

HAMBURG SUMMIT  
12-14 SEPTEMBER 2004



REPORT

ON THE 2004  
BALTIC DEVELOPMENT FORUM SUMMIT

*The Baltic Sea Region at a Crossroads  
– New Business or Business as Usual?*

# THE 6<sup>TH</sup> ANNUAL BALTIC DEVELOPMENT FORUM SUMMIT 2004



*First Mayor Ole von Beust and Uffe Ellemann-Jensen at the gala opening*



*The University of Hamburg was home to the 6th annual Baltic Development Forum summit.*



*Uffe Ellemann-Jensen introducing the distinguished speakers: President of Lithuania Valdas Adamkus, Prime Minister of Denmark Anders Fogh Rasmussen and Prime Minister of Latvia, Indulis Emsis*

**T**he Baltic Sea region has entered a new era of cooperation. From Northwest Russia in the East to Norway in the West, from Germany and Poland in the South to Finland in the cold North, the trend is unmistakable.

Now is the time to capitalize on our great achievements and to fix our flaws in order to maintain regional cooperation and improve economic growth and our innovative capabilities. That was the lesson learned in Hamburg at the sixth annual summit.

The role of the Baltic Development Forum is to identify the region's challenges, bring together key decision makers and jointly define common objectives. And we are ready to continue to do so.

After the successful enlargement of the European Union, one very critical factor for the Baltic Sea region is the significant difference among the countries of the Baltic Sea. Our economic achievements, performance drivers, company practices as well as our business environments and strength of our democratic institutions remain quite different.

If we fail to organize coordinated regional action, the challenges that our differences pose might just be too high for anyone to overcome. The companies currently located in the region would eventually downgrade their involvement in the region relative to their activities to gain stronger foothold in other parts of the world.

Thus, Baltic Development Forum will, in the upcoming year, prepare a joint Baltic Sea initiative. Its goal will be to unlock the benefits of regional cooperation and set specific goals for what regional cooperation aims to achieve in the Baltic Sea region.

A Baltic Sea Initiative could eventually become the basis for discussions and possible endorsement at Baltic Development Forum's 2005 Summit.

The Baltic Sea region must continue to ensure that we meet the needs of the present without compromising the prospects of the future. However, to match this aphorism each challenge accomplished must be followed by new goals and new visions for the region.

I hope that you will all join us in Stockholm on 16-18 October 2005.

Yours sincerely,



## EXECUTIVE SUMMARY

### How to Capitalise on the Potential of the Baltic Sea Region

The overriding message from the sixth annual Baltic Development Forum summit was that the key players in the Baltic Sea Region should now be done with talking about the potential of the region. Now it is time to capitalize on it. This year's summit in Hamburg, once again, brought together decision makers from all over the region to discuss crucial strategic issues and developments.

The summit's main theme "The Baltic Sea Region at a Crossroads - New Business or Business as Usual" lead to a debate on how to adapt and reenergize Baltic Sea cooperation. The challenge is to boost business opportunities and benefit from the region's changed economic and political development. With the enlargement of the EU and the establishment of open market economies all over the region, new opportunities arise for the Baltic Sea region. Seizing these new opportunities will require new goals and decisive actions to achieve them.

### The Need for New Goals and a Bottom-up Driven Strategy

The Baltic Sea region is at a crossroads. With EU enlargement, a main goal has been reached and new opportunities have arisen. It is obvious to anyone that the region has a lot of potential. This was indeed also underscored by two reports launched at the summit, "The State of the Region Report 2004" and "Innovation in the Nordic-Baltic Sea Region". In order to capitalise the region's potential decision makers must formulate a joint vision for the Baltic Sea region with common goals, common priorities, and an action agenda for implementation

Former Swedish Prime Minister, **Carl Bildt** said that the region now has a window of opportunity. *"The good days are here. It is question of making full use of them"*. According to the participants, seizing this window of opportunity required setting new goals. Minister-President of Schleswig-Holstein, **Heide Simonis**, put it clearly in her remarks at the summit: *"We need a second phase of Baltic Sea cooperation. A new vision should enable us to develop the Baltic Sea region as a model region for the whole of Europe with its values and common goals"*.

The call for a joint vision was also heard from leading business executives. As Senior Vice President of BASF, **Hubert Mandery** pointed out: *"If you want to achieve something jointly, with the heterogeneity and the different challenges we have to deal with, it will be worth while spending time on developing a joint vision and figuring out how to make it operational"*. CEO of Nordea **Lars G. Nordström** echoed those words by underlining that you can only be successful if you can execute the visions you have.

President of Lithuania **Valdas Adamkus** said that he believed the region should look at itself and its co-operation from a more pragmatic and target-oriented perspective. Co-author of the "State of the Region Report 2004", **Dr. Christian Ketels** of Harvard Business School agreed. *"We should be proud of what we have achieved, but we need to realise that to be as successful in the future, we need a new strategy and we need to be very specific about what we want to do"*, Dr. Ketels said.

### Competitiveness and Innovation

The "State of the Region Report 2004", analysing the competitiveness of the Baltic Sea region, shows that the region is doing well, but could be doing a lot better. This

lead many participants to point out that we need to act in order to stay ahead in the global competition, and do more to build on the strengths of the region.

*"We need to be conscious about our limited capacities. We should utilize our strengths and build on the successes already achieved",* the Speaker of the Finnish Parliament, former Prime Minister **Paavo Lipponen** said. **Per Unckel**, Secretary General of the Nordic Council of Ministers phrased the same point of view but in a different way. *"Do what you are already good at. Don't try and reinvent the wheel. Look for your strength and potential and do something in those fields".*

In the opinion of European Commissioner **Danuta Hübner**, the Baltic Sea region had the potential to become a *"regional vehicle"* for moving Europe towards more competitiveness and innovation. As was pointed out by an overwhelming number of speakers, this requires further integration, a better functioning internal market, harmonisation of legislation and standards and an increased focus on removing barriers to trade and investments. Investments in infrastructure and more cooperation on energy and tourism were also pointed out as important to increasing competitiveness and growth.

Furthermore, building frameworks that encourage entrepreneurship and foster innovation remained crucial to increase competitiveness in the future: *"Tomorrow belongs to the innovators"* Prime Minister of Denmark, **Anders Fogh Rasmussen** pointed out. To be innovative, however is, not so easy, **Pehr Gyllenhammar**, Chairman of AVIVA, warned. *"If we want to be innovative we have to adopt, which will take time, a culture of encouragement and reward, not punishment and shame. And this issue has simply not been addressed this year"*. The same message came from **Terence Brown**, Director General of Lending Operations in the European Investment Bank. He emphasised that Member States need to reward innovation and to make the structural changes that allow innovation to be converted into commercialisation.

Investing in education, research and development were other important focus areas. Minister for Employment in Denmark, **Claus Hjort Frederiksen** said that if Europe is to be at the forefront, we have to stake massively on education and upgrading of skills and qualifications of the labour force. *"We have to be smarter than the people we compete with"*.

Finally, several speakers pointed out that a prerequisite for success is the ability to profile the region in Europe and in the world. *"Our task is to be strong in the region together and to have a decisive and widely perceptible say in Europe"*, First Mayor **Ole von Beusts** said. Under Secretary of State of Poland **Jan Krzysztof Frackowiak** emphasized that everybody knows that good trademarks make wonders in the market. *"We must advertise our unique qualities, dedication and strong will to be the best region in the world"*, Mr. Frackowiak pointed out on line with **Tian Zhongqing**, Director and Senior Fellow at the Shanghai Institute. *"An urgent task for you is to sell the concept of the Baltic Sea"*, Tian Zhongqing told in the extra-regional session.

### **Commitment Needed From All Stakeholders**

Regional cooperation is not an automatic process. It requires an active choice, initiative and commitment from key stakeholders. Talking about becoming a frontrunner is not enough. Communication and financing are also needed. Like so many other speakers, the Deputy Secretary General of TEKES, Finland, **Heikki Kotilainen** said that the Baltic Sea region indeed had potential to become a dynamic growth region. Mr. Kotilainen, nevertheless, emphasized that *"communication and commitment at all levels are crucial"* and *"coordination without money is nonsense"*.

Many participants, including Director General of VINNOVA **Per Eriksson**, pointed out the value of strengthening cooperation across borders and sectors. He said: *"We have*

*a potential if we can cooperate across all kinds of borders, not only national borders, but also the borders between universities, government and business".* **Berndt Röder**, President of the Parliament of Hamburg, had a similar message. *"We need an intensive dialogue between the businesses of the region, the media and academia on one side, and politics on the other"*, the President of the Parliament said.

### **North West Russia as a Gateway**

Many speakers underlined the importance of involving Russia actively in Baltic Sea region development, including Prime Minister of Latvia **Indulis Emsis**. He believed that Russia could be one of the potentially most dynamic sources of a positive change in the region. *"A stable Russian economy will positively influence the development opportunities of the whole region. The stronger and healthier economy of Russia, the more benefits for the Baltic Sea region"*. Minister-President Heide Simonis agreed. She pointed out that: *"You can't have peace, economic growth, and stability in a region where one of the biggest partners always say 'no thank you very much, I am not interested'. We have to give Russians a feeling that they are welcome"*.

There was a positive message, too, from the panel debating the relationship between the Baltic Sea region, EU and Russia. The North West region and Kaliningrad were experiencing a positive economic development. Now they are focused on how to improve the investment climate and reduce administrative barriers.

According to **Slava Khodko**, Chairman of the Board of the North-West Investment (Development) Agency, the Northwest Region was very interested in Baltic Sea cooperation. *"The Northwest region will be some kind of window, in Russian language, or gateway, as its called in English, between Russia and the EU"*, he said. Chess grandmaster **Garry Kasparov** also stressed that Russia, eventually, must join Europe. However, he warned that a one-dimensional strategy was neither effective in chess nor in politics.

### **Less Bureaucracy and Better Regulations**

A questionnaire survey conducted among the participants showed that bureaucracy remained both the greatest day-to-day problem and a major challenge for efficient and comprehensive business cooperation in the Baltic Sea region. Responding to the question on the three greatest problems in the Baltic Sea region problems, participants mentioned bureaucracy (60%), cultural barriers (32%) and lack of complete implementation of EU legislation (24%). Responding to the question on the three biggest challenges for the Baltic Sea countries in the next three years participants mentioned: Initiate new clusters (38%), bureaucracy (38 %), corruption (36%) and realisation of the EU's Single Market (28%).

During the summit, BASF's Senior Vice President Hubert Mandery, among many, mentioned the continuing problem with bureaucracy. *"Less bureaucracy and better regulations – not more regulations – are a must"*, he said along the lines of **Carl Cederschiöld**, High Representative of the Mayor of Stockholm. Mr. Cederschiöld said that there were still distorting subsidies, cumbersome bureaucracy and high taxes, which curbed incentives for innovation.

### **Stockholm in 2005**

Underlining the commitment of the City of Stockholm to participate actively in developing cooperation in the Baltic Sea region, Carl Cederschiöld also announced that Stockholm will be the venue for the **seventh annual Baltic Development Forum summit, 16-18 October 2005**.



# PROGRAMME

## FOR THE 6<sup>TH</sup> ANNUAL

### BALTIC DEVELOPMENT FORUM SUMMIT

#### The Baltic Sea Region at a Crossroads – New Business or Business as Usual?

## SUNDAY, 12 SEPTEMBER

Hamburg Town Hall	Phönixsaal	16:30	Registration, Town Hall
	Großer Festsaal	17:00	Official opening of the 6th annual Baltic Development Forum summit  Musical Introduction  Introduction: <b>Uffe Ellemann-Jensen</b> , Chairman, Baltic Development Forum  Welcoming Address: <b>Ole von Beust</b> , First Mayor, Free and Hanseatic City of Hamburg  Welcoming Address: <b>Berndt Röder</b> , President, Parliament of Hamburg  Musical Intervention
		17.40	Opening Address: <b>Karl-Joachim Dreyer</b> , Dr., President, Hamburg Chamber of Commerce <i>New Business Opportunities in the Baltic Sea Region</i>  Musical Ending
		18:00	Gala Reception with music
		21:00	End of Gala Reception

# MONDAY, 13 SEPTEMBER

University of Hamburg

08:00

Registration, University of Hamburg

**The Summit's political theme: "Integrating the Baltic Sea Region after the Enlargement of the EU"**

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

08:30

• I. Breakfast with Business:  
**What Policies Would Business Leaders Implement to Boost the Economy?**

West Wing

Panel:

**Allan Martinson**, Member of the Supervisory Board, Microlink Group

**Lars G. Nordström**, President and Group CEO, Nordea

**Eggert Voscherau**, Vice Chairman of the Board of Directors, BASF AG

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

• II. Breakfast with Politics:  
**Taking Stock after the Honeymoon period - Views and Visions of the Insiders**

East Wing

Panel:

**Gunnar Hökmark**, Committee on Economic and Monetary Affairs, European Parliament

**Danuta Hübner**, Commissioner, European Commission

Moderator: **Carl Bildt**, Chairman, Kreab Group

09:45

Contact Break

10:00

Aud. A

Plenary Session:  
**Launch of the State of the Region Report**

Key note address:

**Per Eriksson**, Director General, VINNOVA

*Competitiveness and Innovation in the Baltic Sea Region*

Key note address:

**Christian Ketels**, Dr., Principal Associate, Harvard Business School

*The State of the Baltic Sea Region*

Moderator: **Ole Frijs-Madsen**, Director, Baltic Development Forum

10.45

Special Announcement by **Carl Cederschiöld**, High Representative of the Mayor of Stockholm

10:50

Contact Break



# MONDAY, 13 SEPTEMBER

University of Hamburg

11:15 — Two follow-up sessions in parallel on Competitiveness and Innovation:

Aud. B

- I. Competitiveness Session  
**The Economic Performance of the Region**

Panel:

