

**European Challenges – Regional Solutions:  
An Agenda for Jobs, Investments and Sustainable Growth  
Baltic Development Forum Summit  
Vilnius 1 -2 June 2010  
Conclusions<sup>1</sup>**

*The 12th Baltic Development Forum Summit* – which was organised in cooperation with the Lithuanian Government and the Baltic Sea States Summit – gathered 600 participants in Vilnius to discuss regional integration, competitiveness and green growth.

The meeting took place in the context of the *EU Strategy for the Baltic Sea Region – the first mega-regional strategy within the EU – and the Europe 2020* strategy for smart, sustainable and inclusive growth in the EU.

The *importance of high-level, cross sector networking as a driver for regional integration proved its value* by gathering decision-makers from all the countries of the Baltic Sea Region as well as from regional and European organisations, such as the CBSS, BASREC, BaltMet, Nordic and Baltic business confederation (members of BUSINESSEUROPE) and representatives from the European Commission, Nordic Council of Ministers, regional and European financial institutions etc.

*The Summit contributed to developing the regional agenda* and the BDF reports issued at the Summit played an important role in this regard; State of the Region Report 2010 *Top of Europe Recovery: Regional Lessons from the Global Crisis* and the report on policy recommendations *Going for Green Growth in the Baltic Sea Region*. Furthermore, two reports were part of the stakeholder consultation process of the Summit: *Place Branding and Place Promotion Efforts in the Baltic Sea Region: A Situation Analysis* and the energy report *Energy Perspective for Kaliningrad Region as an integrated part of the Baltic Sea Region*.<sup>2</sup>

**EU Strategy for the Region and Europe 2020 framework**

The Summit discussed the *unique opportunities to link national and European growth initiatives in a regional context and thereby improve the ability to target policies regarding new jobs, investments and sustainable growth*. In his intervention, the President of the European Commission, José Manuel Barroso, highlighted the Europe 2020 agenda and the EU Strategy for the region in terms of green and smart growth, improved competitiveness and financing of projects. Barroso reiterated that the Baltic Sea Region could become a beacon to the rest of Europe by showing how to implement the EU policies.

---

<sup>1</sup> The conclusions are the sole responsibility of BDF and do not honor fully the many contributions and statements that were made during the Summit. A Summit report will complement the conclusions.

<sup>2</sup> All the reports are available at BDF's website [www.bdforum.org](http://www.bdforum.org)

Similarly, the report of Copenhagen Economics *Going for Green Growth in the Baltic Sea Region* pinpointed the most obvious areas for coordinated regional initiatives - energy, research and development, innovation, and transport - within the EU Strategy and the Europe 2020 agenda.

The sessions and the discussions at the BDF Summit reflected the *interest and willingness* of many stakeholders in the Baltic Sea Region *to make use of the new policy platforms which the EU Strategy and the Europe 2020 represent*, for finding innovative regional solutions and synergies to common European problems.

The Prime Ministers participating at the Summit reiterated their political support for making use of the regional cooperation as a means to strengthening the global competitiveness of the region and solving common problems, especially problems related to climate change and the polluted Baltic Sea. The potential risks for further pollution of the sea from oil shipments and oil spills was mentioned and references were made to the catastrophe unfolding in the Gulf of Mexico.

### **The EU Strategy: Time for Implementation**

The Summit learned that *regional cooperation had made new headway* through the gradual and progressive implementation of the Action Plan accompanying the EU Strategy for the Baltic Sea Region. The results had to be seen in light of the fact that governments tended presently to concentrate more political attention on national policies in times of economic hardship rather than on regional cooperation as a means of addressing the problems.

The 2010 Summit highlighted many flagship projects of the EU Strategy related to the chapters on a more prosperous and accessible region; *Internal market, innovation, energy, science links, creative industries, and green transport corridors*. The Summit introduced relevant stakeholders to the projects and provided inspiration to the process.

Many new flagship projects had been initiated; however, question marks remained as to the consistency of the political support and guidance of the top executive level. Questions were also raised whether the right balance had been found between the top-down management and steering of the EU Strategy on the one hand and the regional ownership of the cooperation and bottom-up process on the other hand. It was too early, however, to draw any final conclusions.

