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## Europe's energy future is in gas and in Central Asia

By Günther Oettinger

Europe is waking from a prolonged recession. Growth is back. Looking forward, we can see that Europe's prosperity, our competitiveness, rests on getting all the elements of a successful economy right. Sufficient, reliable and affordable energy supplies are a major factor among those elements. But as Gazprom CEO Alexei Miller said recently "The European market is skyrocketing: ....by December gas is expected to cost around USD 500 under our long-term contracts. I believe these are not the last record figures for this year." Input prices for fuels threaten growth.

Yesterday's oversupplied gas markets are tomorrow's tight market. There is money in natural gas. But that means that gas, an essential input, will drive up the costs of *Standort Europa*. For the economy's sake, we must bring supply competition by getting more pipelines to new suppliers and companies, and we must expand the LNG market.

Moreover, Europe has to achieve its carbon targets. After Fukushima, gas is more attractive, being relatively a low carbon fuel. It complements intermittent renewables -- like wind -- well. It is plentiful, and there are lots of producer countries. Gas is about to become a fuel of choice.

The shame is that Europe is not connected to as many potential suppliers as it should be, despite most of the producers being within economic range of pipelines or LNG routes. We have three established supply routes with Norway, Russia and Algeria. We will have a growing import market. A comfortable oligopoly of suppliers in Europe is evident. There is evident demand from consumers to have more suppliers, witnessed by the number of consumer-led diversification projects.

This makes us look at the perspective of gas imports from Central Asia and the Middle East. Collectively the region between Kazakhstan and Egypt has much more gas than Russia -- by a factor of 1.5. In Central Asia, the world's 4th largest proved reserve, Turkmenistan, is asking for a solid commercial commitment from our companies, in the purchase and in the extraction of natural gas. Azerbaijan, whose potential is globally significant, is also in view. Behind these stand Kazakhstan and Uzbekistan. The Caspian countries are abundant in gas; they actually burn 9.8 billion cubic metres of natural gas every year -- as

flares. South of the Caspian, there is Iraq, and the government in Baghdad is looking for a solid partner to develop its domestic market and the export option. Production costs of gas in these countries are globally competitive. Yet, there is no economic export route for this gas to market.

The European Union has launched the Southern Gas Corridor initiative to bring these new producers into the European market. We have active buyers. But we have few active producer companies driving the process.

Over the next 6 months, the European Commission will develop its Southern Corridor strategy and enhance it further. It is looking for upstream investors, from whatever background, who can drive the process to open the Southern Corridor and underwrite the infrastructure to get these sources of supply to market. The Commission supports various pipeline projects linking the Caspian region to Europe. Nabucco, a dedicated gas pipeline from Azerbaijan to the heart of Europe, would have the largest capacity among them. Together with it we also support regional pipeline solutions across the Caspian. We are committed to put in place a generic and welcoming regime for investment in these regions and in the transit routes to Europe. We will accommodate the necessary company co-operation to get the Southern Corridor open. We will make sure that the companies involved have a stable, long-term perspective to enter the EU market.

Europe is not offering subsidy. It is offering a stable long-term market with good prices and the best customers in the world.

Günther Oettinger

EU Energy Commissioner

European Commission



## The Baltic Sea protection – a challenge for Lithuania and for the whole Baltic Sea region

By Gediminas Kazlauskas

The Baltic Sea is one of the youngest seas in the world with a unique ecosystem, which is probably one of the largest brackish water bodies on the Earth. Aspects, such as reticence and water exchange (exchange of water within 30 years), which leads to the Baltic Sea known as one of the most affected and suffering seas in the world to its uniqueness contribute. Taking into account the reasons – intensive industrial development in the Baltic States for many decades when environmental performance has been inadequate and, of course, without prejudice to the realities of today, when the Baltic Sea region is one of the fastest developing regions in the world – the consequences and main problems such as eutrophication, pollution by hazardous substances, biodiversity loss, shipping and other negative effects are predictable.

However, rapid economic growth and development should be an integral part of environmental protection. In order to ensure the protection of the Baltic Sea and to achieve and (or) to maintain a good environmental status of the Baltic Sea, the countries of the Baltic Sea region have been trying to coordinate their actions and to adapt the specific environmental measures. Furthermore, addressing the root problems, from which in the recent decades the Baltic is suffering, the Baltic States are looking for joint solutions to protect the Baltic Sea from pollution.

Taking into account the mentioned problems and being a part of the Baltic Sea region and the EU, an integrated and sustainable approach to environmental protection and social aspects of a rapidly developing economy, and development become important aspects. The protection of water resources and the implementation of sustainable marine and inland water management are the main environmental challenges in Europe. Holistic and ecosystem-based approach has been adopted in the recent years, integrating the concepts of environmental protection and sustainable use, in particular through the implementation of the EU Water Framework Directive (Directive 2000/60/EC) and the adoption of the EU Marine Strategy Framework Directive (Directive 2008/56/EC). These directives set a framework for the preservation and, where necessary, the improvement of water quality of marine and inland waters. Implementing the afore mentioned directives, Lithuania has adopted the Baltic Sea Environmental Protection Strategy. In 2010, the approved National Baltic Sea Environment Protection Strategy is an excellent example of a measure that reflects the national inter-institutional cooperation in marine environmental protection. The document is covered within a strategic topic

for the Baltic Sea issues that are the most relevant and for the sea area. The National Baltic Sea Environmental Strategy has been implemented in accordance with the Action Plan for 2010–2015 having specific environmental measures in line with the other Baltic Sea countries. We believe that the implementation of coordinated action plans and setting their priorities and knowing that the neighbors work in the same direction and towards the same goal, help to achieve the goals. Implementing international requirements, such as the improvement of integrated water management following the principles of sustainable development and water management and an ecosystem-based management Lithuania has launched the project „Baltic Sea Environmental Management Strengthening in Lithuania” with the purpose to set Baltic Sea environmental protection objectives and measures in order to achieve those aims. According to the drafted documents by the project, the National Baltic Sea Environmental Protection Strategy, which will aim to develop and implement the Lithuanian Baltic Sea environmental policy in order to achieve good environmental status of the Baltic Sea, will be reviewed and approved.

Aiming to achieve good environmental status of the Baltic Sea, it is very important to attract not only the attention of authorities but also to approach the industry. Lithuania appreciates the industrial enterprises in Lithuania which take measures to protect our unique sea, and the result of their efforts are reflected in the decisions of the Helsinki Convention.

The Baltic Sea, as well as other European and world water bodies are in our care. That is why we all need to prioritize cooperation between authorities at national level and regional level as well as at the wider international level and to take joint actions in order to make our seas and oceans clean and attractive.

*Gediminas Kazlauskas*

*Minister*

*Ministry of Environment*

*Lithuania*



## Joint efforts in the Baltic Sea Strategy

By Lambert van Nistelrooij

The EU strategy for the Baltic Sea region (EU BSR Strategy) is a so-called macro regional strategy. Its basis is in the EU territorial policies. Every country on its own is far too small to solve the problems in the area. Consequently, cooperation is an absolute must. It is the EU's first macro strategy and the goal is to develop the whole region around the Baltic Sea to a globally leading region in different ways. With the region's approximately 100 million inhabitants, the region is a player of quite a different rank than what the countries around the Baltic Sea can achieve on their own.

The European Union Strategy for the Baltic Sea Region was adopted in June 2011. Its four key aims are protecting the environment, enhancing the region's prosperity, increasing its accessibility and attractiveness, and ensuring safety and security. The Strategy for the Baltic Sea Region is the first attempt to create a complex common development strategy for a cross-border "macro-region" with common development goals or problems. Steered by the European Commission, it aims to make better use of Community programmes and national policies. The experience will be used for the Danube region, the second European macro-region.

This is the result of the Joint Motion for Resolution, adopted by the Parliament in February. In the debate, I stressed the need for regional and local authorities to be more extensively involved in implementing the EU Strategy for the Baltic Sea Region. In this way funds for environmental protection and infrastructure can be managed more effectively. The program now delivers more than the sum of national strategies.

First of all, Member States should use the EU Structural Funds available for 2007-2013 to promote job creation and economic growth in line with the EU 2020 strategy, harnessing the region's special characteristics to add value at regional level, says the resolution.<sup>1</sup>

Not only structural funds can be used for this region. The Joint Baltic Sea Research and Development Programme (BONUS-169) is made available. The programmes planned total budget is 100 million EUR for the period from 2008 to 2013, of which 50% are public and 50% private funding. It creates an interesting research agenda in which universities all around the Baltic Sea participate. It was not possible to create a common fund: national states kept their say in the choice of projects. Next time we should create further integration.

There are also geopolitical interests. Cooperation with the Russian federation is needed. The Danube region is Europe's gateway to the Western Balkans and therefore it is not only conducive to the improvement of neighbourhood relations in Central and South-Eastern Europe but it is also an excellent opportunity for the entire Union to fortify its political and economic cooperation with the Balkans. As a consequence we will also contribute to the expansion and consolidation of the process of European integration in the region.

Some real achievements so far are projects addressing identified regional priorities. These are already making a contribution to reducing high levels of pollution in the sea, improving transport systems and energy networks, and reinforcing protection from major emergencies at sea and on land. For example, several new macro-regional initiatives are now in place to tackle challenges as diverse as the increase of algae in the Baltic Sea, illegal ship emissions and inadequate procurement practices in health care systems.

A Baltic Sea Environmental Monitoring Centre is set up to provide early warning of accidents and serious cross-border pollution. This is one of the world's most polluted sea areas, suffering from eutrophication, the effects of hazardous substances deposited on the seabed and threats to aquatic biodiversity, including endangered fish populations.

For the future we need to ensure to focus more on cross-cutting issues across the Strategy's Priority Areas, and to secure a closer alignment of existing funding in the Region with the Strategy.

*Lambert van Nistelrooij*

*Member of the European Parliament*

<sup>1</sup> the European Union Strategy for the Baltic Sea Region and the role of macro-regions in the future cohesion policy 2009/2230(INI))

## EU-Ukraine relations – a decisive year ahead

By Alexander Graf Lambsdorff

The end of the Polish Presidency in December 2011 saw the finalization and end of negotiations of the EU-Ukraine Association agreement, and the Deep and Comprehensive Free Trade Area Agreement (DCFTA). After 5 years and more than 20 negotiation rounds, this is certainly a milestone in EU-Ukraine relations. However, the two parties failed at their Kiev summit to actually sign and initiate the agreement due to significant discontent from the EU side with the political situation in Ukraine.

The interpretations of the EU-Ukraine summit thus vary from being described as a success, to actually been considered a failure. Evidently for Ukraine, coming to such a far-reaching agreement must be seen as an important step in itself. If the agreement is ratified and implemented no other country will have such a close and integrated cooperation in the near future with the EU in the entire neighbourhood. For the EU the weeks before the EU-Ukraine summit were somewhat of a test-case for its application of conditionality. The EU issued strong statements describing the trials against opposition leaders, especially Yulia Tymoshenko, as politically motivated, however no political statement, nor diplomatic pressure and threats regarding the future Association Agreement hindered the disproportional sentencing of Yulia Tymoshenko. In summary, there is a finalised agreement that is now pending signature and initialling. For the moment neither verdict on failure or success seems appropriate. The decisive year for EU-Ukraine relations actually lies ahead.

The European Parliament in its December 2011 Resolution took a rather positive stance by calling on the EU member states to give a green light to the agreement and to possibly initial it, while at the same time urging Ukraine to fulfill its commitments to strengthen democratic values, human rights and the rule of law. The positive signal is important for the people of Ukraine who by a significant majority believe that EU cooperation will lead to more democracy and stability. But the final decision taken at the summit not to sign and implement the agreements was the right one. It is only by making its signature conditional on concrete steps in democratization that the EU can possibly retain some of its transformative power.

Ukraine will have general elections in autumn of this year. This is an opportunity for the current Ukrainian government to show its clear commitment to comply with democratic standards. The EU should therefore pursue a double-track approach: on one hand, to continue sectoral cooperation, especially on visa cooperation, and reiterate

its intention to ratify the agreement; while on the other hand to closely follow developments in the run-up to the elections and clearly spell out the conditions the government needs to meet for the comprehensive agreement to be signed at last.

There are some alarming signals coming from civil society voices. Freedom House has downgraded Ukraine in 2011 as only one of two countries worldwide from “free” to “partly free” concerning human rights and democracy. This means that the country is characterized by limited respect for political rights and civil liberties, and that it suffers from an environment of corruption and weak rule of law. Most importantly this category implies that there is a political landscape in which a single party enjoys dominance despite a certain degree of pluralism. Additionally, Ukrainian NGOs have voiced concerns about potential plans to introduce a law that would ban foreign grants to civil society organizations. This would be a direct attack on democracy assistance.

In such a climate it is now up to the Ukrainian authorities to prove to its European partners that free, fair and pluralistic elections matter. 2012 offers them the chance to put Ukraine back on track toward a closer relationship with the EU by demonstrating their respect for European values. The EU will keep an outstretched hand and can play an important role in supporting civil society's campaign for fair elections and efforts to shape a positive pro-European political agenda, but ultimately the responsibility rests with the Ukrainian authorities. If Ukraine succeeds, the way forward after the elections is to finalize the agreements as quickly as possible and support Ukraine towards its path to EU integration.

*Alexander Graf Lambsdorff*

*German Liberal Party*

*Member of the European  
Parliament*

*Vice President of the Alliance of  
Liberals and Democrats for Europe  
(ALDE)*



# The Russia-EU Partnership for Modernisation

By Vladimir Chizhov

The Russia-EU summit in Rostov-on Don in June 2010 launched a new area of cooperation Partnership for Modernisation. Why this choice?

The modern world is an arena of ever-increasing and widening globalisation. That means no country, nor even a group of countries, can succeed in social, economic, scientific and technological development on its own, without diverse international relationships. The global financial and economic crisis has demonstrated quite vividly the interdependence of the modern world. Under these circumstances, the optimal way is to move forward jointly through mutually reinforcing diversity. And in the case of Russia and the EU there is every reason and opportunity to achieve this.

The decision to engage in joint work was not taken by chance. For Russia the importance of enhancing cooperation with the EU is quite evident. The EU is Russia's largest trade partner, its closest neighbour, a powerful scientific and technological centre, and a serious player on the international political stage.

In its documents the EU defines as key aims those similar to the ones put forward by the Russian leadership. The long-term "Europe-2020" development strategy distinguishes three main priorities: developing an economy based on knowledge and innovation, promoting a more resource-efficient, greener and more competitive economy, and fostering a high-employment economy delivering social and territorial cohesion. Russia faces the same tasks.

Russia has on the whole successfully passed the test for a responsible internal and external economic policy in the face of the global financial and economic crisis. The growth rate of Russia's GDP, expanding trade relations, latest steps in promoting foreign investment, accession to the WTO clearly testify to this. We are certainly aware of the weak points of the Russian economy, its predominantly raw materials-oriented nature – though in some areas of research and development results achieved in Russia are at the level of best world standards, and sometimes outstrip them. That is why the country's leadership has put in the forefront of internal economic policy a programme to shift economy to innovative development.

Russia does not need to be convinced, or lesser still, to be coerced to modernise. We know from our own past that political and economic stagnation leads to catastrophic results. Obviously it would be naïve to sit idle waiting for a possibility to blindly import modernisation recipes from abroad. Therefore, the Russian side sees the Partnership for Modernisation as an important addition contributing to serious internal work undertaken in this direction. It can not replace own efforts either by Russia or by the EU in this area, but building up on a synergy may substantially increase the effectiveness of our joint work.

The Partnership for Modernisation did not take off from square one. It builds on results achieved so far in the context of the four Russia-EU Common Spaces. Sectoral dialogues have become the key implementation instrument for the initiative, providing framework for mutually beneficial projects. A permanent working mechanism was set up to define priority areas for cooperation and check the progress achieved.

A Work Plan for activities within the Russia-EU Partnership for Modernisation was adopted in December 2010. The rolling Work Plan is an informal working tool and is being regularly updated.

The Partnership has brought a new mutually beneficial result-oriented philosophy into our cooperation and has quickly progressed from a virtual undertaking into practical joint projects. In the energy field, for example, both sides are engaged in substantial dialogue on a Roadmap on energy cooperation for the period until 2050. In the area of promoting a low-carbon and resource efficient economy, we agreed to enhance the exchange of experience in the regulation of industrial activities. A major conference with the participation of the private sector on waste-reduction as a business opportunity is planned.

The Russian component of a shared environmental information system has been launched. A seminar to review the experiences of application of the Convention on assessment of environmental impact in transboundary context (the Espoo Convention) on the Nord Stream gas pipeline and possibility to use it for other projects has been held.

The dialogue on public health has been refocusing on clinical trials of pharmaceuticals, on fight against counterfeit medicines, and on communicable diseases. In the framework of Regulatory Dialogue concrete arrangement has been achieved on alignment of technical regulations.

Russian and EU scientists actively participate in research programmes of each other. On October 21, 2011 a Russian Soyuz launch vehicle made its maiden flight from the European spaceport at Kourou in French Guyana and put into orbit the first two satellites of the "Galileo" global navigating system. The Roskosmos-European Space Agency cooperation programme envisages as many as fifty such launches.

The successful outcome of Russia's WTO accession negotiations is also duly included in the Partnership for Modernisation record.

Our Partnership does not limit itself to economic, scientific and technological areas. Anti-corruption cooperation is emerging. A list of Common Steps towards Visa-Free Short-Term Travel of Russian and EU citizens was approved and thus gets us closer to starting formal negotiations on a Russia-EU visa waiver agreement.

The list of what has been achieved is far from exhaustive. Russian and the European Union leaders took note of a detailed progress report on the Partnership for Modernisation at their 28th summit in Brussels in December, 2011.

Interest in the Partnership for Modernisation projects emanating from business circles in Russia as well as in the EU – gives ground for optimism regarding the Partnership's future. Vnesheconombank of Russia, the European Bank for Reconstruction and Development and the European Investment Bank have committed to provide financial support (up to EUR 2 billion) for modernisation projects under the Partnership.

The Russia-EU Partnership for Modernisation is complemented with "modernisation partnerships" between Russia and individual EU Member States. Up to now relevant bilateral memoranda have been signed with 19 EU member states. This multi-level scheme of cooperation provides for effective use of benefits of the existing industrial and research specialisation between EU member states, contributes to establishing and deepening of regional cooperation.

We fully realise that a lot of work lies ahead. Difficulties may arise along this road: this is quite natural, as interests and priorities can not coincide everywhere, especially taking into account the fact that in some areas Russia and the EU are and will continue to be competitors. But the most important thing is that we have a joint aim to achieve results and are ready to work together, as there is no alternative today to modernisation for a successful development.

*Vladimir Chizhov*

*Ambassador*

*Permanent Mission of the Russian Federation to the European Union*

# From Baltic Tiger to Baltic Phoenix

By Juris Bone

Twenty years of the regained independence in Latvia have run like a slide show. The monochrome pictures of the post-Soviet reality were quickly replaced with open, colourful and multidimensional visions. Economic development moved hand in hand with democratic changes and international recognition. The EU and NATO membership became a reality in 2004. The self-confidence of the people of Latvia grew together with their consuming power. The Baltic region demonstrated rapid transition, so all the three countries were nicknamed as the Baltic tigers. However not everything was set on a stable economic basis of real economy and the bubble started to burst in 2008. GDP in Latvia fell by 18% , unemployment reached 20%. The perspective looked very gloomy.

The possibility of devaluation of national currency was among others discussed by the government. However, it was not regarded as the right remedy (question – did any exist at all). Economically and in particular politically a much more difficult way was chosen – internal devaluation. It meant that all the budget expenditures were cut. Staff cutting by 30% or salaries cut by 30% was a reality. Of course it affected all inhabitants of Latvia and for many it became an unbearable burden particularly because of pending bank loans. So, many people choose the “exit strategy” trying to find jobs abroad. During the year 2011 the hard decisions made started to pay back. Sceptics would say that the fruits borne are still small and sour, but it should be remembered that the starting point was really very low. However, the recent developments in the Latvian economy show that through a comprehensive package of fiscal and financial stabilization measures we have finally returned on the path of growth.

On December 21, 2011 the Executive Board of the International Monetary Fund (IMF) decided on closing the Latvian loan programme, within the framework of which Latvia in total used 4.4 billion euro received from the IMF, the European Commission and World Bank in the period from December 23, 2008, when the IMF Executive Board approved the first part of the loan.

To meet the set budget deficit target, since 2008 budgetary consolidation has been made in amount of 3.3 billion euro with the fiscal impact of 17.5% of GDP. Budgetary consolidation has been implemented in both central and local government budgets, and has covered all sectors.

Given the significant changes in the Latvian economy and gradual global economic recovery from the sharp downturn, since mid-2010 the Latvian economy has returned to growth. Currently, industrial production growth rates in Latvia are one of the highest in the European Union; Gross Domestic Product structure has become more balanced and sustainable.

While executing the international loan programme the government expenditure structure has been improved, the number of employees in public administration and wages have been reduced notably, as well as the use of social safety net measures has been improved. Changes to the tax policy have also been made, which is an essential resource for consolidation, but the tax burden of GDP did not increase due to changes to the economic structure and improved export-import ratio. Incentives were introduced for businesses and employment – corporate income tax relief, micro-enterprise tax, faster value-added tax refund, etc. After completion of the programme the main focus of the tax policy is reduction in taxes on labour. Active work is going on combating the shadow economy and improving tax administration.

Not only the International Monetary Fund and the European Commission, but also private credit rating agencies have consistently upgraded their assessments of Latvia's creditworthiness, taking into account the progress made by the Latvian policymakers and placing Latvia back in the investment grade category with stable and positive outlook forecasts.

Based on these positive developments, Latvia managed to successfully return to the international markets in June 2011, by issuing a greatly oversubscribed \$500m Eurobond at highly favourable coupon rates, eventually sold to a group of diverse top-quality investors impressed by Latvia's turnaround story. With this emission Latvia confirmed its ability to finance budgetary needs, and a sound basis is put for successful refinancing of the debt in coming years at public financial and capital markets.

Despite global commodity price hikes and tax increases as part of the fiscal consolidation, inflation rate is set to return within Maastricht-level by 2012. Current account imbalances have been eliminated, not least due to the export surge. On the financial sector side, the Latvian banking sector enjoys a high level of capitalization and liquidity despite the volatility in the global financial markets.

There are good reasons to be sure the economy of Latvia will continue to grow in 2012 as well. The forecasts made by the government are very cautious as the reality of general slowdown will affect Latvia like other EU memberstates. The economic crisis brought a good lesson for Latvia and put it on much more stable path of development. Certainly there is no place for complacency as the economic growth in the following years will require careful government's policy particularly because of uncertainty of economic development of the European Union. The crisis has also revealed the heaviness of the demographic challenge. This will require permanent attention of the government, however taking care of the people does not mean so much a “social pampering” – but creation of reliable environment where one can feel confident about the personal and family's future.

Competitiveness and productivity will also remain very important challenges to ensure the economic development. Stability, open-minded approach, these are the factors helping to move forward. And it is not a such surprise that Latvia has become the Baltic leader in “Doing Business” index, which is a significant fact that helps to attract investors. As a result of the overall recovery of economy, an improvement in the FDI inflows is also taking place. Though intensity of the inflows has not yet reached the pre-crisis level, still, it shows a positive trend.

It is not only the geographic location that makes Latvia interesting to the rest of the world. The real phoenix who has reborn after the crisis is the entrepreneurial spirit and results become tangible day by day.

*Juris Bone*

*Ambassador of Latvia to Finland*



# Mobilising the regional assets through joint efforts – Pohjois-Savo looks at the Baltic Sea region in cooperation

By Jussi Huttunen

Pohjois-Savo region, with its approximately 247 000 inhabitants, aims at promoting the regional competitiveness and expertise through efficient networks and collaboration. Among the innovation cores in the region, there are medical technology, wellbeing, energy technology and dairy & food production, the development of which will be highlighted in the future. In order to create a favorable environment for innovations in regional, national and international settings, the importance of cooperation is crucial, a task Pohjois-Savo aims at actively promoting.

## Unique settings in the joint laboratory

One of the unique settings is the cooperation established in the city of Kuopio, in the Science Park area. Savonia University of Applied Sciences, University of Eastern Finland (UEF), National Institute for Health and Welfare (THL) and The Geological Survey of Finland (GTK) have created an operating environment for research and development activities within the field of water safety, more precisely within the water management safety. In order to collaborate in a concrete manner, the universities built a joint laboratory in the premises of the Science Park in the beginning of 2000. The laboratory as such provides a stable ground for collaboration and to carry out concrete, applied research and product development. Furthermore, the laboratory premises also serve the educational purposes, integrating research, enterprise-driven product development and workplace related learning under the same roof. The collaboration model is a cost-efficient way to carry out research as all the actors are supporting each other, thus providing a continuous chain - from geology to microbiological testing and technological solutions for water distribution networks.

THL and UEF have been operating in the field of water chemistry in Kuopio since the 1980's and have their roots in the risk assessment of the water chemistry. Nowadays the research is water hygiene and microbiology driven. Savonia University of Applied Sciences joined the collaboration in the 2000, as their premises moved to the Science Park area and the joint laboratory was established. Savonia University of Applied Sciences' main operations in the laboratory include research projects (approximately 70%), mainly financed by TEKES (the Finnish Funding Agency for Technology and Innovation) and product development projects, which are directly linked to the enterprises financing the piloting of products/prototypes. The laboratory provides physical settings in order to test the processes and the measuring equipment in a practical environment, which is extremely important from an enterprises' point of view. One of the current topics in research activities in Kuopio has been the real-time monitoring of water quality, where a local enterprise has been actively involved in.

The subject of real time monitoring the water quality still unexplored and there aren't currently solutions to the monitoring issue, yet it is likely to be an important issue in the future, and not only from the perspective of the water safety planning. The water safety plans (WSP) were to be implemented in the EU legislation in the revision of the Directive on the Quality of Water, but as for now, the revision has not taken place and it remains to be seen what the status of WSP approach in the member states. There has been crisis situations regarding water quality and there are certainly risks for many more to occur. The crisis can happen anywhere in Europe, and the preparedness and minimizing of risks calls for new solutions. The water management plants and enterprises

need to cooperate, and there is now room for new business opportunities in the market. Therefore the issue is considered relevant also in the Pohjois-Savo region, where the joint efforts between R&D institutions and enterprises have already produced promising results.

When talking about the expertise in water safety, the uniqueness of Pohjois-Savo is particularly in the comprehensiveness; the actors involved cover basically the whole water production chain. Therefore the knowledge and premises in Kuopio provide excellent opportunities for developing the solutions for real-time monitoring of the water quality in water production and distribution, also in international settings.

## Poland in the focus

All of the operators have their international networks and each have their own expertise, but there is definitely much more to be explored. The expertise of Savonia and the joint laboratory have also awakened international interest. Some concrete measures have already been taken in collaborating, as a group of Polish experts from Wrocław/Elbląg visited Kuopio and the next step is to set up a few pilots in Pohjois-Savo and in Poland, in which the measuring information can be tested. In addition to this, water quality is crucial also in food production, starting from the milk production, in which Pohjois-Savo has comprehensive knowledge. Food production is also one of the regional areas of priority in the future, in which there are similar interests in Poland also.

The joint efforts provide excellent possibilities in an area certainly in the focus not only in the Baltic Sea region, but also more widely in the European countries. The knowledge gathered around the Science Park including the physical settings created especially in the water safety is a regional asset, which can be mobilized. There is a strong belief that the current collaboration model in Kuopio can provide high quality R&D as well as new innovative products for the market, thus boosting the regional growth and enhancing the competitiveness of the region. In addition to the collaboration in water safety, the Science Park area provides expertise in the sectors of health, environment and wellbeing, all within the core competencies of Pohjois-Savo.

There is indeed great potential in knowledge transfer, creating efficient networks and cooperation in the Baltic Sea Region in many respects, not only in the water safety, but also in other sectors such as wellbeing. It is therefore important to sail before the wind and to take a hold of the opportunities ahead. Pohjois-Savo is willing to mobilize the regional assets in order to build active cooperation, thus contributing to the EU strategy for the Baltic Sea Regions as well as the EU2020 landmarks of smart, sustainable and inclusive growth.

*Jussi Huttunen*

*Region Mayor*

*Regional Council of Pohjois-Savo*

*Finland*



## Energy deficit of Kaliningrad region is passing

By Nikolay Tsukanov

Kaliningrad region is a unique one. It is the utmost western region of the Russian Federation completely separated from the mainland territory by land borders of foreign states and international sea waters. The geographic location and exclave position until recently have made the region vulnerable as regards powers supply. The region is situated at the end of gas pipe, after Belarus and Lithuania. Most of the electricity we got from Lithuania, particularly from Ignalina NPP that is closed now.

In the past years a whole range of measures aimed at ensuring energy safety of the region, creation of facilities for the development of the region and attraction of investors has been implemented in the Kaliningrad region.

An underground gas storage (UGS) facility is being constructed in Zelenogradsk municipality now. This infrastructure object will allow to regulate gas consumption during the year. In the warm season of the year, gas reserve will be accumulated, that will be used in the winter so that the citizens, the community facilities as well as businesses of the region are not affected by the lack of gas.

