, but about people and what kind of a

place this is by the things we do and the way we do them.

**Christopher J. P. Beazley**, Member of the European Parliament and Chairman of the 'Baltic-Europe Intergroup', was thrilled about the branding initiative set in motion for the Baltic Sea Region and explained that it went hand in hand with the recently established Baltic-Europe Intergroup's work in the European Parliament. He noted a striking resemblance with the Baltic Development Forum's Agenda, the proposals in the State of the Region Report, and the proposals currently worked out in the Intergroup's

strategy paper for the Baltic Sea. In this regard, Mr. Beazley invited the Baltic Development Forum to assist in the work of the Intergroup and suggested that the activities undertaken be closely coordinated. *"Here are synergies to utilize"*, he said.

Mr. Beazley concluded the branding discussion by underlining that *"We are not inventing something like a cheap gimmick to convince Americans and Japanese to come and invest in e.g. Estonia. On the contrary, we are trying to sum up in a very short and symbolic way something, which already exists"*.

**"If you take my wallet you take trash, but if you take my good name you take everything I ever had and everything I ever will have"**

# Programme for the 7th annual

## Sunday, 16 October

	17.00	Official opening of the 7th annual Baltic Development Forum summit in the Swedish Parliament
		Opening addresses by <b>José Manuel Barroso</b> , President of the European Commission, and <b>Michael Treschow</b> , Chairman of the Confederation of Swedish Enterprise  Courtesy address by the County Governor of Stockholm
	19.00	Gala Reception in the Palace of Tessin hosted by the Stockholm County

## Monday, 17 October

Pillar Hall	08.30	Breakfast Session I:  <b>EU's new Lisbon Strategy and Future Prosperity - Diagnosis and Scenarios</b>  Panel: <b>Algirdas Mykolas Brazauskas</b> , Prime Minister, Lithuania <b>Hans Skov Christensen</b> , CEO, Confederation of Danish Industries <b>Klas Eklund</b> , Chief Economist, SEB & Member of the European Commission's Group of Economic Advisors <b>Patrice Lefeu</b> , Executive Director, La Baule - World Investment Conference  Moderators: <b>Maciej Grabowski</b> , Vice-president, Gdansk Institute for Market Economics and <b>Maria João Rodrigues</b> , Professor, President, European Commission's Advisory Group for Social Sciences
The Atrium	08.30	Breakfast Session II hosted by Ernst & Young:  <b>Ensuring a Competitive Market in the Baltic Sea Region - Creating a Truly Attractive Business Environment</b>  Panel: <b>Henning Dyremose</b> , President & CEO, TDC A/S <b>Stefan Hultstrand</b> , Partner, Ernst & Young Sweden <b>Aigars Kalvitis</b> , Prime Minister, Latvia <b>Birger Riis-Jørgensen</b> , State Secretary, Ambassador, Head of the Danish Trade Council, Ministry of Foreign Affairs, Denmark <b>Gert Tiivas</b> , President Growth Markets, OMX Exchanges management  Moderator: <b>Erik Berglöv</b> , Professor, Director, Stockholm Institute of Transition Economics
The Café	08.30	Breakfast Session III:  <b>The Role of North-West Russia as a Key Economic Player in the Baltic Sea Region</b>  Panel: <b>Mikhail Sverdlov</b> , Deputy General Director (PR), Eurosib Group Managing Company <b>Konstantin Khudoley</b> , Professor and Dean, School of International Relations, Russian Federation <b>Darja Akhutina</b> , General Director, Association for cooperation with Nordic Countries, NORDEN, Russian Federation <b>Slava Khodko</b> , Chairman of North-West Investment (Development) Agency  Moderator: <b>Carl Fey</b> , Associate Dean of Research, Stockholm School of Economics Russia

