

Boosting Top of Europe
Baltic Development Forum Summit
Stockholm 5-6 October 2009
Conclusions¹

The 11th Baltic Development Forum Summit - which was organised in association with the Swedish EU Presidency - brought together regional stakeholders in politics, business and academia in order to find ways to give the region a political and economic *boost*.

Overall message from the Summit

When hit by foul weather in the global economy, it is time to stick together – and seek ways to find common solutions to common problems. The economic crisis has affected all European countries but the Baltic Sea Region has been disproportionately hard hit, and the crisis has caused severe problems. The crisis may have made regional collaboration complex, but even more important for regaining economic strength and achieving higher competitiveness.

In this regard, the EU Strategy for the Baltic Sea Region represents a unique chance to bring integration on to a new level by combining regional and EU integration processes. The Baltic Development Forum (BDF) Summit strongly supported the EU Strategy aimed at enhancing sustainability, prosperity, accessibility and security and hoped for continued and strong commitment from the governments in the region.

The present crisis has illustrated the need for strong institutions in the region including the IMF and International Financial Institutions. Stronger regional integration is intimately linked with EU integration - regional networking does not suffice. At the same time, the networking at the Summit has been important in establishing a dialogue and a better mutual understanding. This continues to be part of BDF's *raison d'être*.

The EU Strategy: From Tallinn to Stockholm

In 2007, when BDF Summit took place in Tallinn, there was strong support to Prime Minister Fredrik Reinfeldt's proposal to introduce an EU Strategy for Baltic Sea Region during the Swedish EU Presidency. When BDF Summit opened in Stockholm, participants were very pleased to learn from the President of the European Council Fredrik Reinfeldt that the Strategy would be approved by the European Council 29-30 October 2009.

The Strategy and its Action Plan represents the first steps in a longer integration process of making full use of the EU's more coordinated and greater presence in the region. Global experiences from regional integration should be taken into account, incl. the importance of *density*, *distance* and *division* documented in the 2009 World Bank Development Report.

¹ The conclusions are the sole responsibility of BDF and do not honor the many contributions and statements that were made during the Summit. In the next BDF Magazine BDF intends also to follow up on Summit themes.

Unique governance model

The EU Strategy represents a unique *governance* model based on EU institutions and regional actors, stakeholders and networks. The Commission plays a pivotal role in implementation and coordination of the strategy as well as in providing information on the Strategy.

The Summit underlined the importance of the regional Forum for stakeholder consultation as a means of creating an open dialogue cross border, cross sector and cross level. BDF is ready to play a facilitating role and to share its wide network and thereby contribute to the development of the Strategy. BDF proposes that the 2010 BDF Summit in Vilnius – held in cooperation with the Lithuanian regional Heads of Government meeting – could serve as a unique first occasion.

As the Baltic Sea Region may serve as inspiration to other regions of Europe, the Forum should be open for third parties (participants from adjacent countries and the Danube region were invited to the BDF Summit this year). Regional levels can contribute to the general progress of the European Union in bringing EU policies closer to the citizens and relevant organisations.

At the Summit, the Polish Government made strong commitment to making the EU Strategy an important issue during the Polish EU-Presidency in the second half of 2011. BDF also welcomed Polish invitation to the BDF Summit to come to Poland during the Polish EU Presidency in 2011.

The economic state of the region

Since 2004 *Dr Christian Ketels* has presented the annual BDF *State of the Region Report* to the Summit. The report (sponsored by Nordic Council of Ministers and Nordic Investment Bank) offers a unique and valuable picture of the region in terms of competitiveness and collaboration across the region.

In this year's report, *Boosting the Top of Europe*, the economic realities are overshadowed by the impact of the global crisis. Christian Ketels notes that the crisis has accentuated the differences across the Region. The catch-up process (to the rest of the EU) had become unsustainable rapid and had come to an end. Despite the current contraction, the Region remains one of the most prosperous regions internationally with high positions on labour productivity and mobilisation.

The Nordic countries, except Iceland, and Poland, and maybe even Germany will get through the crisis relatively well, while the three Baltic countries and Iceland, and to a fair degree also Russia, will have to deal with the consequences from the crisis for a longer time. The heterogeneity of competitiveness and profiles across the Region is further increased by the crisis and the policy responses that are under way. The Summit learned about the impressive civic *resilience* in the Baltic countries in dealing with the consequences of the crisis.

In some countries, solid fiscal policy allowed for efforts to counteract the recession with less risk of jeopardizing long-term fiscal sustainability. Some countries have also been able to extend credits to assist other countries in the region. Consolidation of national budgets is still very important, but the complexity and the many dilemmas of the crisis have to be recognised at the same time.

The financial crises triggered negative effects and revealed weaknesses in most countries. In retrospect both governments and financial sector have made mistakes also in our region. The fundamentals of competitiveness were overshadowed by expectations of future successes. Resuming confidence in the financial market and facilitating credit to companies continues to be very important.