**Terence Brown**, Director General, Lending Operations, European Investment Bank

**Ulf Jakobsson**, Prof., Director, Research Institute of Industrial Economics, Stockholm

**Peter Egardt**, President, Stockholm Chamber of Commerce

Moderator: **Thomas Straubhaar**, Prof. Dr., President, Hamburg Institute of International Economics

Aud. C

- II. Innovation Session  
**Innovation performance - Can This Region Become a World Leader?**

Panel:

**Roger Grawe**, Country Director, Central Europe and the Baltic States, the World Bank, Warsaw

**Heikki Kotilainen**, Deputy Director General, National Technology Agency (TEKES), Finland

**Zygmunt Wons**, Chief Expert, Ministry of Economy, Labour and Social Policy, Poland

**Jørgen Thorball**, Vice President, Head of Biotech Business Development, Novozymes A/S

Moderator: **Sylvia Schwaag Serger**, Director, IKED

12:30 —  
West Wing

Buffet lunch hosted by **Baltic Sea Forum** and **KPMG** in cooperation with **Schleswig-Holstein** and **Mecklenburg-Vorpommern**

*Luncheon debating points by **Kurt Bodewig**, Chairman of the Board, Baltic Sea Forum, **Heide Simonis**, Minister-President, Schleswig-Holstein and **Harald Ringstorff**, Minister-President, Mecklenburg-Vorpommern.*

14:00 —  
Aud. A

Plenary Session  
**Regional Cooperation after Enlargement - Fragmentation or Integration?**

Keynote address:

**Valdas Adamkus**, President, Lithuania

*Baltic Sea Cooperation in light of the Enlargement of the European Union.*

Keynote address:

**Anders Fogh Rasmussen**, Prime Minister, Denmark

*A Strong European Region in a Globalised World*

Keynote address

**Indulis Emsis**, Prime Minister, Latvia

*The Baltic Sea Region's Future Impact on Europe*

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

# MONDAY, 13 SEPTEMBER

University of Hamburg

15:00

Contact Break

15:15  
Aud. A

Plenary session:  
**Defining the Uniqueness of the Baltic Sea Region?**

Panel:

**Grete Faremo**, Director Legal and Corporate Affairs, Northern Europe, Microsoft  
**Jan Krzysztof Frackowiak**, Dr., Undersecretary of State, Ministry of Science, Poland  
**Heide Simonis**, Minister-President, Schleswig-Holstein  
**Per Unckel**, Secretary General, Nordic Council of Ministers

Moderator: **Erik Rasmussen**, Editor in Chief and CEO, Monday Morning - Think Tank of News

16:30

Contact Break

17:00

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

Aud. C

- I. Extra-Regional Session:  
**Cross-regional Trade and Investments - the Baltic Sea and East Asia**

Panel:

**Monika Stärk**, Dr., Executive Member of the Board, German Asia-Pacific Business Association  
**Yu Zenggang**, Managing Director, China Shipping (Europe) Holding GmbH  
**Tian Zhongqing**, Director and Senior Fellow, Department of World Economy, Shanghai Institute for International Studies

Moderator: **Thomas Bernd Stehling**, Director, Konrad Adenauer Foundation

Aud. M

- II. Business-to-Business Dialogue Session:  
**The Baltic Sea Region as a Gateway Between the EU and Russia**

Panel:

**Slava Khodko**, Director General, St. Petersburg Centre for International Cooperation and Chairman of the Board, North-West Investment (Development) Agency  
**Igor Zhigora**, Country Sales Manager, ZAO Maersk Sealand, Russia  
**Rudolf Tov**, Managing Director, "Petersburg 2015"  
**Vitaly Zhdanov**, Dr., Head of Department, Economic Development and Trade, Kaliningrad Region, Russian Federation

Moderator: **Per Carlsen**, Director, Danish Institute for International Studies

Aud. B

- III. Labour Market Session:  
**Employment and the Labour Market - A Need for Reforms?**

Panel:

**Claus Hjort Frederiksen**, Minister for Employment, Denmark  
**Colin Hay**, Professor, University of Birmingham  
**Tom Kähler**, Chairman of the Board, Rockwool International  
**Pelle Lantz**, Ombudsman, Swedish Trade Union Confederation

# MONDAY, 13 SEPTEMBER

University of Hamburg



Moderator: **Anders Reuterswärd**, Principal Administrator, Directorate for Employment, Labour and Social Affairs, OECD

18:15

Contact Break

18:30  
Aud. A

Endnote Plenary Session:

Keynote address:

**Garry Kasparov**, Chairman, Committee 2008 and President, Kasparov Chess Academy

*Deepening the Partnership between the EU and Russia after Enlargement*

Moderator: **Samuel Rachlin**, Business Editor, Moscow Correspondent, TV2/Denmark

19:00

Bus Transfer to Networking Dinner

19:15-  
22:00

**Networking Dinner Hosted by Dr. Jens Peter Breitengroß, Vice President, the Hamburg Chamber of Commerce in cooperation with the HSH Nordbank AG**

Hamburg  
Chamber of  
Commerce



Networking break at the University of Hamburg



## TUESDAY, 14 SEPTEMBER

University of Hamburg

08:30  
Aud. B

Opening Plenary Session:

Introduction

Opening Address:

**Paavo Lipponen**, Speaker, Parliament (Eduskunta), Finland  
*New Business or Business as Usual*

Opening Address

**Pehr G. Gyllenhammar**, Chairman, Aviva  
*Now or Never - Time to Promote Innovation and Enhance Competitiveness*

Moderator: **Jón Sigurdsson**, President and CEO, Nordic Investment Bank

09:30

Contact Break

10:00

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

Aud. C

• I. Energy Session:

**Creating a new Public-Private Vision for the Energy Sector**

Panel:

**Peter Biltoft-Jensen**, Advisor to the Board, Eurogas, Sr. Asset Manager, DONG  
**Pawel Kaminski**, Vice President, Polish Oil and Gas Company  
**Jim Nicholson**, Global Head of Business Development, Argus Media Group

Moderator: **Janis Folkmanis**, Director, BASREC, Council of the Baltic Sea States

Aud. M

• II. Media Session:

**The Media's Influence on Trade and Investments in the Baltic Sea Region**

Panel:

**Rolandas Barysas**, Editor in Chief, Director General, Verslo Zinios  
**Yevgeny Kiselev**, Editor in Chief, Moskovskije Novosti  
**Flemming Rose**, Editor, Jyllands-Posten

Moderator: **Udo Biss**, Editor, Baltic Sea Report, NDR

11:15

Contact Break

11:45

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

Aud. C

• I. Session: Tourism Session

**Creating Joint Policies - a Win-Win Scenario for Tourism**

Panel:

**Sylvia Bretschneider**, President, Mecklenburg-Vorpommern Regional Parliament, President, Mecklenburg-Vorpommern Tourist Board  
**Gunnar Reitan**, Executive Vice President, SAS Group  
**Erki Urva**, President, Estonian Air

Moderator: **Thomas Andersson**, President, IKED

# TUESDAY, 14 SEPTEMBER

University of Hamburg

Aud. M	<ul style="list-style-type: none"> <li>II. Session: Transport Infrastructure Session</li> </ul> <p><b>Public Private Cooperation on Developing Transport Infrastructure - A Precondition for Economic Growth</b></p> <p>Panel:</p> <p><b>Ulrich Ellerbeck</b>, Member of the Board of Managing Directors, HSH Nordbank AG</p> <p><b>Peter Lundhus</b>, Managing Director, Sund &amp; Bælt Holding A/S</p> <p><b>Igor Yurgens</b>, Vice President of the Russian Union of Entrepreneurs and Industrialists</p> <p>Moderator: <b>Nikolaus W. Schües</b>, Vice President, Association of German Chambers of Industry and Commerce</p>
13:00 Aud. B	<p>Endnote Plenary Session:</p> <p>Concluding Remarks</p>
13:30- 14:30	<p><b>Buffet lunch Hosted by Nordic Investment Bank</b></p>
14:30 - 16:30 Aud. W222 West Wing	<p>Afternoon Workshops:</p> <p><b>I. University-Industry relations as drivers for innovation in the Baltic Sea Knowledge Region</b></p> <p>Moderator: <b>Monica Schofield</b>, Head of EU Office, Technical University Hamburg-Harburg</p> <p><i>Participants</i> will be high-level representatives from the business sector, public authorities and universities.</p>
AS-Saal	<p><b>II. Coordination subgroup encompassing Members and Partners in Baltic Development Forum's Round Table on Transport Infrastructure</b></p>

## THE BALTIC SEA REGION AT A CROSSROADS - NEW BUSINESS OR BUSINESS AS USUAL

The speakers at the official opening of the sixth annual Baltic Development Forum summit addressed the question of how the Baltic Sea region can and should position itself in the European Union after enlargement.

### Priorities after EU Enlargement

Opening the summit at the Hamburg Town Hall, the First Mayor of Hamburg **Ole von Beust** stressed *“the enormous economic success of our harbour, especially during the last years, is an expression of the huge development of business in the Baltic Sea region that is also supported by this summit.”* The First Mayor pointed out that with enlargement follows increased business possibilities, but also a need to foster integration and cooperation in order to seize the opportunities.

Ole von Beust argued that the Baltic Sea region, encompassing the new members of the European Union, the North-West Federal District of Russia and Kaliningrad, had ample opportunity to profile itself within the European Union and on a global scale. *“Our task is to be strong in the region together and to have a decisive and widely perceptible say in Europe,”* Ole von Beust pointed out. In his opinion, this implies relying on the strengths of the region, neighbourhood and cooperation.

” We need  
an intensive  
dialogue

The need for integration of the region has intensified even more after the enlargement of the European Union. The President of the Parliament of Hamburg, **Berndt Röder**, believes that Hamburg via its involvement in Baltic Development Forum could contribute to further integration of the region. *“We need an intensive dialogue between the businesses of the region, the media and academia on one side, and politics on the other,”* the President of the Parliament pointed out.

### New Business Opportunities

The Chairman of the Hamburg Chamber of Commerce, **Dr. Karl-Joachim Dreyer**, emphasised that the development of the region also means expanding opportunities for local and international businesses. Dr. Dreyer believes the enlargement of the European Union represents a profitable challenge for the Baltic Sea region as long as the region remembers to engage more and new businesses. *“We must help them find their way to the Mare Baltica,”* he stressed.



Dr. Karl-Joachim Dreyer, President of Hamburg Chamber of Commerce, addressing the audience on opening night.

For the new business opportunities to be used effectively in the future, Karl-Joachim Dreyer stressed the need for expanding and improving the infrastructure to Central- and Eastern Europe. He argued that the building of a new Eurorapid connection from Hamburg via Berlin, Warsaw and Prague to Budapest was of key importance for future prosperity in the Baltic Sea region. According to Dr. Dreyer, there is clearly a need for influencing and directly involving the new European Commission in order to ensure prosperity in the region: *“This”,* he said, *“must be the common goal”*, asking for an effective lobbying strategy for the region.



Uffe Ellemann-Jensen and Pehr Gyllenhammar during the gala reception on opening night.



Ole Frijs-Madsen, Director of Baltic Development Forum, greets President Valdas Adamkus upon his arrival to the Hamburg University.

Defining criteria for success for new businesses in the Baltic Sea region after enlargement, Dr. Dreyer once more called for the attention of the European Commission. “We want to ensure that the European Commission focuses the same attention on the Baltic Sea region as it does on the Mediterranean and that it provides the same financial resources,” Dr. Dreyer concluded.

## TAKING STOCK AFTER THE HONEYMOON PERIOD - VIEWS AND VISIONS OF THE INSIDERS

During one of the two breakfast sessions, prominent politicians discussed the new challenges and opportunities for the enlarged European Union and the impact the new situation will have on the Baltic Sea region. The overall message from panellists was that the next few years would be absolutely critical concerning the long-term development of Europe and the European economy. To be competitive in the global economy and to secure future welfare, the region has to take advantage of the current momentum.

The Baltic Sea region plays a special role as a vehicle for increased competitiveness and innovation. Maintaining the openness of Baltic Sea economies is of crucial importance for future competitiveness. The region has competitive advantages in areas like ICT, health care and education. Synergies should be used well, and the countries need to implement new cohesive policies to fully embrace the possibilities for the Baltic Sea region.

### The Baltic Sea Region as a Leader

**Danuta Hübner**, European Commissioner, opened the panel and pointed to the huge challenges ahead, in European and global dimensions. There are, in her opinion, two important challenges to address: How to increase growth and productivity in the EU and how to raise the level of prosperity in the new Member States to the level of the Union. “The way we respond to these two challenges”, Mrs. Hübner stated, “will have an impact on the European economy for decades”.

She pointed out that the Baltic Sea region could be a leader in this process. The Baltic sea region represents both the largest and most competitive European economies, as well as great potential for growth and transfer of technology. Nevertheless, the region



also represents “classical” European welfare problems related to issues such as demographic changes, fiscal situations and high unemployment, Mrs. Hübner warned.

### The Good Days are Here

**Gunnar Hökmark**, Member of the European Parliament's Committee on Economic and Monetary Affairs, raised the following issue: “*Should we not allow the new Member States to have their 'edge' and to have diversity within the EU?*”

” The important thing today is to enforce openness

In his opinion, the region needs to have a much more dynamic perspective and to fight the protectionist agenda. “*We need to accept the competition from the new Member States, our former younger brothers and sisters, who are now reaching the same level as us,*” Mr. Hökmark stated, before adding that the old Member States must be more open to be competitive. “*The important thing today is to enforce openness,*” he said.

” The good days are here. It is a question of making full use of them

**Carl Bildt**, Chairman of the Kreab Group, stressed that we should not underestimate the enlargement, which has completely changed the political dynamics of Europe. We have only seen the beginning. “*We have a window of opportunity opening up now, for some years,*” the former Swedish Prime Minister said, “*the good days are here. It is a question of making full use of them.*”

### More Work on Reforms

Mrs. Hübner stated that the Baltic Sea region is a very special region in Europe and could be a “*regional vehicle*” for moving Europe towards more competitiveness, innovation and technology transfers. But deep reforms are definitely needed.