# Baltic Development Forum Summit

The Music Hall (Room 456)	08.30	<p>Breakfast Session IV:</p> <p><b>Research and Education in the Baltic Sea Region - a Knowledge Cluster of Global Potential</b></p> <p>Panel: <b>Veikko A. Koivisto</b>, Managing Director, Lilly Research Laboratories  <b>Irene Norstedt</b>, Head of Sector Innovative Medicines, DG Research, European Commission  <b>Bo Samuelsson</b>, Professor, Chairman, ScanBalt</p> <p>Moderator: <b>Børge Diderichsen</b>, Vice President, Novo Nordisk</p>
	09.45	Contact Break
The Auditorium	10.00	<p>Plenary Session:</p> <p><b>The Baltic Sea Region as a Role Model of Global Excellence by 2010 - Boosting the new Lisbon Strategy</b></p> <p>Panel: <b>Leszek Balcerowicz</b>, President, National Bank of Poland  <b>Pehr Gyllenhammar</b>, Chairman, Aviva plc  <b>Göran Persson</b>, Prime Minister, Sweden  <b>Arnold Rüütel</b>, President, Estonia</p> <p>Moderator: <b>Uffe Ellemann-Jensen</b>, Chairman, Baltic Development Forum</p>
	11.15	Contact Break
The Auditorium	11.30	<p>Plenary Session:</p> <p><b>Official Launch of the State of the Region Report 2005 - an Assessment of Regional Competitiveness and Innovation</b></p> <p>Panel: <b>Christian Ketels</b>, Principal Associate, Harvard Business School  <b>Sylvia Schwaag Serger</b>, Counsellor Science and Technology, Swedish Embassy Science Office (ITPS), China  <b>Charles Wessner</b>, Director Technology &amp; Innovation, US National Academy of Science</p> <p>Moderator: <b>Samuel Rachlin</b>, Journalist, Moscow Correspondent, TV2 Denmark</p>
The Auditorium	12.30	<p>Plenary Session:</p> <p><b>Innovation and Competitiveness in the Baltic Sea Region - Reflections and Perspectives on the Baltic Sea Initiative 2010</b></p> <p>Panel: <b>Ole Frijs-Madsen</b>, Director, Baltic Development Forum  <b>Karin Markides</b>, Deputy Director General, VINNOVA</p>
	12.45	Luncheon in restaurant Cabaret

Room 353	14.00	<p>Parallel Session 1:1</p> <p><b>Growth and Innovation beyond Metropolises - Enhancing Private and Public Investors' Focus</b></p> <p>Panel: <b>Simon Anholt</b>, Gouvernment Advisor on Nation Branding and Public Diplomacy  <b>Thomas E. Hackett</b>, Director General Lending Operations Europe, European Investment Bank  <b>Jukka Laitinen</b>, Director, Oy MetsäBotnia Ab  <b>Maria João Rodrigues</b>, Professor, President, European Commission's Advisory Group for Social Science</p> <p>Moderator: <b>Tomas Hanell</b>, Research Fellow, Nordregio - Nordic Centre for Spatial Development</p>
Room 453	14.00	<p>Parallel Session 1:2</p> <p><b>Tourism Co-operation in the Baltic Sea Region - Creating Joint Policies as a Win-Win Scenario</b></p> <p>Panel: <b>Signe Adamsen</b>, Project Director, Cruise Baltic  <b>Dennis Bederoff</b>, Managing Director, Swedish Tourist Authority  <b>Lars Thomassen</b>, Vice President, BBDO Regional Headquarters Europe</p> <p>Moderator: <b>Szilvia Gyimóthy</b>, Associate Professor, University of Lund</p>
Room 461	14.00	<p>Parallel Session 1:3</p> <p><b>Venture Market - Accelerating the Prospects for the Expansion of a Strong and Coherent Baltic Sea Region</b></p> <p>Panel: <b>Maria Leander</b>, Head of legal Division, European Investment Fund  <b>Jaanus Pikani</b>, Board Member, Estonia Biotechnology Association  <b>Ulf Söderholm</b>, Partner, Andulf Advokat AB</p> <p>Moderator: <b>Mikael Ørum</b>, General Partner, Ventac Partners</p>
Room 357	14.00	<p>Parallel Session 1:4</p> <p><b>An Innovative Driver in the Region - The Multidisciplinary European Research Centre</b></p> <p>Panel: <b>Karl-Frederik Berggren</b>, Director, ESS Scandinavia  <b>Patrick Carlsson</b>, Project Manager Science, ESS Scandinavia  <b>Allan Larsson</b>, Special Negotiator for ESS on behalf of the Swedish Government  <b>Winfried Petry</b>, Scientific Director, Hans Heinz Maierleibnitz Research Neutron Source</p>
The Music Hall (Room 456)	14.00	<p>Parallel Session 1:5</p> <p><b>Co-operation on Innovation in the Nordic/Baltic Region</b></p> <p>Panel: <b>Kristian Birk</b>, Head of Division, National Agency for Enterprise and Construction, Denmark  <b>Krzysztof Gulda</b>, Director, Ministry of Economy, Labour and Social Policy, Poland  <b>Pierre Vigier</b>, Deputy Head of Innovation Policy Development Unit, DG Enterprise, European Commission</p> <p>Moderator: <b>Per Unckel</b>, Secretary General, Nordic Council of Ministers</p>
	15.15	Contact Break