Lisbon Agenda, competitiveness and trade

The Baltic Sea Region remains Top of Europe on the Lisbon Agenda goals and has – not least from this perspective – significant contributions to make to the Agenda’s post 2010 renewal. An updated Lisbon strategy will be very important for the Region where new matching targets need to be identified. A regional contribution to the Lisbon Agenda (in parallel to the National Reform Programmes) and to improved competitiveness was proposed allowing cooperation between neighbouring countries to deepen within the EU framework. Due to the economic interdependency, it was proposed to establish a regional Growth Council or Globalisation Council. The Nordic Council of Ministers has provided important input in its globalisation co-operation and can inspire the whole Baltic Sea Region.

The importance of entrepreneurship was highlighted as a means of finding ways out of the crisis. The exchange of best practice in promoting entrepreneurship and optimal framework conditions, including access to capital, are important and needs to remain on the agenda, not least since the Nordic countries are generally underperforming in this area.

In a globalised world the importance of creating an enhancing environment for innovation is crucial for improved competitiveness. The Summit highlighted the EU Strategy’s fast-tracked flagship project on innovation, clusters and SME networks led by the Swedish technology agency Vinnova and its Lithuanian counterpart. It could become a model for showing the way towards a stronger innovation-driven economy in the region.

Over the last two decades the main driver for integration has been the market economic forces which underline the importance of continuing efforts in providing attractive and stable conditions for the operation of businesses. Reducing administrative barriers and burdens to trade and business remains crucial. Regional initiatives to deepen the EU’s Internal Market are important, including a more effective use of the SOLVIT offices and services in the EU countries of the region.

The difference between the best and the worst places of the region in terms of corruption is striking. In this and in many other fields, it is important to develop better corporate governance in all the countries of the region. It includes managing companies out of the crisis where board members in companies need to be skilful and capable of meeting the many challenges in the international business environment.

Climate change and energy cooperation

In view of the COP 15 Summit in Copenhagen, the Summit underlined the role of regions in providing better frameworks for implementing the targets for reducing CO2 emissions, increasing renewable energy and energy efficiency (20 20 20 goals by 2020).

The emissions from the Baltic Sea Region is by global standards only a fraction, but the region can have much wider importance due to many frontier-initiatives, high-tech applications and tested policies that can provide inspiration for many other countries in the world. The Baltic Sea Region has the chance of becoming a *Green Valley of Europe* by creating strong partnerships between governments, local governments, cities, businesses, regional organisations, banks and NGOs.

The report by EA Energy Analysis *Sustainable Energy Scenarios for the Baltic Sea Region – Setting an Agenda for the Future* - which has been initiated by BDF and financed by the Nordic Council of Ministers, the Nordic Council and Danfoss – shows that the countries around the Baltic Sea would all benefit from stronger regional energy cooperation.

The region has all the needed renewable and efficient technologies to become a low-emission region with sustainable growth and secure energy supplies in 2030. There is no need for

technological leaps. New interconnectors are however needed as well as an integrated regional energy market ensuring the most efficient use of available energy resources. Joint planning of wind farms and increased use of biomass will make the whole region better off. Elements for a regional energy agenda were presented at the Summit.

BDF will work together with regional organisations, not least with *BASREC (Baltic Sea Region Energy Cooperation)* and the *Joint Energy and Climate Platform of the Baltic Sea Region* in advancing the regional dimension. A regional contribution to COP 15 will be prepared with regional partners. New and substantial contribution to the regional energy integration will be presented at the BDF Summit in Vilnius in June 2010. The work in *BASREC* ought to go hand in hand with the Baltic Energy Market Interconnection Plan (BEMIP) and the objectives of the EU Strategy. Already now the work of a BEMIP II should begin.

Environment and the Baltic Sea

While the global issue of climate change may risk overshadowing other environmental issues, it is important to realize the common responsibility to protect and restore the values of the unique marine ecosystem of the Baltic Sea. In this sense, the EU strategy can play a very important role in insuring implementation of the *Baltic Sea Action Plan by Helcom*. Focus should now be on *action* and making a positive strategy together with the private water sector out of the otherwise bad branding of the Baltic Sea Region. Clean shipping and integrated maritime policies were also highlighted as a means of addressing the present challenges.

The Finnish initiative of convening a *Baltic Sea Action Summit* in February 2010 in Helsinki was welcomed. Bringing all parties from Heads of States and Government to corporate leaders to the same table in order to get commitment on executing the *Baltic Sea Action Plan* as soon as possible is a valuable contribution to the focus on *action*. It is important that *Baltic Sea Action Summit* gives a real effect on the implementation of the roadmap and EU Strategy for the Baltic Sea Region

At the Summit the BCCA presented a policy forecast report on Policy for Growth based on a survey of the participants of the BDF Summit. The surprising result was that the EU's environment policy was regarded as the most important area for long term growth in the region (followed by the introduction of the Euro).