According to Gunnar Hökmark, Europe is in the middle of a huge change and the most important challenge for the region and for Europe. “*We must keep opening up the markets for all the knowledge based areas, like health care, IT, education and more traditional markets like energy. We need a new Lisbon process, a second way,*” he said. “*So far, the Lisbon process has been a failure. We need more work on reforming.*” Mr. Hökmark stressed that the only way to achieve reforms is to make full use of the dynamic injection provided by the new Member States.

Mr. Bildt did not agree that the locomotive had stalled and that new fuel was needed: “*The locomotive is stalled in the sense that the political attention is less, yes, that's true. That is because the big thing has been achieved - the enlargement.*” On a positive note, Mr. Bildt emphasised that examining indicators like tourism and daily business interactions across the Baltic Sea region another picture emerges. “*I see another locomotive, many small trains all over the place moving and changing the politics, geography, economics of the region,*” Mr. Bildt said.



The breakfast with politics session featured Danuta Hübner, Carl Bildt and Gunnar Hökmark

## WHAT POLICIES WOULD BUSINESS LEADERS IMPLEMENT TO BOOST THE ECONOMY?

In the business breakfast session, moderated by **Lykke Friis**, Director of European Affairs of the Confederation of Danish Industries, business leaders



A view of the breakfast session

presented their views on policies that are needed at a European level, as well as national and business levels, to secure growth, competitiveness and innovation in Europe and the Baltic Sea region. Ensuring a favourable environment for innovation, harmonising legislation, improving infrastructure, reducing bureaucracy and implementing the Lisbon strategy were among the main recommendations. Panellists also recommended that Baltic Development Forum focus its efforts on developing a joint vision for the Baltic Sea region and defining how to execute such a vision.

### Focus on Entrepreneurs and Innovation

Opening the panel, **Allan Martinson**, Managing Partner in Martinson Trigon Venture Partners and member of the board of MicroLink, made a strong case for focusing on innovation as the way to sustain growth rates and competitiveness. The only way to increase growth and wealth is through increased productivity, and *“these days, productivity can only grow based on innovation and knowledge,”* Mr. Martinson said. He also pointed out that innovation cannot be launched by governmental decree. *“Innovation is being turned into wealth and growth in enterprises,”* so the challenge is to turn the attention of entrepreneurs towards innovation, Mr. Martinson stressed.

” **Productivity can only grow based on innovation and knowledge**

Governments in the Baltic States, however, in his opinion, could use the following instruments to lead the way: harmonising the economic environment in Europe, including the tax environment, creating monetary instruments that target business people and speak their language, and last, but not least, paving the way for reform in the academic environment, bringing academia into the economy.

### Reduce Complexity

**Lars G. Nordström**, CEO of Nordea, went on to speak about the region's potential and the need to focus on the micro-economic environment. To create real growth, in Mr. Nordström's opinion, it is very important to *“narrow the gap between proud declarations of national level politicians and the local environment”*, where the focus should be on 1) improving infrastructure, inspection and approval procedures, 2) interpretation of regulations and 3) cor-



Lars G Nordström, CEO of Nordea, in the breakfast session with business executives.

ruption. Another important issue is to reduce complexity, which according to Mr. Nordström, “drives up costs, works against productivity increases, and increases risk”.

” Too often, European policies favour environment and consumer protection over the needs of industry, jobs and growth. Less bureaucracy and better regulations - not more regulations - are a must

### Implement the Lisbon Strategy

**Hubert Mandery**, Senior Vice President of BASF, argued that implementing the Lisbon strategy of economic and structural reform would be one way to boost the European economy. For national member states, the right policy mix differs by country, but for policy makers in Brussels, Mr. Mandery had the following recommendations: all policies should be directed towards reaching the Lisbon goals and a new industrial policy should be created. He pointed out that “industry is still a vital source of growth in Europe,” and “too often, European policies favour environment and consumer protection over the needs of industry, jobs and growth.” Furthermore, “less bureaucracy and better regulations - not more regulations - are a must.”

Finally, Mr. Mandery, agreeing with Mr. Martinson that innovation is the biggest driver of growth, pointed to the need for 1) a regulatory framework that fosters innovation, 2) more spending on education, research and development and 3) taking steps to reverse the brain drain from Europe. According to Mr. Mandery, fostering innovation is, however, not only a job for politicians, but also for entrepreneurs, scientists and society as a whole.

Regarding the Lisbon strategy, Mr. Nordström remarked that while there is a need to have long-term goals such as the Lisbon goals, it is essential to set milestones that can work on the national and sub-national levels. He compared this to the workings of a company, where you need to make strategies that are applicable and can be monitored and controlled throughout the organisation. Mr. Martinson followed suit by pointing out the simple truth that a strategy will not be implemented if it is not communicated properly.

### Develop a Joint Vision and Execute it!

During the discussion of what is needed to integrate the Baltic Sea region, Mr. Nordström pointed to the need for improved infrastructure, harmonisation of legisla-

tion, and the facilitation of cross-border mergers and acquisitions to create units that live up to the demands for size, scale and scope. Mr. Martinson added that the facilitation of travel and communication was likewise an important issue for integrating the region.



The breakfast with business panel including moderator Lykke Friis, Allan Martinson, Hubert Mandery and Lars G. Nordström.

A clear recommendation for Baltic Development Forum was formulated by Mr. Mandery, who called for the development of a joint vision for the

region. “If you want to achieve something jointly, with the heterogeneity and the different challenges we have to deal with, it will be worthwhile spending time on developing a joint vision and figuring out how to make it operational.” Mr. Nordström agreed and suggested that Baltic Development Forum make this joint vision a key topic at next year's summit, while focusing the summit in 2006 on how to execute a joint vision for the Baltic Sea region.

## LAUNCH OF THE STATE OF THE REGION REPORT

### The Baltic Sea Initiative

The Director of Baltic Development Forum, **Ole Frijs-Madsen**, introduced the plenary session by presenting the intentions behind the development of the State of the Region Report 2004. Having assessed the need for better coordination between regional and national initiatives in the Baltic Sea region, and the need for developing joint ambitions and strategic goals for the region, Baltic Development Forum, in cooperation with VINNOVA, had initiated the development of two reports: **“The State of the Region Report 2004”** and **“Innovation in the Nordic-Baltic Sea Region”**.

The reports, providing crucial data and analysis, were intended as the basis for a joint effort among regional stakeholders within public administrations, business, research, regional and sub-regional organisations and agencies for trade and innovation to debate and define clear strategic goals and ultimately a regional action agenda for developing the Baltic Sea region into a frontrunner in competitiveness and innovation. These efforts, Ole Frijs-Madsen explained, were labelled “The Baltic Sea Initiative”. The initiative, he mentioned, seemed to fit perfectly with the recommendations from the business panel that same morning.



Dr. Christian Ketels presenting the “State of the Region Report 2004”, analysing the competitiveness of the Baltic Sea region

### It is all About Cooperation and Interplay

**Per Eriksson**, Director General of VINNOVA, delivered his views on the importance of innovation systems in a globalised and knowledge-based economy. Innovation systems, Mr. Eriksson explained, are all about realising the need for interplay with other organisations, businesses, politics, customers, suppliers and universities in order to be competitive. *“Innovation happens in this interplay,”* Mr. Eriksson stated. Public-private partnerships, in Mr. Eriksson’s opinion, are not enough. Triple-helix cooperation between public administrations, private businesses and universities is needed if you want to build a knowledge economy.

According to Mr. Eriksson, *“both reports point out that there really is a potential for the Baltic Sea region to be a strong leading growth region, if we could combine the strengths of the new and old countries in the EU.”* The Baltic Sea Initiative was an important process for formulating joint strategic goals. *“We have the potential if we can cooperate across all kinds of borders, not only national borders, but also the borders between universities, government and businesses,”* he finished.

” We have the potential if we can cooperate across all kinds of borders

### The State of the Region Report - We Can Do Much Better, But Action is Required

Before presenting the State of the Region Report, **Dr. Christian Ketels**, Harvard Business School, argued that challenges for the Baltic Sea region have changed. *“We have realised our goals, we have reconnected the region, we have integrated the region economically. Now we need to think new about what we want to do together.”* The State of the Region Report, Dr. Ketels explained, is intended to support the efforts to find new solutions for the region, by analysing those specific issues *“that will help us understand where we are today, what we need to do - and what we need to do as a region.”*



The State of the Region Report contains data and analysis on the economic performance, the cluster composition and the quality of the business environment in the Baltic Sea region. The report shows that although the region is strong in growth, the level of prosperity is average. These findings lead Dr. Ketels to conclude that *“we can do much better, but action is required”*. The Baltic Sea region is leading in scientific innovation, but not when it comes to securing economic benefits from innovation. The innovation performance of the region is, furthermore, strongly dependent on mainly Swedish multinational companies. This, in Dr. Ketels' opinion, begs the question of *“how can we mobilise scientific potential to move this region into prosperity?”*

Another challenge for the region lies in its cluster composition, which is characterised by specialisation and only some overlap between clusters. On the quality of the business environment, Dr. Ketels pointed out that according to data from the Global Competitiveness Report, our region ranks highest among all peer regions. He continued, *“that is great news. But it is also a little disappointing that we are then not the richest region.”* Key weaknesses in the region are the lack of competitive pressure in the home markets, taxation and labour market regulations.

### New Challenges, New Strategies

One of the most important findings in the Report is the high level of differences in the region, not only between East and West, but also between individual countries. There would thus be no “one size fits all” solutions to economic challenges. In Dr. Ketels' opinion, it is important that *“we understand how we can turn this heterogeneity - being a key part of what we are - into an advantage”*. Regarding economics, Dr. Ketels pointed out that heterogeneity is a good thing. The challenge therefore is primarily political.

” We need to be very specific about what we want to do

*“We should be proud of what we have achieved, but we need to realise that to be as successful in the future, we need a new strategy. We need to be very specific about what we want to do, both with regard to the content, but also the institutional structure. We need to assign the right tasks to the right actors,”* Dr. Ketels stated. Remaining convinced that the region could make good progress, and echoing the statement by Mr. Bildt in the breakfast session, Dr. Ketels finished his presentation by underlining *“the window of opportunity will only be open for a few years. We need to seize this opportunity.”*

### Special Announcement

” It will be a challenge to create a better environment for entrepreneurs

Ending the plenary session, **Carl Cederschiöld**, High Representative of the Mayor of Stockholm, underlined that *“the City of Stockholm, as a member of Baltic Development Forum, shared the vision that the Baltic Sea region has the potential to become one of the most dynamic and prosperous regions in the world.”* Agreeing with Mr. Eriksson, he stated that triple-helix cooperation is crucial to achieving that goal. Mr. Cederschiöld remarked that the State of the Region Report provided a lot of food for thought. There were still distorting subsidies, cumbersome bureaucracy and high taxes, which curbed incentives for innovation. Mr. Cederschiöld's opinion is that it will be a challenge to create a better environment for entrepreneurs.

*“To us humans, it is an irritating fact that progress and prosperity do not come about automatically - you have to work hard for them and you have to do the right things,”* Mr. Cederschiöld remarked. The State of the Region Report, according to Cederschiöld, provides an excellent basis for constructive discussions on practical cooperation. The

City of Stockholm was ready to take an active part in the process and cooperation. Mr. Cederschiöld finished by announcing Stockholm as the venue of the next Baltic Development Forum summit: *"I am proud to invite you all to the 7th annual Baltic Development Forum summit in Stockholm, 16-18 October, to what I am convinced will be another successful summit, which will hopefully be yet another stepping stone towards establishing Baltic Development Forum as one of the most important and constructive networks in the Baltic Sea region,"* Mr. Cederschiöld said.



Per Eriksson, Director General of Vinnova, enjoying a laugh with Ole Frijs-Madsen, Director of Baltic Development Forum, during the presentation of "The State of the Region 2004"

## THE ECONOMIC PERFORMANCE OF THE REGION

Following the presentation of "The State of the Region Report 2004", a closer look was taken at the economic state of the region. According to the speakers, economic forecasts for the region look rather good. Nevertheless, the speakers questioned whether our growth rates are good enough, and emphasised the need to meet the goals of the EU Lisbon Agenda. They also stressed that the region needs to make structural changes not least in the high-tax countries. All in all, Europe needs to restructure its societies in order to secure that innovation can be easily converted into commercialisation and is rewarded accordingly.

### Major Adjustments Imminent

**Peter Egardt**, President of the Stockholm Chamber of Commerce, said that the Baltic Sea region and the countries within the EU shouldn't merely compare themselves to other nations in Europe, but rather to nations outside the Union. That was also the message from Professor **Ulf Jakobsson**, Director of Stockholm's Research Institute of Industrial Economics. He emphasised that during the next one and a half years, the development in the Baltic Sea region will certainly be dependent on the general development of the world economy.

*"Most short term forecasts today are based on a general assumption of a smooth sailing for the world economy, but there are major imbalances that will eventually demand major adjustments. Whether these adjustments will come now or during the next three or four years is impossible to say"*, he said with regards to the US economy and at the same time stressing the US economy's influence on the Baltic Sea economies.

### Optimism despite Economic Differences

Professor Jakobsson also warned that although the new democracies have growth rates of more than 5 pct., the big economic differences among the countries in the Baltic Sea region could remain for quite a while. Peter Egardt said that he believed there was a reason for optimism, but called attention to economic differences as well.