Room 453	15.45	<p>Parallel Session 2:1</p> <p><b>Facilitating Networks and Clusters of the World of Tomorrow</b></p> <p>Panel: <b>Krzysztof Gulda</b>, Director, Polish Ministry of Economy, Labour and Social Policy  <b>Heikki Kotilainen</b>, Deputy Director General, TEKES  <b>Karin Markides</b>, Deputy Director General VINNOVA</p> <p>Discussions: <b>Marie Degn Bertelsen</b>, Economist, Ministry of Economic and Business Affairs, Denmark  <b>Lars Eklund</b>, Director Competitiveness, VINNOVA</p> <p>Moderators: <b>Alec Hansen</b>, President, the Competitiveness Institute, and <b>Jens Erik Lund</b>, Special Advisor, VINNOVA</p>
Room 357	15.45	<p>Parallel Session 2:2</p> <p><b>Innovation as a Competitive Advantage for the Region</b></p> <p>Panel: <b>Tor Bonnier</b>, Chairman, Forum for Innovation Management, FIM, Sweden  <b>Egils Milbergs</b>, President, Center for Accelerating Innovation &amp; National Innovation Initiative, USA  <b>Erik Rasmussen</b>, CEO, Monday Morning A/S &amp; Cofounder, Danish Innovation Council</p> <p>Moderator: <b>Mikael Lindholm</b>, Directing Editor, Monday Morning A/S</p>
The Music Hall (Room 456)	15.45	<p>Parallel Session 2:3</p> <p><b>Creating a Genuine Entrepreneurial Environment in the Baltic Sea Region</b></p> <p>Panel: <b>Lars Baltzer</b>, Professor, University of Uppsala  <b>Thomas Nygren</b>, Partner, Hamilton &amp; Co  <b>Johan Staël von Holstein</b>, Chairman and CEO, Iqube</p> <p>Moderators: <b>Lou Hagbarth</b>, Owner and Managing Director, Hagbarth Publications, and <b>Per Lindström</b>, CEO, Meadowland Business Partners AB</p>
Room 353	15.45	<p>Parallel Session 2:4</p> <p><b>Baltic Sea Region Competence Map - Making the Competence Networks Visible</b></p> <p>Panel: <b>Ola Björkman</b>, Associate Professor, Project Director, Stockholm Bioscience  <b>Jan C. Maier</b>, CEO, Avedas AG</p> <p>Moderator: <b>Johan Christenson</b>, Partner HealthCap, Odlander, Frederiksson &amp; Co AB</p>
	17.00	Contact Break
The Auditorium	17.15	<p>Day I Endnote Plenary Session:</p> <p><b>Innovation and Competitiveness in the Baltic Sea Region - Future Strategy to Assure Global Excellence</b></p> <p>Panel: <b>Peter Egardt</b>, President, Stockholm Chamber of Commerce  <b>Heikki Kotilainen</b>, Deputy Director General, Tekes  <b>Lars G Nordström</b>, President and Group CEO, Nordea  <b>Per Unckel</b>, Secretary General, Nordic Council of Ministers</p> <p>Moderator: <b>Samuel Rachlin</b>, Journalist, Moscow Correspondent, TV2 Denmark</p>