### **The Voice of the Private Sector**

The integration of the private sector into the EU Strategy was generally seen as insufficient so far but the business confederations (regional members of BUSINESSEUROPE) present were committed to taking active part in the process. They highlighted four areas for joint actions as necessary in order to ensure common economic benefits: 1) Further improvement of the internal market, 2) free movement of knowledge, including research, education and cross border clusters of excellence, 3) energy/climate change and sustainable energy at affordable prices and joint implementation of the EU targets on renewable energy by making use of the sources with the lowest costs resource, 4) European neighbourhood policy and relations to Russia – including joint investment in infrastructure that can improve ways to the growing Russian market.

The need to *focus* in order to make a real impact was also underlined. Several references were made to the recently issued report by Mario Monti on the internal market and especially to the possibilities of *expanding the digital internal market* (aspect of the Fifth Freedom of the internal market). The digital internal market was also highlighted by speakers from Government, not least by the Estonian and Finnish Prime Minister and President Barroso.

The view was also expressed that there was also a need to constantly review the argument for regional cooperation and to rethink the appropriate approach towards competitiveness upgrading, and to build the facilitating organizational frameworks in the region.

### **Cooperation with Russia**

Besides the EU-agenda, the Summit also addressed how to strengthen cooperation with Russia notably within the Northern Dimension framework and in the field of energy and transport/logistics. The need to take more coordinated initiatives towards Russia was underlined. The Baltic Sea could make an important contribution to the EU/Russia Partnership for Modernisation. The interest of the private sector in closer ties with Russia was voiced, encouraging BDF to take new initiatives in this regard. The need to expand the network with Russian stakeholders was underlined as a way of balancing the EU's internal and external initiatives in the region.

### **The Economic State of the Region**

Although the *economic crisis* had hit the Baltic Sea Region disproportionately hard and not least the Baltic countries, the Summit noted a growing optimism both due to the economic policies to counteract the situation and in light of the more favourable international context. Dr. Christian Ketels underlined that while there was no reason for pessimism about the fundamental competitiveness of the Region, it was still too early to call the crisis over. The drastic slowdown of the Baltic Sea Region economy was to a large degree the natural result of a global crisis hitting a group of small open economies. But the quick return of business sentiments to pre-crisis levels was still not supported by economic fundamentals. The dramatic fall in exports had been accompanied by a worrying loss of market share. The average fiscal position of governments was, however, solid in comparison to international peers, creating opportunities to pull ahead.

The Summit recognised the achievements of the Baltic Governments in implementing stern adjustment policies without creating the social unrest that had been seen in other parts of Europe. Estonia's way towards joining the Euro-zone was seen as a testimony of the results accomplished in addressing the present economic downturn. Lithuania's clear ambitions to soon follow suit were also noted as a strong message. At the same time, the State of the Region Report raised questions as to the future growth model of the Baltic States. It recommended focusing more on upgrading the competitiveness of local companies. So far attention has been focused on implementing the EU's different (macro)economic guidelines and less on how they interact with and can improve the competitiveness of companies.

### **Green Growth and Energy Cooperation**

Despite a difficult economic context, the importance of pursuing a *green growth strategy* was underlined both by the government representatives and by the directors of the Nordic and Baltic business confederations. Several of the *metropolises* of the Baltic Sea Region were illustrating how to effectively combine the many different aspects involved in sustainability and economic progress. They were dealing with how to address the challenges linked to an increasingly hot, flat and crowded world. Based on the most recent research, the Summit learned about the possible elements that could be part of a new generation of climate and energy friendly city planning.

The major energy companies of the region also confirmed their ambitions in pursuing a more climate friendly policy, despite the worsened economic environment. The possibilities of reaping the obvious common benefits from a more integrated and coordinated energy planning that could

make use of the Baltic Sea region's extraordinarily diversified energy mix were, however, not presented in an new and convincing manner. More intensive cooperation was needed and the usefulness of developing energy scenarios for enhanced regional energy cooperation was confirmed not least through the new BDF report on regional energy scenarios (and Kaliningrad). A *clear vision* for the future regional energy development was missing and the EU Strategy needed to be further developed in this area.