*"The question remains whether our growth rates are good enough. They should improve to a large extent"*, Peter Egardt said. *"Remember what happened at the WTO meeting in Cancun where we suddenly saw an alliance of India, China, Brazil and other countries.*

**” The question remains whether our growth rates are good enough**

*Together they are a very strong force in international trade. This highlights, I believe, the importance of actually making sure that the goals of the Lisbon Agenda are met”, Mr Egardt urged. “We must speed up that process instead of talking about delaying the process in order to be competitive in this changing world.”*

### **Lisbon Agenda: More than a 10 Years Plan?**

Professor **Thomas Straubhaar**, President of Hamburg Institute of International Economics and moderator of the session, doubted whether the Lisbon Agenda was more than just another “10 years plan” similar to those of the former Soviet Union? “Where are the indicators that Europe can grow more than the United States the next ten years?”, he asked.

**Terence Brown**, Director General of Lending Operations in the European Investment Bank, emphasised that the idea of the Lisbon Agenda was great, but the European Union did indeed need to take concrete steps now to fulfil the ambitious goals. “The real heart of the Lisbon agenda is not just bringing about a knowledge-based society but fundamentally about creating the economic structures that will allow the societies to do it”, he assumed emphasising that the Member States need to reward innovation and to make the structural changes that allow innovation to be converted into commercialisation.

*“And all this must be done in an economically sustainable way, which means large investment in the environmental area not least in northwest Russia”, he said.*

### **The EU's Single Market**

Nevertheless, Terence Brown emphasised that the new Member States' adoption of the whole legal output of the EU and its institutions, also known as the *acquis communautaire*, was a great success. “It is not yet a fully functioning internal market we have in the European Union but we have taken a huge step ahead. Commissioner Danuta Hübner who negotiated the *acquis communautaire*, she will tell you that there is a vast legislation that is now part of Poland and the Baltic States' legislation. It will make it much easier for business people to take a clear business decision knowing the legislation that is in the area”.

” We talk a lot about the Internal Market but it is not there yet

Peter Egardt called attention to the link between economic growth and the well-functioning of the European Union's Single Market. He disputed that the adoption of the *acquis communautaire* was entitled to be called a success. “A lot of people believe that there is a functioning Internal Market within the EU. No more barriers to trade. This is not the fact. We talk a lot about the Internal Market but it is not there yet”, he said.

### **Tax Dumping. What Is That?**

Ulf Jakobsson argued that discussing successes depends on how you define success and the same goes for optimism. “The question is what we should base our optimism on? The State of the Region is a good indicator that we can be optimistic. At the same time, I am a little sceptic when Sweden is in a top position”, he said.

*“Lists that places Sweden high, say more about the indexes than the economic future for the countries scoring on the indexes. That goes also for the Lisbon Agenda. Sweden is sort of the star performer. We are first in almost everything except taxation. I think there is an underestimating in these ratings of the question of taxation. You have it but its only one of 30 topics”, Ulf Jakobsson argued and Peter Egardt agreed. “I am a lit-*



tle bit worried when I hear statements within our region, even from my own country, about tax dumping. What is that?" he asked.

On that note, Professor Jakobsson stressed that one of the more encouraging occurrences within the Baltic Sea region is the stance that the three Baltic States have taken on taxation policies. *"The idea that you should have flat rate tax of 20 pct is extremely interesting and I think it will affect the whole region. I think that these countries will be the star performers of this area during the coming years and this might affect the whole view of taxation and growth as well as change the policies in the high-tax countries. If this happens the area will have very good prospects"*, he ended.

” Tax dumping. What is that?

” The idea that you should have flat rate tax of 20 pct is extremely interesting

## INNOVATION PERFORMANCE - CAN THIS REGION BECOME A WORLD LEADER?

Can this region become a world leader in innovation? What is innovation, how can it be facilitated, and is there a role for regional cooperation on innovation? These were some of the issues debated by the panellists in the innovation session, which as its point of departure took the report on “Innovation in the Nordic-Baltic Sea Region”, developed by IKED. The main conclusion of the session was that there is a potential to become a dynamic growth region, and even a world leader in specific sectors. There is a need for regional cooperation, but that requires a strategy, commitments, communication and financing.

Moderator **Sylvia Schwaag Serger**, Director of IKED, introduced the session and topic: *“Innovation is not a revolutionary concept. It is not something completely new, ironically speaking. Firms and companies have always done it. What is new is that we are entering a phase when not only businesses, but also governments and policy makers are increasingly focusing on innovation and innovation policies as a means of strengthening competitiveness.”* Agreeing with Per Eriksson's statement in the previous plenary session, Ms. Schwaag Serger stated that innovation cannot happen in isolation, but is dependant on interaction and linkages between firms, sectors and countries. In view of the fact that innovation policies are primarily national, Ms. Schwaag Serger's posed the question of whether there is scope for regional cooperation to capitalise on the many assets of the Baltic Sea region.



The panel discussing the innovative performance of the region included moderator Sylvia Schwaag Serger, Jørgen Thorball, Roger Grawe, Heikki Kotilainen and Zygmunt Wons

### Innovation is Fun

**Jørgen Thorball**, Vice President and Head of Biotech Business Development, Novozymes, delivered a business perspective on what innovation is and what it thrives on. In his experience, innovation was all about survival of the fittest. *“Innovation is what keeps companies in business.”* In essence, innovation is fun, sparky and it thrives on passion, science and openness. What distinguishes innovation from creativity is that innovation is unique and useful; it has to be implemented - and it has to be successful, Mr. Thorball underlined. Businesses play a major role in creating the basis for

” Innovation is what keeps companies in business

innovation, but action from governments is also needed to have a long-term perspective and to establish a framework conducive to innovation, Mr. Thorball stated.

### Good News on Performance, but Room for Improvement

An overview of the performance of the Baltic Sea region was delivered by **Roger Grawe**, Country Director Central Europe and the Baltic States, the World Bank. Taking as point of departure two World Bank reports: *Doing Business 2005* and knowledge economy assessments for Latvia, Lithuania and Poland, Mr. Grawe emphasised that there is a lot of good news for the region, but that work still needs to be done. Concerning regulatory environments for doing business, four countries in the Baltic Sea region were in the top ten of the global list of 'most improved', reflecting the pace of change in the region. In summary rankings of the business environments, five out of the top twenty performers were from the Baltic Sea region.

” There are challenges, but also an enormous array of opportunities

Regarding aspects of the knowledge economy, there are according to Mr. Grawe challenges for the Baltic States and Poland, primarily with regard to linking research in universities with innovation in industries. Also, these countries could benefit from focusing on improvements in innovation in traditional industries and by improving the absorption and diffusion of knowledge. Governments should lead the way by establishing the right incentives to industry. Summing up, Mr. Grawe stated, “*there are challenges, but also an enormous array of opportunities.*”

### Regional Cooperation - Yes Please

Chief Expert in the Innovation Department, the Polish Ministry of Economy, Labour and Social Policy, **Zygmunt Wons** underlined the Polish focus on innovation and interest in participating in regional cooperation in the Baltic Sea region. Poland is at a turning point and much depends, in Mr. Wons' words, on “*the innovativeness of the Polish economy and the ability to implement quickly new technological and managerial ideas and transform them into a business success. We therefore are strongly motivated to take part in regional cooperation between the Nordic and Baltic countries on innovation and enterprise development.*”

The Polish government is working hard to support innovation and achieve the Lisbon goals, and sees the benefit of making use of the experience of the world leaders on innovation in the Baltic Sea region, especially concerning improving innovation systems and developing cluster strategies. Mr. Wons finished by expressing the hope that “*our activities and cooperation with members of Baltic Development Forum will make the region a world leader in innovation, more dynamic and economically strong.*”

### Communication, Commitment and Financing is Needed

“*Should we strive to be a world leader?*” was the question **Heikki Kotilainen**, Deputy Director General of Tekes, started with. In his opinion, the ambition to be a world leader carries the risk of the region losing credibility. “*The Baltic Sea region has potential to become a dynamic growth region. That is more realistic. But in specific sectors, we can become world leaders. That however requires that we are selective,*” Mr. Kotilainen reflected. What is needed to achieve that goal is a strategy and the execution of it.

” Coordination without money is nonsense

Concerning the question of who should do what, Mr. Kotilainen believes that Baltic Development Forum summits should be used to pass on messages to national leaders, who then have a responsibility to communicate the message to sub-regional lev-



*Minister-President Harald Ringstorff, Kurt Bodewig, Minister-President Heide Simonis and Uffe Ellemann-Jensen greeting each other before the luncheon presentations.*

els and from there to industry, universities and science parks. All these actors have a role to play, and opportunities for regional cooperation are plentiful. For a Baltic Sea Initiative to be coherent, however, *“communication and commitment at all levels are crucial”* and *“coordination without money is nonsense,”* Mr. Kotilainen stressed. To move ahead with the Baltic Sea Initiative, it is therefore a challenge to create national interest and financing opportunities.

During questions and answers, **Mats Hellström**, Governor of Stockholm, pointed out that one should not look at clusters from a too traditional perspective. Innovation often happens inbetween different actor groups and clusters. In his opinion, it is crucial that *“we create conditions so firms have access to the entire region. That requires that we deal more with eliminating obstacles to trade and investment,”* Mr. Hellström underlined. Mr. Thorball agreed and stressed how important it is to give companies freedom to operate. *“You can't plan, manage and control innovation. You need to remove obstacles for entrepreneurs,”* he stated.



*Lunch and networking break at the West Wing of Hamburg University.*

**Wiktor Szydarowski**, from the Interreg IIIB secretariat, had noted the call for financing and informed the audience of the proposal from the European Commission to use structural funds for triple-helix cooperation.

## REGIONAL COOPERATION AFTER ENLARGEMENT

The enlargement of the EU provides the governments of the Baltic Sea region with new opportunities for increasing the overall regional competitiveness and economic growth. However, seizing the opportunities presented by the enlargement requires a review of the existing models and means of regional cooperation, as well as concrete political action ensuring a strategy focusing on competitiveness and innovation. This was the overall message of the afternoon plenary session featuring the President of Lithuania **Valdas Adamkus**, the Danish Prime Minister **Anders Fogh Rasmussen** and the Latvian Prime Minister **Indulis Emsis**.

” I particularly welcome that the new Baltic Sea Initiative will focus on strengthening the Region's competitiveness and innovative potential

### The Fruits of our Labour will be Sweet

*“Building a region, and in particular a competitive region, is hard work and daily routine. But the fruits of our labour will be sweet,”* President Adamkus said in his opening remarks. *“Our efforts will bring more investment, increased business to our region and better possibilities for promoting common values beyond the Baltic area,”* the President suggested.

The Danish Prime Minister followed suit. He believes that the potential for rapid progress is already there. *“Therefore, I particularly welcome that the new Baltic Sea Initiative will focus on strengthening the Region's competitiveness and innovative potential,”* Anders Fogh Rasmussen said. *“This could be one of the instruments to broaden our basis of strong business-oriented innovation performance beyond the present core of mainly Swedish multinationals.”*

### Pragmatic and Target-oriented Action

President Adamkus also called for a more focused approach to regional cooperation. *“I believe we should look at our region and cooperation from a more pragmatic and tar-*



Prime Minister Anders Fogh Rasmussen, President Valdas Adamkus, Chairman Uffe Ellemann-Jensen and Prime Minister Indulis Emsis having a word before their plenary speeches.



*get-oriented perspective,”* the President said. Mr. Fogh Rasmussen suggested five different areas on which the region's governments could focus. According to the Prime Minister, the Baltic Sea countries must create the World's best framework for conducting business. The Danish Prime Minister also insisted that the region remove all unnecessary barriers to trade, travel and investment.

The Lithuanian President told the participants that the lack of well-developed transport and infrastructural links hindered trade and transit. The Danish Premier agreed. He had as a third priority the exact same point and said that people and goods must be able to circulate quickly and smoothly within the region. *“Large infrastructure projects have many enemies. We therefore need organisations like Baltic Development Forum to provide the necessary pressure in favour of these essential long-term investments,”* Mr Fogh Rasmussen acknowledged.

### **Tomorrow Belongs to the Innovators**

Moreover, Anders Fogh Rasmussen recommended that the Baltic Sea countries maintain a front position in education, research and development. *“Tomorrow belongs to the innovators and we face pretty tough competition in the global market place, which is why I have proposed the creation of an internal market for research and development in the EU and the improvement of EU-funding in this area. I have also suggested a European outreach in education and research to our strategic partners, including Russia. Such an initiative would greatly benefit the Baltic Sea Region,”* the Danish Premier said.

Finally, Anders Fogh Rasmussen reported that his fifth point was not about economics. *“For obvious reasons we should expand our cooperation on the Environment. To put it bluntly, we are polluting our own pond and it has to stop,”* he declared.

### **Rigid EU Regulation Must be Removed**

Focusing on competitiveness, the Latvian Prime Minister Indulis Emsis emphasised that not only do we need to remove all unnecessary barriers to trade, but also that overly rigid regulation within the EU internal market must be removed. *“Without a competitive EU internal market, our hopes for a competitive Baltic Sea region are rather weak,”* Indulis Emsis said before underlining that the introduction of the Euro would undeniably help strengthen the competitiveness of the Baltic Sea countries.

He also stressed that the entrance of the new Member States into the EU would enhance competitiveness in the old Member States. *“Europe will not be competitive if it ignores the old truth that the harder you work, the better you do,”* Mr. Emsis remarked.

### **EU Not a Substitute for All-inclusive Cooperation**

Regional cooperation between neighbouring countries could be a strong positive force for improving their competitiveness. On that note, the Lithuanian President remarked on the obvious importance of the region's non-EU Member States. *“Deeper integration within the European Union cannot be a substitute for all-inclusive cooperation in the Baltic region,”* he said.