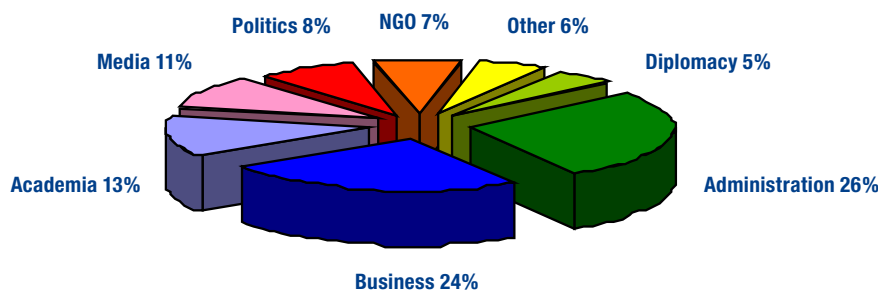
	19.00 22.30	<b>Gala Dinner</b>  Gala dinner in the Stockholm City Hall  Speakers: <b>Annika Billström</b> , Mayor, City of Stockholm <b>Hans Dalborg</b> , Chairman of the Board, Nordea <b>Per Eriksson</b> , Director General, VINNOVA
<b>Tuesday, 18 October</b>		
The Auditorium	08.30	Opening Plenary Session:  <b>Branding the Baltic Sea Region - Creating a Trademark for Success</b>  Panel: <b>Simon Anholt</b> , Government Advisor on Nation Branding and Public Diplomacy <b>Christopher J. P. Beazley</b> , Member of the European Parliament, Chairman of the "Baltic-Europe" Inter-Group <b>Linda Fredheim</b> , VP Corporate Brand Strategy, SAS Group <b>Kai Hammerich</b> , President & Director General, Invest in Sweden Agency  Moderator: <b>Samuel Rachlin</b> , Journalist, Moscow Correspondent, TV2 Denmark
	09.45	Contact Break
Room 357	10.00	Parallel Session 3:1  <b>The Baltic Sea Metropolises as the Region's Lighthouses</b>  Panel: <b>Aivars Aksenoks</b> , Mayor, City of Riga <b>Lars Engberg</b> , Lord Mayor, City of Copenhagen <b>Jussi Pajunen</b> , Mayor, City of Helsinki <b>Pelle Törnberg</b> , CEO, Metro International S.A.  Moderator: <b>Per Olof Berg</b> , Professor, Stockholm University School of Business
The Music Hall (Room 456)	10.00	Parallel Session 3:2  <b>Will the Baltic Sea Region be able to Compete with Emerging Asia?</b>  Panel: <b>Tomas Juska</b> , CEO, Libra Group <b>Reinhard Stuth</b> , State Secretary, City of Hamburg <b>Kim Østrup</b> , Vice-president, IBM Denmark  Moderator: <b>Klas Eklund</b> , Chief Economist, SEB & Member of the European Commission's Group of Economic Advisors
Room 453	10.00	Parallel Session 3:3  <b>Baltic Sea Common Information Space to Enhance Innovation and Competitive Potentials in the Region</b>  Panel: <b>Alex Ignatiev</b> , Director for Russia and CEE, EastWest Institute <b>Erkki Järvinen</b> , President and CEO, Rautakirja OY <b>Christer Persson</b> , Director, CSO - Member of the CBSS, Ministry for Foreign Affairs, Sweden  Moderator: <b>Gabriele Kötschau</b> , Director, CBSS Secretariat