The first stage of the underground gas storage facility with the estimated capacity of 80 ml m<sup>3</sup> is going to be put into operation in 2012. Altogether, the underground gas storage facility, that construction is going to last for several more years, will store 800 ml m<sup>3</sup> of gas. In order to ensure continuous gas supply, the second line of gas pipe was laid from the mainland Russia to Kaliningrad region in 2010, and compressor capacities of gas distribution stations in the towns of Shakyay (Lithuania) and Krasnoznamensk were increased.

We set ourselves the goal by 2015 to provide natural gas supply to each and every settlement of the region with more than 500 inhabitants. Construction of gas pipelines is financed from the regional budget with a token co-financing from municipalities. Also we initiated the elaboration of design estimation documentation and construction of gas pipelines branches to houses. During the gasification process boiler-house plants will be transferred from expensive black oil to natural gas. This will allow to reduce tariffs on heat and hot water for the population.

All in all during five years, the total of 10 billion rubles will be spent on the gasification of Kaliningrad region.

In energy sector we are also implementing a number of large-scale projects. At the end of 2010 the second power generating unit of the Thermal Power Plant-2 (TPP-2) with the production capacity of 450 Mw has been launched. In total, the Plant can now generate 900 Mw of electric power. The implementation of this important project has completely satisfied the today's requirements of the region of electric power supply. The maximum power consumption was recorded in February 2011 and amounted to 728 Mw.

However, the capacity of TPP-2 would be enough to satisfy the growing consumption of energy resources only till the commencement of functioning of the Baltic NPP. The object with the total capacity of 2,300 Mw is being constructed in Neman municipality.

Its putting into operation by Rosenergoatom concern will allow to ensure energy security of the utmost western Russian region for many years ahead.

The construction of the NPP is one of the priority projects of development of the North-West Federal District. The necessity of its implementation in Kaliningrad region became clear when a decision was made on closing down the Ignalina NPP in Lithuania. The special geographic position of the region was taken into consideration.

The first power generating unit is going to be launched in 2016, the second – in 2018. New nuclear power station, as it was already mentioned, will completely meet energy demands of the region. According to estimates, by the year 2020 the region will be consuming power generated by only one generating unit of the BNNP, and the Plant will be able to supply electric power to the neighboring EU countries, having turned into an exporter.

The construction of the Baltic NPP will allow to resolve a number of other issues that are similarly significant: firstly, it would be possible to reduce gas consumption. The challenges associated with it have already been mentioned above. Secondly, it will be possible to set a socially acceptable rate of tariffs for electric power, and the region is going to become more competitive. This in its turn is going to create opportunities for the development of energy-consuming export-oriented productions.

The Baltic NPP will become a catalyst for other projects important for the region. A whole town for 1,500 families with the entire social infrastructure will be built in the town of Neman for those employed at the NPP, including medical treatment facilities and a kindergarten. The region will contribute to implementation of this project by taking part in laying public utilities.

It is for the first time in Russia's nuclear energy sector when private investors including foreign ones are invited to participate in the project. They can get up to 49% shares. Currently, discussions with potential investors are continuing.

Baltic NPP, TPP-2 as well as gas storage facility are federal projects. Their implementation is a result of effective interaction between regional authorities and federal government.

The federal centre realizes and is aware of all challenges that the westernmost region of Russia faces. Every effort is taken to help residents of the region feel their detachment from the great Russia as low as possible.

### Background:

Baltic Nuclear Power Plant was laid on February 25, 2010 in Neman municipality, Kaliningrad region.

It is being constructed according to the project NPP-2006, that satisfies national standards and meets international requirements in the field of nuclear energy.

A nuclear power plant is designed to have a combination of a large number of safety systems: passive heat removal, molten core localization, three-channel independent system of backup power supply, etc.

*Nikolay Tsukanov*

*Governor*

*The Kaliningrad region*

*The Russian Federation*



## Territorial cooperation – an asset for East Sweden and the Baltic Sea region

By Jan Owe-Larsson

It is time to sum up the current programme period for territorial cooperation in the Baltic Sea Region and to look ahead to the new challenges facing us in 2014 – 2020. East Sweden Region, with 430 000 inhabitants, is a region in south-east Sweden comprising 13 municipalities, with Linköping and Norrköping forming the centre of Sweden's fourth city region. East Sweden Region, located within the TEN-T priority project "the Nordic Triangle", has a well developed infrastructure. Two European motorways (E4, E22) and a main railway line run through the area. There are two regional airports, and a Baltic Sea port in Norrköping. The trade and industry sector is diverse, with the labour markets in Linköping and Norrköping supplementing each other. Linköping University is the fifth largest university in Sweden. The municipalities and the regional authorities have deeply-rooted partnerships with both Nordic and Baltic contacts. A great variety of organisations within the East Sweden Region share a strong desire to develop together in a larger geographical scope, through territorial cooperation.

Since the programme period 2007-2013, all Swedish coastal regions are eligible to participate in cross-border cooperation under the so called 150 km rule (maximum distance over water). This has given the East Sweden Region a first-time opportunity for this type of cooperation, through the development of the Central Baltic INTERREG IV A Programme 2007-2013.

Central Baltic, which amounts to around EUR 102 million, is a cooperation programme between Sweden, Finland including the Åland islands, Estonia and Latvia. The aim is to create a globally recognised, dynamic, sustainable and competitive region, which is attractive for the business sector and for visitors, and where people want to live, work and invest. There are three sub-programmes: the Central Baltic Programme, which includes all participating regions; the Southern Finland-Estonia sub-programme; and the Archipelago and Islands sub-programme.

Fortunately enough, both regional and local authorities, and a variety of organisations have become involved in the cooperation. Based on old as well as recently acquired networking contacts, highly interesting projects have been developed in the Central Baltic region.

"The Baltic Archipelago and Islands Centres" (BACES) project is led by the East Sweden Region. Through this project, our archipelago municipalities and regional players have entered into a joint initiative for development. This has led to increased cooperation in our region and a comprehensive view of the archipelago, actively involving politicians, officials, the economic sector and residents. The project has resulted in closer cooperation with other archipelago areas with similar problems in the Baltic Sea Region. It has contributed to the creation of new interfaces, increased knowledge exchange regarding possible solutions, more focus on archipelago issues, and the generation of new project ideas. Specifically, BACES has also given us an opportunity to carry out actual physical planning, (analyses and plans) and some minor, but important, investments. This has meant major steps forward for the development work.

East Sweden Region is a partner in the project "Beneficial Business Relations between the Central Baltic Region and China", BENCH. Within a decade, China is predicted to be the largest economy in the world. This project generates new contacts and strengthens existing relationships with China. It gives SMEs in our region increased knowledge about China as a trading partner (investment promotion). BENCH improves our relations with the other players in the Central Baltic region

and creates new contacts. This implies that together, we can become a bigger and stronger player on the Chinese market.

Another Central Baltic project just starting up with high expectations is "Baltic EcoMussels". Mussels are well known to be efficient filters of nutrients.

Calculations based on the potential coastal areas suitable for mussel farming along the coast of the East Sweden region, results in possible yearly reductions of about 50 % of nitrogen and about 25 % of phosphorus. Unfortunately, at the moment there is no market. The project, which is led by the East Sweden Energy Agency, will support the development of commercial mussel farming by elaborating a joint business plan and growth strategy and stimulating the market for the small Baltic Sea mussels. The cooperation for this new trade will benefit all the Baltic Sea countries, since mussel farming is considered a good employment substitute for the declining coastal fishing industry.

Other partners from the East Sweden Region are carrying out projects within the pillars of the EU Strategy for the Baltic Sea Region (EUSBSR) – save the sea, deepen integration and increase prosperity. Thus, from a regional perspective, many people are involved in the implementation part of the priority areas of the strategy.

We are now planning for the new programme period 2014 – 2020. We bring with us positive experiences gained from our cross-border cooperation in the Central Baltic Programme and add to these EUSBSR's starting points as a basis for implementation. Our aim is that the local/regional level will have a more defined role during the next period, as evaluations have shown that this is of crucial importance for achieving policy goals.

However, much can be done better. EU bureaucracy must be reduced and simplifications must be carried out without misuse of the joint structural fund resources. Complicated national exceptions can and should be avoided.

According to the European Commission proposals for regulations, the territorial programmes will have a bigger thematic concentration. Territorial cooperation is regarded as an integrated part of regional development work. It is therefore important that future cooperation is even more closely tied to the structural fund programmes within Objective 2, both regarding programme description and implementation. It is proposed that the EUSBSR acquires a more far-reaching role when it comes to influencing decisions as to which programmes and projects will be launched. This opens the door to the strategy being developed into a vital, supplementary steering document for cooperation in the Baltic Sea Region. We welcome these proposals.

Future territorial cooperation is an asset for both East Sweden and the Baltic Sea Region!

*Jan Owe-Larsson*

*President*

*East Sweden Region*

*Sweden*



# Rural Mynämäki community on the way to competitiveness, employment and safe energy supply

By Pekka Myllymäki

Rural areas in Southwest Finland and a new way of country planning should be one outcome of the EU 2020 strategy in achieving a smart, sustainable and inclusive economy. Combining the targets expressed in many EU Strategies such as the Low-Carbon Roadmap, the Energy Roadmap 2050 with an innovative approach in EU's Multiannual Financial Framework (MFF) and the reform Common Agriculture Policy (CAP) the rural areas in Southwest Finland could play a prominent role in the decades to come. More people should move to municipalities with high renewable energy output.

The international economic and financial crisis as well as the debt crisis affecting the Euro currency area have highlighted the economic problems of Europe. To rectify these problems, the EU has initiated numerous reforms in current operating systems and has created new procedures. The objective of these measures is to promote employment and smart, sustainable and inclusive growth.

On 23 January 2012, intergovernmental ministerial meetings were held on the new European Stability Mechanism (ESM) and on the Draft Fiscal Compact Treaty. The ESM Treaty will be signed in February, followed by ratification by the member states. It is to enter into force in July 2012, a year earlier than originally planned.

EU energy goals have also been incorporated into the "Europe 2020 Strategy for smart, sustainable and inclusive growth", as adopted by the European Council in June 2010. In particular, the EU aims at achieving ambitious energy and climate-change objectives for 2020. The goal is to reduce the greenhouse gas emissions by 20 percent, increase the share of renewable energy to 20 percent and make a 20 percent improvement in energy efficiency. As stated in the Danish EU presidency 2012 priorities that one of the solutions to achieve a greener and more sustainable agriculture could be the use of environmentally-, nature- and climate-friendly farming methods. This could still be ahead developed through innovation and research in agriculture.

The MFF and the Reform CAP can serve as an engine for growth. At the General Affairs Council meeting on 27 January 2012 the ministers discussed the main priorities of the MFF and also the overall amounts proposed by the Commission. The aim of the discussion was to see at which level the member states would like to set up the maximum amounts for EU spending and how these amounts should be spread over the different policy fields in the years 2014-2020.

Some member states identified cohesion policy or the Common Agriculture Policy (CAP) as their main priorities. A number of member states considered both policies as priorities. They highlighted the contribution that cohesion policy makes for enhancing jobs and growth and stressed the added value of the CAP in the form of safe food, security of supply and rural development. Another group of member states emphasised the need for strong support of research, innovation and the green agenda. A considerable number of member states underlined the need to direct EU spending towards jobs and growth, in line with the EU 2020 strategy. Combining CAP with food security, innovation for the green growth and cohesion policy for smart, sustainable and inclusive growth together with a new way of country planning should be one outcome in achieving a thriving economy.

The Regional Council of Southwest Finland is one of Finland's 19 regional councils. The role of regional councils is to operate both as regional development authorities and in

land use and infrastructure planning. Our Council is comprised of 28 municipalities. Municipalities in the first hand are responsible of primary country and town planning. The Council also grants Regional Development funds for projects that set the goals of the Regional Programme and Plan into action. Therefore regional councils are the main implementing authorities of EU strategies.

Mynämäki with some 8000 inhabitants in the region of Southwest Finland is one of the five municipalities involved in the Carbon Neutral Municipalities project (CaNeMu project) and is committed to act as laboratory by working to reduce greenhouse gas emissions more extensively and rapidly than EU targets and schedules would require. The project aims to create a Win-Win situation based on solutions that have economic and social benefits as well as environmental advantages to tailor new cost-effective solutions to reduce emissions, especially in the contexts of housing, food and transportation.

Under HINKU project the emission reduction activities are specifically related to energy saving, improved energy efficiency and renewable energy production. Calculations made by Finnish Environment Institute (SYKE) points out that Mynämäki with 8000 inhabitants has an excess in renewable energy. Special attention in all rural construction schemes should be put to energy-efficiency, wood as construction material and the use of renewables in heat and power. As a significant sugarbeet production area Mynämäki has also a potential to introduce the model of energy efficient farming model based on energy self-sufficiency of the farm.

The introduction of new environmental and energy technology applications entails great potential for growth and new jobs both in the domestic market and in exports. Renewable energy replaces conventional fuels both in the cities and in the rural areas. Renewable energy has an important role in future in providing modern energy access to the billions of people that continue to depend on more traditional sources of energy. This means a huge global market potential for the solutions and devices. One common aspect is balanced urban-rural planning that incorporates renewable energy.

Those who are paying attention to the trends, there is now good reason to be optimistic that hard work and dedication will be rewarded in the near future and this knowledge will itself fuel further change. The organization of rural, decentralized structures of energy in own responsibility would be one way to competitiveness, employment and safe energy supply.

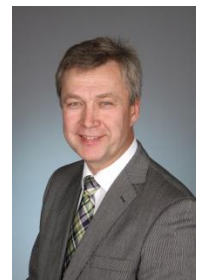
*Pekka Myllymäki*

*2<sup>nd</sup> Deputy Chairman of the Managing Board*

*The Regional Council of Southwest Finland*

*Chairman of the Municipal Council of Mynämäki*

*Finland*



## Territorial review and regional development in the Baltic area

By Akko Karlsson

**The regional Council of Kalmar County** and Council of Blekinge, Jönköping and the Regional Council of Southern Småland have engaged the OECD in 2011 to conduct a Territorial Review of four regions. The purposis to analyze trends of regional performances and institutional settings and focus on policies to assist regions in developing comparative advantages and defend unexploited opportunities.

**I think that this is a common matter** for all in the Baltic area to reflect on for common future. I strongly believ that we have to change and make a more environmental way of both lifestyle and production of goods, food and energy. If we as a Baltic family are able to do sustainable changes I think we will become a flagship model as successful region. Also the exchange program for students and young people as European Voluntary Service (EVS) brings the coming up generations culture and countries closer. In the water-partnership of Euro Region Baltic (ERB) we have youth board concept to be a frontrunner for next generations partnership. Also the NGO- sector needs to be included in local and regional work of environmental and social issues to develop attitude to better behaviour in a broad aspect. We see good result of this way of multi level government as in the "Water user partnership" (WUP)- groups in the ERB and MOMENT project work.

### Back to the presentation of OECD report in territorial review of Småland, Öland and Blekinge

**The "Key Facts"** show a change from low-to medium technology small and medium –sized enterprises (SMEs). The industrial SMES are mostly involved in low value-added manufacturing often as subcontracted by major corporations. This risk is that the first level subcontracting corporations will be global internationalised, with potentially serious consequences for local firms in the area.

**The Development of knowledge-intensive business** is a promising route for ensuring the maintenance and growth of the regions prosperity. The adjustment of the four counties industrial manufactures will require highly qualified and dynamic labour supply.

**There are important labour-market mismatches** that must be overcome for the transition towards a knowledge-driven economy to succeed. Highly qualified youth (especially young women) tend to migrate, particularly to metropolitan areas.

**Most of Småland-Blekinge** is blessed with strong natural and historical landscape that can be the base for regional development in the area.

**The regions strong SME structure** is well suited to the establishment of modern knowledge-based economy, but local business need to modernise and diversify their industrial platform..

**There are significant lack of upgraded infrastructure systems** as in internal road and rail connectivity, both with Swedish metropolitan areas, and with markets particularly to the east Baltic Sea and Russia.

**Key policy issues** are now to attract and retrain highly qualified people to the region that match the need of the transition towards a knowledge based economy. Also how to enlarge and diversify the economic base of the region

and further how to enable local universities and local and regional authorities to better support the transition to more dynamic, innovative economy.

### Key recommendations:

**Encourage skilled people** to engage in the local economy and to remain them in the region by strengthening the links between the regional education system and regional business; enhancing support for entrepreneurship among youth and women; and encouraging skilled and locally trained foreign students to fill the local industry's demand of skilled labour.

**Encourage the return** of those who leave; the existence of local economic opportunities should be widely disseminated in communities outside the region.

**Facilitate the up-skilling immigrants.** The challenge will be twofold; attracting skilled immigrants to meet current labour demand and to inject new ideas into the local environment; and further training and up skilling of immigrants already in the region.

**Better communicate and** develop the areas natural resource better to improve the territory's overall attractiveness and business opportunities. Natural heritage are a clear regional asset which promoted strategically, could be the basis for attracting people to the region and for further developing economic activities such as tourism.

**Approve facilitate business succession** in Småland and Blekinge. An inventory of potential business succession opportunities could be used to bring the community people who might be attracted by the lifestyle and nature. It could also be a way to offer new opportunities for women entrepreneurs or alternative business strategies for local self-employed entrepreneurs.

*The message is clear take care of the fantastic nature around Baltic sea.*

*Work with-not against environment and nature.*

*Encourage women, immigrants and the young ones to take part of development.*

*Co- cooperation gives more and education as well but also look on skills.*

*If we focus on renewable energy and technical effective innovation this together will be a "win-win"concept both to human and to environment to build a sustainable growth.*

*The region of Kalmar council since almost 10 year active worked with the goal of a fossil free region until 2030 ( 73%) of energy are already now renewable). We would love indeed to involve all of the Baltic family in such as proactive sustainable goals.*

Akko Karlsson

Vice chairman

Kalmar Regional Council

Member of ERB

Sweden



## Cooperation development in the Baltic Sea region

By Slava Khodko

The Baltic Sea region is a specific territorial entity where interests of diverse countries, intergovernmental unions and international organizations overlap. Its development depends on a variety of factors, including current condition of Russian-European relations, peculiarities of interaction between states, security level, objectives and goals on international institutions involved in the policy in the macroregion.

In 2009 the European Union took an important step towards systematization of the policy in the Baltic Sea region and strengthening its positions there: the Council adopted the EU Strategy for the Baltic Sea Region. This document presents the first EU experience in the sphere of macroregional planning. It is aimed at increasing efficiency of the EU current activities in the region. The Action Plan for the Baltic Sea Region comprises 4 priority aspects: sustainable ecological policy, economically prosperous region, prospective region with high-quality transport connection, secure region.

A characteristic feature and in fact an advantage of the Strategy is that it does not imply establishment of new institutions or funds specifically for its implementation. However, the EU Strategy and the Action Plan for the Baltic Sea Region are strictly limited by the EU member-countries' activities, European regional bodies of power and non-governmental organizations. Both documents were elaborated by the EU institutions, therefore, they make no provision for effective mechanisms of cooperation with the Russian Federation and do not embrace Russian interests in the region.

Nevertheless, cooperation development in the Baltic Sea region would be fruitless without Russia. That is why one of the most significant issues on the current agenda is how to unite actions and efforts of Russia and the EU in the region in order to solve common problems.

Russia has to fully comprehend and clearly define its interests in the region and start to participate more actively in regional policy to guarantee a strong voice in significant decisions and events. Among the documents that establish goals of the Russian subjects in the Baltic Sea region is the Strategy of social and economic development of the North-West Federal District until 2020.

Various institutions participated in elaboration of the Strategy – state organizations, leading academic centres, including the Higher School of Economics, interregional cooperation organizations, in particular the Association for Economic Interaction of the Subjects of the North-West Region of the Russian Federation (Association North-West).

The Association North-West was established in 1992, its founders are 11 subjects of North-West Russia in the person of executive and legislative power chiefs.

Under the aegis of the Office of the Plenipotentiary Envoy of the President of the Russian Federation to the North-West Federal District, the Association worked hard on development of the Strategy and participated in discussions dedicated to its amending. At the moment the Association is engaged in development of the Strategy Implementation Plan. Among the main objectives of the Association is creation of conditions for efficient cooperation of the North-West regions in the field of interregional integration and socio-economic development.

Promotion of the interests of the North-West subjects, including those within the framework of cooperation in the Baltic Sea region, is one of top priorities of the Association activities. Currently the Association North-West together with leading academic centres initiates a study called "The Baltic Sea region in the focus of development strategies of the Russian Federation and the European Union". The key points of the study comprise a search for optimal forms of interregional cooperation in the macroregion, elaboration of proposals for the parties in order to foster their cooperation, formation of a database of the most prospect projects in different spheres. Coordination of activities of Russia and the EU in the region may considerably increase efficiency of their interaction. Therefore, the Association seeks to give a new impetus to practical cooperation of the parties.

In 2012 a new opportunity to examine efficiency and coherence of current cooperation mechanisms of Russia and the EU arises: the Russian Federation presides over the Council of the Baltic Sea States – a key pan-Baltic organization in the region. It gives Russia an opportunity both to coordinate long-term objectives of the CBSS in the area of economy, environment, energy, culture and to present its own view of cooperation prospects in the Baltic Sea region.

Nowadays the priority directions of the Russian presidency are being developed in the Ministry of Foreign Affairs of the Russian Federation. One of the objectives may be a search for common action possibilities of Russia and the EU aimed at solution of common problems stated in the Strategies referred to above.

The issue of Russian-EU cooperation in the Baltic Sea region is characterized with one consistent pattern: a special attention is paid to the Kaliningrad region. In particular the EU Strategy for the Baltic Sea Region regards the Kaliningrad region as a subject of pilot projects on interaction with Russia. With no doubt Kaliningrad in view of its geographical location and current economic, social and cultural connections possesses a peculiar position in the Baltic Sea region. However, it is necessary to perceive the North-West Federal District as an entity in the issues of Russian-EU cooperation in the region.

On the basis of the watershed the Russian part of the Baltic Sea region embodies 7 subjects of the North-West: the Vologda region, the Kaliningrad region, the Leningrad region, the Novgorod region, the Pskov region, the Republic of Karelia and Saint-Petersburg.

The North-West Federal District and particularly the subjects included in the Baltic region are interested in fostering cooperation through both cross-border and interregional interaction and intergovernmental organizations' activity. Thus, the Association North-West considers that it is crucial to cover to the full extent interests of the North-West regions in the process of elaboration of the Russian CBSS presidency priority directions.

Within the framework of cooperation development in the Baltic region the Association North-West has initiated a project "The Baltic Sea region. From planning to common action". The project consists of analysis of interests and opportunities of the Russian Federation subjects included in the Baltic Sea region, shaping proposals for Russian authorities in the field of development and implementation

of Russian priorities during the presidency in the CBSS, search for harmonization of Russian and European efforts in the Baltic Sea region. The main cooperation directions highlighted in the project are ecology, transport development, especially port infrastructure, tourism in the whole region.

On 21 March 2012 a Round table with the same title and the Coordination Council on cross-border and interregional cooperation by the Plenipotentiary Envoy of the President of the Russian Federation to the North-West Federal District on the issues of Baltic cooperation development will take place in Saint-Petersburg. These are key events of the project. They will precede the Baltic Sea Day conference that is being held by HELCOM since 2000 in Saint-Petersburg.

When discussing new cooperation mechanisms of the EU and Russia in the Baltic Sea region, one should not forget a successful existing format of the Northern Dimension. The Northern Dimension policy entirely covers the Baltic region and can become a full-fledged platform for interregional relations development. Potential and experience of the Northern Dimension should be used both to solve current tasks and to voice and promote Russian interests in the macroregion. Such an approach would increase interaction between the EU and Russia and would allow not to establish new institutions or expand bureaucracy.

At the same time it is highly important for cooperation to develop in interregional way. It would allow to concentrate on precise problems, work on practical issues and avoid hindrances of high politics.

In 2012 the CBSS celebrates its 20th anniversary, and it can be used as a ground for revision of further prospects of the organization activities, provision of development directions of the Russian-EU relations in the short term. The CBSS can fruitfully use its potential in order to become a platform for the EU member-states interaction with other countries and, therefore, to provide a coordination instrument and strengthen its status as an international institution aimed at practical cooperation.

*Slava Khodko*

*Vice-President, Chairman of the Executive Committee*

*Association North-West*

*Russia*

# Union of the Baltic Cities 20 years – inspired by the past, heading for the future

By Boedker Andersen

Union of the Baltic Cities celebrated last Autumn its 20th anniversary. The XI General Conference of the UBC in Liepaja was organised under the theme “Building on the past – heading for the future”. It was attended by well over 200 persons representing our more than a hundred member cities.

The Liepaja Conference provided an opportunity to look back and to remind us about the road travelled since the Iron Curtain fell apart and the Union was founded in Gdansk on 20 September 1991, as one of the very first of Baltic Sea regional organisations.

This had happened only a few weeks after the Russian President Boris Yeltsin had recognised the independence of the three Baltic Republics.

The Baltic Sea Region, which for centuries had been a natural area of trade and mutual exchange, was bitterly divided for about 45 years, preventing links between human beings, cities, countries.

In the early years of UBC, the main emphasis was to assist cities in the former socialist countries to cope in the new environment. Later, issues such as regional development, co-operation with the Euro-pean Union and other pan-regional issues also gained in importance.

We can say that a truly historical change has happened in these 20 years. Development in the three Baltic Republics and Poland has been rapid and they have followed Denmark, Finland and Sweden into the European Union. St. Petersburg – the greatest metropolis in the Baltic Sea Region and the Russian Cultural Capital - and its surrounding areas have enjoyed dynamic growth and are increasingly participating in regional cooperation.

In a historically short period, we have been able to overcome a bitter division, restore and promote cooperation and to achieve deeper integration. Today, the Baltic Sea Region is one of the most competitive regions in Europe, with a great potential for development.

The European Union Strategy for the Baltic Sea Region, the first macro-regional strategy of its kind, has created a new, favourable framework for enhanced cooperation around our common sea. Cities and regions have a central role in the implementation and governance of this strategy.

UBC is a network of over a hundred cities in all countries surrounding the Baltic Sea. But it is much more than just a loose network – an e-mail list - where members communicate with each others and occasionally meet. In contrast to many other actors in the Baltic Sea Region, the UBC is an organisation with membership, leadership structures, rules and regulations as well as a common strategy. This organisational structure, combined with the operational flexibility of networks, makes UBC in many ways unique in the region and a solid partner for cooperation.

As an organisation, UBC works on two levels. Its Executive Board, elected by the bi-annual General Conference, is responsible for the overall strategy and its implementation, coordination and public policy development, including cooperation with other organisations and contacts with the European Union and its institutions. It is comprised of the president, three vice-presidents as well as one member city from each BSR country. The Executive Board meets normally three times a year, hosted by different member cities.

The General Secretariat of UBC, based in Gdansk, is in charge of preparing meetings of the Board, ensuring that its decisions are implemented and running the daily operations of the organisation, together with the President. Its work is complemented by the UBC Strategy Coordinator, appointed by the Board and in charge of implementation and development of UBC strategy and policy issues.

From the beginning, UBC Commissions have been providing the framework for the practical, thematic cooperation in various fields. The newest of these is the Commission on Local Safety, dealing with issues a broad variety of local safety issues.

Commissions are increasingly cooperating with each others to enhance their effectiveness and outreach.

UBC Commissions differ in composition, methods of work and outlook. The UBC Commission for Environment is a highly visible and effective structure, with an international Secretariat in Turku comprised of nearly twenty experts. On the other hand, some other commissions have a much more limited scope of activities.

Common to all of them is anyhow their striving to provide an easy-to-enter-and-cooperate framework for member city representatives to exchange experiences and develop new ideas and initiatives. For many smaller UBC member cities, UBC Commissions are a most relevant – and often even the only – international forum for cooperation.

Membership surveys indicate that the UBC has been and is very relevant to its member cities. Another proof of this is the fact that the cities participate actively in its work at various levels and pay their annual membership fees.

However, no organisation can rest on its laurels and just continue doing things as in the past. Urbanisation, deepening integration, multiculturalism, climate change and many other processes challenge our member cities and call for new, fresh ideas and initiatives as well as more effective forms of inter-change and communication. This requires naturally, that also organisations such as UBC critically re-view their way of functioning, in order to serve their members in the best possible way.

Currently, the Union of Baltic Cities is undergoing a thorough transformation process based on its Strategy 2010-2015. A new Communication and Marketing strategy is being finalised, calling for broader participation in content provision and better use of new technology.

Another key strategic process is dealing with the systematisation of expert exchange between cities in the Baltic Sea Region. Our well over a hundred member cities have a huge pool of expertise, which could be even better mobilised for common benefit of all. A systematic exchange programme would help to promote this goal.

Internally, the UBC is creating common criteria to evaluate its own effectiveness in strategy implementation. Based on these criteria, the work of commissions will be evaluated and UBC funding for them will be based on results of this continuous evaluation. In this way, we will ensure that relevance and performance will be rewarded.

As the key city network in Northern Europe, the UBC is a natural local authority partner for the implementation of the EU Strategy for the Baltic Sea Region. With this in mind, we are developing our cooperation with other key BSR organisations, such as the Baltic Development Forum, BaltMet and BSSSC. We are convinced that closer coordination and joint initiatives serves us all. Likewise, UBC is enhancing its visibility in Brussels vis-à-vis European institutions.

