Baltic Rim Economies

Quarterly Review

ISSUE NO. 7, 18 DECEMBER 2013

EXPERT ARTICLES:

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The Finnish marine industry in the midst of structural change

By Lauri Ihalainen

Vigorous structural change is currently going on in the Finnish marine industry. One of the leading enterprises in the field, STX Finland Oy, is suffering from the financial problems of its Korean parent company, STX Group, which culminated in the company's debt restructuring; while a large order considered as certain was cancelled with regard to another leader in the field, Technip Offshore Finland Oy. These have led to the highly regrettable termination of the Rauma Shipyards, which were rich in tradition, as well as the co-operation negotiations and dismissals in the companies concerned and within the subcontracting chain.

At the same time that the shipbuilding industry suffers from the lack of industrial competitiveness afflicting Finnish industry in general, shipbuilding yards in particular are troubled by global over-capacity, which makes such competition severe and partly unhealthy. However, business activity is still profitable and abundant growth opportunities are on the horizon in many of Finland's marine industry companies, global equipment and system suppliers and design-field companies, as well as in firms serving the offshore field and Arctic shipping. Also marine industry subcontractors who in the past were mainly concentrated on domestic demand have found new markets in, for instance, Norway and Russia. Well managed, the next renewal resulting from structural change could lead to fortification of competitive ability.

The shipyards' order books increased throughout the period from 2002 until the worldwide economic crisis that started in the autumn of 2008. With the growth in the number of orders, new shipyards were built in abundance in various parts of the world; for instance, merchant vessels were ordered and constructed considerably more than was required on the basis of their actual transport needs. This led to an oversupply of both ships and shipbuilding capacity – which still troubles the shipbuilding market today. As a result of the crisis, the overcapacity of the shipyards was not allowed to unwind: on the contrary, states began to prop up their shipbuilding industries with various support programmes.

The crisis also led to changes in market shares. Momentarily, China rose to become the leading shipbuilding nation in the world, surpassing South Korea and Japan. As a consequence of the crisis, European shipyards also experienced a new threat when the Asian yards endeavoured to capture market shares over special vessels more actively. These special ships comprised, for instance, cruise vessels and car passenger ferries, in addition to icebreakers. The markets for these vessels have traditionally been controlled by European shipyards. Currently South Korea is once again the world's leading shipbuilding nation, as it has concentrated on higher value ships (ultra large container vessels, LNG carriers, offshore vessels, etc.), and has left the more traditional bulk vessels to the Chinese yards.

There is also overcapacity on the cruise vessel side, which represents Finnish peak expertise, even if growth can be seen in the cruise market. Moreover, the cruise and passenger vessel markets suffer from the established funding practice in the field, where 20% of the vessel's price is paid at the outset of the project and 80% only after the vessel is completed. This requires financing by special state financial institutions – first for the shipyard doing the construction and next for the shipping company making the order, which are subjected to competitive bidding with regard to the financial terms and conditions of special financing institutions, leading to competition between states.

Does the Finnish shipbuilding industry have a future, in view of the fact that we only get continuously bad news from the field? From the employment figures angle, the figures for the shipbuilding industry also appear to have declined in 2013. At the outset of 2012, the marine industry still employed almost 18,000 people in Finland, of which over 80% worked outside the shipyards. Approximately 3,300 people worked in the shipyards, but this figure can be reckoned to be considerably smaller due to the changes at STX Finland Oy and Technip Offshore Finland Oy. Nevertheless, almost 50% of Finland's marine industry personnel were employed by Finland's international system and device supplier enterprises, for whom the Finnish shipyards are one customer among others.

Even so, maritime transport, the marine industry and offshore operations are future growth areas. Goods and people shall be transported in larger numbers in the future, the search for natural resources shall extend to more and more difficult areas (deeper waters and arctic regions), and the opening of northern sea routes as well as more stringent environmental regulations on maritime transport shall demand increasingly advanced and environmentally-friendlier vessels. All of this raises the challenges to know-how in the field, but at the same time this represents the core of Finnish marine industry expertise.

Through the ages, shipyard operations have formed the core of the Finnish marine industry. Impressive, demanding types of vessels and offshore structures have established a global reputation for Finland as an expert in demanding structures. Alongside shipyards and offshore machine shops, a versatile marine industry-based cluster of expertise has taken shape in Finland and, given the correct measures, they may remain here in the future as well.