Room 353	10.00	<p>Parallel Session 3:4</p> <p><b>Intelligent Transport and Infrastructure - an Innovative key to Future Growth and Prosperity</b></p> <p>Panel: <b>Uno Aldegren</b>, Chairman, BSSSC &amp; the Baltic Gateway Political Committee  <b>Thomas Dyrbye</b>, CEO, Maersk Nordic &amp; Baltic  <b>Bengt Gustavsson</b>, Project Coordinator, Baltic Gateway  <b>Karsten Sten Pedersen</b>, Chief Project Manager, COWI A/S</p> <p>Moderator: <b>Lauri Ojala</b>, Professor, Turku School of Economics and Business Administration</p>
	11.15	Contact Break
The Auditorium	11.45	<p>Plenary Session:</p> <p><b>Facing Global Challenges - are Russia and Europe Ready to Develop a True Partnership?</b></p> <p>Panel: <b>Gerhard Lohan</b>, Head of Unit, DG Relex, European Commission  <b>Sergey Yastrzhembsky</b>, Special Envoy of the President of the Russian Federation for Relations with the European Union</p> <p>Moderator: <b>Samuel Rachlin</b>, Journalist, Moscow Correspondant, TV2 Denmark</p>
The Auditorium	13.00	<p>Endnote Plenary Session of the Summit:</p> <p><b>The Baltic Sea Region as a Role Model - Prospects for the Future</b></p> <p>Speaker: <b>Uffe Ellemann-Jensen</b>, Chairman, Baltic Development Forum</p>
	13.15	Luncheon in Norra Latin sponsored by Stockholm Chamber of Commerce
		<b>End of Official Summit</b>
	15.00	A number of workshops and meetings were held back-to-back with the 7th annual Baltic Development Forum summit.
Room 357		<b>I. Baltic Gateway Quick Start Programme - Innovative Financing of Transnational Transport Projects</b> (open-ended meeting for key stakeholders hosted by Baltic Gateway)
The Music Hall		<p><b>II. Branding the Baltic Sea Region - From Strategy to Action</b> (open-ended meeting for key stakeholders)</p> <p><b>III. Baltic Sea Perspective Brussels Conference 2006</b> (closed meeting of the organisational committee)</p> <p><b>IV. Baltic Metropolises Mayors' Meeting</b> (closed meeting for the Mayors in the Baltic Sea Region)</p>

# Stockholm Summit 2005

## Participants by Sector

**Distribution of Participants per Sector**



AB Electrolux  
 AB Swedish Export Credit Corporation (SEK)  
 ABB Baltics  
 Academia Baltica  
 Academy of Finland  
 Aero Airlines AS  
 Andulf Advokat AB  
 ANTEJA ECG  
 Associated Press  
 Association for cooperation with Nordic countries NORDEN  
 Avedas AG  
 Aviva plc  
 Baltic Business Research Institute  
 Baltic Challenge - County Administrative Board of Stockholm  
 Baltic Gateway  
 Baltic Institute of Finland  
 Baltic Sea Forum  
 Baltic Sea Parliamentary Conference BSPC  
 Baltic Sea School Berlin  
 Baltic Sea Solutions  
 Baltic Sea Tourism Commission (BTC)  
 Bank of Finland  
 BASF Business Center Europe North  
 BBDO Denmark  
 Bel Press  
 Bio Fund Management Oy Ltd.  
 BioCon Valley GmbH

BMT Transport Solutions GmbH  
 Board of Trade and Industry for the Vänern Lake Region  
 BPW Sweden  
 British Embassy  
 BSC Work Group Transport, Nordland fylkeskommune  
 BSR INTERREG  
 BSSSC  
 BTV Cooperation  
 Business Education College  
 Buskerud Fylkeskommune  
 Capteco A/S  
 Center for Accelerating Innovation  
 Center for Integration Research CIRP  
 Center for Strategic Initiatives  
 Centre for Baltic Studies  
 City of Copenhagen  
 City of Helsinki  
 City of Malmö  
 City of Oslo  
 City of Riga  
 City of Stockholm  
 City of Turku  
 City of Warsaw  
 Committee of Economy and Investment  
 Leningrad Region Government  
 Competitiveness Institute; The  
 Confederation of Danish Industries

Confederation of Swedish Enterprise  
 Connect Denmark  
 CONNECT Sweden  
 Copenhagen Airports A/S  
 Copenhagen Business School  
 Copenhagen Crossroads  
 Council for the Stockholm-Mälars Region  
 Council of the Baltic Sea States (CBSS)  
 County Administrative Board of Stockholm  
 County of Storstrøms  
 COWI A/S  
 Cruise Baltic  
 Cultural Tourism Institute  
 Dagens Industri  
 Dagens Næringsliv/The Norwegian Business Daily  
 Danish Cultural Institute  
 Danish Parliament, The Danish Delegation  
 to the The Nordic Council  
 Danish Transport and Logistics Ass.  
 Danske Bank  
 Dati Exigen Group  
 Department for Europe, Unit for Central and  
 Southeastern Europe Ministry for Foreign Affairs  
 Department on development relationships with  
 EU of the Presidents Administration  
 Die Welt, Berlin  
 Dianas Bizness  
 Division for IT, Research and Development Ministry  
 of Industry, Employment and Communications  
 Dow Jones News  
 E. Pihl & Son A.S  
 East Capital  
 EastWest Institute ( Regional and  
 Transfrontier Cooperation-Russia )  
 Ecofin  
 EFER  
 Embassy of Denmark, Sweden  
 Embassy of Estonia, Sweden  
 Embassy of Finland, Sweden  
 Embassy of Latvia, Sweden  
 Embassy of Lithuania, Sweden  
 Embassy of Malta, Sweden  
 Embassy of Russia, Sweden  
 Embassy of Spain, Sweden  
 Embassy of the Federal Republic of Germany, Sweden  
 Embassy of the Republic of Estonia, Sweden  
 Embassy of the Russian Federation, Sweden  
 Enterprise Estonia  
 Enterprise plc/ UK Government's Department  
 for International Development - DFID