Our overall goal is to serve member cities and their inhabitants as effectively as possible and in this way to contribute to the development of the Baltic Sea Region as an area of sustainable, smart and future-oriented development.

*Per Boedker Andersen*

*President*

*Union of the Baltic Cities, UBC*



## The power of two metropolises

By Jyrki Myllyvirta

Lahti has a central location in Southern Finland, 100 kilometres north of Helsinki. This city has become an integral part of the Helsinki metropolitan area not only thanks to the motorway, high-speed rail connection, and daily commuter traffic that link the city to the capital but also through university-level co-operation, expertise and innovation policies, and other forms of strategic co-operation. Excellent examples of this are Lahti's participation in the World Design Capital 2012 year together with Helsinki and other cities in the capital region and the city's increasing co-operation with St Petersburg and Northwest Russia.

Active development of Lahti's links with St Petersburg has accelerated considerably with the new high-speed rail connection to St Petersburg. Today, travelling from Lahti, a lively environmental technology and design centre with more than 100,000 inhabitants, to St Petersburg, a Russian metropolis with a population of nearly five million, takes only 2.5 hours, which opens substantial opportunities for commerce, travel, research, investments, and cultural life flowing between Finland and Russia in both directions. It is perhaps ironic in a sense that it now takes less time to reach the former capital of the neighbouring Russia than it takes to travel to Turku, the former capital of Finland.

Lahti's closer collaboration with Helsinki and the city's more objective-focused attitude towards St Petersburg are results of strategic choices by Lahti. Lahti's new strategy highlights the city's location within the sphere of influence of the rapidly growing St Petersburg as one of its key strengths. It now seems more than likely that St Petersburg's role as one of the most important centres of the Baltic region will only become stronger in the future. This is why no complicated arguments are required as to why Lahti should participate actively in this development. This is also why Lahti has decided to increasingly participate in international co-operation together with the municipalities of the capital region: the international standing and visibility of the Lahti region are much better as a part of the Helsinki metropolitan area than they would be if the city tried to act on its own.

### The Helsinki Centre in St Petersburg as a bridgehead

Lahti has collaborated with Russian authorities in and near St Petersburg for a long time, especially on matters related to the environment, water supply, and sewage treatment. For several years, however, these activities were relatively unorganised and mainly based on models of operation involving bilateral ties. To promote the objectives stated above, Lahti, together with Helsinki, Tampere, and Kotka, became involved in the activities of the Helsinki Centre in St Petersburg.

As a shared representative of these cities, the Helsinki Centre focuses on maintaining ties between them, promoting their interests, and developing co-operation with an extensive scope. The centre supports and provides a physical setting for co-operation between cities and other co-operating parties in St Petersburg and throughout the Leningrad administrative region. For the participating Finnish cities, it is beneficial that both St Petersburg and the Leningrad *oblast* are defined as growth centres in Russian regional policies: the central administration

supports them by funding innovation-zone and regional-cluster efforts.

Export-oriented companies in the Lahti region have utilised their own networks and connections in St Petersburg and undoubtedly will continue to do so. Although Russian business activities resemble Western-style business-to-business operations more each year, the role of the city's official administration is still very important in the Russian business environment. This is why city-level co-operation on different administrative levels may facilitate the establishing of new business contacts and make it easier to move commerce projects forward. The Helsinki Centre provides an excellent bridgehead for this – for both regional companies and the authorities and organisations responsible for developing the cities, their travel services, and cultural life.

### Focus on environmental expertise

Lahti's activities in St Petersburg target long-term multidisciplinary co-operation and increased visibility for Lahti. Lahti has long collaborated with St Petersburg's municipal water-supply company, Vodakanal. The latest joint project was the Water Expertise Centre, launched by Vodakanal and the Lahti Science and Business Park. The centre was established to form a meeting place for Russian, Finnish, and European water-technology experts on Vodakanal's premises in St Petersburg in January 2011. Approximately 1,000 individuals participated in training held at the centre in its first year. Training programmes focus on sharing best practice in water production and sewage treatment, highlighting the necessity of investments for ensuring the availability of clean water and demonstrating new technologies.

The Lahti Science and Business Park too has initiated efforts focused on the Russian market, launching a regional 'Russian cluster' for companies based in the Lahti region and establishing waste-management and energy clusters under the national clean-technology cluster. Approximately 40 companies participate actively in the clusters that focus on Russia. The objective of the clusters is to disseminate expertise and maintain commercial relationships.

The latest initiative focusing on St Petersburg and North-west Russia is the 'ESYLEP project', which aims to promote environmental companies from Southern Finland in St Petersburg and North-west Russia and to attract Russian environmental and energy investments to Finland within the framework of environmental commerce. The project's implementation stage runs from 2010 to 2013 in the form of a co-operation project of Culminatum, the Lahti Science and Business Park, the LAKES Lahti Regional Development Company, and GreenNet Finland.

Although environmental expertise and design form the city's key strategic spearheads, the activities focusing on St Petersburg and Northwest Russia also feature lively and increasing co-operation and commercial potential especially in the fields of culture, well-being, trade-fair activities, and shopping and holiday travel. In addition to our excellent location, the reaching of these objectives is supported by Lahti's other natural strengths: affordable prices, beautiful and clean nature, and a safe and predictable business environment. These cannot, however, result in financial gain on their own. The number of high-

quality services available in the Russian language in this region must be increased.

### Conclusion

Being international is not an end in itself for Lahti. Instead, it forms part of the city's everyday activities and stems from highly pragmatic objectives. It is for this reason also that our activities focusing on St Petersburg are aimed at building on our regional vitality and attracting new expertise and ideas, skilled international workers, customers, tourists, investments, and positive publicity, as well as research, development, and innovation funding, to the Lahti region.

In 2011, Lahti also proposed to the Finnish Ministry of Employment and the Economy a growth agreement between Lahti and the state administration. This agreement among key ministries, the City of Lahti, surrounding municipalities, regional institutions of higher education, and economic development agencies would form a framework for long-term development of the region's competitive edge

and for strengthening the international-quality environmental and design expertise and the innovation centre that have already formed in the region. The growth agreement would also provide a solid foundation for objective-focused co-operation with St Petersburg and North-west Russia in general, with potential to result in new initiatives with nationwide significance.

*Jyrki Myllyvirta*

*Mayor*

*The City of Lahti*

*Finland*



# Water flows down from Russia's mountains

By Mikael Pentikäinen

Shortly before the Russian Duma elections, a Russian author in Moscow described the situation in the country by saying that "the waters have started flowing down from the mountains".

The writer was thinking that an unpredictable change was taking place, whose outcome was difficult to anticipate.

The author's prophecy was partly realised in the elections of the Duma, and appears to be continuing in demonstrations in different parts of the country.

Despite considerable preparations, the United Russia party of Prime Minister Vladimir Putin and President Dmitri Medvedev – a political apparatus built for the elections and for ruling the country – suffered a defeat.

Officially, United Russia certainly did get half of the vote. However, the result cannot be seen as good in a country in which the electoral system favours those in power, and where especially the television is in the hands of the Kremlin, where there is election fraud, and where voters are guided and pressured.

In areas near the Finnish border, in St. Petersburg – Putin's home city – and in Karelia, United Russia won just a third of the vote.

The message from the Russians to Putin and his partners in politics and business was clear: irritation has increased, and there is a desire for change in Russia's political life.

The movement of water is a good description of an episode at Moscow's Olympic Stadium on November 20th. At the stadium, Putin faced unprecedented demonstrations.

Putin was congratulating heavyweight fighter Fedor Emelianenko who had defeated the American Jeff Monson. Putin addressed the audience after the match, and the people started protesting.

Three different kinds of spin were put on the episode in Moscow last week. One explanation was biological. Putin's security personnel had held some large men in the crowd, preventing them from going to the toilet, even though they would have needed to. When Putin showed up, the discomfort found its release in booing the Prime Minister.

Another explanation was athletic. According to that theory, the people had come to watch a sporting event, and not to listen to a political speech. Everyone staging something additional got booed.

The third explanation was political. According to this one, people wanted to tell Putin that people had enough of the machinations of his machinery.

The real explanation could be a combination of these, but it doesn't actually matter, because the episode has become a political symbol. Respect for those in power has decreased.

The election result and the catcalls at the stadium showed that many Russians had had their fill of Putin and the political and economic structure of those close to him. In it, politics has been harnessed as a tool for personal enrichment, and the country's riches have been taken by a small group of people for their own use. This method has made many, Putin included, very rich.

The structure is characterized, depending on how diplomatic the person making the analysis is, as either thoroughly rotten, or flexible.

Many feel that Putin has become a prisoner of his own structure. He cannot relinquish power, because it would topple the whole system, and could lead to a situation in which those benefitting from it, Putin included, might be held to account.

Where do the waters flowing from the mountains go? What can be expected from Russia? Many expect a change, and many expect that change to come from the Kremlin, in spite of everything.

In the Kremlin, the wise political operatives can see that a precondition of the function of their structure is that Putin – today's Tsar – should enjoy a sufficient amount of popularity.

It is no coincidence that Putin flies fire-fighting planes, tames tigers, and finds sunken treasure in the sea. All acts of heroism have the aim to make the Russian leader sufficiently beloved.

Medvedev was never up to this, even though the West likes him. In Moscow, Medvedev is primarily the butt of jokes – after the elections, more than ever.

Many believe that if he actually becomes the prime minister, his period in office will be short, because Medvedev's managerial skills are not sufficient for the prime minister's post.

The setup can make it necessary to weed out the extensive corruption which angers the people. The setup can also deepen Russia's economic difficulties, because the Kremlin is afraid to implement necessary, but politically difficult reforms out of fear that Putin might lose popularity.

Before the elections there was another interesting series of events seen in Russia. A relic claimed to be the belt of the Virgin Mary made a tour of the country awakening great interest from the public.

The holy belt brought from Greece was viewed by as many as three million Russians.

In Moscow the most enthusiastic stood in line for 24 hours just to see the relic. The line in front of the Church of Christ the Saviour was eight kilometres long at one point.

The popularity of the holy object shows the power of the Orthodox Church and religion in Russia. The Church is one of the few factors that can unite modern Russia. It is a strong, but conservative and nationalist force that can get people on the move.

Compared with many ecclesiastical figures, Putin is a great liberal. The leader of the Russian Church, the Patriarch Cyril, is characterised as a brilliant politician. The Patriarch has an office in the Kremlin, and Putin listens to him.

The waters may well flow from the mountains toward nationalism and the Church. A union between a stronger new Tsar and the Patriarch of the old church is not an impossible vision in the Russia of the new decade.

It is good to reflect on how the unexpected change in Russia will affect Finland.

Relations between Finland and Russia are good at the moment. Presidents Tarja Halonen and Dmitri Medvedev are leaving a good legacy for their successors.

If instability grows in Russia, as might be expected, it will inevitably have an impact on Finland, even if it does not cause problems for our bilateral relations. That is something that needs to be kept in mind.

*Mikael Pentikäinen*

*Editor-in-Chief*

*The Helsingin Sanomat*

*Finland*

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## Cooperation within Baltic Sea region (BSR)

By Börje Svanborg

What does the BSR countries have in common? Is the development of the region the sum of the development of the nations in the region? Is there any cooperation that can create value that isn't taken care of? And the forbidden question "is there a risk for a race to the bottom instead of a race to the top"? Is the gap between the Scandinavian/Nordic countries and the "Baltic states to big?

When discussing this I have sustainable growth by increasing internationalisation of the enterprises and the innovation systems in mind. Attracting investments is one key activity to succeed with that, which is my daily work.

I am not going to give explicit answers to these questions but I will try to put some light on the possibilities to benefit of increased cooperation.

Let us start with some facts:

The region is probably one of the most competitive regions in the world.

- Sweden, Finland and Denmark is in the top 10 of "Global competitive index"; *world economic forum, 2010-2011*
- Sweden, Finland and Denmark is ranked the top 3 countries in EU as the most competitive countries. *Lisbon Review Index; world Economic Forum, 2010*
- Sweden, Finland and Denmark is top 10 in R&D expenditure in per cent of GDP. *IMD World competitiveness yearbook 2010*
- Denmark, Finland and Sweden have a higher level of overall productivity than for example Germany and UK. *IMD World Competitiveness Yearbook 2010*
- Regarding the number of postgraduate degrees (PhD's in science and engineering) both Sweden and Finland is ranked higher than US and Japan. Denmark is ranked between US and Japan. *OECD Science, Technology and Industry Scoreboard 2009*
- Well educated workforce (percentage of population 25-34 with higher education) Sweden, Denmark and Finland is ranked higher than UK, Netherlands and Germany
- Regarding English skills: Sweden, Denmark and Finland is within the top 4 countries (per cent of population age 15 and older). *Europeans and languages*
- Best ICT infrastructure in the world: Sweden is No1 and Norway, Denmark and Finland within the top 6. *Connectivity scorecard 2010*
- "Most networked economy in the world": Sweden No 1 and Denmark, Finland, Norway within top 10. *World economic forum Network Readiness Index 2010*
- "World class digital economy" Sweden No 1, Denmark, Finland, Norway within top 6. *Economist Intelligence Unit 2010*
- "IT penetration, computers per capita". Sweden No 1, Norway, Denmark and Finland within top 9. *IMD World Competitive yearbook 2010*
- "Great place to live" Norway No 1 and Sweden No 7. *Human Development Index 2009*
- Etc, etc

The list can be much longer than above. I have not done any research when producing it. I have just taken a couple of reports that was on my desk.

Above shows that the Scandinavian/Nordic countries stands very strong regarding how competitive they are in comparison with the rest of the world. This shows so strong

competitiveness that I can't see any risk for a race to the bottom. I rather see a great potential for a race to the top.

We can also see that the differences between the countries regarding different sectors like Life Science, ICT and Cleantech sometimes is big. To cooperate within these strong sectors therefore might be difficult. I rather think that the base for cooperation should be that each country developed its own business opportunities without trying to be as common as possible. The competitiveness then can be the union of different opportunities and the cooperation can be focused on the communication/marketing of these opportunities abroad. When doing so it's important that we have the countries outside BSR and EU in mind. The cooperation between the BSR countries for increasing flows of competences, investment and trade between us is of course important. The big issue must anyway be to put the BSR on the map in China, India, Brazil and other emerging markets because that's where the biggest growth are. If we succeed in that mission it will stimulate increasing flows within BSR. The Nordic tradition to start with developing the product and then bring it to the markets is not that modern in the new fast revolving globalised world. The product sometime has to be developed together with the costumers/markets. This is more true now than ever if we talk about "distant, fast changing growth markets that we don't really understand. Let's start the journey of marketing the BSR together without waiting for more development. As we can see from the list above we already are good enough.

A problem though is that I think the history tells us that this can't be done in some kind of common organisation that we finance and create between us. There are a lot of projects and organizations working with different cooperation and activities in the BSR but no one has the overall responsibility for the BSR brand linked to sustainable growth. We have a lot to tell the world but not enough will happen if no one has the responsibility of the BSR brand and what it stands for. On the other hand it's possible that each country could increase the use of the BSR brand when developing its business opportunities.

If we in the future want to have sustainable growth we have to communicate to the emerging markets that within EU there is clusters and regions that is international very competitive. We therefore must develop other brands than Europe and this must be an EU responsibility and not an issue for the BSR participating countries.

In the meantime the countries in BSR can show the rest of the world that we want to cooperate between us and are very skilled in doing so.

Börje Svanborg

Vice President, Regional Cooperation

Invest Sweden

Sweden



## Towards the Rio+20 in the Baltic Sea region

By Kaisa Kononen

The global community is preparing for the Rio+20, the United Nations conference on sustainable development to be held in a few months time. The overall goal will be to secure globally the political commitments on the backdrop of the progress made to date and new and emerging challenges faced by the global community. The summit will also focus on two specific themes, namely the green economy and the much needed institutional framework for sustainable development.

During the decades passed since the launch of the concept of the sustainable development it has become increasingly clear how multifaceted, -leveled, -dimensional, - sectoral and ambitious this goal is. The progress cannot be immediate and may require generations before some remarkable achievement can be witnessed. Equally required in realising this are major scientific & technological developments, major political agreements and inevitable economical sacrifices.

There is an overall consensus repeated in all major sustainability policies that the development has to be based on the best scientific knowledge. Among other, 'one of the key preparatory documents for the Rio+20 concerning the oceans and seas, *'A Blueprint for Ocean and Coastal Sustainability'*<sup>1</sup>, defines four main objectives for embracing the green economy and the institutional development. One of these objectives is actions resulting in policy, legal and institutional reforms for effective ocean governance and another one notes actions supporting marine research and evaluation, technology and capacity transfer. The document states:

*The integration of science into institutional decision making, including policy creation, regulatory enforcement, and adapting to new knowledge as it is created is essential for the future. Too often, scientific and technological opportunities are ignored or under-utilized in the absence of responsible and equitable governance arrangements and institutional willingness to promote change in industry and governments.*

Drawing nearer the ambitious global goal is like building up a huge-sized puzzle with tiny pieces – inevitably some parts of the puzzle progress faster, others slower. The key to success, however, is the ability to take the advantage of opportunities provided by various development processes by identifying and realising the opportunities for added value and win-win situations.

### Synergies from strategies

The Baltic Sea region is one of the fore-runners of identifying synergies of many parallel processes that potentially can create a lot of added value. In reflection of the Rio+20 objectives, this is particularly the reality with three major strategies originated from different sectors during the last decade and impacting greatly together the strategic direction of the Baltic Sea region:

- The European Research Area (ERA) process that aims to overcome the fragmentation of research in Europe along national and institutional barriers. Fragmentation prevents Europe from fulfilling its research and innovation potential, at a huge cost to Europeans as taxpayers, consumers, and citizens
- The European Maritime Policy that highlights Europe's maritime identity and leadership, which is worth preserving at a time when environmental pressures are threatening the future of maritime activities. It aims to promote a maritime industry that is innovative, competitive and environmentally-friendly. In addition to

maritime activities, the policy proposes also to include the issue of quality of life in coastal regions.

- The EU Strategy for the Baltic Sea region that helps to coordinate actions by the European Union, EU countries, regions, pan-Baltic organisations, financing institutions and non-governmental bodies to promote a more balanced development of the Baltic Sea region. The Strategy aims to make this part of Europe more environmentally sustainable, prosperous, accessible and attractive as well as safe and secure.

### Integrating top Baltic Sea research to underpin fit-for-purpose management practices

BONUS – the joint Baltic Sea research and development programme 2010-2016 was developed within the first one of the three strategies, the ERA. The programme has funding worth of EUR 100 million for the coming six years provided by the eight Baltic Sea coastal EU members states and the European Union. It aims at enhancing the Baltic Sea region's research capacity in order to underpin the development and implementation of 'fit-for-purpose' regulations, policies and management practices.

Due to the surge of maritime issues to the top political level of the EU and the launch of the EU maritime policy, BONUS has a specific status of being implemented on the basis of a codecision by the European Parliament and the Council. The EU's Strategy for the Baltic Sea Region has also offered BONUS an excellent platform for multisectoral stakeholder consultation – most recently this was realised in October 2011, when the BONUS Forum was organised back to back with the EU Strategy for the Baltic Sea Forum.

Already for the past three years, the 16 BONUS+ research projects have been piloting the unprecedented, macro-regional BONUS research programme model. The preliminary final reporting of the BONUS+ projects is underway and results demonstrate a high volume of critical top knowledge produced by the projects to the decision makers and other end-users in key policy processes that have critical impact on the future of the environmentally threatened Baltic Sea. The next BONUS call that will be building on the experience gained from the BONUS+ projects and leaning on the joint, region-wide developed strategic research agenda. This will open in the first half of 2012 and be worth a maximum of EUR 40 million.

### Integrating science and policy

By merging the major funding sources around the Baltic Sea into one durable, cooperative, interdisciplinary and focused multi-national programme in support of the region's sustainable development is an important progress towards the Rio+20 goals. In fact, BONUS is the much needed new institutional setup for integrating science into decision making and policy creation. It is now in the hands of the policy makers, of industry and ultimately of each of us as voting citizens how the outcome of the programme is received and how much there is willingness to utilise the best science for a better and more sustainable future.

**More information about BONUS: [www.bonusportal.org](http://www.bonusportal.org)**

Kaisa Kononen

Dr., Executive Director

BONUS

Finland



<sup>1</sup> IOC/UNESCO, IMO, FAO, UNDP. (2011). A Blueprint for Ocean and Coastal Sustainability. Paris: IOC/UNESCO

# BSR deserves a communication strategy

By Allan Alaküla

I have to confess that in due course I have learned to enjoy the messianist sound of the different sorts of plenaries of the European Union Baltic Sea Strategy (EU BSR). The strategy is becoming a role model for other emerging EU macro-regions and a bottomless well of inspiration for other EU-wide policies. The great success of BSR cooperation should sooner or later conquer hearts and minds on the global scale.

But what makes it truly "charming" is that the Strategy is elaborated and implemented without a communication strategy.

Several state-of-the-region reports and identity-related analyses do not even describe the state of the media in the region. Well-organised media owners, both public and private; media employees, i.e. journalists and media academies have been left out.

Media is recalled only when messages about the great success of the Strategy do not reach the news threshold. And no wonder, they rarely do.

As a result, the Strategy does not have enough political support, because most of the knowledge remains within the cloud of Strategy insiders. Without political will, every strategy dies. It is a vicious circle.

Communication is the most sensitive and therefore highly centralised function of governance in all modern organisations. It is comparable only to the cooperation between intelligence services and coordination of foreign policies of different nations, unthinkable without the highest level of mutual trust and commitment.

If asked today what the news in BSR is, we can google only the media of the BSR nation-states or their micro-regions. The Baltic Sea macro-region does not even pretend to exist, neither to those living inside of the region nor to the wider world.

And yet there are plenty of fundamental favourable preconditions for in-depth, functional and effective media cooperation in BSR.

The most important is the actual state of real integration in the region. Vast cross-border investments, labour mobility and tourist flows have already created a significant basis for regular cross-border media coverage.

We have the world's biggest share of publicly owned media across the region. It is only a matter of political will to arrange a substantial BSR-wide exchange of content between Public Service Broadcasters (PSB). The first step would have to be to authorize PSBs to rebroadcast each other's self-production.

BSR should also discuss taking obligations to support their films' production, distribution and exhibition, like the EU support system for European film production.

Most of the Region is covered country-wise by several multinational media companies (Modern Times Group, Schibsted, Marieberg, Orkla, Aamulehti group etc) and we have no major media owners from outside of the region. It remains only a matter of moderate public subsidies to start cross-border content exchange inside multinational private media groups.

There is no local language to dominate the region. English has almost ousted German, Russian, Nordic languages from BSR cross-border relations. And English is occasionally also the best available tool for global communication of the region. The editing language of centralised BSR communication would therefore be English.

The ongoing networking between BSR municipal communication professionals is similar to the cooperation between regions and cities Europe-wide (like European Association of City Televisions). A good example of such

cooperation is the Baltic Metropolises Info Forum network that has made links between municipal information services of Oslo, Helsinki, Riga, Tallinn and Petersburg. Tallinn and Helsinki are also developing cooperation between their municipal TV-channels.

BSR seems to be mature enough for elaborating its communication strategy and envisaging a joint BSR media platform.

But of course there are also challenges.

The BSR has no recognised capital, and in foreseeable future we will not be able to agree on one. However, Euronews serves as a brilliant example of hosting Pan-European media not even from any national capital but from the city of Lyon, France. To be well located, the heart of BSR media need not be set up in a capital city either but in a BSR city like Gdansk, Malmö, Rostock or Turku.

As most BSR countries do not participate in Euronews directly (the stakeholders are Finnish YLE, Swedish TV4 and Russian RTR), the experience of multinational media cooperation remains limited. However, through increasing EU allocations to Euronews (over 10 million euros in 2012) almost all BSR countries are involved.

The name issue may seem secondary but it reflects also the lack of common information sphere. It is not easy to proceed with centralised communication until the Sea between us is called Baltic by four nations, Eastern by five and Western by one.

The Russian issue in BSR communication can not and should be not ignored. The Russian-speaking community inside the EU outnumbers smaller Baltic nationalities. One should also consider the proximity and importance of Kaliningrad enclave and the North-West of Russia which includes Saint-Petersburg, the biggest city on the shores of the Baltic Sea.

The last EuroPComm conference in Brussels indicated a U-turn in EU communication strategy. If in 2010 the key phrase was 'decentralised communication', in 2011 all major EU institutions spoke in favour of stronger coordination. Little wonder - especially during the crisis - when Brussels gets all the blame and the member states get credit for the few achievements. The EU can not sustain without meaningful communication tools that can at least effectively compete with the media powers of the member states.

BSR on its behalf should contribute to the EU centralised communication policy. From the EU perspective, enhancing cross-border media cooperation inside the BSR that would boost macro-regional content, should be integrated into Pan-European media platforms, why not Euronews.

The fact that the EU BSR Strategy ignores the media issue should not prevent the development of joint information space. There are other things happening in the region as well that are being overlooked in the Strategy but that influence the BSR probably more than most actions listed in the Strategy. The most notorious example is the North Stream pipeline laid to the bottom of Baltic Sea.

Modern Baltic Sea Region can not emerge without a powerful media arm. The Story of the EU BSR Strategy is a good proof of that.

Allan Alaküla

Head

Tallinn European Union Office

Estonia



# Communication is the key – towards a successful network

By Anna Saarentaus

Based on organisational theories and practical experiences, successful networks can be characterised as

- Having a structure that supports its main functions,
- Being productive and well-performing,
- Being capable of innovation and
- Having well-functioning social relationships that are reflected in group identification, in support to other group members, and in the well-being of employees.

These issues are discussed more in detail below, with comments on the materialisation of these aspects in the stakeholder network of the European Union Strategy for the Baltic Sea Region (EUSBSR).

## Appropriateness of network structure

The main functions of the EUSBSR are the formulation and delivery of the strategy (a top – down function), and the implementation of strategic and cooperative actions and Flagship Projects, and respective reporting (a bottom – up function).

In the EUSBSR, the network structure supports both top – down and bottom – up functions. The stakeholders are organised in a hierarchical structure based on the level (policy making, coordination, operative work) and activity (Priority Area) they are involved in. Similar hierarchical organisations are commonly found to be manageable, i.e. their authority and responsibility are clearly defined, and extendable. This seems to apply to the EUSBSR as well. In the strategy, the organisation of authority is centralised, meaning that important decisions are usually taken on a high level and passed down the organisation. Priority Area Coordinators and Lead Partners are effectively used as “specialist managers”.

## Productivity and performance

Based on a closer analysis of two Priority Areas of the EUSBSR, the stakeholders are mostly connected and comfortable with their task activities. On the axis centralised – dispersed, the network of the EUSBSR can be seen as a dispersed organisation: people belong to teams whose members are scattered in various locations even when working towards a common goal. Dispersed work enables combining various kinds of expertise regardless of geographical boundaries - this is particularly true of the EUSBSR with its 1,500 stakeholders. Even if there is some face-to-face interaction, dispersed teams mainly use information and communication technology in their work, making them partly “virtual teams”, and creating challenges for communication, cooperation, collaboration and coordination.

## Capability for innovation

Knowledge is a major source of innovation. Thus knowledge creation is an important precondition for innovation, and it can be managed by improving internal knowledge sharing and by acquiring new knowledge through widening of the network.

Within the EUSBSR, knowledge sharing takes place within Flagship Projects. In regard to acquiring new knowledge, it is generally believed that smaller, tighter networks are less useful to their members than networks with lots of loose connections (weak ties) to individuals outside the main network. These kind of open networks are more likely to introduce new ideas and opportunities to their members by linking them to other social worlds instead of sharing information with colleagues who already share the same knowledge. Thanks to the diversity of organisations involved, the EUSBSR has connections to external social capital. Without functioning connections between Flagship Projects and Priority Areas, capacity for innovations that benefit the EUSBSR may be lost, however.

## Social relationships

The EUSBSR project teams cross not only geographical, linguistic and cultural borders but also organisational borders. At the same time, most of the people involved have various responsibilities of which only some are related to the EUSBSR. This is reflected in the stakeholder identity: Based on the comments of the stakeholders, it is evident that they do not always associate themselves with the EUSBSR.

## Observed strengths

The EUSBSR network can be identified as capable of supporting the formulation and delivery of the strategy and of implementing strategic and cooperative actions and Flagship Projects. Moreover, the division into Priority Areas allows different parts of network to evolve in different ways to adapt to changes in the operating environment. Thanks to the diversity of organisations involved, the network also has connections to external social capital.

## Development needs and means

The most alarming weakness of the EUSBSR is related to the observation that the network does not create sense of ownership for the strategy on the operational level, where people have difficulties in keeping updated with the whole. Only in cases of a strong Priority Area identity there is a sense of ownership of the strategy. In these cases, there are in effect many smaller networks that are responsible for outcomes of the strategy. With a weak Priority Area identity, the stakeholders rather belong to a project team, and lack a common EUSBSR identity. A better sense of ownership for the strategy would contribute to the commitment and motivation of the stakeholders.

A partly overlapping development need relates to observed gaps in horizontal communication. Many projects are thematically closely related, and communication between these projects should be improved. Moreover, there would be gains in productivity and performance, if isolated project groups and individuals are connected to the network, the density of connections is increased, and the visibility of Horizontal Actions and the involvement of Russian partners are improved. Weak connections between Flagship Projects and Priority Areas may also restrict the capacity for innovations that benefit the EUSBSR.