Indulis Emsis concurred that Russia could be potentially one of the most dynamic sources of a positive change in the region. *“A stable Russian economy will positively influence the development opportunities of the whole region. The stronger and healthier the economy of Russia is, the more benefits for the Baltic Sea region,”* he said. He

” **The harder  
you work,  
the better you do**

emphasised that Russia's neighbours should welcome Russia's accession to the World Trade Organization. *"This, in turn, requires immediate cooperation in strengthening rule of law and free market principles. Honest competition should become the guiding principle,"* Mr. Emsis anticipated.

### **Baltic Development Forum should be the "Chief Whip"**

During the last-minute discussions, participants asked the President and the two Prime Ministers to clarify their positions on how to review existing models and means of regional cooperation.

In answer to that, President Adamkus said that the Council of the Baltic Sea States and other forums in the region should move from discussions to practical initiatives. He called for more practical steps towards greater synergy between the states and business in the region. Prime Minister Emsis put it more bluntly: *"Units that are dealing with cooperation and coordinating cooperation are needed and the CBSS is also needed, but it must change while the times are changing. Things are changing and so must the CBSS."*

Finally, Anders Fogh Rasmussen noted that the most important thing to him was how to ensure a clear strategy and concrete political decisions and actions. *"I think Baltic Development Forum should be the 'Chief Whip' on the road towards a stronger political commitment to clear political goals,"* he recommended.

” I think  
Baltic  
Development  
Forum should be  
the 'Chief Whip'

## **DEFINING THE UNIQUENESS OF THE BALTIC SEA REGION?**

Introducing the session, moderator **Erik Rasmussen**, CEO & Editor in Chief of the Think-tank Monday Morning, underlined that a precondition for success is the ability to define your strengths, support these and build on them. The aim of the session was to define and discuss the strengths of the Baltic Sea region, in order to be able to devise a strategy for building on these strengths as a means to ensure competitiveness and prosperity.



Moderator Erik Rasmussen, Grete Faremo, Jan Krzysztof Frackowiak, Heide Simonis and Per Unckel had the task of Defining the Uniqueness of the Baltic Sea Region.

Panellists pointed towards different strengths, but shared the view that the Baltic Sea region stands out when it comes to its human resources and social values, high quality of life and knowledge-based economies. Developing these strengths and promoting the qualities of the region in Europe and globally is crucial to success. The differ-

ences across the region are also a strength to build on, but there is a need to develop a joint vision and a coordinated strategy - and to get political commitment to achieve the goals.

### Knowledge-Based Economies

Director of Legal and Corporate affairs, Microsoft, Northern Europe, **Grete Faremo** pointed out that human capital is the most important resource available. *"What creates value, welfare, growth? - Natural resources, capital, infrastructure, of course, but even more so our own competencies,"* she said. *"The way we use our labour force in the region will be the make or break of our future."* According to Ms. Faremo, it is all about working smarter to be competitive. This means investments in research and development and using ICT to increase productivity.

Geographical proximity, human values, the quality of business environments and innovation were among the unique qualities highlighted by **Jan Krzysztof Frackowiak**, Undersecretary of State, Ministry of Science, Poland. Knowledge-based economies could also be a trademark of the region, but here the Eastern area still has a lot to learn. Mr. Frackowiak proposed that there is a need to identify and develop sectors of research and development, support innovation and base businesses on the technologies developed. Furthermore global promotion of the Baltic Rim is essential: *"everybody knows that good trademarks work wonders in the market."* *"We must advertise our unique qualities, dedication and strong will to be the best region in the world,"* Mr. Frackowiak said.

” Everybody knows that good trademarks work wonders in the market

### A Model Region

**Heide Simonis**, Minister-President of Schleswig-Holstein, emphasised the number and quality of cooperation networks in the region as unique. *"Baltic Sea cooperation is now at a turning point, forcing us to formulate new goals and aims - we need a second phase of Baltic Sea cooperation,"* Ms. Simonis underlined. *"A new vision should enable us to develop the Baltic Sea region as a model region for the whole of Europe with its values and common goals,"* Ms. Simonis envisaged.

The agenda should include development of the maritime cluster, transport infrastructure and a knowledge-based society and economy. Promoting Baltic Sea region interests in Brussels is also important, in Ms. Simonis' opinion, but *"a coordinated strategy needs to be elaborated by the Baltic Sea States themselves - and not in Brussels."*

” A coordinated strategy needs to be elaborated by the Baltic Sea States themselves

### Political Leadership Required

Secretary General of the Nordic Council of Ministers, **Per Unckel**, believes that there is tremendous potential in the differences in the region. *"Dynamics come when you combine things that are different. We should stop complaining about differences and look for the advantage of using them in a constructive way for development,"* he stated. With increasing competition from all over the place, there is a need to speed up in the region.

” Dynamics come when you combine things that are different

Innovation is required, and there is a need to pay special attention to the knowledge component of innovation. Referring to the fact that there are no top-ten universities located in the Baltic Sea region, Mr. Unckel pointed out that *"no region is at the forefront when it comes to innovation which does not have a 1st class university in the cen-*



tre.” He finished by emphasising that success will rely on political leadership and commitment: *“without political leaders who are prepared to tie themselves to the success of the region, that success will never come.”*

### Creating a Brand

When asked by **Erik Rasmussen** to suggest which things the Baltic Sea region could be profiled on in a PR exercise, panellists emphasised among other things social welfare, quality of life, human values, openness and transparency, which Mr. Rasmussen summed up using the term 'social innovation'. Grete Faremo, picking up on the term, underlined the importance of social innovation and emphasised that Baltic Sea infrastructure, framework conditions and transparency are strengths that could drive competitiveness in the region.

From the floor, **Børge Diderichsen**, Vice President of Novo Nordisk, agreed with panellists on the uniqueness of Baltic Sea values, social responsibility and quality of life, and added that if the region focused on its core competencies, such as public health, and on public-private partnerships, it could be a model to the world. **Bo Haugaard**, Ass. Director Copenhagen Airports, concurred and added business flexibility and adaptability to the qualities of the region.

**Monty Åkesson**, CEO Monty Åkesson Revision AB, suggested as a brand the 'happiest people in the world' based on the highest quality of life in the world. Ms. Simonis responded to Mr. Åkesson's comments by pointing out that models cannot be copied from one place to the next automatically. *“Let's assume that it's true that Swedes are the happiest people in the world, but look at what they have to give in exchange for that - high taxation and duty rates that would make any German citizen downright unhappy and would drive an American crazy,”* she said.

**Viktors Kulbergs**, Chairman of the National Economic Council of Latvia, argued that Scandinavia and Germany are very good at welfare spending, but it is crucial to focus on earning, by providing the financial, economic motors that will keep the economy going in the future. Agreeing with Mr. Unckel, he said, *“we have to focus not only on the social environment, but also on concrete education centres to focus laser sharp on creating technology and ideas for tomorrow and the day after.”* In response, Mr. Frackowiak underlined that it is important to have a balanced development. Growth and competitiveness are important, but so is quality of life.

Per Unckel contributed to the discussion by underscoring that *“it is possible to set up this region as the most prosperous in the world - but it needs political commitment.”* Speaking about what the region should be good at, he recommended: *“do what you are already good at. Don't try and reinvent the wheel. Look for your strength and potential and do something in those fields.”*

” Focus  
laser sharp  
on creating technology and ideas  
for tomorrow and  
the day after

## EMPLOYMENT AND THE LABOUR MARKET - A NEED FOR REFORMS?

Globalisation and increased European integration pose challenges to employment and labour markets in the Baltic Sea region, but is a reform of labour markets what is needed? This central question was debated by representatives from politics, research, labour unions and business. Whereas globalisation is often referred to as

a threat, the panellists in general agreed on the opportunities of globalisation. The challenges are to maintain welfare systems and flexible labour markets and at the same time increase competitiveness by focussing on upgrading skills and qualifications of workers.

### Upgrade Skills and Qualifications

The Minister for Employment of Denmark, **Claus Hjort Frederiksen**, is used to questions, such as, 'what are we going to live on in the future' and 'how can we make globalisation an advantage and not a threat'. According to Frederiksen, *"globalisation is far from being just a threat. Globalisation and international trade to a high degree have formed the basis for the welfare and prosperity we are enjoying today."* Danish enterprises are doing very well in the competition, which Minister Frederiksen exemplified by citing the fact that 300,000 jobs were lost each year, but the same amount were created.

He argued that governments should not intervene in the development in trade and industry, but focus on ensuring a sound economy, attractive framework conditions for citizens and enterprises and access to a qualified work force. *"If Europe is to be at the forefront, we have to stake massively on education and upgrading of skills and qualifications of the labour force."* Enterprises should do what they are best at, namely creating production, and labour markets should be as flexible as possible in the opinion of the Minister.



Tom Kähler, Pelle Lantz and Minister Claus Hjort Frederiksen listening to the presentation of Colin Hay in the session on Employment and the Labour Market

” Globalisation is far from being just a threat

### De-globalisation Rather Than Globalisation

*"Globalisation has rather less to do with questions of competition, labour market and welfare reform in Europe today than we are accustomed to thinking,"* according to Professor **Colin Hay**, Birmingham University. Actually, he argued, European economies have experienced a de-globalisation of trading and investment relations over the last 40 years. What we are witnessing now is instead a regionalisation, where Intra-European competition is key. This surprised moderator **Anders Reuterswärd**, OECD, who argued that globalisation, in the sense of increased competition, is indeed taking place.

When speaking of the consequences of this development for labour markets, **Mr. Hay** warned against the orthodox view of increasing flexibilisation and retrenching welfare, as he found no link between flexible labour markets, low wages and inward foreign direct investment.

*"After access and proximity to markets, it is the educational attainment and skills levels that are the most critical factor in determining the attractiveness of a labour market regime to mobile investors,"* Mr. Hay emphasised, before highlighting that investors, it would seem, are perfectly prepared to pay the high price for the highly trained and skilled work force that some developed European economies are capable of providing. *"There is in fact little evidence for the view that labour market flexibility and welfare retrenchment ensure competitiveness,"* Mr Hay concluded and thus supported the basic premise of the intervention by the Trade Union representative Pelle Lantz.

” After access and proximity to markets, it is the educational attainment and skills levels that are the most critical factor

### Sound Competition is Key

**Pelle Lantz**, Ombudsman, Swedish Trade Union Confederation, pointed out that the Swedish Trade Union Confederation viewed globalisation as an opportunity, but only if competition is sound, he stressed. *“We are willing to support all changes that can contribute to increased competitiveness, but it must be sound competition. Countries and companies shall absolutely not compete with each other by triggering down working conditions and wages.”* Security for workers is very important, he argued, and so is full employment, which creates growth. *“The trade union movement will be a constructive force in all the challenges we face, provided that all energy be put into attaining the goal of full employment,”* Mr. Lantz declared.

” We have  
to be  
smarter than the  
people we  
compete with

On the question of outsourcing, Mr. Lantz underlined that the trade unions are in favour of companies moving part of their production to other Baltic Sea region countries. This would raise welfare overall, which would also benefit the Swedish economy and thus Swedish workers. Problems, however, arose when companies started moving even further away, because salary levels in the Baltic Sea countries were increasing. Claus Hjort Frederiksen stressed his belief that outsourcing should not be prevented, but that one should instead focus on becoming a more attractive place to do business, by upgrading workers' education and possibilities for life-long learning. *“We have to be smarter than the people we compete with,”* he emphasised.

### Qualified Work Forces in Demand

A view from business was delivered by **Tom Kähler**, Chairman of the Board, Rockwool International, a company with plants all over the world. *“I can tell you what has been important for choosing which countries to expand into, and of course employment conditions have played a role,”* Mr. Kähler stated. Confirming the relevance of the Minister's intervention focusing on education and skills upgrading, Mr. Kähler emphasised business' high demand for a qualified work force with good language skills. Good governance and a functioning legal system are also very important when entering a new market. According to Mr. Kähler, Rockwool has managed to find these components everywhere, and added that *“personally, I have been more afraid to place production in the United States where lawyers have much too much lobbying power than what we have seen in Eastern Europe.”*

” In a  
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winner takes all -  
or a lot of it

Mr. Kähler stressed, *“we should be aware that in a globalised world, there is a tendency that the winner takes all - or a lot of it. I hope that we will have more winners, more world-class companies in the region. In areas of government practise and standard of living, we should be number 1.”* Mr. Kähler was very enthusiastic about the possibilities for the Baltic Sea region. *“I think we can make this an innovative region with the world's highest quality of life,”* Mr. Kähler said, echoing speakers in the afternoon plenary session.

## CROSS-REGIONAL TRADE AND INVESTMENTS - THE BALTIC SEA AND EAST ASIA

Economic cooperation always requires knowledge and good contacts. East Asia and in particular China needs to gain more knowledge about the Baltic Sea region and vice versa. Only then will the two regions be able to increase trade and investments. Those were the recommendations from the three speakers in this year's extra-regional session on East Asian business opportunities. They also pointed out that there is an enormous know-how and experience in Hamburg with East Asian business. Thus,

Hamburg could serve as a hub for building up reliable, stable and successful business contacts with East Asia.

### Economic Cooperation Requires Knowledge and Contacts

Dr. **Monika Stärk**, Executive Member of the Board of German Asia-Pacific Business Association pointed out that when discussing the multiple opportunities of cross-regional cooperation in East Asia it is important to emphasise that the Asian Pacific is more than just China. *“China, of course, offers vast opportunities and you shouldn't miss these opportunities but there are many other countries in the region like Japan and Korea or less developed economies with just as much potential”*, Dr. Stärk pointed out.

*“It's difficult for the people in the Asian Pacific to create awareness for countries that are as small as Germany and even more so, the Baltic and Scandinavian states”*, she said emphasizing that the know-how in the Asian Pacific about the Baltic Sea countries remained just as poor.

*“These days, the Europeans therefore have to present themselves as Europeans. People in Asia don't look at Sweden, Germany individually, that is asking too much of them”*, Dr. Stärk said before pointing to the fact that economic cooperation always requires knowledge and contacts and even more so in Asia than in other parts of the world.