EPC Consult  
 Ernst & Young  
 ESS Scandinavia  
 Estonian Biotechnology Association  
 Estonian Business Daily  
 Estonian Foreign Policy Institute  
 Estonian Institute for Futures Studies  
 Estonian IT College  
 Eurodek Copenhagen A/S  
 Europakorridoren  
 European Bank for Reconstruction and Development  
 European Commission  
 European Investment Bank  
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Innovation Institute

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Invest in Sweden Agency

IQube

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JC "PAREX BANK"

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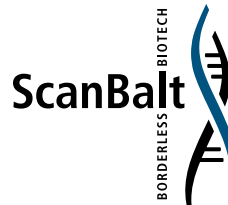
The 2005 Summit was co-organised with VINNOVA, the Swedish Agency for Innovation Systems:



The 2005 Summit Partner was:



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



The Members of Baltic Development Forum constitute a valuable corner stone in developing the region and provide the basis for various activities during the year.

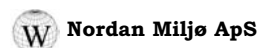
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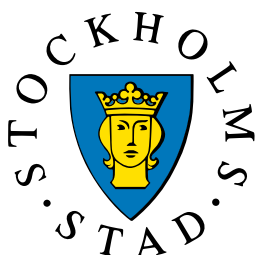
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# Special Acknowledgements

Baltic Development Forum expresses its sincere gratitude to:

**City of Stockholm** for hosting the Gala Dinner in the City Hall and for providing invaluable general support.



**Gateway Stockholm** and **Stockholm Chamber of Commerce** for sponsoring the summit lunches:



**Stockholm County** for hosting the Gala Reception in the Tessin Palace.



COUNTY ADMINISTRATIVE  
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**The Swedish Ministry for Foreign Affairs** for providing the summit premises, logistics and security.



REGERINGSKANSLIET

**The Swedish Parliament** for granting access to their premises and hosting the official opening ceremony.

SVERIGES   
RIKSDAG 

**TeliaSonera** for providing wireless internet access during the summit.

## TeliaSonera

The following prominent regional actors hosted a session at the summit:

**Baltic Sea Solutions, BTV-Cooperation, Region Skåne and West Pomeranian Region** hosted the session “Growth and Innovation beyond Metropolises – Enhancing the Private and Public Investors’ Focus”.

**Ernst & Young** hosted the session “Ensuring a Competitive Market in the Baltic Sea Region – Creating a Truly Attractive Business Environment”.

**SEB** hosted the session “Will the Baltic Sea Region be able to compete with Emerging Asia?”

Specific sessions were developed in cooperation with:

**Baltic Metropolises** (BaltMet) contributed to the session “The Baltic Sea Metropolises as the Region’s Lighthouses”

**European Private Equity and Venture Capital Association** (EVCA) and **Scanbalt** contributed to the session “Venture Market – Accelerating the Prospects for the Expansion of a Strong and Coherent Baltic Sea Region”.

**ScanBalt** contributed to the session “Research and Education in the Baltic Sea Region – a Knowledge Cluster of Global Potential”.

# About Baltic Development Forum

## What we do

As the leading high-level and agenda-setting networking organisation in Northern Europe we facilitate and develop new initiatives, partnerships and international contacts to stimulate growth, innovation and competitiveness in the Baltic Sea Region and its 11 dynamic countries. We seek to develop the Baltic Sea Region as a global centre of excellence and establish the Region internationally as a strong and attractive place brand. Being the preferred platform for decision makers from business, politics and academia Baltic Development Forum is a unique platform for innovative thinking, informal cross-sector/cross-border/cross-level encounters and concrete new business opportunities with a global perspective.