There seem to be also information needs related to feedback, to the contact information of stakeholders, to the implementation status of the EUSBSR, to the roles and responsibilities within the strategy, and to the transparency of decision making.

In order to develop the strategy network, attention should be paid to communication practices, in particular to the articulation of the central values and the main objectives of the organisation, to the establishment of virtual networking and feedback mechanisms, and to the development of a culture of systematic and continuous content provision. Moreover, increasing the transparency of decision-making deserves a second thought.

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## EU Strategy for the Baltic Sea Region – from good intentions to effective implementation and results

By Alain Roggeri

To be successful the implementation of the Baltic Sea Strategy needs the active participation of local public and private actors. However, it is becoming more and more obvious that such engineering cannot be driven and implemented just with a bottom-up approach. Strong involvement and direct support of all the political and administrative institutions which are the usual pilots, initiators and implementers of policies at national level are essential. During recent months, there have been several warning signs alerting us to the need for more deliberate and focused efforts by the national authorities in order to translate good intentions into concrete actions and thereby to successfully progress towards the achievement of the agreed objectives.

In June 2011, the Commission, reporting on the first 18 months of implementation of the EUSBSR already stressed the need for a stronger political and administrative commitment and a better alignment of existing funding sources.

On 15 November 2011, on the basis of the Commission's report, the European Council concluded the review of the European Union Strategy for the Baltic Sea Region by inviting the Commission and the Member States concerned to (i) take account of the EUSBSR when designing the future programmes, including the transnational, national and regional programmes and those with other countries in the macro region and (ii) facilitate the alignment of the funding sources with the EUSBSR objectives, in particular the EU programmes/funding instruments for the 2014-2020 period.

More specifically, Commissioner Hahn stressed in his recent letter to the Prime Ministers of the Member States in the Baltic Sea Region, that *"the implementation of the Strategy should be understood as a horizontal issue, cutting across many different ministries, with the involvement of all relevant national and regional experts...; great results from the Strategy cannot be expected if we confine the implementation of the Strategy to the territorial co-operation funds. Only if the needs identified in the Action Plan - which was widely consulted and agreed upon in the Region are linked to all available Structural Funds, will the Strategy succeed."*

The need for better alignment at organisational and institutional level, in the national and regional planning and in the delivery and funding mechanisms was also underlined in the conclusions of the study "Analysis of needs for financial instruments" commissioned by the European Commission in relation to the implementation of the EUSBSR:

- Member States have to make more of their resources available, both in terms of coordination support and policy funding
- More pro-active stimulation and coordination is needed, including clear incentives for those implementing the Strategy
- Despite the existing possibilities, current efforts to align funding still remain insufficient (while more than 100 funding instruments are available, only 20 are presently used).

The diagnosis and the recommendations referred to above are all pressing the national and regional authorities to address the identified issues by a more coherent alignment of the implementation of national sectoral policies with the official commitments of their governments to the EU macro regional strategy.

The preparation during 2012 and 2013 of the next 2014-2020 programming period provides the Member States with a

unique opportunity to work intensively in order to address the following questions: how will the strategy help in developing their regions/ territory? In which areas will cooperation and collaboration in the macro region make them stronger? How can the national/regional programmes support the achievement of both the national/regional and the common objectives adopted by the Member States at macro-regional level? How much of the financial resources of the programmes need to be allocated?

It is now time to take the appropriate actions. The international and interregional cooperation aspects need to be considered as core elements in the definition of the national and regional strategic planning.

In each country all actors at national level must work together for the identification of the areas/ sectors where convergent or joint actions with other partners in the macro-region will bring them the foreseen benefits. Inter-ministerial and interregional agreements have to be built on specific action plans, the division and sharing of responsibility, the allocation of resources.

The public authorities of the different countries should endeavour to

1. create a clearer ownership of the strategy by the national and regional public institutions, ensuring a common understanding and a better bridging between the national ministries, the managing bodies of the different programmes at national and regional levels and the different coordinators in charge of the priority areas of the EUSBSR;
2. strongly integrate the macro-regional strategy objectives into national / regional thinking, design and planning by the main sector Ministries (transport, energy, enterprise, etc.) in order to reinforce the contribution of the future national and regional action plans and programmes to the common objectives;
3. utilise and adapt the existing delivery systems, working methods and operational tools and develop operational platforms and tools for cooperation between the different countries/regions in order to facilitate the implementation of the strategy for the Baltic Sea Region;
4. select the most relevant funding sources, set-up the appropriate mechanisms and decide on the respective budgetary contribution in order to provide the necessary financial means to the implementation of the projects and actions and the achievement of the targeted results.

All this preparatory work shall contribute to setting up more accurate and efficient action plans and regional or thematic development programmes to be implemented until 2020 under the single responsibility of each national/regional actor or by acting jointly. The European Commission will continue to act to facilitate this process but cannot substitute its efforts to the decisions and responsibility for action of the national and regional authorities.

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# The municipal authorities and the Baltic Sea Strategy – conditions for greater local involvement

By Ellinor Ivarsson, Tommy Holm and Fredrik Gunnarsson

*What are the conditions and the capacity of Swedish municipal authorities to contribution to realising the Baltic Sea Strategy? AND – what are the benefits? We do not know much about this at present, and with the current implementation system this is not a prioritised issue within the strategy. This is of course regrettable, but above all it may result in a significant weakening of the impact of measures at regional, national and international level. The time is right to make an improvement for the next programming period – not only by drawing up an inventory of the conditions and needs at the local level, but also by incorporating local operators into the strategy and its action plan. The Swedish Association of Local Authorities and Regions (SALAR) is keen to see a focus on these issues now during the Danish presidency, looking ahead to 2014-2020.*

In October 2009, during the Swedish presidency, the European Council adopted the conclusions for the European Union Strategy for the Baltic Sea Region. The strategy and its action plan are based on four pillars: *an environmentally sustainable region, a prosperous region, an accessible and attractive region and a safe and secure region* – with 15 priority areas and 80 or so “flagship projects”.

The realisation of the strategy requires a broad acceptance of responsibility in the ten Baltic States; the problems and challenges set out as well as the opportunities that exist around the Baltic Sea also affect all levels. The implementation of the strategy is shared among the countries, each of which is responsible for coordinating a specific priority area. In Sweden, this means that a large number of sectoral government authorities are deeply involved in the work, with county administrative boards and regions also playing a significant active role.

Collaboration around the Baltic Sea ought not to be a surprising priority for Sweden, with the longest coastline of all of the Baltic States - the future of the Baltic is a crucial, natural issue. Throughout history, sea routes have consistently been the natural form of contact with the continent and the rest of the world. The question is therefore not “WHETHER” Sweden has an interest in enhanced Baltic cooperation, the question should rather be “HOW” such cooperation should be structured and how commitment and involvement should be channelled to implement the strategy. There are certainly a number of good examples of local projects among Swedish municipalities within the framework of the strategy, especially in the field of safety in ports and at sea. Most indications are, however, that the strategy has not made a significant impression on municipalities. This is a problem, at least in a Swedish context, as the municipal level with its wide-ranging area of responsibility is a necessary player if the strategy is to be realised in Sweden. The most fundamental argument for this is that Swedish municipalities have the monopoly on planning for their territory.

The EU's budget and programming period for 2014-2020 is currently being negotiated. This represents a golden opportunity for necessary improvements to and links between the EU-funded programmes around the

Baltic Sea and the Baltic Sea Strategy's action plan – changes to create more direct integration of the local level into work on the strategy. In the rest of this article we will concentrate on the most obvious weaknesses and discuss possible solutions for implementation in the next period:

## **The inflated implementation plan: four pillars, 15 priorities, 80 flagships**

The diversity of the various parts of the strategy is extensive, and is obviously adapted according to the Baltic States' perceived challenges and needs. The problems around the Baltic Sea are both composite and multidimensional, and require that players at various levels and in various sectors contribute to the solutions. It is thus reasonable that responsibility be shared between the countries, as this enhances the conditions for joint commitment.

But there is reason to fear that the local level perceives the strategy and its implementation plan to be diffuse and inaccessible. The operational superstructure risks overshadowing the local “workshop” where the practical work has to be carried out. Problems and challenges are also combined at the local level – the level of pollution, for example, depends on the economic structure, transport systems and agricultural development. Dealing with these problems requires integrated strategies at a local level too, although in the worst cases they can be counteracted by the allocation of responsibility to several different players at the macro level.

## **The absence of a local “tone” in the strategy**

At present, far too little of the strategy has dealt with the role of the local level in the implementation process. By the same token, there is also a clear need for the local level to be involved in designing the structure of the various parts of the strategy. In its assessment of the Baltic Sea Strategy (June 2011), the Commission also mentions the need for greater involvement from local authorities, as well as increased visibility and a better degree of specification in the various parts of the strategy. These factors are of course interrelated and interdependent.

The strategy is, however, initiated at national and international level, and it is reasonable that the originators, the Commission and the Member States, take the initiative to achieve greater local adaptation of the strategy and its implementation.

## **Presence and absence of funding instruments**

No economic funding has been specially appropriated to implement the strategy. The idea expressed is rather that the strategy and the action plan should serve as important reference documents for existing funding instruments in the region, e.g. the EU's structural funds. In practice, it is above all the transnational Baltic Sea Region Programme that has served as a source of funding for initiatives within the framework of the strategy. There was, however, no explicit link to the strategy in the Baltic Sea Programme when the programme was planned and written to begin back in 2007, two years before the strategy appeared. The

money in the programme is now also running out, limiting the opportunities for external funding of local development work.

The ambition – that the strategy's priorities shall show how to use existing sources of funding – might be a good one, but it is not working in practice. Ahead of the next programming period, strategy (objective) should be linked specifically to programme (funds).

#### **Enhancement of implementation structures**

In its assessment, the Commission recommends that the implementation structures be further enhanced – both financially and in terms of personnel. National coordination committees and contact points are also recommended for the 15 priority areas. For these suggestions to be of practical significance, they should be integrated into the countries' basic structures of authority and administration.

The conclusion is a wise approach, if the strategy is to be realised, basic authority structures must incorporate procedures and work methods into their routine operations. But as the strategy is based on work at several levels, the risk remains that the strategy will be an activity alongside the routine operations of regional and local operators. Measures are therefore required that require initiatives at the local level, that "capture" the planning responsibility of municipalities and that are based on the location-based/local element. In 2010, the action plan was given a new, so-called "horizontal activity", the purpose of which was precisely to enhance both the strategic planning capability among authorities concerned and the dialogue between different levels. Experiences from this "horizontal activity" must naturally form the basis of planning implementation for 2014-2020.

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## The EU Strategy for the Baltic Sea Region – "business as usual" in the EU?

By Colin Wolfe and Malgorzata Pekala

Macro-regional strategies and their maritime cousins, sea-basin strategies, are relatively recent concepts. For a long time there was limited reflection on cooperation at a level between the overall EU-27 dimension and national level. Although territorial cooperation is now over 20 years old, its focus had largely been cross-border. Only more recently had thought and resources been given to transnational programmes.

This changed with the arrival of serious consideration for the macro-regional approach. It responded to several new elements: 27 EU Member States needed flexibility to deal with issues that demanded cooperation attention, but did not necessarily engage the whole EU territory. The issues themselves – environment, risk prevention, climate change, connectivity, global competitiveness – clearly needed policy responses and concrete actions to go beyond national borders. The themes were often interrelated – progress e.g. on energy required consideration of environmental and security issues, and demanded a territorial and integrated approach. The macro-regional concept provided this, and also the potential to mobilise common policy making and common funding for common goals.

This all makes macro-regional strategies very different from previous work. The European Parliament recognised this with their initial report on the need for an EU Baltic approach. Inspired by this, the Council requested an EU Strategy for the Baltic Sea Region, to which the Commission responded by substantial consultation in the Region and mobilisation of relevant experts and services. In turn, this brought a change of mindset, encouraging a macro-regional perspective going beyond previous thematic and geographic boundaries. This has been the most innovative feature of the work institutionally, and has required considerable effort. Making a macro-regional strategy is not "business as usual". Indeed, more reflection in (re-) shaping this approach is still needed.

**In respect of policy development**, two years into implementation the Strategy has substantially improved coherence across EU sectoral policies. The first results can be seen – more responsive regional approaches to fisheries management, better integration of maritime surveillance. The Commission now monitors new policy processes, regulations and programmes from the Baltic regional perspective, ensuring that the macro-regional dimension is present. Moreover Member States will in future reinforce this process through sectoral Councils reflecting on the Strategy as a need arises. The macro-regional approach should also be evident in the national policies of Member States.

**In respect of funding**, since the Strategy came with no additional resources, it seeks to align existing EU, national, and other funding in the Region, to ensure synergies and avoid duplication. Since it was the middle of the current EU programming period when the Strategy appeared, this was a major innovative challenge. Work is still needed. Now as preparation for a new programming period 2014-2020 begins, this can be more systematically addressed, since the Commission's proposals takes the concept more fully into account. Both: macro-regional and sea-basin approaches must systematically be included in all programme negotiations.

**In respect of administration**, the Strategy came with no new institutions. Instead the Strategy promotes, strengthens and coordinates existing cooperation and networks in the Region. It creates a framework for more intensive interaction among diverse partners, and reinforces this process through several groups of key actors. This has encouraged a major change in thinking, for the Commission as well as others. The frame requires open people, and creative approaches. Maintaining the commitment of political leaders to this more flexible way of working is also crucial.

**The Strategy also emphasizes wide participation**, including private sector, non-EU countries and regional and international organisations. The "State of the Region Report 2011"<sup>1</sup> notes that the Baltic private sector's engagement remains limited, in particular in relation to competitiveness-related projects, but the openness is there. The Strategy is now also (re-) focusing on cooperation with non-EU countries, especially on intensifying work with Russia. It is enlarging cooperation as well with regional and international bodies, such as the Nordic Council of Ministers and the Helsinki Commission (HELCOM).

Indeed the EU Strategy for the Baltic Sea Region is not "business as usual". However, two years into the implementation phase it provides a strong new frame for comprehensive Baltic Region development. There are concrete achievements, even as challenges remain. The "new business" is working.

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<sup>1</sup> "State of the Region Report 2011: The Top of Europe's Quest for Resilience: A Competitive Region Facing a Fragile Global Economy"; <http://www.bsr2011.eu/wp-content/uploads/2011/10/State-of-Region-Report-2011-Section-B-CLEAN-09-23-11.pdf>

## The European Union Strategy for the Baltic Sea Region – where do we stand today?

By Janne Jõesaar-Ruusalu

The EU Strategy for the Baltic Sea Region, endorsed by the European Council in 2009 under the Swedish EU Presidency, has its roots in the European Parliament, where among the initiators were the current President of the Republic of Estonia Toomas Hendrik Ilves and the current minister for European Affairs and Foreign Trade of the Republic of Finland Alexander Stubb, then members of the European Parliament. The Strategy is aimed at using a variety of already existing institutions, legislation, and funding sources to boost and enhance cooperation in the region. The Strategy covers eight EU member countries: Finland, Sweden, Denmark, Poland, Estonia, Latvia, Lithuania, and Germany, which all share the aspiration to make our region's environment cleaner, connections better, and to increase competitiveness and prosperity.

By now a clear political framework has been designed in accordance with Europe 2020 priorities and objectives. It is crucial that the political support for the Strategy be maintained and further enhanced at all levels – EU, national, regional and local.

We have now two years' experience in the implementation phase of the Strategy. The Strategy currently has 15 priority areas and Estonia is in charge of coordinating the internal market policy area. We can identify many ways to remove the hindrances to the internal market and thus increase competitiveness: interoperable IT solutions (including the establishment of the commonly recognized systems of e-payments and e-invoices), recognition of professional qualifications, establishment of a network of research institutions, identification and removal of legislative barriers, development of transport and energy infrastructures, etc. The added value here could pave the way for trans-European solutions as well.

As several of the challenges facing the region – particularly in the environmental field – embrace a wider area than is covered by the eight Strategy member states, the other countries in the region – Norway, Iceland, and Russia – are involved as well. There are several platforms for working with these countries: HELCOM, the Northern Dimension, the Nordic Council of Ministers, and the Council of the Baltic Sea States.

Last summer the first review process was launched and the European Commission presented a report on the implementation of the Strategy. In autumn the EU member states adopted Council conclusions based on this report. The first lessons learned have been defined and future plans have been made.

One of the lessons learned is the need for more clarification on the roles and responsibilities of the different stakeholders – the European Commission, member states, coordinators of the priority areas, and others. We need to have a common understanding among ourselves regarding what to expect from each other.

The other important lesson is that the Strategy should be better explained and visible for all the partners, be they local municipalities, universities, NGOs, or others. Tallinn University recently organized a conference on the partnership between the state, universities and local municipalities within the Strategy, during which different approaches to the Strategy were discussed and the overall meaning of the Strategy was elaborated for the partners. These kinds of conferences act as a vital line of communication. Cooperation with the private sector is also an area that needs further exploration.

How can we evaluate whether the Strategy has been successful? At the moment, this is one of the most important topics being discussed by the states involved. The plan is to set very clear objectives and indicators. For example, when we talk about the removal of internal market barriers, then a specific and measurable goal for us could be to increase the volume of cross-border services.

The Strategy is not an isolated thing; it is developing along with the region. The Strategy's first Action Plan, which was adopted in 2009 and includes about 80 different projects, is in many ways exhausted and needs a thorough examination. There is a need to set aside projects that for various reasons have not worked and add new, viable ones. The Action Plan is the "flesh on the bones" of the Strategy and the review process requires a lot of attention. The goal should be for the included projects to be strategic processes rather than short-term projects, and for them to be viable and likely to find funding for implementation. We have now entered a crucial phase of discussions and negotiations on the next EU programming period from 2014-2020. When planning the different national and EU funds, the Baltic Sea Strategy and its Action Plan should serve as guidelines.

When cooperation within the region improves, the whole region and each country separately will benefit from it. A lot of the projects can be never implemented by one state alone. The Baltic Sea Strategy helps us sharpen our vision, see more clearly into the future and shape it according to our ideas of the future Baltic Sea Region.

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# The EU Strategy for the Baltic Sea Region in 2012 – implementation challenges

By Rikard Bengtsson

Two and a half years after the decision to launch the EU strategy for the Baltic Sea region (EUSBSR), the strategy has largely moved out of the political limelight as a new model for sub-regional cooperation, instead taking on a technical posture about implementation of concrete projects. In terms of success and value-added, the first reviews and progress reports amount to a mixed picture. Certain projects and sectors have advanced quite far, others are lagging behind. The emerging picture also holds indications about the major stumbling blocks ahead. Four challenges stand out as crucial for the future relevance of the strategy. Three of these (withering political commitment, unclear financial preconditions and weak governance mechanisms) are generic to the format of macro-regional strategies in the EU context (summarized in the often-cited three No's – no new institutions, no new/specific funding, no new legislation). The fourth challenge (external dependence) is of special kind in the Baltic Sea case given the centrality of Russia for the future development of the region.

## Political commitment

The political role of the EUSBSR is changing. The strategy was widely heralded as a novel instrument for functional cooperation and received substantial political attention in 2008 and 2009 (also due to new forms of policy preparation and public consultation). Once decided, the political attention at the EU level has largely shifted elsewhere. As other strategies are now being developed and implemented, the focus of the EUSBSR has become primarily administrative. Thus, a first key challenge in the near future is to retain the political commitment and interest in the strategy and in the region. Significantly, it is not only the weakening political attention at the central EU level that is troublesome, but also the uneven commitment among the states of the region itself. Already in the Nordic circle of countries, one finds variation in terms of weight attached to Baltic Sea cooperation relative to other (sub)regional issues.

## Adequate funding

Adequate funding for implementation remains a second challenge. The key principle for the macro-regional construction is one of no designated funding schemes but rather alignment of existing funds at EU, national and regional levels. Relying on available structural funds is far from unproblematic, however. Beyond a potential crowding out effect against the background that the agendas of the macro-regional strategy and the structural funds programs do not completely overlap, there is also the issue of the degree to which the character of the structural funds corresponds to the needs of agents of EUSBSR cooperation. More specifically, a number of problems have been identified, including cumbersome and inflexible application processes, preclusion of private sector involvement, and the transnational dimension being largely absent. But to be sure, the funding issue is only partly about securing centralized EU funding, including the use of existing means in the form of structural funds. It is also necessary to align national funding programs along the ambitions of the strategy.

## Governance

A third set of challenges concerns the governance of the strategy, specifically regarding relations between member-states and the Commission and the involvement of sub-national and non-state actors. The Commission has taken on a lead role in the preparation and first review of the strategy and also holds an operative role in the horizontal actions. It has,

however, been unwilling to take on a strategic leadership role in the sense of making decisive priorities among issues and actors, instead promoting an all-encompassing approach to allow the strategy to grow organically from within the region. While there may be positive aspects to that in terms of legitimacy as well as functionality, it will most likely result in a wild-grown and disparate strategy with a diffuse profile and unclear value-added. This implies, however, a political opportunity for the states of the region to claim ownership of the strategy. For that to materialize, greater concerted political attention among the capitals of the region would be needed.

A crucial aspect of implementation concerns the involvement of sub-national actors, not least of civil society and business actors, which has thus far been underdeveloped. Numerous calls have been made for expanding the involvement of non-governmental actors in the strategy. This is necessary in terms of operative implementation of existing actions and project plans. It is equally important, however, in terms of the future profile of the strategy – broader involvement may bring new ideas both about new priority areas and about how to deal with existing and new areas. Beyond this functional aspect, greater involvement also renders the strategy greater legitimacy as an integral approach for interaction in the region, and as a model for other contexts.

## Built-in vulnerability

Fourthly, implementing the EUSBSR is challenged by the dependence on external actors with partly independent legacies, mandates and agendas. This is evident in reliance on independent intergovernmental and non-governmental bodies for implementation, but also crucial regarding the engagement of Russia. Most of what the strategy attempts to contribute to will ultimately and effectively be determined by Russia, given the cross-border nature of issues. Russia's limited engagement thus far reflects two intertwined logics. One is that the EU decided to develop the strategy as an EU-internal strategy despite the interdependent nature of the problems that the strategy seeks to address, and moreover, kept Russia outside strategic governance aspects of the strategy. The other side of the story is that the commitment of Russia towards the EUSBSR as such seems weak, although some of the topics covered by the strategy are of substantial interest to Russia, including environmental issues and maritime safety. In the end, Baltic Sea issues are subordinate to Russia's general bilateral cooperation with the EU, and as such also vulnerable to overall developments of that relationship.

In concluding, a number of positive signs emanate from the first years of EUSBSR implementation, while the set-up and early operation also displays generic weaknesses. What can be concluded is that the long-term relevance and added value of the strategy is challenged from different corners, to be dealt with at the EU level but importantly also within the region.

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# The EU Baltic Sea Region Programme as major start-up support to the EU Strategy for the Baltic Sea Region

By Eeva Rantama

Since 2007, 80 transnational cooperation projects in the fields of innovation, transport, Baltic Sea environment and regional development have been co-financed by the Baltic Sea Region Programme 2007 – 2013. The Programme, covering 11 countries around the Baltic Sea, is one of the transnational cooperation programmes under the Territorial Cooperation Objective of the European Community. It is financed by the European Development Fund (ERDF), the European Neighbourhood and Partnership Instrument (ENPI) and Norwegian national funding with a total of 220 Million EUR.

The first macro-regional strategy of the EU, the Baltic Sea Region Strategy was adopted by the European Commission in June 2009. The Strategy was launched without establishment of new institutions, new funding or legislation. The idea was that the existing funding instruments in the region would support the implementation of the Strategy. The EU Commission asked in particular the ERDF co-financed programmes to support the implementation process by granting funds to the projects that correspond to the objectives of the Strategy. The aim was to get especially the so called flagship projects started as soon as possible.

As the Baltic Sea Region Programme priorities were already very much in line with the priority areas of the Strategy many flagship project promoters quickly discovered the Programme as a suitable financing instrument for transnational activities. At the same time priority area coordinators of the Strategy discovered many already running projects of the Programme as relevant flagships. Such projects were for example *EfficienSea* developing e-navigation, *COHIBA* identifying sources and inputs of hazardous substances to the Baltic Sea, the Baltic Sea Labour Network project *BSLN* as well as the *Bioenergy Promotion* project.

Now when Programme funds are almost exhausted half of the Programme's 80 projects demonstrate a clear link to the Strategy. These include 14 flagship projects and 27 projects that are a part of a bigger flagship or so called "strategic" or "horizontal" actions of the Strategy's Action Plan. The ERDF funding of these projects is 108 Million EUR. That means that 55 % of the Programme ERDF funding goes to projects implementing the Strategy. The figures will still slightly increase as the final call of the Programme is focused on "horizontal actions" of the Strategy i.e. multi-level governance and Baltic Sea region branding.

When looking back to the two first years of Strategy's implementation one can say that the Baltic Sea Region Programme practically made its start possible. Even if some flagship project promoters were somewhat irritated about the technical requirements of the Programme, the Programme seemed to offer a functioning instrument to finance the transnational cooperation needed to get the Strategy's implementation started. Frequently used examples to demonstrate achievements of the Strategy are for instance the Baltic Sea Region Programme projects *Baltic Deal* developing good practices in agriculture for less nutrient leakages into the Baltic Sea, and the project *StarDust* as the starting phase for Baltic Sea region Programme for innovation, clusters and SME-networks. At the same time it has turned out to be difficult to align financing of any national programmes to transnational projects under the Strategy.

The Baltic Sea Region Programme has also in its turn gained from the Strategy. It is one of the main challenges for territorial cooperation programme projects to achieve enough visibility and acknowledgment by national and EU level policy makers in order to secure durability of projects' outcomes. It is true that many of the flagship projects co-funded by the Programme would have existed even without the Strategy. Yet the Strategy has offered new platforms to increase the visibility and relevance of these projects. The connection to the Strategy also seemed to mobilize additional resources devoted to the projects. It is therefore expected that the impact of these projects will be higher than it would have been without the Strategy.

The discussion about the next Structural Funds period is in full swing. In the first version of the published draft EU regulations there is a link between macro-regional strategies and territorial cooperation programmes. Currently there are still several open questions regarding the practical meaning of this link.

One of the core questions for the future Baltic Sea Region Programme is how far its thematic priorities are expected to be in line with the Strategy and if there will be a possibility to co-fund also transnational projects not in the focus of the Strategy. From the Strategy point of view the question is how far further financing instruments like national programmes will be aligned to the implementation of the Strategy. The financial volume of the future Baltic Sea Region Programme will remain very modest compared to the volume of other financing instruments in the region. Furthermore, the Baltic Sea Region Programme in its established form is well suitable for financing transnational cooperation in particular in its starting phase searching for joint solutions to common challenges. Other financing sources need to take over however for instance when the cooperation aims at major investments.

Secondly, the question is how the cooperation between the Programme management bodies and the priority area coordinators of the Strategy should and could work. During the current period priority area coordinators weakly responded to the Programme secretariat's invitations to events supporting project development. The reason may be the lack of personal resources by the priority area coordinators and the lack of experience of such cooperation. Ideally, priority area coordinators together with the Programme secretariat would support the development of strategically relevant good quality transnational projects in the region. The priority area coordinators would bring the expertise in their field and the respective networks in the Baltic Sea region for finding relevant partners. The role of the Programme secretariat would then be to offer its technical knowledge of the Programme requirements and the experience of prerequisites for a functioning transnational project.

A third question is the cooperation with Russia as an important partner in the development of the Baltic Sea region. Unfortunately, an agreement with Russia for the Baltic Sea Region Programme funding failed in the current period. So far, Russia stayed away from the Strategy's implementation as well. Lately, however, the EU Commission increased their efforts to include Russia. Russia will be a partner also in the preparations for the new Baltic Sea Region Programme. One can hope that lessons were learned from the previous preparations. Practical solutions and an agreement for financing Russian project partners should be found this time.

Clear guidance from the EU Commission on what is expected from the programmes is a prerequisite to find solutions for effective Strategy implementation in the future. Continuing political support to the implementation of the Strategy in the Baltic Sea region countries will be another success factor. Furthermore, the practical links between the Strategy and the future Baltic Sea Region Programme should be set-up in a dialog between the implementing bodies of the Strategy, in particular priority area coordinators, and the Programme bodies.

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## Research collaboration – a way to turn grand challenges into opportunities

By Gunnel Gustafsson

Placing today's developments in perspective, the grand challenges of our time are visible along several main lines – economic instability, climate change, pandemics and security threats. From a research and innovation policy perspective, one of our main challenges is that while the key drivers behind the grand challenges are global and complex, contemporary policy instruments for funding research and innovation are in most cases national and sector-based.

### A Nordic policy window for research and innovation

The establishment of the Nordic Research and Innovation Area (NORIA) in 2005 came in response to an important policy window. The ambition was to respond to societal problems with the help of research and innovation, to facilitate the use of knowledge in practice and to accomplish innovation and growth. Therefore two new organizations, NordForsk (Nordic Research) and Nordic Innovation, were established. They were given the task to facilitate collaboration between the five Nordic countries. Shortly thereafter, in 2007, the prime ministers of Denmark, Finland, Iceland, Norway and Sweden decided to launch several initiatives in order to make the most of the opportunities associated with globalization. One of these globalization initiatives, the Top-level Research Initiative within climate, energy and the environment started in 2008 and focuses on research and innovation. With a budget of 56 M Euros over a five-year-period, it is the largest collaboration initiative within the formal Nordic cooperation up to date.