The panel discussing relations between the Baltic Sea region and Asia, moderator Thomas Berndt Stehling, Yu Zenggang, Monica Stärk and Tian Zhongqing

### Sell the Concept of the Baltic Sea

**Tian Zhongqing**, Director and Senior Fellow of the Department of World Economy at the Shanghai Institute for International Studies agreed with Dr. Monika Stärk that the two regions needed to have a better understanding of each other. *“I am the only person here who came thousand of miles from the East China Sea”*, Tian Zhongqing said. *“I think it has been worth the trip. Your successful integration of the EU and your ambitions are inspiring for China and the whole East Asia”*, he said. *“However, an urgent task for you is to sell the concept of the Baltic Sea”*, he pointed out.

*“We should have a platform, a high-level forum for the Asian and Baltic Sea countries as well as China and Japan. Also, you should establish business offices in Chinese and Asian cities in order to let people gain knowledge of the Baltic Sea as a group of countries”*, Tian Zhongqing said.

During the Q&A **Philip Graff**, Attorney at Law at Magnusson Wahlin Qvist Stanbrook said that his firm believed that there would be a lot of Chinese investments in the Baltic Sea region not least because of the natural resources in the region. *“We need to invite Chinese students to our area in order to promote the area. We need to stand out to other areas in Europe”*, he emphasized.

“ An urgent task for you is to sell the concept of the Baltic Sea

“ We need to stand out to other areas in Europe

### Know-how and Experience in Hamburg

**Zenggang Yu**, Managing Director of China Shipping (Europe) Holding GmbH remained optimistic and underlined that the enlargement of the EU inevitable will boost trade and cross-regional investments between Europe and East Asia. *“The will be a lot of*



cargo moving from Europe to the Far East and then resend back to Europe for consumption”, Mr. Yu said, “I expect the trading volume to increase between 15-20 per centages per year”.

Both Monika Stärk and Zenggang Yu emphasized that Hamburg was increasingly important in building up reliable, stable and fruitful business contacts with the East Asia. “There is an enormous know-how and experience in Hamburg regarding doing business with any country in the Asian pacific region”, Dr. Stärk said and Zenggang Yu agreed. “We think that Hamburg with its harbour is a very good location for entrance in the Baltic Sea region because almost all of the cargos from Asia to Baltics will go through the Hamburg harbour. Hamburg is an important port for the Baltic Sea area”, Zenggang Yu said, emphasizing the need to maintain low costs and effective custom procedures.

### Return of the Asian Tigers

Director of Konrad Adenauer Stiftung, and moderator of the session, **Thomas Stehling** drew attention to the old East Asian tigers that seems to have made a stark comeback. He asked what the Baltic Sea countries could learn from them?

“They don’t worry. They work on changing the situation”, Dr. Stärk said. “They have been very focused on structural reforms in the banking sector, in the corporate sector. The reforms are not yet finished but have been speeded up by the crises. Perhaps one should wish that in Germany as well we should have such a huge crises in order to wake up”, she said.

” People in the Asian Pacific are much more enduring than Europeans

On a more serious last note she emphasized that people in the Asian Pacific are much more enduring than Europeans. “That is the true culture gap between them and us. And the reason why they have recovered so fast”.

## THE BALTIC SEA REGION AS A GATEWAY BETWEEN THE EU AND RUSSIA

Russia's main tasks today are to promote trust and transparency to foreign investors, and to fully grasp what will be the new role of the Northwest Region in the EU as well as the Baltic Sea region after enlargement of the European Union. The Baltic Sea region and especially the Northwest region of the Russian Federation can play a crucial role as a catalyst for deeper business cooperation between the EU and Russia, but challenges remain. These were the main points from panellists in this afternoon session on Russia, leading to the final plenary on Russia.

### The Tendency is Positive

**Rudolf Tov**, Managing Director of the “Petersburg 2015” foundation, pointed to the successful development in recent years as a guideline for the future of the Russian economy and business. “We don’t really know all the problems that are facing us, but we can see in retrospect that the tendency is very positive. Our investment climate has gradually grown to become very good,” Rudolf Tov said.

” Russian business has so far been underestimated

“Russian business has so far been underestimated. Its value and its capitalisation could be so much higher if there were more trust and transparency. The Chambers of Commerce as well as the self-management of companies are today the most important institutes of the civil society. Self-management of companies represents a vital prereq-



uisite to abolish administrative barriers also in our foreign relations,” Mr. Tov said, emphasising that Russia needs a culture of cooperation and competition, instead of confrontation and conflicts.

The Chairman of the Board of the North-West Investment (Development) Agency, **Slava Khodko**, underlined that transferring to a more knowledge-based economy would be very hard to do. “But”, he continued, “we know that it is a strategically important issue and we have already started.”



Debating the Baltic Sea Region as a Gateway Between the EU and Russia: Igor Zhigora, Vitaly Zhdanov, Rudolf Tov, Slava Khodko and moderator Per Carlsen

Slava Khodko also said that improving competitiveness of the Northwest region in the fields of tourism, transport, industry and ecology is a priority. “And finally, we pay a lot of attention to improving the investment climate, creating a new investment image and the amazing complex problem of reducing administrative barriers,” Mr. Khodko said.

### Infrastructure Development

During his presentation, Mr. Tov also said that attracting capital for infrastructure development depended on securing access for private business to international financial markets. The Sales Manager of Maersk Sealand in Russia, **Igor Zhigora**, followed suit by especially highlighting the importance of infrastructure development in Northwest Russia.

“St. Petersburg remains the main gateway into Russia's mainland,” Igor Zhigora said, “and a well-developed infrastructure is essential when facilitating trade and increasing access to global markets.”

” **St. Petersburg**  
remains the main  
gateway into  
Russia's mainland

### Promoting and Encouraging Economic Growth in Kaliningrad

Dr. **Vitaly Zhdanov**, Head of Economic Development and Trade of the Kaliningrad Region, focussed mainly on the development of the Kaliningrad region. He pointed out that the most important result of the development of the Kaliningrad region is that the structural profile of the economy of the region now resembles that of the other Baltic Sea economies.

“The economic development of the region allows us to say that the mechanism of the special Economic Zone in general is working effectively. It's promoting and encouraging the growth of the economy, but also the quality of life of the population and the economic cooperation between Russia and the European Union. Now, we must deal with the common rules and structure of the European Union,” Dr. Zhdanov said. He also emphasised the need to turn Kaliningrad and Northwest Russia into a real region of cooperation, integrating Russia and the EU.

### The Northwest Region is the Right Partner for Cooperation

Dr. Zhdanov's positive remarks were backed up by **Slava Khodko**, who stressed that there was no doubt that the Northwest region is the right partner for cross-border

**” We have to commercialise the new opportunities represented by the enlargement of the European Union**

cooperation and development of the Baltic Sea region. “We of course want to be in the framework of all topics that are discussed,” Slava Khodko pointed out.

*“In the short term, we have to commercialise the new opportunities represented by the enlargement of the European Union and solve the problems we face today. Longer term, we need a common design for a strategy for cooperation,”* Mr. Khodko implied. He recommended a special assessment of the development of the Russian Federation's Northwest region in order to specify exactly how Northwest Russia can become a catalyst for deeper business cooperation between the EU and Russia.

*“I do believe that the Northwest region will be some kind of window, in Russian language, or gateway, as it's called in English, between Russia and the EU,”* Mr. Khodko ended.

## THE ROLE OF RUSSIA IN EUROPE

*“It's more easy to win a chess game in five minutes than it is to talk about Russia's problems in 15 minutes.”*

With those words, **Garry Kasparov**, the former chess world champion, and current chairman of the liberal organisation Committee 2008, opened his keynote address and thereby also set the stage for a vivid introduction to Russia's challenges and opportunities as he sees them today. Garry Kasparov pointed out that Russia needs Europe in order to maintain freedom, democracy and economic growth. On the other hand, the European Union must encourage Russia to integrate the country in the European economy and establish more friendly contacts with institutions and the corporate world.

### Russia Eventually Must Join Europe

**” The European tradition of democracy and relative economic stability will help Russia to become a modern state**

Garry Kasparov stressed that Russia, eventually, must join Europe. *“The European tradition of democracy and relative economic stability will help Russia to become a modern state. And I would even say that Russian people today are as hungry for such cooperation as they were for those famous first Big Macs in 1990. And today, Moscow's McDonalds restaurants are the busiest in the world,”* Mr. Kasparov reported. *“It serves as an indicator that the average Russian would not oppose joining the civilized world,”* Mr. Kasparov said.

Garry Kasparov believes that Russia indeed could offer Europe and the world a long tradition of scientific expertise and innovation. *“I guess the most successful and dangerous computer hackers in the world are Russians. And had they been given an economic opportunity, they could have created a European Microsoft instead of pirating software and creating viruses,”* Mr Kasparov pointed out.

### No Time for Realpolitik

*“Russia is still viewed by most or many of its neighbours with great suspicion and, unfortunately, with good reason. Don't think that the past is better left undisturbed. Without cleaning up the past there can be little if any progress in the future,”* Mr. Kasparov said. He also criticised President Putin's announcement that direct elections of regional governors should be abolished.





Samuel Rachlin and Garry Kasparov having a lively discussion about the role of Russia in Europe.

*“The western leaders who keep hoping that dealing with President Putin will produce reform are like chess players who only want to attack the enemy king. Such a one-dimensional strategy is neither effective in chess nor in politics,” Mr. Kasparov stressed. “This is no time for realpolitik.”*

After his address, **Samuel Rachlin**, Business Editor of the Danish TV2, asked what conclusions the forum should draw from the development of the past five years, which Mr. Kasparov had criticised. Mr. Kasparov answered that the West shouldn't look into Mr. Putin's eyes, but into his record.

### More Friendly Contact Needed from the EU

Mr. Kasparov also had tough words for the EU Member States. He told the participants that the average Russian's view of the EU comes from the length of the queue for a visa at the German embassy. *“There are endless questionnaires and increased scrutiny about technicalities for everything related to Russian people visiting and doing business with Western Europe. Europe is toughening requirements and closing its doors instead of encouraging more friendly contact,”* Mr. Kasparov warned.

” Europe is toughening requirements and closing its doors instead of encouraging more friendly contact

## NEW BUSINESS OR BUSINESS AS USUAL

In the light of the “State of the Region Report 2004”, the President and CEO of the Nordic Investment Bank, **Jón Sigurdsson**, initiated a debate on the summit's main theme, “New Business or Business as Usual”. The main conclusions from the debate were that you needed both. Jón Sigurdsson emphasised clearly that if you are in business, you usually want to have it both ways. *“You want business as usual and to do new business,”* Mr. Sigurdsson remarked.



Jens Peter Breitengross, Vice President of the Hamburg Chamber of Commerce, welcoming participants to networking dinner



The beautiful setting for the networking dinner hosted by HSH Nordbank and Hamburg Chamber of Commerce.

The speakers also pointed out that only rarely can one expect to be really innovative. That is also why the Baltic Sea region as well as the European Union need to build on and respect its past successes before launching a new - although necessary - beginning. **Paavo Lipponen**, Speaker of the Finnish Parliament, commented on the theme by emphasising that it is important both in politics and business that you are able to build on something. *“A change of government mustn't change everything. It's about taking care of business in order to create new business,”* Mr. Lipponen said, adding that business and politics need both continuity and renewal.

### Continued Improvement

**Pehr Gyllenhammar**, Chairman of AVIVA, agreed and said that both the business environment and the political environment need something called “continued improvement”. *“Those who really work hard in industry will understand that innovation and creativity is rare and not very well rewarded. Continued improvement is there for everybody to see. That's how you become the best at what you do, and then you can add - if you are fortunate - a dynamic development. Finland is a very good example of continued improvement, small strides, and leading to a position that is in many ways number one,”* Mr. Gyllenhammar pointed out.

” **Innovation sounds so nice, so cosy, and so wonderful**

He said that the discussions surrounding innovation had not dealt with the fact that continued improvement is equally important to innovation. *“Innovation sounds so nice, so cosy, and so wonderful. We are all innovative and creative and let's just get on with it. That is a lot of nonsense,”* he pointed out, referring to the summit discussions on innovation. *“If we want to be innovative, we have to adopt, which will take time, a culture of encouragement and reward, not punishment and shame. And this issue has simply not been addressed this year,”* Pehr Gyllenhammar stressed.

### A Kind of a New Beginning

Paavo Lipponen also called for some cautiousness. *“We need to be conscious about our limited capacities. We should utilise our strengths,”* he said. The former Finnish Prime Minister believes that there is a real chance for a new beginning, both in Europe and in the Baltic Sea region. *“Most importantly, we really have to proceed with economic reform. With the midterm review of the Lisbon Strategy, we got a chance for a kind of a new beginning, which I think is necessary,”* he said. *“We need to step up market integration, enhance competitiveness, and raise productivity, particularly in the service sector,”* Mr. Lipponen pointed out.

Pehr Gyllenhammar emphasised the need to distinguish between issues that are best addressed through the European Union, and issues that are best addressed in the Baltic Sea region, whether by local governments, national governments or private businesses.

*"There is a risk that we see the Baltic Sea region as slightly romantic. The thing that we have in common is that we are neighbours. And the other thing is that we have a sea that is almost depleted of fish. So there are a couple of practical issues that we could deal with. But I think it is important to keep in mind that our competitiveness is not necessarily based on what we do in this region. Our competitiveness depends on our position in the world at large. Also, we have to compete within the region. There is no love lost between neighbours for that. I want the investment that you also want and I am going to win. We have a game between the neighbours within the region and we have global competition," Mr. Gyllenhammar said.*



Per Gyllenhammar, former Prime Minister Paavo Lipponen and Jón Sigurdson, answering questions on the summit's main theme "New Business or Business as usual?"