## Who we are

Baltic Development Forum is an independent non-profit networking organisation with members from large companies, major cities, institutional investors and business associations in the Baltic Sea Region and its countries. Baltic Development Forum works with a wide range of partners, including businesses, governments, regional organisations, research and media institutions. Our network involves more than 2,000 decision makers from all over the region. The mission of Baltic Development Forum is to promote the Baltic Sea Region as an integrated, prosperous and internationally competitive growth region.

### Baltic Development Forum's Honorary Board

**Hans-Dietrich Genscher**, Former Minister for Foreign Affairs of Germany

**Jón Baldvin Hannibalsson**, Ambassador, Former Minister for Foreign Affairs of Iceland

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**Kazimiera Prunskiene**, MP, Former Prime Minister of Lithuania

**Klaus Schwab**, President of World Economic Forum, Switzerland

**Krzysztof Skubiszewski**, Professor, Former Minister for Foreign Affairs of Poland

**Thorvald Stoltenberg**, President of Norwegian Red Cross, Former Minister for Foreign Affairs of Norway



Baltic Development Forum is chaired by **Uffe Ellemann-Jensen**, former Minister for Foreign Affairs of Denmark and co-founder of Baltic Development Forum and Council of the Baltic Sea States. The Baltic Development Forum Honorary Board and Advisory Board consist of high-level political dignitaries and prominent business executives representing the entire Baltic Sea Region. The Baltic Development Forum secretariat is located in Copenhagen and is headed by Director **Ole Frijs-Madsen**.

## How to join us

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

More information can be found on our homepage:

**[www.bdforum.org](http://www.bdforum.org)**

### Baltic Development Forum's Advisory Board

**Carl Bildt**, Chairman of Kreab Group, Former Prime Minister, Sweden

**Grete Faremo**, Director of Legal and Corporate Affairs, Microsoft, Former Minister, Norway

**Jaakko Itoniemi**, Ambassador, President of the Crises Management Initiative, Finland

**Wolf-Rüdiger Janzen**, President of the Kiel Chamber of Commerce Association, Germany

**Andrius Kubilius**, MP, Former Prime Minister, Lithuania

**Viktors Kulbergs**, Managing Director of Auto Riga SIA, Latvia

**Toomas Luman**, Chairman of EE Group Ltd and President of the Estonian Chamber of Commerce and Industry, Estonia

**Andrzej Olechowski**, Chairman of the Central European Trust Fund, Former Minister, Poland

**Igor Yurgens**, First Vice-President, Renaissance Capital, Russia

# Baltic Development Forum's

## Baltic Development Forum has identified six key priorities for the next year:

### Facilitating and strengthening the Baltic Sea Region's global position

We need to strengthen the Baltic Sea Region's position both in Europe and globally. The Region is already considered the "Regional Beacon" for the rest of Europe in economic terms and in achieving the goals of the Lisbon Strategy. To keep up the pace and to boost the Lisbon implementation further, Baltic Development Forum will focus on key issues where actions must be taken to be a global competitive Region in the future, for instance the conditions for entrepreneurship.

### Supporting the Lisbon Strategy with effective Regional Monitoring

As the Lisbon Strategy sets the priorities straight in Europe, an effective benchmarking tool of the economic performance and competitiveness of the Baltic Sea Region is needed to enhance the development of the Region and of Europe. The annual State of the Region Report written by researchers from Harvard Business School and Stockholm School of Economics provides the independent analysis necessary to pin down the future focus areas.

### Branding the Baltic Sea Region

Based on the Baltic Sea Region's strengths and qualities – its image – the Region should become a globally well known icon for cross-border, cross-level, and cross-sector cooperation between 11 countries. All regional stakeholders have to acknowledge the need for a common Baltic Sea Region brand. To do this we must create a regional self image, communicate the regional 'success stories' and 'go abroad' telling

these stories. All stakeholders have to not only brand themselves, but the Region as such. Baltic Development Forum will work towards creating a brand strategy in co-operation with key regional stakeholders to build a regional brand known to the outside world.