### Thinking globally – acting regionally

Although grand challenges are global, a regional path is also needed taking into account how the challenges might take on different regional expressions. As pointed out by Jerzy Langer in Research Europe (January 2011), the Top-level Research Initiative is a result of common political will to contribute to solving global challenges on a regional level. As such, this initiative has taken the Nordic countries beyond the planning phase and into the realization phase of solving the global challenges.

It can be claimed that a common and broad perception of global challenges is needed in order for actions like the Top-level Research Initiative to take place. A new consciousness in the Nordic region, based on the awareness of global warming and scarcity has paved the way for a new mindset that takes into account global vulnerability. This was expressed in the Lund Declaration from 2009, where the need to tackle the grand challenges was expressed.

As argued in a recent report from the Top-level Research Initiative, written by Gudmund Hernes, an ecological revolution is now emerging in how human beings perceive the use of Mother Earth. This multidimensional new mindset has come as a response to nuclear accidents, flooding, terrorism etc. In essence it means that it is now believed that human beings determine the conditions of earth, not vice versa, and that irreversible changes may occur in an alarmingly fragile nature.

A Nordic lesson learned so far is that a precondition for action is the existence and continuous creation of common cultural values and trust, alongside with attempts to lower the degree of political and administrative fragmentation. With regard to collaboration on research and innovation, this is reflected in trust building processes for quality assurance such as peer review and establishment of critical mass in small or scattered areas with the potential for creating benefits.

### NordForsk – a Nordic platform for research collaboration

With the establishment of NordForsk in 2005, the Nordic Council of Ministers aimed at enhancing the coordination of research and research-driven innovation on these and other issues. The aim of the organization is to facilitate cooperation in all fields of research and research-driven innovation when this adds value to the work being conducted in the Nordic countries.

Over time NordForsk has developed a comprehensive research agenda and shifted towards larger strategic initiatives. Priorities for the period 2011-14 fall within the areas of research infrastructure collaboration, building Norden-EU relations, funding of research collaboration and providing policy analysis. Some of NordForsk's new initiatives should be highlighted. The sharing of research infrastructure across borders and access to data constitutes Nordic strength. Since 2011, the Nordic eScience initiative and the Nordic Data Grid Facility are hosted by NordForsk. Another area of great importance is health and welfare, where the Nordic region has competence and possesses data and health registers from a large number of the population. These registers form the basis for urgently important knowledge production in response to grand challenges. NordForsk will 2012 begin to develop a joint programme on health and welfare. Lastly, the Nordic countries are knowledge-intensive societies. The performance and international attractiveness at all levels of the educational systems are therefore a political priority. Currently, NordForsk is launching a major initiative within Educational research.

In an increasingly globalized and at the same time fragmented world, we trust that Norden has the potential to become a strong region in Europe. These recent initiatives reflect how the Nordic countries join forces aiming at a more systematic and ambitious coordination of research and innovation, and how regional collaboration can be one step in the right direction towards turning societal challenges into opportunities.

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## The role of science in Russia's modernisation

By Levan Mindeli

The process of modernising Russia is understood as a strategy of renovation, the elimination of backwardness, achievement of an up-to-date level of competitiveness comparable to advanced countries, sustainable rates of social and economic development, high living standards, expanded reproduction of the human potential, respect for nature, protection of citizens' rights, and development of democracy and law and order. The orientation of the country to modernisation is associated with radical transformations in the social structure, political activities, public psychology, and other areas of social life. All this suggests organic inclusion of the national economy in the world's newest innovation processes, integration into the global economy, intensive use of a wide range of innovations in all areas of society that are impossible without appropriate investments, close interaction between the government and business, and the optimal use of results of scientific, technological, and intellectual activities.

So far, Russia has better positions in research activities than in their further implementation in the form of know-how, industrial prototypes, and trademarks (for example, by 2010 the gap between technology imports and exports amounted to 22.4 billion roubles, whereas by 2007 it had been 11.9 billion roubles). Thus, the field of foreign trade in technology reflects the old disease of the Russian economy: an excessively long path from research to applied development and especially to introduction into production. For its part, the sector of knowledge generation must be capable to flexibly respond to new global trends and needs of the national economy and society, to ensure close co-operation between the research sector and higher education, as well as to effectively implement commercialisation of new technological solutions.

Achieving the purposes of modernisation is possible only on the basis of scientific knowledge, the intellectual capital of society and its creative potential, a system of efficient training of R&D personnel and skilled technicians. However, the most serious problem in Russia is the lack of demand for R&D results from the business enterprise sector of the economy, which will negatively affect the timing of the modernisation. Results proposed by R&D institutions, even those at the global level, find no application because of low overall receptivity to innovation in Russia. Private businesses are reluctant to innovative industries, finding more profitable areas of investment. The lack of incentives and weak competition constrain the redistribution of capital from the primary industries into high technology production and the use of new technologies and the introduction of innovation products. As a consequence, the chronic depletion of the range of exports is a dangerous trend for Russia, as the principal place belongs to hydrocarbons, while the share of high-tech products is only about 9 per cent, mainly the export of arms. It should also be noted that revenues from the export of raw materials can and should be directed to the production sector and contribute to its innovative development. However, we cannot rely solely on the importation of foreign

technologies. Without planning and implementing our own technological breakthroughs it is impossible to modernise Russia, in our opinion.

As the international experience shows, successful modernisation requires common will and understanding of the goals of this process in society at large, not limiting to individual representatives of the state power. However, the so-called manual control cannot be completely excluded. Russia is a specific country with its largely unique history of development, in which the human factor has always played a significant role (just to remember Ivan the Terrible, Peter the Great, Vladimir Lenin, Mikhail Gorbachev, and Boris Yeltsin). The transfer of foreign experiences onto the Russian soil should be very careful because it is necessary to consider both the particular environment where they were formed (Western European, American, etc.), and Russian specifics. This also applies to the projects existing in government circles to shift the centre of gravity of scientific research for solving the problems of modernisation into educational structures that have not yet the necessary infrastructure for these purposes and, which is even more important, scientific schools (that, as well known, provide the basis of research activities and are being formed for decades). The sample is taken from the United States possessing the network of universities that perform the lion's share of basic research, and national academies are voluntary public associations that do not receive budget funding. Science in Western Europe (and later in the United States) has historically occurred at universities as research and education complexes. The Russian Academy of Sciences was an initiative of Peter the Great as exactly a *research institution*. And so far here, in spite of all past and present problems, the most qualified and internationally recognised research workforce is concentrated. It appears that government policy should be aimed at enhancing the role of basic research in solving the problems of modernisation, and the academy sector should maintain its position as the leading research centre in the country.

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# Multi-dimensional challenges and governance in the Baltic Sea region

By Jan Widberg

The future path of the Baltic Sea Region holds numerous opportunities, but also continuous challenges: environmental threats, economic disparities, imbalances in social welfare, pockets of poor health and social well-being, infrastructural deficiencies. Perhaps the core challenge of the Region is to develop its economic potential for the sake of prosperity and social welfare, while at the same time restoring and protecting environmental sustainability. Further progress in and of the Region will be achieved only by working more closely together and making sure that all major stakeholders in the Region are on board.

It is of decisive importance to acknowledge that there indeed is a multitude of potentials to be harvested from a more integrated Region, both internally and externally. Stronger cooperation in the fields of economy, energy, infrastructure, and the promotion of a common labour market with fair conditions for industry and labour, will strengthen the Region's competitiveness in a wider European and also global scale.

Cooperation on health and social welfare issues will reinforce social well-being throughout the Region, which is a basic precondition for an inclusive democracy and economic growth. Cooperation on education and research will help boosting the intellectual excellence of the whole Region. Cooperation in the fight against crime and corruption will make the Region a safer home for its citizens. Frequent personal encounters and tourism promotes an understanding of the common cultural heritage and nurtures a sense of togetherness. Therefore, it is necessary to facilitate mobility within the Region and to tear down administrative and physical hurdles, such as visa restrictions, for an unimpeded movement of people and enterprises. This is especially pertinent in border regions with a coherent economic-geographic character.

A large number of collaborative organizations and institutions have sprung up over the years, fostering joint endeavours for the benefit of the Region and its citizens. The track record of cooperation so far is satisfactory, yet there is still a long road to travel before the Baltic Sea Region can be seen as fully cohesive. A basic tenet of enhanced cooperation in the Region, and thus cohesion, is to encourage the evolution of a deliberate division of labour between stakeholders, aiming at strengthening their comparative advantages and, by synergies, their combined capacity to manage the challenges of the Region.

An open and all-embracing political dialogue is an inherent component of the overall development of the Region. The BSPC, for instance, with Russian Chairmanship in 2011-2012, gathers parliamentarians from altogether 27 parliaments and parliamentary organizations around the Baltic Sea. BSPC constitutes a platform for a candid political debate, which is a prerequisite for the pursuit of pragmatic approaches and compromises to complex issues. Hence, BSPC contributes to a transparent, democratic and progressive political process, as well as to practical solutions, in the Baltic Sea Region.

By and large, economic resources are available, albeit through different funding channels. Since the overarching objectives of the major strategies of the Region coincide to some extent, there are synergies that can be harvested in the coordination and implementation of strategies. It is therefore important to bring sharper clarity over the availability of various financial resources, and to use them flexibly and efficiently. Various funding channels must be better aligned, and access to funds should be widened and facilitated for all stakeholders of the Region. This would support a development of projects and approaches which is based on the nature of the

challenges, regardless of their geographical distribution, and not on administrative divisions.

A successful management of the challenges of the Region also requires an innovative mode of regional governance. Governance, in this context, refers to a flexible and pragmatic pattern of interaction for information exchange and cooperation between stakeholders, which can contribute to clarity and an overview over activities and resources, and boost their individual and collective impact - in accordance with the venerable formula that the whole is greater than the sum of its parts.

Against this background, the concept of multi-level governance is constructive. It implies an interaction between stakeholders on a vertical axis - national, regional, local, and civic. It should also be supplemented by a horizontal dimension, one which embraces multi-sectoral governance in order to integrate various policy sectors into a holistic approach. Challenges are not only transcending territorial borders; they are also spilling over sectoral boundaries. Such a view is intrinsic to the macroregional concept, as well as to the holistic strategies of e.g. Integrated Maritime Policy and Marine Spatial Planning.

This adds up to what can be called a multi-dimensional mode of governance in the Region. Commendable efforts have already been launched to support such patterns of interaction: The Forum for the EU Strategy for the Baltic Sea Region is one, the Northern Dimension Parliamentary Forum another. They are serving as a kind of town hall meetings, where citizens, experts and decision-makers can congregate and exchange opinions and ideas. Perhaps they should also be complemented with a more condensed working meeting format, a sort of a recurrent round table of chairmen of the organizations in the Region, in order to pursue hands-on discussions on how to complement each other's competencies, promote a division of labour, and synchronize agendas and priorities.

At the end of the day, though, the value and success of cooperation in the Baltic Sea Region will be judged by its capacity to improve the welfare - in a wide sense - of the citizens of the region. Strategies and programmes win credibility both from the sense of participation that citizens experience during their preparation and implementation, and from their ability to deliver tangible and positive results in people's everyday life. A sincere and expanded dialogue with citizens, NGOs, civic organizations and others should therefore be an integral part of cooperation and governance in the Baltic Sea Region.

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## CPMR Baltic Sea Commission as a developer of the Baltic Sea Area

By Janne Tamminen

The Conference of Peripheral Maritime Regions (CPMR) is a European think-tank and lobbying organisation of more than 160 Member Regions from 28 countries. It was founded in 1973 in Brittany, France, on the basis of three issues, a need for greater involvement of the Regions in European integration, disparities in competitiveness between the central part of Europe and its peripheries and insufficient enhancement of Europe's maritime interfaces. The decision-makers in the CPMR are elected politicians from Member Regions.

The Baltic Sea Commission (BSC) was founded in 1996 and it is one of the six regional Commissions of the CPMR. In those days the Baltic Sea Region had experienced a huge transformation after the collapse of the USSR. European integration was accelerating and several challenges such as social diversion, insufficient infrastructure and environmental threats had even greater importance than before. Today the Baltic Sea Commission gathers 26 Regions in seven countries around the Baltic Sea and Norway.

The main activities of the CPMR Baltic Sea Commission include Cohesion Policy, EU 2020, Maritime Issues, Transport Issues, Neighbourhood Policy, Energy and Climate Change. Some of these sectors have a specific working group. In this article I will highlight some of the main issues that are currently on the agenda of the Baltic Sea Commission.

### BSC and the EU Strategy for the Baltic Sea Region

The Baltic Sea Commission has actively taken part, from the first stages, in the elaboration of the EU Strategy for the Baltic Sea Region (EUSBSR). As the first of a series of macro-regional strategies where the territorial approach is new, the Baltic Sea Strategy has great expectations. Our objective here has been to emphasise the concrete meaning and the contribution of the EUSBSR for our Member Regions, and to encourage Member Regions to actively take part in the implementation. Several Regions that are Members of the Baltic Sea Commission have a very active role on the Baltic Sea Strategy.

The EUSBSR is aiming at developing a prosperous, sustainable, attractive, accessible and safe and secure Region. This will be achieved through a clear focus on 15 priority areas and 13 horizontal actions. One of the horizontal actions is to strengthen multi-level governance to create a stronger implementation capacity for the EUSBSR.

### Maritime and transport issues are crucial for peripheral maritime regions

Maritime issues also constitute one of our key priorities, because the sea basin dimension is very important for the organisation. The CPMR has supported the European Commission in shaping the Integrated Maritime Policy (IMP). The Baltic Sea Commission will be involved together with the CPMR in specific technical and political initiatives concerning the re-launching of a new policy cycle of the IMP.

Maritime Spatial Planning is expected to be an efficient new tool which has potential to deal with a number of issues related to sustainable use of the seas in the Baltic Sea basin. Maritime Spatial Planning (MSP) and Integrated Coastal Zone Management (ICZM) have had a great importance in the work of BSC.

Regions dealing with spatial planning and development issues also see a clear need for transparency, predictability, coherence and stability to support the planning and management of coastal sea areas in the interest of sustainable

economic growth. A key aspect of this is the interaction between regional, national and EU level planning, as well as EU level mechanisms that ensure coherence across borders.

MSP and ICZM are about organising the coexistence of competing objectives in coastal areas and at sea. That includes economic, environmental, social and cultural objectives. Cross-border cooperation of these areas has a strong significance. Efficient planning of activities has crucial importance for coastal Regions.

Also other issues on maritime fields are appearing on the agenda of the BSC in line with the EU agenda and the action of the CPMR in general. Maritime safety, fisheries or shipbuilding has great importance for several BSC Member Regions.

Due to their location being far away from the European core area, the question of accessibility is crucial for the Regions around Baltic Sea. Many of them are strongly dependent on maritime transportation. The BSC actively follows EU Transport Policy. The main issue has been the revision of the Trans-European Transport Network (TEN-T). At macro-regional level, the BSC will continue to cooperate with relevant transport projects under the Interreg Baltic Sea Programme, and we will also follow the EUSBSR in transport issues.

### Towards increasing cooperation around the Baltic Sea

All countries around the Baltic Sea belong to the EU except Russia. However links with Russia are one of the key issues of the BSC. The importance of Russia will rapidly grow in the near future, and it will have a big influence on economic development, maritime issues, transport etc. More contacts and cooperation with Russian Regions in Baltic Sea area are needed. Many Regions and cities already have their bilateral relationships with Russian partners and we are rather optimistic to raise more cooperation also through organisations.

Around the Baltic Sea there are a plenty of organisations and some of them work on rather similar issues. The CPMR Baltic Sea Commission will be developing cooperation with other Baltic Sea organisations. Cooperation is necessary and it will increase. Initiatives are taken to organise joint events and adapt joint papers. However, each of the Baltic Sea Area organisations has its own place. All the organisations have their own history, different kinds of Members and structure and their own working methods. That's why I think there will continue to be several Baltic Sea organisations in the future too. If we take a look at the EUSBSR and the idea of macro-regional strategies I think that the large amount of operators testifies the high level of activity within the area.

The CPMR Baltic Sea Commission is a forum for the gathering of politicians and experts of its Member Regions. We collaborate for the success of Baltic Sea Area. In the global context most of the regions around the Baltic Sea are relatively small, but the whole Baltic Sea Area collaborating together will be an attractive and competitive entirety.

Janne Tamminen

Executive Secretary

CPMR Baltic Sea Commission



# NDEP – a partnership delivering concrete results for the Baltic and Barents Seas

By Jaakko Henttonen

**The Northern Dimension Environmental Partnership (NDEP)** celebrated its 10th Anniversary in June 2011 at the premises of its most committed client, SUE “Vodokanal St Petersburg” with high level international attendance. “The NDEP is a real – one might say the biggest – success story of cooperation between the European Union, the Russian Federation and other countries in Northern Europe”, stated Mr Paavo Lipponen, former Prime Minister of Finland, in his opening address.

The success of NDEP lies in its ability to implement concrete projects to improve the environment of the Baltic and Barents Sea regions which make up the Northern Dimension Area (NDA). There are many initiatives in these regions promoting environmental sustainability but ultimately, it is the concrete results that matter.

## Concrete results

The NDEP was set up in 2001 to address some of the most pressing ecological problems in the NDA. Of particular concern was the nuclear legacy of the Russian Northern Fleet, poor wastewater treatment, lack of energy efficiency and inadequate management of municipal and agricultural solid waste - initially in north-west Russia (including Kaliningrad) and also more recently in northern Belarus.

At the start of 2012 the NDEP portfolio has 28 concrete projects which, once implemented, will deliver significant pollution reductions in the Northern Dimension region. Phosphorous will be cut by 2,300 tonnes per annum (HELCOM target for Russia is 2,500 tonnes per annum). Nitrogen will be reduced by 7,600 tonnes per annum (HELCOM target for Russia 6,970 tonnes per annum). Carbon dioxide emissions will be cut by over 400,000 tonnes per annum. Thanks to NDEP co-financed projects, the city of St Petersburg is set to reach 98% efficiency in wastewater treatment by 2015. The NDEP Nuclear Safety window has 10 projects fully grant funded to address the safe storage and transportation of the spent nuclear fuel in the Kola Peninsular, including the decommissioning of the “Lepse” ship presently moored in Murmansk.

## Formula for success

By means of its high level political profile, the NDEP has managed to pool **substantial financial contributions** in excess of EUR 330 million from the European Union, Russia, Belarus and ten other countries (see Table below).

NDEP Support Fund in 2011		
Environmental		Nuclear
€44 m	European Union	€40 m
€60 m	Russia	
	France	€40 m
€26.1 m	Sweden	
€10 m	Germany	€10 m
	Canada	€20 m
€19 m	Finland	€2 m
	UK	€25.2 m
€3.1 m	Norway	€10 m
€10 m	Denmark	€1 m
	Netherlands	€10 m
	Belgium	€0.5 m
€1 m	Belarus	
€173.2 m		€158.1 m
€331.3 m		

The funds are used as grants by the International Financial Institutions (EBRD, NIB, EIB, NEFCO and World Bank) which act as the Implementing Agencies of NDEP. Through their **unique experience in the region**, the IFIs are able to secure the most optimal financing packages through a combination of loans, grants and local budget funds. The NDEP grants are used as incentives to attract other sources of funding and to make otherwise difficult projects in the municipal infrastructure sector financially viable. So far the loans for NDEP projects by IFIs amount to EUR 680 million with total investment costs exceeding EUR 3.3 billion.

The NDEP has a **light operating structure** as it utilises the existing resources and expertise of the International Financial Institutions. The European Bank for Reconstruction and Development (EBRD) acts as the Fund Manager of NDEP. The Assembly of Contributors is the main governing body who decides on grant allocations to projects. The International Financing Institutions are the main driving force behind the preparation of bankable projects which are then presented to the Assembly for approval.

Although the concept of the NDEP was initially developed during the consecutive Finnish and then Swedish Presidency of the European Union in the late 1990s, the NDEP benefits from a great deal of **political openness** to initiate dialogue with other countries. A case in point is Belarus which joined NDEP in 2001 with a donation of EUR 1 million. The NDEP contributors recognized the cross-border impacts of improved wastewater treatment in Northern Belarus whose rivers flow into the Baltic Sea. For instance, the Belarusian town of Baranovichi located close to the Polish border with a population of 165,000 produces 32 tonnes of phosphorous per year which flow untreated to the Baltic Sea through the Neman River. In contrast, Stockholm Water which services 1.2 million people with adequate treatment produces only 16 tonnes of phosphorus per year. Based on initial commitment from Belarus, three wastewater treatment projects for Vitebsk, Grodno and Brest were approved for NDEP grant funding. The investments will be implemented with loans from the EBRD and NIB.

## Challenges

NDEP projects are in the municipal infrastructure sector where, due to prolonged underinvestment, the municipal companies face serious problems of low creditworthiness and continuous deterioration of assets. Bureaucracy often slows the implementation of projects in the municipal infrastructure sector.

Kaliningrad wastewater project is an example of such challenges. The IFI loans were signed in 1999 already but there has been little progress. Thanks only to political pressure and funds pooled by NDEP, the project was put back on track and construction of the vital wastewater treatment plant is now finally in progress with expected completion by the end of 2012.

**Future activities and lessons learned**

During the first 10 years of NDEP all the major cities within the NDA have managed to upgrade their wastewater treatment facilities (with the exception of Kaliningrad). The next step is to modernize wastewater treatment plants in small municipalities. For example, in Leningrad region alone 184 wastewater treatment plants in smaller towns need to be rehabilitated. NDEP will continue, in close cooperation with Russian federal and local authorities, to pool funds for further essential tasks to reduce direct discharges.

In addition, projects to raise energy efficiency are highly prioritized by NDEP partners, also better management of agricultural and municipal solid waste. These challenges will undoubtedly require NDEP actions beyond the present mandate of 2017, as indicated by the 10th Anniversary statements.

The main "lesson learned" from NDEP for any other initiatives in the region is to have concrete and deliverable objectives. The first NDEP project, the St Petersburg Southwest Wastewater Treatment Plant - inaugurated in 2005 by the Russian and Finnish Presidents - proved the success of the NDEP framework and created the necessary trust and commitment.

In conclusion it is the spirit of good cooperation shared by all the NDEP partners and its practical approach that makes this Partnership a success and a model for other initiatives to follow.

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# Germany and the Baltic Sea region

By Bernd Henningsen

Germany and the Baltic Sea – that is a topic with many variations. According to political taste or regional location, the intonation of the melody may differ, or its volume may vary, sometimes going completely silent; in Northern Germany, the sea is more prominent than in the south; the government and the opposition use this topic to differentiate each other, and state (Länder-) parliaments and governments have an even greater need to distinguish themselves. In this respect, the attention Germans pay to the Baltic Sea Region is not substantially different from that of other Baltic Sea countries.

As Germany, in 2000/01 – ten years after the fall of the Berlin wall and the reunification of Germany, but also ten years after the restoration of unfettered access to the entire Baltic Sea – first held the Presidency in the Council of Baltic Sea States (CBSS), the opposition in parliament sent a large letter of inquiry to the Federal Government, who responded under the ambitious title: 'The Baltic Sea Region – opportunities and risks in a potential growth region of growing world-wide significance'<sup>1</sup>. On 80 weighty, oversized pages, with numerous statistics and data, the political, economic, and cultural significance of the Baltic Sea Region for Germany and the world was laid out.

Even though we thought at that time, that more efforts were necessary, the Baltic Sea Region, as described in this official document, had a high priority in German policy. Accordingly, the German government offered a considerable programme to accompany their presidency: it included government meetings, conferences, scientific seminars, and cultural events. High-level representatives of the parliament and government made knowledgeable contributions, political and cultural ambitions were formulated, and programmes were promoted. Notably, the government indicated the significance that the region occupied in government affairs through the creation of a 'Baltic Sea Ambassador' (even though this title was informal) – an act which was not mere symbolism.

After all, the Baltic Sea Region, and the Council of Baltic Sea States' secretariat, in Stockholm, were of vast relevance to German politics and the economy: travel and trade with the Baltic Sea states had, since the *Wende*, grown incredibly, and the eastern Baltic Sea states (Poland and the Baltic countries) were not yet part of the EU. Above all else, the oft-cited fact that Russia was also present gave weight to the region in general, and the secretariat in particular: the Council of Baltic Sea States provided an opportunity for equal footing when communicating and dealing with Russia.

The Baltic Sea has been (nearly) an internal sea of the EU since 2004, and important resolutions – as well as those affecting the region – are now written or discussed in Brussels, rather than Stockholm, Berlin, or Copenhagen, or at least, that's the impression. At the time of Germany's Council of Baltic Sea States Presidency, the office of the German 'Baltic Sea Ambassador' was restricted, their duties and presence were reduced and their personal resources were trimmed. The Council of Baltic Sea States summit has long waited in vain for the attendance of a German head of government: only Gerhard Schröder came to Danish Kolding in 2000.

Anyone who speaks with officials today about the topic of 'opportunities and risks in a potential growth region of growing world-wide significance' will be greeted with scepticism. Today,

the Baltic Sea Region has only marginal importance for German politics – in other large member states, the Baltic Sea is also seen as a marginal note: the European debt crisis, the world financial crisis, and the revolutions in the Arab world occupy people's attentions and activities.

This is what the programme of the second German Council of Baltic Sea States Presidency of 2011/12 looks like – it was decided on at short notice, it is not very elaborate, and its presentation is modest. If one were to write a caption to convey German political will for co-operation and integration in the region, 20 years after the establishment of the CBSS by foreign secretary Uffe Ellemann-Jensen and Hans-Dietrich Genscher, it could be 'Is that really necessary?' On the year of its anniversary, the Baltic Sea Region is no longer an orchestra, but a solo performance. In comparison to the 90's and 00's, the North German states and the Federal Government are occupied with small change,<sup>2</sup> rather than lasting efforts. Disinterest and disinclination usurped German policy – the Baltic Sea is not a centre of conflict, nor a threat; economic relations are healthy, as is political exchange.

Evaluating the worth of strong neighbourly relationships, and that even symbolic presences have real political pay-offs, is hard. An example of this lack of sensitivity would be the handling of one of the largest investments projects in the region: the natural gas pipeline between Russia and Germany, which went into operation last year. There can be no doubt that this was a huge effort and an important investment in the European energy supply. That the project did not succeed in becoming a multilateral project, a common Baltic Sea project, was, in the final analysis, a poor showing: Russia and Germany and no-one else got it done, or so it appeared to their smaller neighbours.

Thus, it appears that German politics have, after the Baltic Sea enthusiasm of the 90's and 00's, returned to a state that is more similar to that of the post-war period, when the Baltic Sea, declared by the East German regime to be a 'Sea of Peace', was in contradiction a no-go area. This finding is only cushioned by the fact that, for all intents and purposes, none of the other Baltic Sea states have greater regional ambitions – despite great effort on the part of the European Commission towards the strengthening of regions, especially the Baltic Sea Region. But that's another topic.

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<sup>1</sup> Print material from the German Bundestag 14/2293, on 1.11.2000 („Die Ostseeregion – Chancen und Risiken einer Wachstumsregion von zunehmender weltweiter Bedeutung“) <http://dipbt.bundestag.de/dip21/btd/14/044/1404460.pdf> [30.01.2012]

<sup>2</sup> Print material from the Landtag of Schleswig-Holstein 17/1622, on 01.07.2011 <http://www.landtag.ltsh.de/infothek/wahl17/drucks/1600/drucks/ache-17-1622.pdf> [31.01.2012]

## Baltic Sea region cooperation at a crossroad

By Gunnar Lassinantti

Twenty years ago the official Baltic Sea Region cooperation after the end of the cold war started and the Council for Baltic Sea States, CBSS was established. Compared to other regions in Europe and the rest of the world the Nordic and the Baltic sea regions have probably the most comprehensive and active operating structure based on common institutions and networks in many different fields.

In spite of this fact there is a need to evaluate what the cooperation has achieved, the state of the region today and prospects for the future. These topics were discussed in Gdansk in the end of October last year when a combined conference was held for the business organisation Baltic Development Forum, BDF and the Second Annual Meeting by the European Commission on the Baltic Sea Region Strategy.

The Baltic Sea Region Strategy which was adopted by EU a few years ago sticks predominantly to the concept competitiveness. The aim of the strategy is to raise the region to become the most competitive region in Europe and a stronger stakeholder in the world economy. Means as more innovations and improved infrastructure in areas like financing, physical assets, communication, research and education are strongly underlined in the strategy.

Even if also the Baltic region is affected by the global financial crises from 2008 it has preserved a relatively better economic position compared to many other regions as for example southern Europe.

The Baltic Sea Region Strategy – taking into account its positive aspects – can be criticized for its narrow perspectives. The strategy relies very much on official authorities, institutions and networks, a pattern that was apparent regarding the composition of the participants in the most recent Gdansk conference. Representatives of branch organizations rather than directly from enterprises took part.

A European social dimension was very much lacking in the Gdansk discussions. The off-going president of the BDF, the former Danish Foreign Minister Uffe Elleman Jensen suggested that even more limited priorities should be strived for in the Baltic cooperation.

Social themes and the importance of the civil society and its particular bottom up profile were absent in Gdansk. A few number of NGOs and people dealing with social affairs were present and hardly no trade unionists participated in the conference and, thus, limited the perspectives.