## Global Competition

*"Europe is a political dwarf. If you can't agree on fish stops, how can you agree on much bigger issues," Mr. Gyllenhammar continued. "The forced alliance between Germany and France is very unfortunate for the whole European Union. The sooner it breaks up in harmony, the better it will be. The two countries have an unfortunate alliance that colours, I think, the whole European Union," Mr. Gyllenhammar stressed.*

*"Basically it is about making the Internal Market and other successes work. But they don't work if there are privileges for the big ones. Year after year, some can have deficits that break the rules of the Stability Pact without anything really happening, some can keep their monopolies that are buying up our companies. And this is not just about equality among the countries. This is also about equality among citizens and the companies. As long as we don't have working markets, Europe will never be as competitive as the United States," Mr Lipponen said.*

**“As long as we don't have working markets, Europe will never be as competitive as the United States**

## Is Anybody Coming to Finland?

Pehr Gyllenhammar also assessed the conditions for freedom of movement within the EU. *"The basic idea is that people can move. They are free to study, work, live and even go on vacation wherever they wish. Now, there were a few members of the Union that said: 'We will respect that. There will be no restrictions'. And then there was a majority that said: 'We would like to have restrictions. You are very welcome but not for the next seven years'. I think that is very sad," he pointed out.*

*"Let's take Finland," Mr. Lipponen suggested. "At one point, there was an Estonian scare, which was totally ridiculous, because the question really is: Is anybody coming to Finland?"*

On a more serious note, Mr. Lipponen added that after the two-year transition period, all restrictions should be abolished and instead the Member States should reform their labour markets and deal with corruption. Mr. Gyllenhammar agreed. *"The most concrete evidence that you are a member of the European Union on equal terms is that*

*you have the right to move. In terms of economic development I think it will prove to be very healthy to have this competition,” he concluded.*

## CREATING A NEW PUBLIC-PRIVATE VISION FOR THE ENERGY SECTOR

The session on energy gave a somewhat dull picture of the current state of affairs in the sector. The liberalised energy market and regional energy cooperation has not lived up to expectations; investments are not taking off as hoped. The main message is that barriers to investment had to be removed and that the authorities had to pursue strong regulations to achieve this. Nevertheless, the current high-energy prices could be a sign that increased investments are close at hand.

### The Current State of Affairs - How are We Doing?

The moderator of the session, **Janis Folkmanis**, Director of the Department of Energy, Council of the Baltic Sea States, opened the session by giving a background to energy cooperation in the region and by assessing the current situation. The Baltic Sea Region Energy Co-operation (BASREC) has existed now for approximately five years and covers all energy topics: environment, climate change, energy efficiency and issues of infrastructure and markets. Mr. Folkmanis pointed out that cooperation around the more environmental issues could be said to have been successful, in particular with last year's signing of the Testing Ground Agreement linked to the Kyoto protocol.



*Moderator Janis Folkmanis and Peter Bilttoft-Jensen in the panel discussing visions for the energy sector.*

” The responsibility of investments has largely shifted from the authorities to the private sector

However, the anticipated progress in the areas of markets and infrastructure has not occurred and investments have not reached expected levels. The moderator pointed out that the roles in the sector, through the liberalised single energy market within the EU, had to a large extent been shifted. In this new situation, he stressed, the responsibility of investments has largely shifted from the authorities to the private sector, which demands new ways of cooperation. Against this background, Mr Folkmanis was wondering: *“What is the potential now for this cooperation, in a regional way, in the way we anticipated it five years ago?”*

### The Key Challenge Ahead - Security of Supply

One of the major challenges for the countries in the region with respect to energy is to assure security of supply, an issue addressed by all three panellists. **Pawel Kaminski**, Vice President of the Polish Oil and Gas Company, emphasised that it was not up to the companies to assure security of supply. What was needed was a greater interconnectedness between countries and additional storage capacity, and to facilitate this, he added, the authorities had to remove barriers to investment in order to bring the required liquidity into the market. **Peter Bilttoft-Jensen**, Advisor to the Board, Eurogas and Senior Asset Manager, DONG, also stressed the importance of good relationships with the supplying countries, in particular Russia, in order to assure security of supply.

Another challenge of the region is the diversity between the countries. Mr Kaminski called attention to the growth needs of the new EU-members in the region and Russia.



*“These are five countries that need faster economic development and this is also an important feature to think through in terms of applying the energy infrastructure.”* The third panellist, **Jim Nicholson**, Global Head of Business Development at Argus Media Group, also underscored the diversity between the markets in the region, a feature that applied to the EU as a whole: *“We have 25 national markets in different states of openness and competitiveness, there are still far too many barriers to cross border trade”*.

” There are still far too many barriers to cross border trade

### The Role of the Public Sector

Panellists generally agreed that the most important task for the public sector should be to act as a strong regulator, providing a stable framework for the players on the market. Mr. Jensen pointed out that *“the authorities must ensure a stable framework for the companies, because we are talking 20-25 years long-term contracts. We need some security that the foundation will not shift within a few years.”* He cautioned, however, that the authorities should be careful of going into too detailed regulation: *“Because when you do that, you immediately start touching some of the core parameters for the economics behind the projects,”* Mr. Jensen said.

Pawel Kaminski emphasised that the harmonisation of technical standards and procedures is essential. *“If you have a transit project, going across a few countries, which procedures apply?”* he asked rhetorically.

### Scope for Regional Energy Cooperation

Peter Biltoft-Jensen reported that he believed that regional cooperation is important for providing information on which commercial decisions can be based. He declared that *“you need to continuously have and develop a common understanding of where the region is going, what are different companies doing, and what are the authorities thinking,”* and continued, *“something like Baltic Development Forum can help facilitate something like this.”*

” You need to continuously have and develop a common understanding of where the region is going

Mr. Kaminski argued that the different actors in the energy sector have diverging interests and the task for regional cooperation is to find the smallest common denominator. *“We have to sit together and try to find common interests, based on which we actually can create alliances and do projects together,”* he said.

Jim Nicholson concluded his address by delivering some encouraging remarks and claiming that the current high energy prices, very much depending on the high oil price and increasing demand in East Asia, should be a sign that investments were close at hand: *“There are signs of optimism, clearly the message of the market has been heard and understood by companies in the private sector, and, I think, it is beginning to be heard as well by government. He continued by adding, “there are signs that people are coming back into the market”. Banks, as an example, are “providing much needed liquidity to those spot markets, which will help price transparency and, again, further transmit the signals that are required.”*

## THE MEDIA'S INFLUENCE ON TRADE AND INVESTMENTS

Clear and concise coverage of current events is essential in promoting dialogue and understanding between people and cultures. In today's politically complex, globalised



and “real-time” world, the media's role in ensuring this is arguably as critical as ever. During the Media Session at last year's summit, the media executives pointed out that the media of the Baltic Sea countries had not been a sufficiently active player in creating “popular awareness” of the region.



Flemming Rose, Evgenij Kiselev, and Roland Barysas discussing the media's influence on trade and investments.

This year, the invited speakers said that in order to create popular awareness and a common identity, the region needs focus, and set up specific projects and develop common initiatives with a European approach. Only then should and will the media pay attention. Nevertheless, the countries differ so much in development,

and national challenges are often like chalk and cheese, hence it seemed difficult for the four editors to find a story that would make headlines in the region altogether.

### Different Stages of Development

*“To tell you the truth, I feel a lack of identity in this region as it is,”* **Rolandas Barysas**, Editor in Chief and Director General of the Lithuanian daily Verslo Zinios, said. *“We are at different stages of development, so it's only natural that we are focussing on different matters. We have different goals so we focus on different goals. Not only the media, but the market itself,”* Mr. Barysas pointed out, emphasising that it need not take 40 years before this gap has narrowed. *“Believe me, this gap will be narrowed not in 40 years but much, much quicker,”* he said.

” You need a common Baltic Sea identity in one way or another

**Flemming Rose**, one of the editors of the Danish newspaper Jyllands-Posten, agreed. *“You need a common Baltic Sea identity in one way or another to have a common scope. And I just don't see it.”*

However, Rolandas Barysas believed that Baltic Sea projects and common initiatives in a European Union context could draw the media's attention. *“The more we are doing together, the more projects we develop together, the more each of us will write the words 'Baltic Sea region'. This is how the common identity appears. We cannot create it artificially. It must come naturally,”* Mr. Barysas said, emphasising the importance of leadership from both business and politics.

### What's the Next Big Story?

Flemming Rose pointed out that the great epic story of the Baltic Sea region ended on a positive note by incorporating all the Soviet bloc countries, with the exception of Russia, into the European Union and NATO.

” I think that the next big story is about the European Union and Russia

*“So, what's the next big story? Is there a new big narrative bringing together the Baltic Sea region?”* Mr. Rose asked. *“I think that the next big story is about the European Union and Russia. I think we got a glimpse of the inner drama of that story with the discussions between Mr. Kasparov and Mr. Rachlin on Monday evening. The Baltic Sea region is a looking glass for that story,”* Flemming Rose said. He warned that this story so far has been reported from Brussels and Moscow rather than from the Finnish-Russian border, the Estonian-Russian border, Kaliningrad etc.

NDR's Editor of its Baltic Sea Report, **Udo Biss**, said that although he agreed that the next big story from the Baltic Sea area is the story about the EU-Russian relations, general news from the Baltic Sea is increasingly being reported. *"There are quite a few programmes that focus on the region,"* he pointed out, and *"there is a little change."*

### The Role of the Media

Discussing whether or not the media can help promote trade and investments in the Baltic Sea region without losing its integrity, **Flemming Rose** said that the media really should not think about it. *"I don't think it is our task. Our task is to report news to our readers. News that they want to buy,"* he underlined. *"The precondition for independent free media is economic independence and being a successful business."*

The Editor in Chief of Moskovskije Novosti, **Evgenij Kiselev**, concurred and said that Russian journalists can do very little to attract foreign investments and businesses if they are to keep their integrity. *"If we write about the real state of affairs and the real investment climate that exists in Russia. If we do that, it will not be very helpful to the basic idea of Russia becoming really involved in the Baltic Sea region,"* Mr. Kiselev said. *"I am not saying you should cut off economic relations but investors and governments must be very cautious,"* he warned.

*"Don't make the same mistakes as many European intellectuals that came to the Soviet Union in the end of the twenties and thirties, who returned back with a lot of praise for the Soviet Union. I don't want the West to repeat these mistakes,"* Mr. Kiselev said, emphasising that journalists should take much more notice of the development in Russia, just like Russian journalists should take notice of the development in the Baltic Sea region, not least the three Baltic countries and Poland.

” The precondition for independent free media is economic independence and being a successful business

## CREATING JOINT POLICIES - A WIN-WIN SCENARIO FOR TOURISM

In this session, representatives from business and the public sector were assembled to share their views on how the actors in the tourism industry could cooperate in a more efficient way, and how to benefit from what is in fact a plus-sum game. So far, it was pointed out, the situation in the tourism business is characterised by individual and national strategies and solutions. The general message from this session was that we have to intensify the cooperation to be able to develop a joint marketing of the Baltic Sea region, improve the infrastructure and remove barriers to business by harmonising standards and rules.



Moderator Thomas Andersson, Sylvia Bretschneider, Gunnar Reitan and Erki Urva discussing how to strengthen tourism through regional cooperation.

Moderator **Thomas Andersson**, President of IKED, introduced the session by underlining that the region has only seen the 'tip of the iceberg' of the potential for growth and jobs in the tourism industry. Until now, the great potential within the tourism sector has not been explored, rather *"we have an underperformance of the countries in the Baltic Sea region. What tourism we get is not given! It depends on what is being done by local and national institutions; policies*

are important in this area. But, still, tourism is poorly developed.” He was eager to find an answer to the question of what countries and actors could do together to improve their performance?

### The Baltic Sea Region - a Future Regional Brand?

**Sylvia Bretschneider**, President of Mecklenburg-Vorpommern Regional Parliament and President of the Mecklenburg-Vorpommern Tourism Board, made it clear that the Baltic Sea region has developed as a highly interesting tourism area during the last decade. According to Mrs. Bretschneider, it would be necessary to promote tourism as a “driver” for sustainable economic and social development. She, like Mr. Andersson, stressed the objective of pursuing an active marketing policy for the whole region, not only promoting the region in a national and regional context, but also to target groups from the rest of Europe and from overseas.

**Gunnar Reitan**, Executive Vice President of SAS Group, thought it could be beneficial to create a common branding, for example in the hotel business. The Baltic Cruise project is a good initiative currently being introduced, where international customers can see the Baltic Sea Region as a “unified product”. **Erki Urva**, President of Estonian Air, agreed on the importance of creating a common destination promotion and joint marketing. To achieve this goal, active participation is needed from both the public and private sectors. Private businesses are fully capable of marketing their own products, but destination promotion is an area where the public sector could do more.

” To “create a win-win scenario is not an easy task

To achieve a common brand, the players would have to join forces, and do it in a more efficient way, rather than to act individually; the tourism sector is too fragmented, Mr. Andersson stated. Mr. Reitan stressed that to “create a win-win scenario is not an easy task.” What is needed is “understanding and tolerance to achieve growth, to be open and to understand that progress for my neighbour will also benefit me.” He called for cooperation in a broader context, because there are synergies to explore. It is a scenario of “give and take”.

### What Has to be Done?

” The coordination between the countries is currently not sufficiently developed in the Baltic Sea region

Mr. Urva saw a problem with the many well-developed bilateral agreements. What is needed is multilateral agreement between the actors across the Baltic Sea, and more funds. Here the governments have some responsibility. In response to this, **Kjetil Storvik**, Director of Nordic Innovation Centre, offered support and finance for future networks. Mr. Urva also stressed the importance of involving both private business and governments, which has the responsibility to create a favourable business climate and invest in infrastructure. According to Mr. Urva, the coordination between the countries is currently not sufficiently developed in the Baltic Sea region.