### Integrating the Russian Federation

Northwest Russia is an untapped market generating the biggest opportunity for regional growth and prosperity. The Baltic Sea Region constitutes a natural platform for EU-Russian integration, and Baltic Development Forum will support this work. We will further seek to strengthen the co-operation with a focus on economic integration. Kaliningrad is an area that deserves continued attention and Baltic Development Forum is keen to offer its constructive contribution to all relevant issues that could stimulate further positive developments in the enclave. The Northern Dimension Action Plan is expected to be discussed further during the Finnish EU-presidency in the second half of 2006. Baltic Development Forum intends to focus on this theme during its Summit in Helsinki in Autumn 2006.

### Supporting the Development of Networks of Networks

A key driver of innovation and competitiveness in the Baltic Sea Region is the network of networks such as the Baltic Sea Initiative, which was established in connection with the 2004 summit in Hamburg. The Region endures too much misconception due to a lack of co-ordination and information. Hence, this network is needed, providing coordination between existing initiatives and allocating the right resources

# Main Priorities for 2006

to the right projects by pooling funds, creating value chains and avoiding spill over effects. The future of the initiative will focus on promoting and drawing attention to key regional growth drivers for better utilization of today's locked-in competitive potential. Baltic Development Forum will together with the other key stakeholders in this initiative, the Nordic Council of Ministers, the Business Advisory Council to the CBSS, BIPA, Tekes and VINNOVA, take responsibility for one thematic issue. Baltic Development Forum will focus on building a regional brand.

## Thematic Issues

In addition to the key priorities listed above, Baltic Development Forum also emphasises strong focus on the following issues:

1. The **Baltic Sea Metropolises** are key drivers for economic growth in the Region and play a crucial role for positioning the Region on a European and global level. The co-operation with the city network "Baltic Metropolises" will be further developed and Baltic Development Forum aims to strengthen the co-operation between the Metropolises in the Baltic Sea Region.
2. The **peripheral areas** have to be included in the overall economic interaction, if the entire Baltic Sea Region wants to be a "beacon" for the rest of Europe and globally in the fields of competitiveness, innovation, and economic growth. The work already performed to highlight the efforts being made in the sub-regions through the "Working Group on Development of Peripheral Areas in the Baltic Sea Region" will continue and expand during 2006.
3. An intelligent **transport system and infrastructure** is another important area of generating regional growth. At the summit in Stockholm a transport report was launched after three years of work in a series of round tables. The report defined the main challenges to the Region's trans-

port infrastructure. Baltic Development Forum will in close co-operation with several stakeholders in an Inter-reg project proceed with the co-ordination of joint efforts to further improve the regional transport system in the Baltic Sea Region.

4. **Tourism** is a key commercial sector with one of the strongest potentials for creating jobs and growth for the benefit of the Region. During 2005, Baltic Development Forum has facilitated a Round Table for better co-ordination of ongoing projects and initiatives within the tourism sector, focusing on creating a common product and strategy that will attract tourists worldwide.
5. **Entrepreneurship** is the backbone of an innovative and knowledge-based economy which Europe is struggling to develop in strong competition with Asia and the US. Despite ranking very high on the Lisbon indicators and being praised for its results by the President of the European Commission, the Baltic Sea Region is not sufficiently geared to develop new entrepreneurs. This aspect should be further explored and concrete measures defined for further actions.
6. The Baltic Sea Region encompasses several producers of energy with Russia being the far biggest one. A future oriented strategy and frame-work for **energy related issues** like energy safety and energy efficiency is crucial to sustain the economic and social prospects for the Baltic Sea Region. Baltic Development Forum intends to look at how this issue evolves during the year in view of the G8-Summit in St. Petersburg mid-2006.
7. **Environmental standards** are in general linked to **advanced technology**, in which many countries of the Region is world-leading. This and **the improvement of the water quality of the Baltic Sea** are all crucial issues which the Region and its 11 countries could develop further. Baltic Development Forum will seek to facilitate an agenda that combines growth, technological progress, and a healthy environment.



A stylized map of the Baltic Sea region, showing the coastlines of Denmark, Sweden, Finland, and parts of Germany and Poland. The map is rendered in a light blue color against a darker blue background.

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# Baltic Development Forum is looking forward to seeing you at the 8th annual summit in Helsinki, 29-31 October 2006

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network for decision-makers from business, politics,  
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