There are several unfinished or even retarded questions to consider in the cooperation.

In 1990 the prime ministers of Sweden and non-communist Poland invited to a summit in Ronneby, Sweden to discuss environmental challenges. That was the very starting point for the cooperation with the “new neighbours east and south of the Baltic Sea”. Since then a comprehensive apparatus of authorities, institutions, networks and cross-border operating banks have been established and involved in different environmental programmes. Some important measures have been carried out as improved sewerage facilities in the cities of Saint Petersburg and Kaliningrad. But still very much has to be done in order to save the Baltic Sea for the future in ecological terms. The remaining problems and the question why not more has been achieved in this area should be analysed and discussed.

The two previous German states were united in October 1990 and the three Baltic states got their independence after the failed coup attempt in Moscow in August 1991. That changed fundamentally the geo-political conditions in the region. After some years the former communist states, except Russia, became members both of the EU and the Nato. Soviet

Union and Russia had been promised no expansion eastwards of Nato by the US, but no formal agreement had been signed. After some time forced by Poland's strong wish to become a member the informal agreement was dropped and several countries entered the alliance.

West doesn't usually think in terms of how Russia's reaction might be, but rather to ignore it. Undoubtedly the process of expanding Nato has permanented a great part of suspicion against the west and prevented a development to more confident relations between Russia and the West. The negotiations within OSCE on a European Security Architecture has not been fulfilled into any final document. Russia's request on guaranteed security stands against “West's” proposals on the human dimension.

Growing appearance of intolerance and xenophobia directed towards ethnical and sexual minorities must be more firmly approached and solved within the framework of the Baltic Sea Region cooperation. Trafficking and severe cross-border criminality have to be met by contra-measures. The same in fact must be the case regarding limitation of press freedom and journalists work as well as NGO's and the civil society's possibilities to operate independently and in contact with their partners abroad.

Development of real democracy in theory and practice must be a matter of highest priority in the cooperation on all levels. Cross-border culture projects started already at the time of the divided Baltic Sea Region and have continued with new forms of activities after the opening of the Berlin Wall.

The interplay between multilateral and bilateral forms of cooperation has to be reconsidered and a real bottom up model preserved. When the Baltic States and Poland became members of the EU from May 2004 it was understood that previous national sources for aid and assistance should be replaced by funds and projects under the auspices of the EU. This new model of decision making has not functioned in a satisfying way. The EU bureaucracy in Brussels is far away and the rules to get accessibility to EU money very complicated and they need a lot of administrative capacity which most small NGOs are lacking.

The earlier, now closed national funds have led to negative consequences and in fact caused dramatically reduced bilateral contacts, projects and cooperation between the civil societies in for example the Nordic countries and the Baltic states/Poland during the last 7-8 years. There is obviously a need to rethink this new reality by governments, parliaments, authorities and cooperation institutes and also to reopen and allocate resources to some of the previous programmes.

The Baltic Sea Region cooperation for the future needs a variety of forms, many actors, hard day to day work, committed contacts, cross-border discussions and projects and a remaining bottom up model.

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# Growth in vessel transport necessitates regional cooperation on maritime safety and security

By Bjarke W. Bøtcher

When the EU Strategy for the Baltic Sea Region was adopted in 2009 its 15 Priority Areas addressed a long range of issues of which one is maritime safety. The overall aim of this Priority Area is to make the Baltic Sea a leading region within maritime safety and security. The work is jointly coordinated by the Finnish Ministry of Transport and Communications and the Danish Maritime Authority.

Maritime transport is most important to the region. The total cargo throughput of the ports in the Baltic Sea Region will, according to the forecast of the Baltic Transport Outlook published in December 2011, increase by 30 percent from 2010 to 2030, while the average annual growth rate is approximately 1.3 percent.

According to the Outlook growth can be expected in most segments of maritime transport, with the exception of liquid bulk including oil; which may decrease somewhat in the future. A sizable level of oil transports will, however, remain. Even if the growth rate is lower than the rates previously experienced it is still a significant figure; which tells us that vessel traffic in the region is expected to grow considerably in the years to come.

From the viewpoint of maritime safety, the growth raises a number of challenges.

The Baltic Sea is already heavily trafficked with nearly 2000 ships operating at any given moment. Moreover, the Baltic Sea is shallow; the fairways in some places - in particular through the Danish straits - are quite narrow, and the marine environment most sensitive to pollution. At the same time, the amount of and also the size of vessels are growing. In the Northern parts of the Baltic Sea ice is frequently a challenge to navigation. In this context it is worth noting that already today the largest vessels are wider than the width of the icebreakers normally available.

The expected introduction of liquefied natural gas (LNG) as an environment-friendly fuel for consumers on land as well as for ships will imply frequent visits of large LNG tankers to some ports of the Baltic Sea which impose new and still partly unknown safety challenges.

All this calls for regional cooperation including a policy dialogue, better exchange of information between authorities, joint planning and dissemination of best practises, and not least common development of new and smarter solutions.

## Regional contributions to the global level

In the EUSBSR Priority Area on maritime safety and security we aim to contribute to this. In order to ensure that the activities are anchored all over the region, the Priority Area Coordinators have created an international Steering Committee encompassing representatives of relevant maritime authorities in the Baltic Sea States and regional organisations such as HELCOM and CBSS as well as the European Commission.

The Committee has an ongoing dialogue on maritime safety and security issues, and has recently decided to undertake the preparation of a joint, regional scenario for the development of maritime safety and security in the Baltic Sea Region. This scenario will hopefully allow joint discussions on how to plan and prioritise the work in accordance with the future needs of the region. Furthermore, the Committee monitors the currently eight Flagship Projects of the Priority Area, in which authorities and organisations at different levels from all over the Baltic Sea Region cooperate to achieve results in such fields as:

- Improve exchange of real-time maritime surveillance pictures and situational awareness, information between coast-guard functions and maritime authorities in order to enhance maritime safety and security, and to improve pollution prevention and response thereby contributing to achieving a common information sharing environment. The Maritime Surveillance North project (MARSUNO) headed by the

Swedish Coast Guard and the Baltic Sea Maritime Functionalities headed by the Finnish Border Guard and useful examples of Flagship Projects in these fields.

- Speed up resurveying of major shipping routes and ports to remedy the fact the sea charts of the Baltic Sea in some areas are based on surveys which are nearly 100 years old. This enhances the safety and in some cases new surveys can allow adjustment of shipping routes and help to save fuel. This work is carried out by HELCOM and the Baltic Sea Hydrographic Commission.
- Become a pilot region for e-Navigation by developing prototype infrastructure for e-Navigation and testing selected services, which i.a. may allow the helmsman to see real-time maritime safety information displayed directly in the chart. In two consecutive years, conferences on e-Navigation organised by the EfficientSea project have attracted the world community within its field and has resulted in a regional contribution to the development of a global standard for e-Navigation within IMO.

Other Flagship Projects of the Priority Area concern the development of centres of excellence for maritime training, efforts to reduce the number of accidents in fisheries, making a risk assessment for LNG carriers in the Baltic, and to minimize the risks of transporting dangerous goods by sea.

Such important projects require funding – and often more than the regular budgets of the participating institutions can offer. For the Priority Area, it is therefore crucial, that the EU funding programmes will welcome project proposals regarding maritime infrastructure and maritime safety issues in the financial perspective 2014-2020, which is being negotiated these months.

Russia is an important maritime actor in the Baltic Sea Region. Several of the ports which can expect significant growth in the years to come are Russian. Naturally, good cooperation with Russia is essential for several of the projects and initiatives mentioned. Fortunately, Russia is already actively participating in some projects whereas the Priority Area Coordinators would welcome additional Russian involvement in other fields of activity.

Albeit shipping is global by nature, and therefore traditionally has preferred global rules and standards to regional ones, certain challenges may apply to a given region only or can be addressed better or faster in a regional perspective, from which new forms of cooperation and solutions could be conveyed to the global level.

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# Baltic Sea region clusters as platforms for a global maritime growth potential

By Mervi Pitkänen

Go global? It is a question today among the companies a bit similar than to be or not to be.

The global economic and structural development in terms of business, manufacturing and innovation activities, create both new opportunities and challenges for companies and other actors in Baltic Sea region. Today even more globalizing business, companies are more involved in the global value chains. However even though SME's are still more directly involved within the local markets, the value chains of large companies are global and therefore affecting highly to the SME's. The global affects, industrial, economic and social are coming more and more local also.

But to go global, sets companies in front of new challenges.

More generic skills are needed among companies. The product itself is not enough in the global markets and features serving more for example added value such as services are required. This leads to the fact that development required in companies business change also. Moving more from specific technical product development towards business development is inevitable.

This encourages seeking cooperation across the geographical borders. Especially for SME's the "home market" Baltic Sea region is the most obvious first international environment.

This requires also public actors to form novel means of supporting mechanisms especially for research and development activities.

The raises the question for private-public discussion, of which strategic areas of competence are the ones where the Baltic Sea Region is able to provide added value in global value net-works. In the global business environment, the Baltic Sea Region should seek to establish innovation environments in selected field of sectors, which attract the most advanced and growth-oriented companies and highly skilled workforce.

The central objectives should be aimed at enhancing and renewing the competence based competitiveness of trade and industry, national economy and regions through a broad-based innovation policies.

The EU Maritime Policy states that the oceans and seas to be approached in a holistic way, and this creates the vital discussion for the change of the mindset from the traditional sectorial approach among the maritime clusters more towards reformed value creation.

Value creation that takes an overall view for economic and sustainable development aspects of the oceans and seas, including the marine environment is the key novel approach for future competitiveness.

The economic role of Baltic Sea Region and maritime-related activities and businesses will increase also in the future. The climate change is estimated to bring new areas and locations and possibilities to develop the strategic location of the Baltic Sea. The industry has also the possibility to grow as part of this.

## Potential for BSR cooperation and renewal

The Maritime Clusters serve as a strong link both regionally and nationally as well as internationally between research and business actors in the BSR maritime and shipping industry. Clusters offer companies a triple-helix cooperation model, forums and contacts for the joint development of new products and business ideas together with universities and other educational institutions, public administration bodies and investors.

New models for transnational and multi-regional cooperation platforms between the BSR maritime clusters should be developed in order not only to improve the competitiveness of the maritime value-chains but also increase the cooperation between companies and universities.

These platforms should aim;

- To form a functional model and management to increase macro-regional scientific re-search and development as well as education within the maritime and offshore industry
- To build internationally acknowledged innovation hubs, world class innovation and re-search networks
- To facilitate the emergence and development of innovative, globally competitive and effective transnational innovation and research platforms for creating new competencies and business opportunities

## Strategic alliance between cities, universities, companies and other regional development actors

Renewable innovation environments are concentrating on macro-regional and transnational innovation hubs and business concentrations for renewal and growth. These innovation environments create novel platforms for upgrading of methods and tools for the innovation process to better meet the changing global business requirements.

Due to the global structural and economical changes, the efforts are to be directed in strengthening the competitiveness and in promoting the growth-oriented business possibilities.

Governments, regions, universities and individual companies are facing also challenges to find new strategic methods for triple-helix cooperation to address the changes in the environment. One of these efforts is BSR Stars, a joint effort by the Baltic Sea and Nordic countries which has been developed over a period of one and a half years, involving approximately forty people from ten countries' ministries and national innovation agencies. Currently from the beginning of project 2011, 67 partners from businesses, innovation centers, cluster initiatives and region innovation agencies have agreed to participate in the project. There is a strong commitment to make the flagship BSR Stars work, be part of implementing the EU BSR Strategy, and contribute to EU 2020 and Europe's innovation capacity.

As the long-term vision of BSR Stars is to establish the Baltic Sea Region (BSR) as a functional region with an internationally competitive position in a number of strategically-prioritized areas and to be globally-recognized for its multidisciplinary research and education, attractive business conditions, open and internationally-collaborative innovation environments, and high quality of life.

This programme is good example of significant efforts done by the private-public actors to enable companies be more competitive in the global markets, developing their business locally within Baltic Sea Region i.e going global, but acting local.

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## Regional and European determinants in favour of the development of the port of Gdansk

By Julian Skelnik

Throughout its over 1000-years' history Gdansk has unceasingly been associated with its port. The untrite history of the city of Gdansk has always influenced the port and vice versa: the development of the port contributed to the welfare of the city and the very Poland as its natural hinterland. The motto on the Gdansk coat-of-arms says: "*Nec temere, nec timide*", and it explains pretty well the way Gdansk has acted.

Under the Polish reign in the so-called golden age of XV-XVI centuries, Gdansk, a member of the Hanseatic Union, was the most populous and the richest city of the past Rzeczpospolita (Republic of Poland). At that time Gdansk became a dynamic centre of European trade exchange, being also the biggest port in the Baltic and second biggest in Europe.

Gdansk is the place of both the beginning of World War II and of its virtual end. It is there that the Hitler Germany attacked the Polish Westerplatte transit outpost on 1st September 1939, and it is also there, in the Gdansk Shipyard, that the *Solidarność* Agreements were signed on 31st August 1980, thus giving an impetus for the collapse of the communist regime all over Europe.

Formerly, in the interwar period the Free City of Gdansk could not spread its wings as a port since it was cut off from Poland's hinterland. That is why Poland had to build a new sea port in Gdynia to satisfy her sea trading needs. The post-war communist rule in Poland created a different concept for both the ports: Gdynia became specialized in general cargo handling, Gdansk – mostly in bulk cargo. The building of the Outer (Northern) Port in Gdansk in the 1970s seemed to strengthen this tendency.

Today, thanks to erecting the Deepwater Container Terminal (DCT), Gdansk has been gradually increasing its general cargo turnover (to make it come up to almost 30% of the total turnover volume in 2011). The DCT became a container hub in January 2010 when the first MAERSK big ocean-going liner sailing from China called at the port of Gdansk. After a short time the figures (for 2011) representing the container turnover in the port, showed already nearly 700 thousand TEU, by the way having left the port of Gdynia behind in 2010.

Gdansk can boast of having six features a good port must absolutely have: 1) convenient location, 2) convenient location, 3) convenient location, 4) access infrastructure, 5) expansion areas, 6) environment-friendliness. It seems that any other Baltic port can hardly meet these criteria to an equal extent. Enough to say, the port of Gdansk, situated centrally in the southern Baltic, never freezes.

Location means also hinterland, and the latter comprises not only Poland with her population of almost 40 million (out of about 100 million consumers in the whole Baltic region), but also at least Slovakia, Hungary, Belarus and a big part of Ukraine. Thanks to Poland keeping up good economic relations with these countries, the port of Gdansk has good prospects for handling a considerable portion of those partners' foreign trade volume.

This is right now starting to be the case as far as container traffic is concerned. New investments to expand the DCT are envisaged to increase its handling capacity to as much as 2 million TEU in the next few years.

A new logistic centre designed to be erected soon in the neighbourhood of the DCT in the Gdansk Outer Port, on the basis of public-private partnership, will foster the development of the port as a hub. The investment will also be carried out thanks to the existing area expansion reserves.

On the other hand, it is not a secret that the poor road system in Poland should be dated back to the times the country was under partitions (XIX and beginning of XX centuries) and constituted just peripheries of the occupants' states. This being so also the road access to the port terminals over the past years, including the communist time, was highly neglected.

Only since Poland's accession to the European Union this state of affairs has steadily been changing for better. The European funds of 2004-2006 and 2007-2013 financial programmes have become an efficient instrument to improve the port access infrastructure. Thus a north-south road-rail axis, with a tunnel under the Vistula port canal, the so-called *Sucharski* Route, is being constructed to form a necessary connection with the A-1 expressway, part of the TEN-T Baltic-Adriatic Corridor.

The effective use of the European 2007-2013 funds, as of March 2010, appears to be twice as high as that of Germany and Spain, the second biggest beneficiaries. Simultaneously, the port of Gdansk, forming part of the TEN-T core network (together with the Gdynia port) hopes and expects to get a due share in the Connecting Europe Facility investment means, recently opened for applications.

At present (2011) the port of Gdansk takes the 9th position among the top 10 Baltic seaports with a turnover volume of over 25 million tonnes, but the rank of the port is expected to rise due to the growing container volume.

An important factor enhancing the ranking of Gdansk amongst other Baltic and European ports will appear once the shale gas resources, deemed to be abundant in the Gdansk Pomerania region, start being excavated. This will make the port of Gdansk independent of the fluctuating Russian crude oil imports and transit pursued through the Outer Port petroleum terminal.

These factors should contribute to strengthening the role of the port of Gdansk in the Baltic and in Europe the more so as recent forecasts by competent bodies point out that the Polish foreign trade exchange will increase by 125% by 2025, reaching 692 milliard USD (283 milliard USD in 2010) against the world average growth of 73% at the same time. Poland's main business partners will remain Germany, Russia, Italy, France and other West European countries, as well as China. The Warsaw stock exchange has entered the year 2012 as the biggest one in Central-Eastern Europe, surpassing considerably in terms of capitalisation (108,6 milliard EUR in November 2011) and turnover (58,2 milliard EUR) those of Vienna, Athens, Prague and others of the region.

The mentioned trends are supposed to hopefully improve the position of Poland in terms of the GDP value among the EU member states (in 2010 5th last position with almost 8 thousand EUR per capita). It is, however, worth emphasizing that among those countries (and e.g.

Russia) it was only Poland to note real economic growth in the period of 2009–2011. One must admit that the prudence of the Polish government's economic and financial policy merits due appreciation here.

Today the value of the cargo handled through the port of Gdansk amounted to 25 milliard EUR in 2011. The structure of the goods handled in the port of Gdansk was in 2011 the following: fuels – 41%, general cargo including containers – 29%, other bulk – 20%, coal – 7%, grains – 3%. Until 2010 it was exports that prevailed in the port of Gdansk turnover volume. In 2011 the proportion: exports – imports turned to be more like 50:50. At the same time the number of people involved due to the port activity, reached 40 thousand persons.

The port of Gdansk is aware of the challenges it has to face sooner or later. One of the most serious is the MARPOL Annex VI requirements to be complied with in as early as 2015 within the Sulphur Emission Control Area (SECA). Gdansk, however, believes that the outlined opportunities definitely surpass possible threats, and this must result in starting to play a major role in the Baltic Sea Region and Europe, given all the advantages seemed to be lavished on the port of Gdansk.

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## Air cargo in the Baltic Sea region

By Gunnar Prause

The Baltic Sea Region is rather famous for its maritime transportation than for air cargo operations but ongoing activities are indicating that air cargo might play an increasing role in the future transportation of valuable and time critical cargo within the BSR. By analysing current IATA figures it turns out that only 2% of international trade (measured in tonnes) is transported as air cargo but this part represents a value of 35% of all shipped good. Despite the down turn in logistics due to financial and economic crisis long term estimations are expecting an annually growth of 6% for the global air cargo market for upcoming years.

When it comes to EU air cargo situation it can be stated that the total cargo volume is about 12 Mio. tonnes where the main airports and air cargo players are situated in Central Europe. The top 4 EU air cargo airports Frankfurt (FRA), London (LHR), Amsterdam (AMS) and Paris (CDG) are responsible for about half of all handled air cargo inside European Union and they are all located outside BSR. In order to get a better understanding of air cargo in the BSR it makes sense to zoom into the air cargo situation of the largest EU member states in the BSR namely Germany and Poland. Both countries are summing up with their BSR airports to about 5% of their national air cargo volume. The same picture appears by taking a closer look to the total air cargo volume in BSR which amounts to only about 5% of total European air cargo volume.

The main commodity groups of BSR air cargo operations are machinery parts, equipment, high-tech products, fish/food, and fashion goods. The main player in BSR air cargo business is Copenhagen airport ranking as number 16 among EU air cargo airports. The two other big BSR cargo airports are Stockholm – Arlanda and Helsinki – Vantaa but their handled air cargo volume is reaching only about half of the volume of Copenhagen. All other BSR airports are playing a minor role in air cargo business.

An interesting fact of air cargo business is that dedicated air cargo flights are related to intercontinental long haul flights mainly to Far – East Asia and Northern America but this is only about one third of the total air cargo volume. The largest parts of air cargo volumes inside BSR are transported by trucks or as “Belly Cargo”, i.e. as additional freight in passenger planes. The biggest part of BSR air cargo business is organised as road – feeder service in a so called “Flying Truck” concept between airports. These truck based air cargo services possess their own flight numbers and they are handled like normal airborne transportation with all ordinary security checks.

In contrast to passenger flights which are based on open ICT – systems the air cargo market is closed, i.e. competition replaces cooperation and joint solutions. This means in practice that the various closed air cargo groups including all well known air cargo companies do not allow a complete air cargo overview, so they keep their information to assure their position on the market. Consequently there is no given information about possible air freight at the single airports in BSR regions that could be booked as possible air cargo for a return flight.

In order to bring more light into the BSR air cargo situation and to facilitate the air cargo related development

in BSR Wismar University launched together with 13 other partners from all over the BSR a proposal in the frame on BSR Interreg IV B under the acronym “Baltic.AirCargo.Net” focussing on the improvement of the air cargo transport sector by service oriented ICT-methods and processing logistic network. The project, being approved in June 2010 for three years, aims at enhancing the operating environment in the air cargo sector in the Baltic Sea Region and beyond, by providing complex measures that accommodate the demand for air transport in an optimal way to regional airfreight stakeholders.

The project partners from Klaipeda, Linköping, London, Norrköping, Parchim, Riga, Tallinn, Tampere, Wismar and Warsaw will provide a complex analysis of the current situation on airfreight transport market in the BSR, associated infrastructural and operational needs of the regional airports, their prospects for future development and their possible role in the global network of air cargo supply chain. Pilot business actions will explore the air cargo market with a focus on the establishment of a network for the development of value-added logistic services in the Baltic air cargo sector.

By the application of modern service-oriented ICT methods a significant optimization is expected in the synchronization of airport hinterland traffics. The new Baltic air cargo information system will help to optimize airport hinterland traffic, to increase the utilized capacity through additional-booking of transport volume as well as the minimization of fuel and labour costs by bundling of transports. This effects the reduction of air transport related emissions and unnecessary energy consumption - by increasing the efficiency of transport.

Meanwhile in summer 2011 the corresponding air passenger project “Baltic Bird” was approved by BSR Interreg IV B Monitoring committee as the second BSR related air transportation project. The close interaction between air cargo and passenger flights, especially in the area of “Belly Cargo”, was the background idea to include Wismar University as a project partner in “Baltic Bird” in order to safeguard a close cooperation and synergy between both air transport projects.

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# The new EU Territorial Agenda – a Baltic Sea region perspective

By Jussi Rautsi

The EU ministers responsible for spatial planning and development adopted the EU Territorial Agenda 2020 (TA 2020) last May during the Hungarian Presidency. The subtitle is Towards an inclusive, smart and sustainable Europe of diverse regions. The Polish Presidency in 2011 kept it steadily at ministerial level and launched it into action. Now it's Denmark's turn to take the baton. With two BSR EU Presidencies in a row, we can take a look what the TA 2020 might mean to the Region.

The TA 2020 is a policy framework for cooperation between national, regional and local actors to promote territorial cohesion as a third pillar of EU cohesion policy. The TA 2020 serves the EU 2020 Strategy by suggesting territorial coordination of EU and national sector policies to improve their efficiency in a certain area. This place-based approach means that measures are tailored according to regional and local needs and capacities. Connecting territorial potentials gives more strength for economical, social and environmental performance: the right instruments, both EU and national, in the right place and time. Maritime spatial planning is included in the TA 2020.

Why territorial cohesion now? The economic crisis and such megatrends as climate change and new energy paradigms point out the need of a territorial approach. A better involvement of regional and local actors in the EU programming process follows the inclusiveness principle of the EU 2020 Strategy. Public-private partnerships are important, and the private sector needs to understand what the territorial approach is all about.

As a new EU goal, territorial cohesion needs new concepts and better territorial knowledge. Besides national data and information, better synthesis research is needed especially on macro-regional scale. The ESPON Programme (European Observation Network for Territorial Development and Cohesion) is geared to produce the knowledge base.

The TA 2020 does not pre-empt post-2013 EU structural funds negotiations, but it points out the advantages of territorial coordination of structural policy measures. The success of the TA 2020 depends on the commitment of Member States and EU institutions. Member States can decide whether they take the TA 2020 into account in their national policy making and spatial planning systems.

The VASAB Long Term Perspective (VASAB LTP) is an explicitly territorial development perspective for the entire BSR adopted by ministers. The VASAB LTP can be used to look at the TA 2020 from the BSR perspective. The BSR is a macro region with exceptional economic, social and environmental diversity. Because of inefficient territorial cooperation and coordination, a lot of development potential is unused. Therefore the BSR is a good testing ground for territorial cohesion. The ESPON is financing a VASAB project on monitoring territorial development in the BSR as a test case for European macro regions. Norway is the lead country and Russia is participating. VASAB and HELCOM are developing maritime spatial planning together.

The TA 2020 includes six territorial priorities. They are:

- Polycentric and balanced territorial development is a key for territorial cohesion. BSR cities and regions should cooperate more to improve competitiveness and overcome the distance from the European core. VASAB suggests cooperation clusters of cities, Helsinki, Tallinn and St. Petersburg being an example.
- Integrated development of cities and rural regions means that cities should look beyond their administrative borders and focus on their functional regions. This is

important in the BSR because of the often large rural and / or sparsely populated areas around cities.

- Cross border territorial integration of functional regions has many advantages for BSR regions, both urban and rural. Economical advantages can be gained by abolishing obstacles caused by borders for city networks, urban-rural partnerships and labour markets. New governance models have to be developed.
- Global competitiveness of regions with strong local economies needs globally successful products. Vulnerability to external economic shocks can be avoided by a diversified local economy. Innovative businesses can succeed in rather peripheral BSR locations if there is proper infrastructure.
- Territorial connectivity for individuals, communities and enterprises as well as access to transport, public services and IT are essential for territorial cohesion. The integration of transport with other territorial functions has prime importance for cohesion policy. The new Core TEN transport network is pretty well in line with the VASAB LTP. However, besides Rail and Via Baltica, VASAB suggests better integration of North-Western Russia. Linking with the Northern Dimension in the high North is a new challenge.
- Connecting ecological, landscape and cultural values of regions is a foundation for territorial cohesion. Natural and cultural heritage and environmental quality are parts of territorial capital and identity with economic opportunities as well. The recent European Environment Agency EEA report on green infrastructure and territorial cohesion shows mechanisms that integrate greener infrastructure into different policies.

Being mentioned in the TA 2020, the alarming state of the Baltic Sea rings a loud bell. The Marine Strategy Framework Directive and EU Integrated Maritime Policy call for coordinated actions from Member States on maritime spatial planning. The TA 2020 points out that solving user conflicts and balancing various interests in marine space is as essential for territorial cohesion as it is on land. VASAB and HELCOM have joined forces to develop maritime spatial planning with two projects called BaltSeaPlan and Plan Bothnia. The BSR countries are eagerly waiting how the Commission will come out to promote maritime spatial planning.

Too many strategies? The TA 2020 is meant to be implemented with all EU cohesion policy programmes, serving the EU 2020 and the EU BSR Strategies. Working under the CBSS umbrella, VASAB's LTP suggests rather concrete subjects for territorial cooperation. Russia will, after Germany, hold the chairmanships of VASAB and CBSS. One can hope that political will is found to the cross-fertilization of these strategies in order to improve territorial cohesion in the Baltic Sea Region.

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## Nordic cooperation – the adaptation process continues

By Tobias Etzold

Over the past few years, Nordic cooperation has regained strength and impact and redefined its position within the wider landscape of (regional) cooperation in Europe. Despite some inertia and occasional reluctance and resistance to reform, both the Nordic Council (NC) and the Nordic Council of Ministers (NCM) have managed relatively well, in particular in comparison to other international and regional organisations, to adapt to new external circumstances and to find niches in the wider institutional system of Northern Europe. Unlike other regional organisations that merely depend on their member states' interest, the Nordic cooperation structures benefit from a fairly stable anchoring and support in Nordic societies, strong traditions and a fairly influential bureaucracy and leadership. Therefore, even if the Nordic countries' governments and parliaments would want to, it would not be easy just to eradicate institutionalised Nordic cooperation. To some extent, Nordic cooperation is even based on an old notion of a common identity and common values and contributed to their construction and reconstruction. Thus, unlike the primarily interest-based and pragmatic intergovernmental Baltic Sea cooperation, Nordic cooperation is a hybrid of a calculated interest-partnership and an identity-based partnership. This characteristic makes Nordic cooperation special. Currently, Nordic cooperation also profits from the fact that internationally-minded, Europe-oriented and pragmatic governments reside in all five Nordic capitals and combine in a pragmatic way the advantages of different forms of international and regional cooperation. While recent calls for shaping a Nordic Union are fairly unrealistic, they seem to have triggered a fresh debate on the future relevance and the capabilities of Nordic cooperation, reminding people and decision-makers of its benefits. After a period of stagnation, the Nordic debate became fairly lively again.