The Summit learned that the plans to build new *nuclear power plants in Kaliningrad and in Lithuania* were interrelated and that the issues of energy security, energy positioning and energy markets were intrinsically interwoven. The BDF report presented new elements to the sensitive political issue, concluding that the development of nuclear power in the Kaliningrad region seemed mainly motivated by the possibilities and opportunities to export electricity from Kaliningrad to neighbouring markets in Europe. Thus the investment in a new nuclear power plant would have to be supplemented by new transmission capacities from Kaliningrad to mainly Poland. New nuclear power in Lithuania – on the other hand – did not have to be followed by additional investments in interconnectors.

The Summit also welcomed political commitments made *to end the energy isolation of the three Baltic countries* within the gas sector by presenting efforts to implement BEMIP (Baltic Energy Market Interconnection Plan) projects that would link the three Baltic countries with the rest of the EU.

### **Branding and Promoting the Baltic Sea Region**

Still in its early years in terms of identity building and branding, the Baltic Sea Region needed to develop more horizontal aspect of the different project activities that are being implemented by the cooperating countries in the region. The EU Strategy for the Baltic Sea Region contributed to *strengthening the political identity* of the region both inside and outside the EU but more needed to be done, recognising the need for cross-cutting activities and communication as integral parts of the new integration efforts. As a flagship project of the EU strategy, the BaltMet Promo Project should contribute to building a regional identity and branding the region internally and externally. The project had its kickoff meeting and its first policy roundtable meeting in connection with the Summit in Vilnius. The BDF report, *Place Branding and Place Promotion Efforts in the Baltic Sea Region: A situation Analysis* concluded that there were many branding and marketing activities in the region but there was still *considerable scope for better coordination and exploitation of synergy* in order to achieve impact and international outreach.

### **Baltic Sea Award 2010 to Cruise Baltic**

The 2010 Award – sponsored by the Danish Industry Foundation – was given to Cruise Baltic, a network of 27 cruise destinations in the Baltic Sea uniting 10 countries and 45 partners. Director Bo Larsen received the Award on behalf of the project and the regional network. The award jury consisted of Prime Minister Andrius Kubilius, Lithuania, Chairman of BDF, Uffe Ellemann-Jensen and Member of the Board of the Danish Industry Foundation, CEO Hans Skov Christensen.

In his nomination speech, Hans Skov Christensen underlined that Cruise Baltic had made an extraordinary contribution to the development of the Baltic Sea Region. Cruise Baltic had demonstrated that it was possible to *compete on the global markets within cruise industry when joining forces and cooperating regionally*. The cruise business was booming and Cruise Baltic had developed remarkably from an EU-financed project into a sustainable business model. Cruise Baltic was an example for other EU-projects to follow.

### **A Baltic Sea Region Think Tank**

The Baltic Sea Region Academic Think Tank that was proposed to be created at the 2009 BDF Summit in Stockholm met and discussed the topical political issues of the region. The need for strengthening the network of researchers on the Baltic Sea Region was reiterated and further efforts would be taken to create a virtual think tank. Prof. Bernd Henningsen, Humbolt Universitet would lead the work. The objective was to create an independent *political* State of the Region ***reporting to be presented at the 2011 Baltic Development Forum Summit.***

With the EU Strategy for the Baltic Sea Region being implemented, a new phase of ***regionalization*** had started which would be one of the starting points for the work of the think tank. The participants of the hitherto established network of researchers agreed that the agenda needed to include sensitive political issues like the future development of the CBSS, the EU-Russia relationship and institutional issues. A public discourse about the future of the EU and the region also needed to be established.

### **From Lithuania 2010 to Poland 2011**

At the end of the Summit, it was announced that the 2011 BDF Summit would be held in October in Poland and organised in cooperation with the Polish EU Presidency. The Summit would also facilitate the midterm review of the EU Strategy for the Baltic Sea Region and thus organise the annual Stakeholder Forum for the region together with the European Commission. The Summit would report and document the progress of the different projects as well as of the overall governance framework of the strategy.

### **Thanks to Sponsors, Hosts and Partners in Vilnius**

The BDF would like to express its strong appreciation of the Summit sponsors, notably the Danish Industry Foundation, as well as of the Lithuanian Government and the Lithuanian CBSS Presidency for excellent cooperation and support. Also appreciation should be conveyed to all the Members and Strategic Partners of BDF that provide general support to the work of the organisation. Thanks also go the *City of Vilnius* and the many other public and private sponsors that contributed to the financing of the Summit.

-o0o-