Green Capitals of Europe

The summit congratulated that the 2010 and 2011 Green Capitals of Europe are Stockholm and Hamburg respectively. The ability of the two cities to present integrated and sustainable solutions to the many challenges of modern city life including air pollution, CO2 emissions, water pollution, transport and energy problems etc. has been a decisive factor. Exchange of best practice on the concept of sustainable cities within appropriate networks is important as a follow-up to these prestigious awards.

Swedbank Baltic Sea Award

The Swedbank Baltic Sea Award that BDF and Swedbank has established was awarded to *Ms Arminta Saladžienė*, chairman of the Management Board of NASDAQ OMX Vilnius and Chairman of the Executive Committee of the Baltic Institute of Corporate Governance. In the motivation Håkan Berg, Head of Baltic Banking, Swedbank, underlined that Baltic Institute of Corporate Governance is a non-profit initiative, which aims at raising awareness of good corporate governance in the Baltic States, as well as educating and certifying professional board members. Good corporate governance practices lead to better companies and, in turn, better and more progressive

societies. One of the declared goals of the institute is to find greater financial sector stability.

The award was an appreciation of the talent, work and commitment of *Arminta Saladžienė* to the Baltic Sea Region underlined the Chairman of BDF, Uffe Ellemann-Jensen. Previous award winners are Mr. Björn Carlson, Founder of Baltic Sea 2020 and the President of Finland, Tarja Halonen

Integrating Russia in regional cooperation

While taking new steps in deepening regional integration in the Baltic Sea Region through the adoption of the EU Strategy, it is important in parallel to improve regional cooperation with Russia and her Baltic Sea Region provinces, not least since many of the problems and opportunities are intrinsically interlinked (such as eutrophication of the sea, (oil) transport, maritime security, trade and border crossings etc). Continued efforts to build confidence, achieve desirable environmental goals and enhance prosperity by trade and investments were underlined.

In this regard, the Northern Dimension Business Council was welcomed in particular as a very good means of giving additional substance to regional cooperation. BDF will continue playing a positive role in improving the regional (business) dialogue with Russia.

With a view to the BDF Summit in Vilnius, special attention will also be made on relations with Kaliningrad region and new steps to deepen integration with this part of the Russian Federation. BDF appreciated the invitation of Governor Boos to welcome the Summit to Kaliningrad region.

A Baltic Sea Region Think Tank

At the Summit it was proposed to establish a *Baltic Sea Region Think Tank* in order to enhance the public policy debate by providing high quality input on various issues concerning the political aspects of regional cooperation. It would also contribute to raising a better mutual understanding in the region and its cooperation with the rest of Europe. In order to provide interesting ideas a think tank must be independent yet at the same time be well connected to politics, academia and business. BDF will – together with a network of well established researchers – take further steps in order to find seed money for the full launching of the project.

Scanbalt Bridge Award

County Governor of Stockholm, Per Unckel introduced the new Scanbalt Bridge Award underlining the importance of making better use of resources in research and development in the region, not least within the life science sector. Prof. Hans-Robert Metelmann, chairman of Scanbalt introduced the winners of the Award that is granted by the ScanBalt Academy and the Royal Physiographic Society in Lund together with Greifswald University and Lund University: Prof. Almut Kelber and colleagues, Lund/Sweden; Prof. Susanne Iwarsson and Colleagues, Lund/Sweden; Prof. Daumantas Matulis and colleagues, Vilnius/Lithuania; the Cancer Politics Study Group, Greifswald/Germany. The winners are all involved in promising cross-border cooperation projects.

From Stockholm to Vilnius 2010

Next year, the BDF Summit will be held in Vilnius, back-to-back with the 8th Baltic Sea States Summit on 1-2 June and organised in cooperation with the Lithuanian presidency of the Council of Baltic Sea States. Prime Minister Kubilius and Minister of Foreign Affairs Usackas welcomed at the BDF Summit to Vilnius. The Summit will be an excellent occasion to document commitment and progress in different projects within the EU Strategy as well as to agree on a way for Russia to

contribute to and support elements in the Strategy.

Thanks to sponsors, host and partners in Stockholm

The BDF would like to express its appreciation of the Summit sponsor, *Swedbank*, and other sponsors and partners in Stockholm, particularly, the *City of Stockholm*, the *County Administrative Board of Stockholm*, the *Stockholm Chamber of Commerce*, *E.ON*, *Nord Stream*, the *European Commission Representation in Sweden*, and the *Lithuanian CBSS Presidency*. This Summit could not have been possible without the good work of so many people, most importantly the speakers, moderators and exhibitors in the networking village, but also the staff of the BDF secretariat and the volunteers from several universities in Stockholm.

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