Naturally, Nordic cooperation continues to focus on the Nordic area ("Norden"). Nonetheless, Nordic cooperation has opened up and became more internationally minded and European in recent years. The Baltic Sea Region (BSR) and Norden's adjacent areas even became priorities of Nordic cooperation. The NCM plays, for example, a strong role in the implementation of the Northern Dimension (ND) of the EU, Russia, Norway and Iceland and the newly established EU Strategy for the Baltic Sea Region (EUSBSR). Unlike the Council of the Baltic Sea States (CBSS), the NCM was involved in the elaboration and implementation of the EUSBSR from the beginning, attempting to contribute with its expertise and experience to the strategy's success, mainly in the areas of research, innovation and energy. However, owing to still occurring coordination problems and overlap between the activities of the various actors of regional cooperation, also the NCM faces the challenge to enhance cooperation and coordination. Therefore, the further adaptation to the wider institutional system by offering a specific contribution to regional cooperation in Northern Europe and developing efficient cooperation with the EU and other actors will remain important. With its expertise, experience and financial and human resources, the NCM is in a good position to contribute to the creation of a coherent system of regional cooperation in Northern Europe and the BSR.

While the NC and NCM have implemented several reforms over the past 20 years, their reform process continues as new external changes and challenges occur that are affecting those organisations. In autumn 2011, the NC has decided on further changes concerning its working structures (for example, organising two annual sessions) and on enhancing its external relations. The Council strives to strengthen its contacts with

the EU, in particular the European Parliament, and to consider EU-relevant issues on a more structural and permanent basis. This has been discussed since some time, concrete proposals have been made but action still has to follow. An effective institutionalised intra-Nordic coordination of EU-related issues seems increasingly important. By elaborating those measures, the NC reacted on criticism that it was acting too slowly in the past and that its work and the debates on Nordic cooperation were only insufficiently anchored within the national parliaments. Since some time, a clear need has been expressed to modernise Nordic cooperation and the NC, to make the cooperation more political and obligatory and to establish Nordic policies and ideas more strongly within the Nordic societies. Also abstaining from the traditional consensus principle ("opting out") in the NCM could provide Nordic cooperation with more legitimacy and a fresh impetus, possibly rendering the decision-making process faster and more effective. However, also this issue has been brought up and discussed various times in the past few years without reaching an agreement. Some fear to lose a specific characteristic of Nordic cooperation, distinguishing it from the cooperation within the EU.

Possibly, the real debate on the future roles of NC, NCM and Nordic cooperation in their existing formats still lies ahead. Particularly if Iceland and one day even Norway should join the EU, they might have to redefine parts of their mission, tasks and functions and to revise their organisational structures again. Currently, such a scenario seems fairly unrealistic, taking into account the negative stance of a majority of the Icelandic and the Norwegian peoples toward EU accession of their respective country, but cannot and should not be ruled out completely. Then, it will be particularly important to decide on and implement concrete reforms faster than in the past when it often took long to decide on adequate measures. In case at least one of these countries will join the EU, a key question will be whether the NC and NCM will be even more strongly needed as instruments for Nordic EU-policy coordination and will be willing and better able to turn into such. Alternatively, they might primarily turn into arenas for Nordic political debates but less for project implementation and policy formulation and coordination. Overall, considering the current challenges for regional cooperation in Northern Europe in which the EU plays an increasingly important role, for regional organisation such as NC and NCM, the search for new legitimacy and the need to adapt to external changes will continue.

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## WHO Healthy Cities promote cross-sectoral work to tackle unhealthy lifestyles

By Johanna Reiman

The Baltic Region and Europe are facing the increasing challenge of needing to deal with the adverse affects of unhealthy lifestyles. Fortunately, many cities have already initiated actions to improve the health of their citizens. Finland has set a good example by enacting a New Public Health Law, which came into force in 2011 and which recognizes the idea of Health in All Local Policies. Its principles are consistent with those of the World Health Organization Healthy Cities programme, which has since 1987 aimed at including health in all planning policies of municipalities. The City of Turku hosts the Baltic Region Healthy Cities Association, which works together with the Healthy Cities project in ten nations throughout the Baltic Sea Region. The Association is a coordinating and networking body and is also involved in international health promoting projects. A good life is generally considered to include good health. However, currently the population of Europe is not doing well in this context. For the first time since the start of measuring life expectancy, younger generations are forecast to live shorter and un-healthier lives than their parents.

The biggest killers of our time are the so-called non-communicable diseases: e.g., cardiovascular diseases, cancer, chronic respiratory diseases and diabetes. According to statistics, over half of all adults in the European Union are overweight, the consumption of alcohol is on the rise and we have unhealthy diets. For many people, physical exercise is not a part of their daily routine. An additional worrying phenomenon related to non-communicable diseases is that they are often 'inherited', i.e. a sedentary lifestyle is learned at home. Non-communicable diseases are thus socially communicable. However, it is important to mention that there is a solution to all those challenges: many diseases are preventable, or else a person can delay their occurrence until later age simply by changing his or her lifestyle!

Life is valuable as such. We do not need to argue to agree that it is priceless. On the other hand, a price can be calculated for lives lost prematurely. It is estimated that five extra years of life expectancy offers a 0.5% advantage in Gross National Product (GNP). Correspondingly, chronic illnesses can decrease GNP by as much as 7%. According to WHO, non-communicable diseases cause over 60% of deaths and the health costs in Europe are growing faster than the European economy as a whole. The World Economic Forum stresses this challenge, acknowledging that nowadays non-communicable diseases are one of the most serious threats to the world economy both in developed and in developing countries. Fortunately, countries are beginning to recognize the need for genuine action in that field. The world's first ministerial conference on healthy lifestyles was organized in Moscow in April 2011. As a result, tackling non-communicable diseases became a part of the agenda of governments and organizations. Later that year, in September, the United Nations General Assembly stated that the ongoing negative development in human health needs to be stopped.

But apart from the global and national efforts, the action needs to be taken at the level of local governments. The WHO Healthy Cities programme is an example of a framework being used by cities and municipalities in their work for the better health and well-being of their inhabitants. Currently, over 2200 cities throughout all of Europe and 220 cities in the Baltic Sea Region belong to the network. The concept stresses the need for the cross-sectoral planning of health from the city perspective. Taking well-being into consideration in, e.g. urban planning, education, sports and culture, is of crucial importance. Taking health into account as a core issue in all

policies demands that decisions be made at the very top levels of the city's planning procedures.

Cities have great opportunities to motivate people to live healthier lives by making healthier choices easy, e.g. by using the knowledge of healthy urban planning. Last autumn Baltic Region Healthy Cities Association hosted a British professor who insisted on having a bike during his stay in Turku. He always arrived on time at the meeting point, well before the other members of the group, who got stuck in traffic jams travelling by car. That was possible only because Turku has a well-developed system of biking routes. Another example comes from the Finnish city of Pori. The local 'Pakka' project aims at restricting the availability of alcohol for young people. Actions have included making trial purchases to find out how easy it is for minors to buy alcohol. Cooperation has been built between many different actors: schools, police, church and other institutions; it was not limited solely to the one department of the city administration.

In the recent years, the WHO Healthy Cities programme has focused more strongly on promoting local solutions for tackling the increasing health inequalities. It is common knowledge that people with lower socio-economic status experience poor health more often than those who are better educated. The Norwegian municipalities in Østfold County (members of the Healthy Cities network) decided to work towards effective health interventions, increasing the capacity building potential of politicians and city planners, and empowering inhabitants in the cooperation with Latvian municipalities from the Vidzeme region. HEPROGRESS – Reducing health related social and gender inequalities and barriers to social and economic participation – is a project that focuses on how local communities can reduce the effects of poor health in relation to healthy ageing and marginalization in working life as well as reduce the number of school dropouts. The Baltic Region Healthy Cities Association supports the project by disseminating its results to other WHO Healthy Cities.

We know that non-communicable diseases can be tackled by adopting actions that promote health. The most important means for increasing an individual's well-being are physical activity, healthy food, cessation of smoking and restricting the use of alcohol. Although life is not a performance for our own sake, we should improve our habits. WHO will hold the Healthy Cities Conference in St. Petersburg in June 2012 and the City of Helsinki will host the 8th Global Conference on Health Promotion in June 2013. Non-communicable diseases are high on the agendas for both of these meetings and examples from the Healthy Cities programme will be presented there.

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## The Baltic Sea below the surface

By Jacob Carstensen

“Out of sight, out of mind” is a saying that reflects human behaviour in a nutshell. This also applies to the Baltic Sea. While nuisance algal blooms in summer make it for the media headlines, less visible problems in the Baltic Sea are often neglected. The waters of the Baltic Sea are not as clear as in the Mediterranean Sea, for natural reasons and because of large nutrient discharges from land and atmosphere. These have increased by factors 3-5 over the last 100 years. Therefore, the human eye can only see approximately 10 m down in the water column, maybe giving the impression that the bottoms of the Baltic Sea are sandy and full of life, similar to what most people experience on a summer day at the beach. However, most of the bottoms are muddy sediments that potentially could be full of animals, although different kinds of animals than those people observe at the beach. But today large areas (more than 60,000 km<sup>2</sup>) are devoid of animals because of low oxygen concentrations, also referred to as hypoxia, leaving just bacteria behind.

It has not always been like that. Low oxygen concentrations are a natural phenomenon in the deep waters of the Baltic Sea, but these dead zones of low oxygen concentrations have spread from less than 10,000 km<sup>2</sup> at the beginning of the 20th century to a present level where almost 25% of the bottoms in the central part of the Baltic Sea are dead! The Baltic Sea is naturally prone to hypoxia and therefore much more sensitive to nutrient discharges from urban areas and agriculture than the North Sea, where currents and tides bring oxygen down to the bottoms. Varying water exchanges between the North Sea and the Baltic Sea can modulate hypoxia in the Baltic Sea, but the overall increase in hypoxia over the last 100 years is clearly caused by discharges of nutrients, exceeding the natural processing capacity of the Baltic Sea. Today, many coastal areas and seas around the world share the problem of hypoxia with the Baltic Sea; hypoxia has rapidly become a global problem.

Should we care about dead bottoms below 100 meters depth in the Baltic Sea? The species living at those depths are not endangered and most of the animals can still inhabit the remaining 75% of the bottoms where oxygen concentrations are still high enough for them to survive. So, we need perhaps not care about dead zones in the Baltic Sea for the sake of the individual worms. However, we might want to take a look at the services these worms provide us. The large expansion of dead zones has consequences for several visible phenomena that should interest most humans with an interest in the Baltic Sea and who get their income from it. In addition to the nutrients coming from land and atmosphere, the occurrence of hypoxia enhances releases of nutrients from the sediments that further fuel algal blooms affecting the quality of coastal waters, particularly when washing ashore on beaches during summer time. Thus, hypoxia worsens the algal blooms. Second, the animals (the worms and mussels and others) living at the bottom are an important food source for fish that constitute a valuable resource for fishermen. The large dead zone in the Baltic Sea means that less food is available for the fish and consequently, less fish can be harvested from the sea. One of the most valuable fish in the Baltic Sea is cod that lays its eggs in the deeper waters, but the eggs will not hatch if the waters are

hypoxic. Over the last 100 years the volume where the cod eggs can hatch, the so-called cod reproductive volume, has been reduced by almost 50%. The reduced volume for egg hatching will affect the recruitment of cod in the Baltic Sea and hence the amount of cod harvested. Therefore, hypoxia in the deep Baltic Sea is not only affecting the animals living on the bottom; it also affects humans enjoying the services that the Baltic Sea provides.

It makes sense to combat hypoxia and optimise the services provided to the populations around the Baltic Sea, but what does it take? There are three major factors that must be considered, if a healthy Baltic Sea is to be re-established: 1) Nutrient inputs, 2) Overfishing, and 3) Climate change. Nutrient inputs stimulate the growth of algae that consumes oxygen when sedimenting to the bottom and is therefore considered the principal cause of hypoxia. Algal growth is limited by both nitrogen and phosphorus, the more limiting of these two nutrients changing with time and space. Therefore, measures for reducing both nutrients must be considered. Overfishing can also enhance hypoxia through so-called trophic cascades. Overfishing of cod and low recruitment releases the predation pressure on herring and sprat, which increase their population sizes and exert large predation on zooplankton, small animals normally controlling the amount of algae in the water. If the algae are not grazed by the zooplankton, the algae will sediment to the bottom and consume oxygen. Finally, a warmer climate will exacerbate hypoxia in the Baltic Sea, because warmer water contains less oxygen and oxygen consumption increases with temperature. Whereas climate change is difficult to address from a regional perspective, nutrient inputs and overfishing are manageable if all countries around the Baltic Sea have the will. These latter two pressures are addressed in HELCOM Baltic Sea Action Plan (BSAP) and EU Common Fisheries Policy (CFP).

The measures required for reducing nutrient inputs and overfishing are known, but their specific reductions to re-establish a healthy Baltic Sea are uncertain. Through experimental work and models the scientific community can help policy-makers by reducing this uncertainty, but lack of certainty should not prevent decision-taking. The solution is adaptive management, where measures are taken, environmental consequences monitored and assessed, and targets and measures are revised in a continuous cycle. In parallel, science should strive to improve the predictability of possible outcomes from decision making.

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## Sustainable Development Strategy for the Baltic Sea Region

By Grazyna Sapota

Today's economic conditions are forcing the world to seek new sources of competitive advantage. Experts suggest that in modern times, research, sustainable development and implementation of innovation are key factors for the development of world economy. The competitiveness of a modern economy is decreasingly dependent on fixed capital investment, and more and more - from the investment in acquiring and creating knowledge. Correlate the activities at the interface between science and business is a key to raising the competitiveness of the economy. One of the strategic objectives of the Polish maritime policy is to support research and implementation to enhance the competitiveness of the maritime economy. This role plays interdisciplinary research teams consisting of researchers and practitioners. Sustainable development has been a fundamental objective of the European Union since 1997 and was defined according to the Brundtland report in 1987 as *meeting the needs of the present without compromising the ability of future generations to meet their own needs* – in other words, a better quality of life for everyone, now and for future generations. This definition implies reconciliation of environmental, social and economic demands - the three pillars of sustainability EU's strategy (EU Sustainable Development Strategy - EU SDS). The overall aim of the strategy is to identify and develop actions to enable the EU to achieve a continuous long-term improvement of quality of life both for current and for future generations. As a result of this strategy, EU has mainstreamed sustainable development into a broad range of its policies. However, the sustainability strategy should not be brought about by policies only. It must be taken up by society at large as a principle that is guiding the many choices and decisions citizen makes every day. That means that all decisions made should be based on the sustainability concept. However, to reach this goal requires profound changes in thinking, in economic and social structures and in consumption and production patterns.

Research should help to assess the status and trends in operational process improvement. And also to create tools of assessment processes, which are the basis for taking accurate and effective decisions regulating these processes. Publication of the results of research work gives concrete practical dimension of that. The problem is whether that policy maker will be able benefit from these publications.

It is important to keep the EU Baltic Sea Strategy high on the EU agenda. It is crucial for the future of the Strategy that its objectives motivate the Member States and local partners to implement the strategy effectively.

One aspect where we should start is work between the Baltic Sea states and wider Europe in order to ensure that the European Union continues to develop and implement a strategy for growth and competitiveness and which strengthens the Single Market and fights protectionist tendencies.

The Baltic Sea Region is a sub-set of the diversity of innovation potential that can be found in the EU as a whole. The BSR has regions with widely varying levels of

economic development and innovation potential. Many strategic plans point out the Baltic Region as being a key area for development in northern Europe. To develop the region in a sustainable way and contribute to extended interaction between countries, companies and people, activities close to shore lines are key issues as well as an effective, safe and environmentally sound sea transport system. An obvious situation is the development of ports which is of major importance to facilitate transport and to develop cultural activities as well as business opportunities. Ports and fairways have to be developed, maintained and improved in terms of depth and width. Dredging of sediments has to be carried out regularly due to sedimentation, erosion and more deep-draught ships. Other construction activities, such as the construction of pipelines or windmills, may also reactivate the contaminants in the sediments. A major problem is how to treat the very soft, contaminated sediments. Sediments are handled differently all around the Baltic today. In order to protect the sensitive Baltic Sea environmental system an all-embracing Baltic Sea strategy regarding management of dredged sediments is needed, but this is lacking today. In some cases national regulations exist, but without proper coordination between other countries. They are two alternatives for managing the dredged sediments: land disposal and sea disposal. The dumping in the sea is normally not possible due to environmental restrictions and the disposal on the lands is very costly. The project SMOCS (Sustainable Management of Contaminated Sediments, BSR Programme 2007-2013) realized by international consortium is a good example for sustainable management and development. Project SMOCS gives the third solution in management of contaminated dredged sediments: treatment and stabilization in order to reduce their environmental impact and apply the stabilization/solidification technology in order to use it for managing of contaminated dredging sediment. The material obtained as a result of the stabilization process can be used for the construction of quays, roads or car parks. It is prove to be a cost-effective and sustainable technique. There is a problem with the use of this technology in countries such as Poland, Lithuania, Latvia, etc., where are needed the appropriate changes in national legislation. However, in the project SMOCS the problem with handling sediments in a sustainable way is addressed with the overall aim to support actions all around the Baltic Sea.

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## "Three in one" – the recipe to save the Baltic waters and its ecosystems

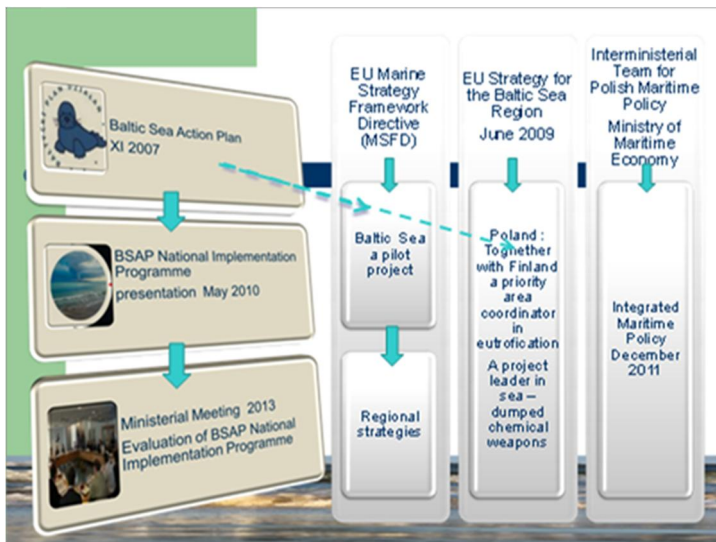
By Andrzej Jagusiewicz

Needless to write that the eutrophication of the Baltic waters is the biggest threat and its reduction is the biggest challenge. Therefore lowering the related pressures is crucial to combat eutrophication in Poland. The commitments of the Baltic States to do so are stemming from the Baltic Sea Action Plan (BSAP) adopted at the HELCOM Ministerial Meeting held in Poland in Krakow in 2007. However, this document of the political nature had to be still converted into concrete action plans. This really happened at the next event of such importance held three years later in Moscow. Since then we have so called National Implementation Programmes (NIP) of the executive nature dealing with all Baltic environmental challenges, including primarily eutrophication.

To combat effectively the latter, the phenomenon that suffocates the marine life, we need to reduce considerably in 2021 the maximum allowable nutrient input to the Baltic Sea by 15,250 tonnes of phosphorus and 135,000 tonnes of nitrogen from about 21,000 tonnes of phosphorus and 600,000 tonnes of nitrogen emitted annually. And the fight must go on everywhere and at least on the five identified fronts by:

- Controlling relevant industrial point sources
- Extending the sewage treatment system and cleaning the municipal waste waters
- Lowering diffuse pressure from agriculture
- Introducing P-free detergents and
- Decreasing nitrate emissions to air.

Since 2007 HELCOM has got two "friends"; these are EU Marine Strategy Framework Directive (MSFD) of 2008 and EU Strategy for the Baltic Sea Region (SBSR) and particularly in its ecological pillar. They are perfectly interrelated and complement each other providing necessary synergy in action (see below)



Chief Inspectorate of Environmental Protection is the governmental agency responsible for implementing the Helsinki Convention, MSFD and priority area "eutrophication" of the SBSR in cooperation with Finland. Therefore, the Chief Inspector is at once Head of Delegation with HELCOM, the first ever Polish Marine Director and supervisor of the progress being made under BSRS to combat eutrophication. So to say "Three in one"! This provides a rare window of opportunity by avoiding any duplication of work, wastage of financial resources and much better efficiency of action. Just due to synergy between the three elements.

We feel in Poland depository of the BSAP signed in our old capital, and we feel particularly responsible for implementing it as almost 100 % of the Polish territory constitutes the Baltic Sea basin. That's why we fight daily on all five fronts. Below there are some details.

Industrial point sources are well regulated by EU and HELCOM recommendations and they are better and better controlled with respect to their discharges. Contrary to them we must finish our EU homework and finish by 2015 the National Programme for Municipal Waste Water Treatment imposed by the Accession Treaty. This is our flagship endeavor, a civilization leap forward with respect to combat eutrophication of the Baltic waters. As deadline is approaching the Programme is dynamically implemented by upgrading and expanding sewage waste water treatment - its cost is over 8 billion euros. Only in last years over 10 000 km of sewage system were constructed for more than 2 billion euros; more than 345 waste-water related projects achieved resulting in 50 new plants and almost 350 plants modernized by upgrading their technology or increasing their capacity for extra 1 billion euros.

More efforts should be also done to control diffuse sources from agriculture which is under well progressing restructuring. Here are a few examples: organic farming is developed annually by 20 % in terms of number of units exceeding 20 000, the biggest poultry and pig farms are well taken under full control of the EU IPPC Directive, Polish soil is in a good shape not exceeding the recommended HELCOM doses of N and P per hectare and finally Nitrate Vulnerable Zones are being extended with focus on the area close to the Baltic coast.

Concerning detergents, a pressure coming from 38 million of Polish citizens, half of the Baltic catchment population; we are preparing to eliminate P from laundry detergents down to HELCOM recommended level of 0,5 % P per weight by the end of 2014 and are fully aware that this is only a starting point.

And finally, nitrate air deposition, which constitutes 25 % of the total Baltic N balance, will be successfully reduced from the Polish territory by EU regulation like recently agreed the Industrial Emission Directive and just being renegotiated emission ceilings under the UN/ECE Gothenburg Protocol, both tackling combustion plants operating on fossil fuels.

By all these measures Poland is trying to reduce N and P load and is well advancing as compared to temporary targets of the HELCOM BSAP by achieving so far more than 50 % of N reduction and more than 30 % of P reduction, although statistically Poland is the least polluting country in the Baltic Sea Region per inhabitant of the catchment area.

To sum up, I would like to highlight Polish efforts in providing the effect of synergy between HELCOM activities, implementation of the Marine Strategy Framework Directive and EU Strategy for the Baltic Sea Region when combating the eutrophication, the worst enemy of the Baltic community. Only generating synergy and only together we, all stakeholders of the all Baltic States, will be successful.

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## The Baltic Sea and cities – the flow goes both ways

By Lotta Nummelin

I remember vividly the summer of 1997. It was the first summer when massive algal blooms occurred along the Finnish shorelines, to the amount that the general public noticed it. Scientists had warned about the bad state of the Baltic Sea for decades before, but to deaf ears. During the first decade of the 21 century several serious algal summers made even more people aware of the problem and the state of the Baltic Sea became a hot topic in the media and for the general public.

The Baltic Sea is an example of an environmental crisis of multinational scale. International treaties together with national and intergovernmental legislation have not been powerful enough to bring a satisfying improvement of the state of the sea, even if most topics are well investigated and there is an understanding of what should be done or how to prohibit more damage. The Baltic Sea Action Plan by Helsinki Commission (HELCOM) hand in hand with the EU Baltic Sea Region Strategy, the Water Framework Directive and the Marine Strategy Framework Directive list actions to be implemented or the environmental status to be achieved. However, these suggested actions are various to their nature, some being within the reach of EU or governments, some directed to individuals, cities, regions, companies, research institutions or NGOs. Common for them all is that in practice most emissions may not be cut off on state level, but on local level, and thus municipalities and cities bear a great responsibility for several decisions and actions that have a direct impact on the state of the sea.

### The role of cities

Since the effects of nutrient loading influence local waters in first hand, the greatest benefit of reduced eutrophication also comes to cities and municipalities as well as their citizens. In order to achieve such an improvement, voluntary actions are needed in addition to present legislation. Coastal cities are also directly dependent of the state of the Baltic Sea.

The municipal waste water treatment is often in the hands of municipalities. Cities can through their harbours facilitate for ships to leave their waste waters on land to be treated instead of letting it to the sea. City planning and land use also influence the waters. Proper planning of storm water solutions, where treatment is arranged on site, is important since heavier weather conditions are to be expected as a consequence of the climate change. Marine spatial planning can also be applied on local level. The cities green areas and in some cases agricultural areas can be used as good examples in water protection. Cities can also, in cooperation with research institutions, take active part in research and can through cooperation with other actors show example to others.

### The Baltic Sea Challenge

In 2007 the mayors of two Finnish cities of Helsinki and Turku decided to do their part. The Baltic Sea Challenge initiative was born. In the core of the initiative is the commitment to protect the Baltic Sea at the local level on a voluntary (i.e. not legally binding) basis. Many of the above mentioned actions are taken from the joint Baltic Sea Challenge Action Plan for Helsinki and Turku.

In the city of Helsinki clean waters and a healthy Baltic Sea is seen as a question of competitiveness and is written as such in the city's over arching strategy. Within the term "competitiveness", the city identifies several related advantages: Clean waters increase business, tourism and recreational opportunities and attract inhabitants due to a stronger pride and identity for the city, which together affects the local economy positively. Water quality work creates new working places within new water protection measures and new projects, which further have an added value on the economy.

The Baltic Sea Challenge has also another dimension. The city mayors understood that they alone could not do it all. Therefore they challenged other actors to join. At the moment the network consists of over 180 different actors, including cities and municipalities, companies, universities, schools, associations etc. In order to be a Baltic Sea Challenge actor you have to commit to voluntary water protection work and you are expected to make your own Baltic Sea Action Plan with water protection measures from your organisations standpoint. The Baltic Sea Challenge is a way of creating networks between different types of actors, changing ideas and promoting water protection. The Baltic Sea Challenge is further a working method for cities and municipalities to increase the cooperation within their own organisation among departments, as well as externally to other actors.

The Baltic Sea needs everybody's contribution on all levels. Through inspiring networks, where we can learn from each other, proper results can be achieved.

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*City of Helsinki Environment Centre*

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## How an age friendly environment can be promoted in the Baltic Sea region

By Andrzej Tubielewicz and Marcin Forkiewicz

The proportion of people over the age of 55 in the total population will rise over the coming decades and ageing poses one of the greatest challenges to the European Union. Since the problem of demographic shift is universal and is growing fast, it is more and more important to mobilise the full potential of the older generation. 'Active ageing' implies that older people can stay longer in the labour market and can increase their contribution to society. We need to shift from a model of older people who are passive recipients, consumers, users, to the one where, sharing their knowledge and experience, they are actively involved in facing challenges and creating innovative solutions. Moreover, active ageing can be supported through efforts to promote the Baltic Sea Region. The strategy and the action plan of such a solution need to emphasise that people past the age of 55 constitute enormous economic and social resources as they are well educated, motivated and healthier than ever.

Generation changes on the labour market have resulted in greater awareness of the need to skilfully match the expectations of different age groups, by means of the so-called intergenerational management, which must give consideration to the key factors such as:

- salary level,
- effective use of the working time,
- opportunities for development and learning,
- working conditions.

This also goes for people over 50 and their activation in terms of transferring business knowledge and experience and also learning to use new technologies.

In the light of the labour market changes, the demographic trends and the consequent necessity to engage the elderly in greater vocational and social activity, the issues of further education should also include the process of continued education of persons aged 55+. This involves, above all, adjusting the level of knowledge of this age group to the labour market demands and active life in the society of the 21st century. Another benefit of the training for the elderly is the psychological aspect involved in improving their comfort of life by raising their self-esteem and confidence when faced with the demands of technological and social progress and thus combating alienation and social exclusion.

It is a vital but often underestimated effect of further education on persons over 55, improving their mental well-being (reducing stress and depression caused by the awareness that their education level does not meet the needs of the knowledge society). Therefore, adjusting further education to the needs of the elderly also means raising the overall vocational activity level and participation of this social group in day-to-day life.

In this context of demographic changes, 19 partners from 8 countries of the Baltic Sea Region have jointly developed Best Agers project for enhancing the engagement of people aged 55+ in the labour market innovation processes and entrepreneurial activities. The **"Best Agers – Using the knowledge and experience of professionals in their primes to foster business and skills development in the Baltic Sea Region"** project is being

implemented in the years 2009–2012 under the European Union's Baltic Sea Region Programme – priority 1: Fostering of innovations across the Baltic Sea Region. The goal of the project is 'to make a contribution to European territorial cohesion and promote the strengthening of the Baltic Sea Region as an attractive and competitive region for capital investments, work and life'.

The Best Agers project wants to show how an increased inclusion of older people in the area of business and skills development can help strengthen competitiveness in the Baltic Sea Region. To achieve this, the Best Agers project:

- analyses good practice examples,
- tests their efficiency and transferability to other regions,
- develops new cooperative transnational solutions,
- recommends courses of action for the improvement of economic and social regulatory frameworks.

In this respect the use of age management of multigenerational teams is considered, as it is of special significance both in counteracting social exclusion of the older generation as well as in the processes of transferring experience to the young, their coaching and mentoring. The project partners discuss also the problem of implementation of new flexible employment forms adapted to the best agers. They try to work out an effective action plan to create sustainable and inclusive living and working environment, where older people can pursue socially and economically active life.