Mrs. Bretschneider could not agree more, and said that all the stakeholders have to focus more on common activities in the Baltic Sea region to obtain a “common area” and to profile our product to fit the demands of all kinds of tourism. Mr. Reitan insisted that ways of providing service must not be identical, but that “consistency” regarding common service standards is essential. In addition, a long-term perspective for infrastructure investments is crucial, but at the same time very complicated, because it involves more authorities and political priorities. Finally, Mrs. Bretschneider addressed the need of creating a natural hub for arrival and departure for tourists going to the Baltic Sea region.

## Common Efforts Ahead

Mr. Andersson summed up by saying that maybe the region would not reach 'one branding' to be transmitted around the world. However, serious efforts have to be made in terms of joint initiatives, various sorts of networking and marketing. *"It is not only about tourism services in a narrow sense, it is very much also about a broader context. The networks have to engage more players to develop this industry in a more proactive way. That is the opportunity and the challenge. Thus, it is up to all the players, including politicians, business, academia at all levels concerning what should and could be done,"* he concluded.

## PUBLIC-PRIVATE COOPERATION ON DEVELOPING TRANSPORT INFRASTRUCTURE

Following up on the discussion at the summits in 2002 and 2003, Baltic Development Forum once again had the Transport Infrastructure in the Baltic Sea region on the agenda. This year's discussion was focused on Public-Private Partnerships and the development in Russia's transport infrastructure by the Russian Baltic Sea borders. All panellists agreed that this was the right time to take action and create Public-Private Partnerships throughout the region.

### News from the Baltic Development Forum Round Table

Before the addresses of the panellists, **Karsten Sten Pedersen**, Department Manager COWI, gave a short status report on the Baltic Development Forum Round Table work. The work was divided into four key working groups, following last years report and findings on challenges in transport infrastructure and eight main key-strategic development issues: *"Intermodality transport system including air transport networks, visions for the region's transport infrastructure, especially the role of PPPs, potential motorways at the Baltic sea, and finally, working with the fast track harmonisation of standards in the transport sector"*. The next step for the Round Table project is to initiate an integrated project. *"Conclusions from the work on transport infrastructure of the business managers will be presented at the Stockholm Summit in 2005"*, stated Karsten Sten Pedersen.

### Transport Infrastructure in Russia

*"The Russian transport infrastructure is developing rapidly and the Russian authorities put very high priority on the further development of transport,"* stated **Igor Yurgens**, Vice President of the Russian Union of Entrepreneurs and Industrialists.

Examples of positive signs in the Russian transport development are, according to Igor Yurgens, the upcoming membership of WTO, whose standards and rules are expected to improve the situation, the common economic space, which includes harmonisation and the common security system, and the Green Corridor project, which will result in less waiting time at the Russian borders. Russia, furthermore, has several new transport infrastructure projects, which will improve the situation in the Baltic Sea region.

Last but not least, Igor Yurgens responded to the session theme on Public Private cooperation by informing that the PPP subject is in the new action plan by the Russian



Igor Yurgens, and moderator Nikolaus W. Schües debating the Public-Private Cooperation on developing transport Infrastructure.



government. *“For Russia, Public-Private Partnership is a new idea, and if the partnership is to work, a lot of laws in Russia must be changed,”* Igor Yurgens emphasized.

### The Importance of Public-Private Partnerships

The importance of partnerships was emphasized by **Ulrich Ellerbeck**, Member of the Board of Managing Directors, HSH Nordbank, when he explained how the three Ps can be viewed. *“Public authorities view the first P as a means to get better levels of performance. The private investors view the second P as a completely new way to generate sustainable terms. and the third P is the core element of the PPPs - A joint sharing,”* Mr. Ellerbeck stated.

Speaking from experience, Mr. Ellerbeck underlined the necessity of understanding and need for flexibility from both public and private sides. The main elements in Public-Private Partnerships, according to Ulrich Ellerbeck, include cost advantages and better life cycle concepts instead of the lowest investments costs: *“The partnerships are not necessarily the cheapest investments, but instead real partnerships for the whole life cycle of a project.”* Mr. Ellerbeck finished his address by sharing the information that HSH Nordbank feels confident in supporting the idea of developing more PPP schemes in the Nordic and Baltic region.

### The Femern Belt Bridge as a Public-Private Partnership

The Femern Belt Bridge between Germany and Denmark could become one of the biggest Public-Private Partnerships in a decade, according to **Peter Lundhus**, Managing Director, Sund & Bælt Holding. The project could in many ways be compared with the Øresund Bridge project between Sweden and Denmark.

” The most difficult task is to build the mental system between two different countries

*“There are very good reasons to build the bridge and it will improve growth in the region. Like the Øresund Bridge, the Femern Belt Bridge is a cross border and PPP project and it can be finished on time and on budget,”* Peter Lundhus stressed. The importance of establishing cooperation both physically and mentally was emphasized by Mr. Lundhus. *“The most difficult task is to build the mental system between two different countries.”* Another very important issue in PPP projects is to have a professional public partner and different parties that work well together.

During the discussion, support for PPP projects was strong, but it was argued that there could be macroeconomic problems with the public debt in relation to PPPs, and it was questioned whether the new members of EU would be ready to join and create PPPs.

” We need new visions for transportation for people, the roads are full, the skies are full

Moderator **Nikolaus W. Schües**, Vice President of the Association of German Chambers of Industries and Commerce in Germany, closed the session by encouraging Russia to be open and to cooperate with the Baltic Sea region to develop business. *“We need new visions for transportation for people, the roads are full, the skies are full. We need a new system of transportation”* stressed Nikolaus W. Schües.

## WORKSHOP ON UNIVERSITY-INDUSTRY RELATIONS AS DRIVERS FOR INNOVATION

At the centre of debate in this afternoon workshop were questions regarding the role of universities in regional economic development. Should universities strive to play a more active role in regional economic development, how could universities in that





case contribute more to local and regional development within the Baltic Sea? The workshop furthermore discussed the benefits of current initiatives and whether new activities should be undertaken.

### **A Significant Role for University-Industry Cooperation**

There was broad agreement that universities should definitely play a significant role in regional economic development through close cooperation with industry and public authorities. Research, however, should be global and international. Cooperation between industry and universities is changing, and research is tending to become more short-term, which is troublesome. Panellists stressed the importance of finding a balance between basic research and the creation of wealth, as short-term money is changing research.

Industry representatives argued that university-industry cooperation should not only focus on research, but also on bringing students closer to industry and improving students' business practice. This area has a big potential for improvement and will require a high degree of local and regional involvement from universities.

It was also pointed out that innovation does not always come out of University R&D. In order to facilitate the innovation process, i.e. the creation, transfer and exploitation of knowledge, coordination and consolidation of Baltic Sea University-Industry networks are of paramount importance.

### **The Value of Networks**

It was largely agreed that networks and other support activities are highly relevant and necessary in the Baltic Sea Region. In the US for example, there are 5 life-science networks of significance and in Europe there are 220, which certainly calls for increased coordination and consolidation of network and support activities.

The Baltic Sea Region, encompassing 11 countries, 85 million people and more than 60 universities, would have strong global potential, if linked closer together. By increasing student and researcher mobility and developing joint programmes and courses, the universities in the Baltic Sea region would be able to maintain a strong pool of human capital. Research and science are highly dependent on strong networks and international team play.

### **How to Contribute to Regional Economic Development?**

Concrete initiatives were suggested:

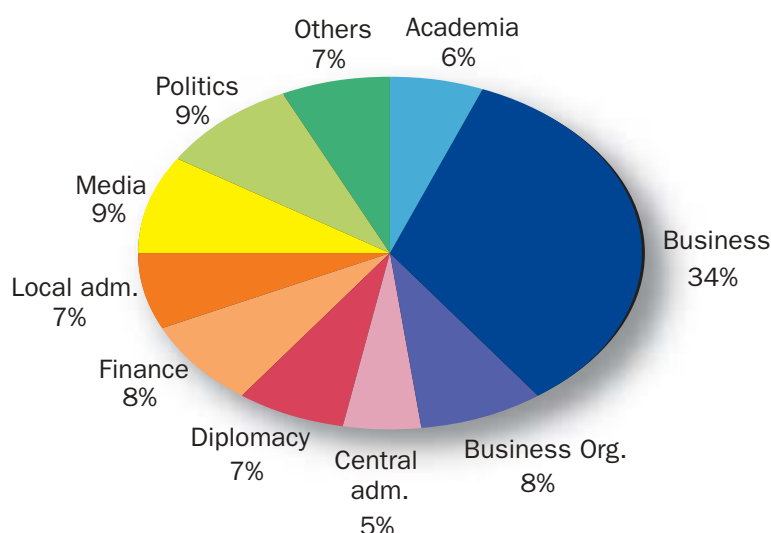
- i) Agency or coordinating body facilitating internships and student/industry cross-border co-operation in the Baltic Sea
- ii) Establishing cross-border mentor and business-angels networks to further support and exploit the pool of knowledge in the Baltic Sea Universities.
- iii) Establish joint educational programmes around common points of interest and expertise

It was argued that universities should strengthen core competencies, e.g., producing good research programmes and educating people, but also strive at becoming more market-oriented. Many universities in the Baltic Sea are culturally and practically very far from cooperating with industry. The science base of the Baltic Sea region is of very high standards, but in order to attract the best and brightest researchers and companies to the Baltic Sea Region, universities should be better governed and more market-oriented.

The workshop was organised by the Baltic Sea Knowledge Regions Project, which is supported by the European Commission. Please refer to [www.bskr.org](http://www.bskr.org) for further information.

# PARTICIPANTS

Distribution of participants by sector



Academia Baltica, Germany  
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 Administration of Kaliningrad Region, Russian Federation  
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 AIF, Germany  
 ALMKONTOR Werbeagentur, Germany  
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 Council of Europe, France

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CrossWater A/S, Denmark  
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Danish Core Group CBSS-NGO Forum, Denmark  
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## ABOUT BALTIC DEVELOPMENT FORUM

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. 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 seeks to accomplish this by:

- Providing a platform for cross-border and cross-sector networking between regional decision makers from business, politics, academia and media.
- Influencing the regional agenda.
- Profiling the Baltic Sea region in Europe and globally.
- Acting as a catalyst and facilitator of concrete partnerships and projects benefiting the region.
- Initiating the formulation of regional strategies for growth, competitiveness and innovation.

The activities of Baltic Development Forum include the organisation of the annual Baltic Development Forum summit, the publishing of the annual "State of the Region" report, thematic seminars and round tables, sector specific projects, the profiling of the Baltic Sea region in the media and in decision-making fora, as well as co-operation with partners on the production of reports and strategies for the development of the region.

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 headed by Director **Ole Frijs-Madsen**.

More information can be found at [www.bdforum.org](http://www.bdforum.org)

## BALTIC DEVELOPMENT FORUM'S PRIORITIES FOR 2004-2005

*Baltic Development Forum has identified six key priorities for the next year.*

### **The Baltic Sea Business Forum**

Private companies in the Baltic Sea region need a highly profiled vehicle for information, joint strategies and business cooperation. Baltic Development Forum intends to explore further avenues to make platforms available for a number of companies in various sectors, including SME's. Tourism, Telecommunication and Energy are among the key sectors that could to be further explored.

### **The Baltic Sea Initiative**

Based on the State of the Region Report 2004, as well as the report on Innovation in the Nordic-Baltic Sea Region, Baltic Development Forum will together with VINNOVA and other partners initiate and facilitate a stakeholder process with the aim of developing an action agenda for increasing competitiveness and innovation in the Baltic Sea region. A State of the Region Report 2005, including an action agenda, will be presented at the Baltic Development Forum summit in Stockholm in 2005.

### **The Baltic Metropolises**

As key drivers of economic growth, the metropolises of the Baltic Sea region play a crucial role for the positioning of the region in Europe. Baltic Development Forum aims to strengthen cooperation between the Baltic metropolises with a view to promoting the Baltic cities and regions on a European level. Baltic Development Forum has established close cooperation with the city network "Baltic Metropolises". A pilot project analysing the needs and challenges of business in contributing to the development of a dynamic and competitive Øresund (Copenhagen-Malmö) area, will form the basis for the efforts to promote cooperation between Baltic Sea cities. Other cities and regions could be subjects for analysis at a later stage.

### **Transport Infrastructure:**

Through a series of Round Tables, Baltic Development Forum has gathered key transport buyers and suppliers with a view to defining the main challenges to the region's Transport Infrastructure: Eight priority issues have been identified. In the next year, Baltic Development Forum aims to analyze further key priority issues in order to provide concrete proposals on how to meet the challenges, and fulfil the needs of business for efficient and intelligent transport infrastructure.

### **ScanBalt BioRegion**

The life science sector is one of the region's key clusters that need to be further developed and promoted internationally. ScanBalt BioRegion, the brand name for life science activities and competencies around the Baltic Sea, encompasses a number of regional networks, universities, public authorities and private companies. ScanBalt BioRegion and the not for profit independent membership association ScanBalt is seen as a European model case for regional triple helix re-structuring aiming for increased competitiveness in a sustainable manner. Baltic Development Forum intends through a strategic partnership with ScanBalt to define and promote clear strategic goals for the life science sector in order to influence key decision makers to increase focus on this hugely important driver of health, education, prosperity and growth.

### **Russia in the Baltic Sea Region**

Northwest Russia, including St. Petersburg, and Kaliningrad are important parts of the Baltic Sea region. Baltic Development Forum will seek to strengthen cooperation with these sub-regions with focus on the economy, investments and trade. Following up on a proposal at the 2003 summit in Riga of establishing a Foreign Investors Council in Kaliningrad, Baltic Development Forum will work towards increasing the dialogue between Russian decision makers and the Baltic Sea business community with the aim of improving investments and trade.



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*Baltic Development Forum  
looks forward to seeing you at  
the 7<sup>th</sup> annual summit in Stockholm,  
16-18 October 2005*