The partners develop, implement and evaluate various initiatives, including:

- older and retired experts promoting the coaching of small and medium-sized enterprises to help them expand and internationalise their business or overcome situation of crisis,
- reputable entrepreneurs assisting students and founders of new business,
- developing strategies for the preservation of the know-how of people approaching retirement from their professional career,
- promoting entrepreneurship among best agers,
- sharing knowledge, working for better social rights and social inclusion, and fighting against poverty and discrimination of older people.

Some problems concerning best agers can be solved by implementing the following ideas:

- creating the mentoring system,
- giving the employees opportunity to obtain new skills with their current employer,
- adapting the employees' skills to company needs.

Social and economic inclusion of best agers and the problem of combating poverty require that coordinated actions be taken in a smart, sustainable and inclusive way to foster full social and economic participation of older

people and to create better environment supporting better future for best agers.

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## What is there in between competition and competition? – investment promotion in Policy Action Plan for the Marketing of the Baltic Sea Region

By Agata Mężyńska

**One of the first lessons one learns in the field of investment promotion is that attracting investors has much to do with a beauty contest. There are some who need to put much effort to win, and those who get their prices at no expense. And of course - adding to that global economic climate – there is a fierce competition in the market. The question is, if there is a chance for cooperation.**

Promotion of a country abroad is often treated as a homogeneous subject. Nevertheless investment marketing stays in sharp contrast to e.g. tourism promotion. One can promote a several-hundred-kilometers-long route as a destination. An investment plot is directly linked to one location and in most cases also to one economy. Therefore the investment agencies all over the world predominantly compete to get their share of the cake. That is an interesting starting point for analysis of the policy recommendations in *Policy Action Plan for the Marketing of the Baltic Sea Region (PAPM)*.

The challenges undertaken in the PAPM are indeed serious when one looks at the regional characteristics and global investment flows at the same time. The latter according to UNCTAD in 2011 went beyond the pre-crisis average of ca. USD 1.5 trillion. However the global flow rise of 12,1% in 2011 is linked mainly to the increase in mergers and acquisitions (M&A). However, the first objective of investment promotion agencies (IPAs) is to win so-called greenfield investments. The volume of these has in fact slightly fallen in comparison to 2010 (USD 807 bn vs USD 780 bn in 2011) – and remains below the pre-crisis level. Also the average size of the investment project has fallen over past 3 years. For the region the crises meant a decrease of share in global foreign direct investments (FDIs) from ca 8% to ca 5% - the difference of about USD 2 bn annually.

The ten countries of the region differ a lot in terms of attracting FDIs and can be divided in at least four categories. The unquestionable long-term leaders, attracting more than half of the region's FDIs are Germany and Sweden. Germany leads in volume of investment and Sweden in investment per capita (analyzed period: 1994-2010). Both countries are key European and important global players. Second group are the remaining Nordic countries, attracting together - in more or less equal share - ca 15% of FDI inflow to the region. That means 2-3% of GDP of each and about USD 1000 per capita. The countries are both stable and well developed. The latter two groups consist of the post-transformation countries. The third consists of the Baltic States, which attract about 3% of region's FDIs, again in equal shares. In case of Lithuania and Latvia that means on average annually ca 3-4% of GDP and USD 200 per capita. For the smaller economy of Estonia the average numbers are more impressive with almost 8% of GDP and almost USD 700 per capita. The investment inflows to the three economies show significant correlation with the global FDIs' flow. And even if the volume of inflow seems less significant it has relatively high influence on internal economies. The last group consist of two very different countries – Poland and

Russian Federation. The first attracted over last years ca 11% of the region's FDI's (annually on average ca 3% of GDP and about USD 200 per capita), the second almost 17% (below 2% of GDP and USD 110 per capita). Poland is the country with the strongest correlation between world investment climate and national FDIs' inflows in the region. Finally the countries and Sweden have lost relatively least in terms of investment during the recent crisis.

The PAPM provides a framework for cooperation fit in between competitiveness and economic benefits of joint promotion, especially in distant markets. It suggests tied IPAs' cooperation in non-competitive areas as well as identification of specific sectors and over-national clusters. The other valuable idea is promotion of the whole BSR as a green region. There is also a proposal of the co-location of foreign offices. Finally it lists methods of coping with financial matters and division of responsibilities, including regular stakeholder meetings and modifying access to EU funds to answer the needs of IPAs. However, the document neglects two aspects, which complicate its possibility of implementation: the difference in sizes of countries and economies, and the variety of investment conditions linked to e.g. to the legal matters. The equal cooperation in promotion abroad between all the countries seems very difficult to achieve.

It would be recommendable to pay more attention to identifying not only a common offer, but also niches. The other point that could bring the document closer to fulfillment is identifying a more precise project management pipeline. The common promotion seems easy as long as we limit ourselves to overall information - organize events or prepare publications. Once the potential investor starts negotiations, one should know how to provide them with a tailor-made offer or set of offers. Then appears the question, how to secure all the offers the same importance, basing on quality only. The bigger economies will in most cases be able to provide more potential locations and therefore easily overshadow the smaller ones. Also the IPAs with relatively bigger funding will be in privileged position, even when supporting actions funded on EU level.

The document answers well to the investment market reality, however it is still too general for immediate fulfillment. The cities of the BSR have already created together an investment guide, including trial to identify investment niches for each of them. Let's hope the publication will be a good opening to further building of detailed cooperation framework.

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## Boosting sustainable production in SMEs in the Baltic Sea region – challenges and solutions identified by the SPIN project

By Daniel de Graaf

There is general agreement in society today that our civilisation needs to develop along more sustainable lines and that natural resources need to be used much more efficiently in order to ensure intact ecosystems for present as well as for future generations. The term 'green economy' is often used as a synonym for these needs, even though this concept focuses primarily on the interface between the environment and the economy. It widely neglects intragenerational and intergenerational issues but is nevertheless reflected in many political initiatives on the national, European and international level. Despite its conceptual limits, the approach of 'greening the economy' is at least a step in the right direction on the long way towards sustainability as defined by the Brundtland Report<sup>1</sup>.

Steadily rising prices for energy and raw materials have been a significant driver for a growing debate - also in the BSR - on how to do more with less, i.e. producing more products, services, well-being with fewer resources. Although the fact that the Earth's resources are limited was prominently put on the political agenda as early as 1972 with the publication of the report to the Club of Rome entitled "The limits to growth", it was only some years ago that economies and markets woke up to the profound problem of scarce and dwindling resources facing rapidly growing demand. Alleviating the problem by increasing resource efficiency truly appears to be without any alternative, given the fact that world population is growing and an increasing number of people in developing countries such as China and India are adopting the consumption patterns of the western hemisphere, resulting in a steadily increasing demand for what is also referred to as natural assets.

The model of sustainable development has many facets, one of which is sustainable production. Since more than 50% of the gross domestic product (GDP) in Europe is generated by small and medium sized enterprises (SMEs), half of the mission of making production more sustainable and resource efficient needs to be accomplished by businesses with less than 250 employees.

Like large companies, SMEs can increase their material and energy efficiency and thereby improve the sustainability of their production processes by taking measures to optimize these processes or by buying new, advanced equipment. While one may assume that the first is done using the company's own in-house competence, the latter requires external expertise which not only becomes manifested in the product itself, e.g. new machinery, but is also needed during the phase it is first put into service which is very important for efficient operation. However, in real life and in contrast to large companies, SMEs often fail to pursue either of these opportunities since they and their employees are fully occupied by the daily work, leaving no time to address the issue of sustainable production, let alone implementation approaches. Most SMEs have no specialized staff responsible for efficiency or innovation issues, so that measures to improve the sustainability of processes remain scarce and left to chance. Since most entrepreneurs are not aware of the cost structure of their business, even the fact that material consumption in the production sector accounts, on average, for 45% of a company's costs does not constitute an incentive for action. So how can this dilemma be resolved? What may bridge the gap between great saving potentials on the one side and lack of knowledge and capacities on the other?

There are three things that need to be done to boost resource efficiency in SMEs:

A first crucial task is to make companies better aware of their own situation regarding resource efficiency and its economic

benefits. Nearly all SMEs in the production sector have to cope with increasing material prices due to resource scarcity, and owing to its timeliness, the topic has already found its way from scientific publications to the daily press. So it is not a lack of awareness of the topic itself but rather a lack of self-assessment. Entrepreneurs assume that their production is as efficient as it can get, even if this is in striking contrast to the actual situation in many companies. As a consequence, efficiency measures are not considered a solution to the problem, and complaints remain the only reaction to increasing material costs. In order to correct this misjudgement, detailed information must be disseminated through intermediaries such as chambers of commerce, agencies, etc. Altogether, they have to transport the message that SMEs are able to improve the situation themselves through the right measures, e.g. by applying eco-innovations.

Second, missing capacity for appropriate innovation must be created through external consultancy. When they call in resource efficiency advice, SMEs receive an analysis of their potentials for saving on material costs, which they may exploit in a second step. This takes the form of simple measures to optimise work and production processes or major production modifications coupled with larger investments in new, innovative equipment. Needless to say, most SMEs will first opt for measures which are easy to implement and less costly, but more radical innovations often not only result in more sustainable production but also bring forth better or even new products. Hence, larger innovation projects can definitely pay off for the company's development and profits.

In most cases SMEs cannot finance such investments themselves, which brings us, third, to the companies' access to finance. Especially since the outbreak of the worldwide financial crisis in 2008, it has become more and more difficult for SMEs to find appropriate possibilities for financing sustainable production investments. Banks are reluctant/refuse to lend money to small companies, fearing a complete loss in case the company goes bankrupt. As one possible solution, resource efficiency measures may be supported by national programmes in addition to private loans.

The three aspects described here are central issues of the SPIN Strategic Actions for Decision Makers report, which was published by the SPIN (Sustainable Production through Innovation in SMEs) project co-financed by the BSR Programme 2007-2013. The report summarises the findings gained in three years of project work and provides a coherent approach for the whole BSR to supporting SMEs in developing and applying sustainable innovations. The aim is to improve the framework conditions both for SMEs in demand of sustainable innovations but also for SMEs which are suppliers of such innovations to make production more sustainable. Target groups addressed by the Strategic Actions report are policy-makers at EU, national and regional level but also public authorities, financing institutions, business networks and associations. By highlighting practical solutions for challenges connected with sustainable production in SMEs and giving examples of consultancy services, financing opportunities and policy initiatives, the report not only contributes to the discussion in the BSR on resource efficiency, but also provides concrete recommendations on how to tackle this topic, which is key to the region's development in the 21st century.

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<sup>1</sup> The report by the World Commission on Environment and Development (WCED) was released in October 1987 and defined the term sustainable development to be development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

## Why stay in the Baltic Sea region?

By Agnieszka Kowalcze

Co-operation and trade exchange in the Baltic Sea Region has a long tradition and has been developing despite periods of stormy historical relations between the countries in the region.

Regional co-operation should be fostered and promoted on every possible level to ensure that the companies, while looking for new business opportunities, will consider, as their first choice destination, area of the Baltic Sea Region rather than moving their operations outside the region, for example to Asia. This has special importance for small and medium sized companies and innovative start-ups, as they often have neither financial nor managerial resources to operate on long distance.

The economic data, analysis of the region and sufficient knowledge about local markets and their specificity can be much more convincing for the company if they are supported with practice. Therefore, it is important to be a part of a strong, reliable and supportive network of the fellow companies that have already entered the market in question. Exchange of information, building network and learning from experiences of those companies who have succeeded is extremely important.

A successful example of unique multilateral co-operation is the Scandinavian-Polish Chamber of Commerce (SPCC). Established in 2004 as a merger of the four business organizations – Danish, Finnish, Norwegian and Swedish – SPCC has become one of the biggest bilateral or even multilateral chambers of commerce in Poland. It represents interests of Nordic companies in Poland and since 2011 also Estonian companies operating on the Polish market as well as Polish companies interested in the Nordic markets.

The Chamber plays an important role in creating networking and meeting platform where companies can exchange experiences and build network. Together, investors from all of those countries are much more effective and powerful than alone and play a much more significant role, as a group of foreign investors coming from the same region, in relations with authorities and politicians. Cooperators and competitors, having different interests, are able to join forces and co-operate to secure and develop their businesses and interests.

The Chamber associates the biggest Nordic investors present in Poland, which represent the main sectors of the Nordic economy such as finance, energy, environment, construction, logistics, telecommunications, paper industry, furniture production, oil industry and food processing.

The branches of economic activities in Poland, where Nordic investors run their businesses, have not changed so much during the years. The interesting thing is that constantly increasing group of the SPCC members are micro, small and medium sized enterprises - representing a variety of industries - which see opportunities for development and expansion. Those companies can be the real facilitators of the growth of the region in the forthcoming future.

The SPCC's members include those who are experienced on the Polish market, and also those, who have just started their activities in Poland. The oldest member company was founded in 1956, but there are also companies that were founded just last year. The largest

number of companies went into business in Poland in 1999 and in 2005. However, each year new investors have been establishing their operations or looking for business partners in Poland. The perspective for the co-operation between Polish and Nordic companies has never been bigger and more promising. That creates new opportunities for further expansion of trade, development and co-operation.

From the dynamics of Nordic foreign direct investment (FDI) growth during recent decade we have observed that Danish, Finnish, Swedish and Norwegian entrepreneurs are more and more often choosing Poland as a destination for their operations, instead of moving far away.

Geographical location, still relatively low cost of production and availability of well qualified workers and specialists make them run their businesses in major industries of the Polish economy, providing it with enhancement and employment growth.

Nordic companies present in Poland account for around 10% of all foreign investors in Poland. Taking into consideration the origin of capital, the most active investors in the recent years were Swedes, reaching their peak in 2009 when their companies have started every second of the Nordic investments in Poland. Considering value of the capital and the number of new workplaces created by investors, Swedish companies are even stronger. According to the statistics provided by the National Bank of Poland, the total value of foreign investments in 2009 was 35,5 billion PLN from which 5,4 billion PLN was invested by Nordic companies. Out of that sum, 4,5 billion PLN came from Swedish companies.

The picture and perception of the Nordic countries and the investors is very positive in Poland. Therefore, apart from using all the opportunities on the Polish market Nordic companies can also be a source of inspiration for Polish companies.

Strong tradition of research and innovation, advanced position in green technology and the business culture characterized by openness, long term thinking and transparency as well as respect for employees, environment and society makes them the most desired employers in Poland.

On the other hand, Scandinavians can benefit from Polish business culture by learning spontaneity and creativity in looking for alternative solutions. Combination of these business cultures can positively influence competitive advantage of the region so the efforts that are being made to create sustainable development in the region would bring results.

Good co-operation and development in the future make the business stay in our region.

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## Russia as an environmentally responsible energy superpower?

By Veli-Pekka Tynkkynen

From the mid-2000s, mainly American scholars have argued that Russia is turning into an Energy Superpower, especially in relation to the main buyers of Russian energy, the EU countries. They argue that Russia uses its energy wealth as leverage for political and geopolitical aims central for Russia. This argumentation stems especially from two episodes in EU—Russia energy relations: the “gas wars” of 2006 and 2009 between Russia, Ukraine and the EU. In addition, it evokes fears that the Russian energy giant *Gazprom* has started to acquire shares of national gas distribution companies in the territory of the EU and the former socialist states. Europe could fall victim to the Russian spider web where energy supply, transnational pipelines and distribution networks are governed by one country.

Russian leadership argues, as do many European politicians and scholars, that Russia is only after stabile markets relations and economic prosperity via energy exports and distribution businesses. The argument goes that Russia would not jeopardise its energy relations with the EU, the biggest customer, using energy as leverage for political goals. Regardless of how the international political might of Russia is eventually evaluated – in traditional military or in recently claimed resource or energy terms – it is clear that its political manoeuvring space has drastically changed since the 1990s. If 20 years ago Russia was living from hand-to-mouth, and was strongly dependent on buyers of its energy, today's Russia has at least financially the potential to act as an Energy Superpower and to push forward its political agenda, accumulated energy wealth as its sinew.

Judging by the political initiatives of the EU, energy security has become one of the most central topics in Europe during the recent years. EU's stance on energy security is understandably dualistic. On the one hand, the EU is worried about its future energy supply and, for example, the EU—Russia Energy Dialogue is mainly constructed along this line. On the other hand, diversification of EU's energy mix is becoming as central topic as the security of supply. Especially, the fear that member states with a socialist history are becoming chronically dependent on Russian energy has sharpened the tone. Approximately one third of oil, gas, coal and uranium imports to the EU area come from Russia, making Russia the biggest supplier of Europe in all fossil fuel categories. Thus, it is somewhat surprising that we have not really seen pleas from the EU calling for wider environmental responsibility in energy production and transportation from the main supplier. This deviation is even more striking, since the EU energy policy is globally the most forward-looking in environmental terms.

Naturally, it cannot be argued that environmental issues are not at all on the EU—Russia Energy Dialogue agenda. Especially the issue of energy efficiency has been raised by the EU. Certainly, energy efficiency as a cooperation topic is also much more attractive for the Russian party, since it is organically related to the economic dimension of the modernisation project pursued by the Russian leadership. The environmental effects of energy production are thus partly touched, but this sensitive issue as a distinct subject has not been on the agenda headlines since the beginning of the 2000s, retelling mainly the Russian sentiments.

Seen from this viewpoint, Russia's position as an Energy Superpower is real. Russia may not have a headlock on EU in energy relations, but certainly Russia has a distinct influence on the energy policy agenda that is being formulated in the EU. On several political arenas the EU is behaving as an environmentally responsible player, but does not pose the

question with what kind of environmental costs the majority of energy consumed in Europe is being produced. In a way this is understandable, since the EU has only bad choices in this respect: the option for Russian energy is oil and gas from the Middle East or Nigeria. These countries do perform badly not only on the environmental arena, but also have a notorious track record in human-rights violations.

If official Russia denies that it is an Energy Superpower, on other political arenas Russia has claimed that it is a Great Ecological Power. Russia has tried to convince that it should be economically compensated for the ecological services its natural ecosystems produce for the global community – production of oxygen and storing of carbon in Russia's forests and peat lands. This argument was pushed forward as Russia negotiated its future greenhouse gas (GHG) emission quotas during international climate negotiations, which resulted in the Kyoto Protocol. However, the problem is that Russia as the world's biggest energy producer refused to take part in post-Kyoto climate treaty. Thus, the image of a Great Ecological Power, and simultaneously Russia's attractiveness or *soft power*, is weathering in the eyes of the international community.

However, considering these concepts together, Russia as an Energy Superpower and a Great Ecological Power, the positive and attractive dimension of the latter could justify and make acceptable the otherwise negatively perceived nature of the former. In practice this means that in order to accept Russian energy companies to penetrate European markets as equal players, and not fighting against the idea that Europe could become even more dependent on Russian energy, international energy companies should gain access to upstream operations in Russia and European consumers should be permitted full access to environmental data concerning energy production and transportation in the Russian energy sector. For example, there prevails a huge discrepancy between official Russian data and international estimates concerning emissions of Russian hydrocarbon production and transportation industries. Officially stated volume for flared associated petroleum gas (APG) is less than 20 Bcm, whereas a study by the World Bank estimates that annually up to 60 Bcm of APG is wasted in oil production in Russia. A similar inconsistency concerns the data on leakages and GHG emissions resulting from the Russian gas transportation system.

Common rules of the game for commercial actors, transparency and access to reliable information can dispel the still prevailing mistrust between these two organically bind entities. EU and Russia could significantly become closer in energy relations, if both would submit to the demands central for the other: security and environmental sustainability of energy supply for the EU and long term customership for Russia.

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## Energy nationalism and cooperation in the Baltic Sea region

By Leonid Karabeshkin

The countries of the region claim to become more energy independent from Russia, viewing excessive dependence from Russia as a security risk. First and foremost, this refers to the former parts of the Soviet Union – Estonia, Latvia and Lithuania. This policy finds support from the EU's energy policy aimed at integration of energy links and bringing market rules of competition into them as well as decreasing import dependency. Some hindrances derive from the EU's environmental policy, which strive to decrease emissions and impose strict safety requirements to generation installations.

One of the rationale behind the energy policy of the Baltic States is related to Russia's growing energy nationalism, which was interpreted as its unilateralism in pursuing energy policy and its temptation to use energy leverage for foreign policy purposes. In fact, energy nationalism is inherent not only to energy suppliers, and the energy policies of the Baltic States are not less nationalistic: all of them tend to retrieve maximal unilateral benefits, often missing cooperation not only with Russia, but among themselves.

The list of evidences is long. All the Balts want to construct their own LNG terminals, neglecting the expert conclusions that only one is enough. Estonia has announced construction of the terminal in Muuga Port in Tallinn, one more agreed in Paldiski, Lithuania is going to do the same in Klaipėda and Latvia claims the best place for LNG terminal is in Riga.

Latvia pretended to play a coordinating role in energy issues in the Baltic Sea region, but the competition with Lithuania for the right to become a starting point for *Swedlink-Nordbalt* energy connector to Sweden was finally won by Vilnius. Nevertheless, but the alternative project *Ambergate* (Latvia-Sweden) is still in the list of TEN-E priority projects. Estonia already possesses *Estlink* to Finland and is going to double its capacity.

The Baltic States want to construct the Nuclear Power Plants (NPP) without Russia's participation in framework of a joint project in Lithuanian Ignalina-Visaginas. But Poland as a potential partner withdrew, recalling to the NPP plans on its own territory. Estonia has envisioned a small nuclear station as well, though this is currently postponed due to technological reasons. Some years ago the CEO of Latvian energy company as well promoted the idea of building NPP in Latvia. He still argues that it is unreasonable to make vast investments on the territory of another state (in Lithuania).

Simultaneously, the Baltic States, Lithuania first, refuse to cooperate with Russia on the construction of the Baltic NPP in the Kaliningrad Oblast, though Russia made such proposals and demonstrated interest in attracting foreign investor with a share of 49%. All want to increase the use of their own energy sources – wood, peat and garbage (more politically correct term 'biomass' is typically used), while the share of more environmentally friendly natural gas is going to decrease. The Baltic States are suspicious to importing electricity from Russia, though Latvia and Lithuania enjoy the opportunity to cover half of their demand by purchasing relatively cheap electricity from the East, which helped to avoid the forecasted price shock after final closing Ignalina NPP in 2009. But Estonia as the only net-exporter urges them to limit the volume of import from Russia, arguing it with unfair competition of Russian producers, their environmental negligence, congestion of transmission links as well as political and security risks.

All the Baltic States unsuccessfully fought against the Nord Stream pipeline system. The representatives of the Port of Sillamäe in the North-East Estonia regret that such a rigid stance of the state prevented from receiving investments and

jobs for technical facilities. And the current CEO of Estonian transmission operator "Elering" hints that if Russia would propose to build new gas links through the Baltic Sea, the response could be more cooperative.

All with a different speed are going to divide national pipelines from the traditional supplier – Russian Gazprom and local distributing companies where the Russian gas monopoly used to have a share. But the real degree of gas dependence is often exaggerated – in Estonia natural gas from Russia constitutes only about 10% of its total energy balance and is going to decrease by 5-6%. Seemingly, using the security argument, the governments are going to strengthen their presence in economy and receive additional revenues for leaky budgets.

The total result of energy nationalism in the Baltic Sea can be rather sad. The region will be overburdened with new energy infrastructure to be paid off by EU taxpayers and local consumers. This will hardly decrease prices, but definitely imply environmental damage, saying nothing about general competitiveness of the Baltic Sea region. The production would potentially shift to the areas with more affordable production factors, including Russia. The increased competition and probable loss of energy markets would negatively affect Russia's income from hydrocarbon exports, respectively reducing its imports from the Baltic Sea states, depriving them of the meaningful growth driver. The creation of a new more independent from Russia energy infrastructure would enhance those interest groups which are in favour of permanent tension rather than rapprochement in Russian-European relations.

So, there is a clear need of facilitation energy cooperation around the Baltic Rim, which relevance used to be downplayed on the regional agenda, partly because Russia did not view the region as an appropriate field for discussing energy. This should include not only widening coordination among Baltic and Nordic states, implying energy market integration and outlining common position vis-à-vis Russia. But there is a need for a pan-regional outlook inclusive rather than alienating towards Russia. The positive sign is that German chairmanship in CBSS (2011-2012) put energy cooperation as a priority, though in rather traditional rather than ambitious way. The German MFA Minister Guido Westerwelle pointed the need of trust-based dialogue to make a successful energy policy in the region. Russia could develop cooperative trends on the issue during its forthcoming lead in CBSS.

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## Does history pose an obstacle to Baltic identity?

By Jörg Hackmann

Publications on the history of the Baltic Sea region have increased significantly since the fall of the Iron Curtain. This is hardly a coincidence; instead, it reflects a common desire to see the new ties and relationships established after 1989 not only as a phenomenon *ex nihilo*. If common traditions and interests can be revealed in the past, so goes the argument, this could underscore contemporary co-operation. Such debates about common history and culture in the Baltic Sea region emerged long before Björn Engholm's well-known initiative in the mid-1980's for a "New Hansa". Usually such discourses on history and cultural traditions are framed today as searches for an identity whose nature is collective, national, or regional.

We should have these debates in mind when looking at the initiative of the Baltic Development Forum to explore the opportunities for a regional branding of the Baltic Sea region. For this purpose, a report was commissioned from Bernd Henningsen, former director of the Northern European Studies Department at Humboldt University in Berlin. His report "On Identity – No Identity" (with a more complex and scholarly subtitle – "An Essay on the Constructions, Possibilities and Necessities for Understanding a European Macro Region: The Baltic Sea") was presented at the 2nd Forum on the EU Baltic Sea Region Strategy in Gdańsk in October 2011.

Somewhat surprisingly, the title of the report calls into question the very purpose of the report and frankly states the author's conviction that there is no such thing as a Baltic identity. In Henningsen's words, a Baltic identity discourse is "an exaggerated, faux-scientific discussion". His hypothesis would have implied either that the report be very brief indeed or not have been carried out in the first place. Henningsen's main argument is that there cannot be such a thing as collective identity and that therefore, a Baltic identity does not and cannot exist. Nevertheless, the Henningsen does acknowledge the possibility of what he calls a "we-feeling", and points to things that can contribute to it, such as nature, architecture, church organs, novels, and many more.

The report leaves the reader confused as to whether there is a specific feeling of belonging, of shared traditions in the Baltic Sea region or whether the notion is only a chimera created by some politicians and writers. Thus, the report raises several critical issues. Leaving the question aside whether Henningsen's claim for the non-existence of collective identity is supported by sociological and psychological research, two further aspects need to be addressed: do historical conflicts between classes, nations, or empires render impossible an understanding of interactions or shared experience that are not based solely on conflict? And second, should we reject the claims for showing recent co-operation to have a historical foundation by revealing that they are, in the words of Eric Hobsbawm, inventions of traditions? If we accept Henningsen's argument, we would quickly run into historical fatalism, as conflicts in history would lead into a vicious circle, where former clashes must necessarily provoke new conflicts; the early modern wars between Sweden and Poland, for instance, would make any Polish-Swedish talks about commonalities impossible.

In fact, such a negative view of history is quite common: many are convinced that we should not look back, but keep our eyes only directed towards a better future. Bearing in mind Walter Benjamin's renowned image of the angel of history, which was pushed forward while looking backwards into the past, one may doubt whether such an understanding of human existence without considering history is possible at all. Even beyond this philosophical notion there is a problem in agreeing

to the argument that the "*mare balticum*" was in fact a "*mare bellicum*". Our perception of the region would then be reduced to conflicting national interests and world views. But as we have known for decades, nations are not natural forms into which mankind is organized, but are outcomes of historical developments and thus subject to further development and change. This leads to the second argument, that historians may unmask recent visions of Baltic history as cultural or political constructions. Such deconstructions of the Hansa, the Vikings or the Soviet notion of a "sea of peace" do not imply, however, that we can get rid of such constructions entirely. The idea that history can be unveiled and depicted "as it really was", was abandoned already some 150 years ago. Even Henningsen's references to Baltic nature as identity producing features are nothing more than cultural constructions, and rather recent ones at that.

What follows from these critical remarks? First, there is a broad international quest for perceiving the Baltic Sea region as a historical entity with common cultural features. Second, this quest for a non-national, trans- or supra-national perspective on Baltic history should not be rejected as false consciousness *qua* flashback of Leninism. Third, the idea should be abandoned that there is only one authoritative master narrative of Baltic history upon which a common Baltic identity can be built – this seems to be the windmill at which Henningsen is tilting.

And this leads to a fourth point: we should look at the history of the Baltic Sea region through a prism of multiple perspectives – one aspect alone, be it that of the Hansa, Gustav II Adolf, or tsarist rule – may generate different and partly contested visions. The research on collective memory has already paved the way: in making different and even contested visions visible, they become subject to dialogue. With this theoretical framework in mind, a Baltic history project initiated by Academia Baltica in Luebeck, in co-operation with historians from Szczecin, Riga, Tartu and other universities, was launched in 2010 and declared one of the priorities during the German presidency of the Council of the Baltic Sea States. The project shall make use of history for exploring commonalities and differences in the Baltic Sea region; this means discussing the history of the region not by imposing answers *ex cathedra*, but by exchanging views from varying parts from the region held by everyone from students to elderly people, and by moderating these views on an online platform. With such an open approach, discussions on history may contribute to enhancing a Baltic identity that exceeds national boundaries.

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