Amongst the first in the group, Finland and Finnish operators have to adapt to increasingly stringent environmental norms, as a result of which pioneering expertise is being generated in Finland in the development and utilization of related solutions. Within the next ten years, global markets shall also be created for this know-how. The combination of cleantech development work with already strong shipbuilding expertise shall generate strong potential in Finland's marine industry in, among other things, northern market areas. Completely new vessels representing new technologies have been created in this cluster under the lead of Finnish shipyards. In the development of green technologies, increase in energy efficiency, and in the deployment of alternative fuels (used by vessels) such as LNG and bio-oil, energy effectiveness and hydrodynamics, Finnish yards and marine industry shall more extensively represent global peak levels. Concrete recent examples are, the bio-oil fuelled multipurpose deck cargo vessel *Meri and Viking Grace,* the world's first large-class passenger ferry to use LNG, thereby obtaining comprehensive attention throughout the globe. These examples show that there is room at the top of the value chain for new technologies, prototypes and experimentation.

Regardless of the recent difficulties, it is still possible to see a future in Finland for the shipbuilding industry. This,

nevertheless, requires that the production capacities and costs of the pivotal operators are adapted to match the orders obtained and operational methods are renewed to make them competitive. The State on its part is ready through various means to support structural change in the shipbuilding industry and, from the long-term perspective, to put shipyard operations on a profitable as well as sustained and durable path.

The State supports, through various methods, structural change in the marine industry. At the outset of 2013, the Marine Industry 2020 working group, appointed by the Ministry of Employment and the Economy, introduced many measures for the promotion of Finland's marine industry. Of these proposals, many are under development at both the Ministry of Employment and the Economy and at other ministries. In the near future, a new marine industry development programme under Tekes (the Finnish Funding Agency for Technology and Innovation) shall be launched. Its public funding (from Tekes) totals over 40 million euros. When private funding is added to the sum, up to 100 million euros of funding impact shall be achieved. Through the Tekes programme, new technology- and service-based solutions linked with all kinds of marine business operations shall be sought and applied. A marine industry programme is also being initiated by the Ministry of Employment and the Economy, which shall focus on the development of the operational environment for this field. The public funding share for this measure totals four million euros. By these actions, the purpose is to renew the Finnish marine industry and find sustainable cornerstones to support it over the long term.

Lauri Ihalainen

Minister of Labour

Finland

Security in the Baltic Sea area

By Ari Puheloinen

Security issues in the Baltic Sea region

Today, the Baltic Sea region is a stable and secure area. However, the littoral geography of the Baltic Sea is challenging. Traffic is channelled through the archipelago and several choke points. Shallow waters limit free navigation. Part of the sea freezes every winter, making the conditions arctic. The importance of the sea lines of communication in the Baltic Sea is increasing and they will be essential also in the future.

Globalisation has caused interdependence between states and global actors. Growing interdependence and the increasingly more technological operating environment also bring new kinds of vulnerabilities. In order to be countered, these require increasing regional cooperation and new approaches from all actors.

The threat of an armed aggression in the region is low, but it cannot be ruled out completely in the long term. A wider conflict or a regional crisis could result in the use of political pressure or military force in this confined area. Therefore, countries continue to prepare for external security challenges, especially in the challenging maritime arena. The interests of NATO and Russia also affect the Baltic Sea region. More emphasis is given to Article 5 obligations as NATO reorients itself to a time after broad scale crisis management operations. Russia's military activities have increased since the 1990s and the early years of the 2000s. The changes will be reflected in an increase in the number of military exercises in the Baltic area in the future.

Besides the traditional military threat scenarios a number of different types of threats exist, such as environmental problems, organised crime, terrorism and cyber attacks. The military organizations have to prepare to act against these kinds of challenges in close cooperation with the civilian authorities.

The development of technology has revolutionised the possibilities for communication. At the same time the network-based systems are vulnerable to cyber attacks. Networks depend on critical infrastructure, technical systems that use electricity and telecommunications. The risk of serious disruptions in society becomes all the more severe. Cyber space does not have state boarders, so threats have to be repelled together.

The Arctic is today's focal environment. The main interest is economic, but alongside of this the security issues in the area are also growing. This might be reflected in the Baltic Sea area. Although there seems to be a common desire not to militarize the Arctic, the militaries of the region prepare to operate in the severe arctic environment. In the first place, future activities would be maritime surveillance, and search and rescue at sea.

Security arrangements

Commonly accepted rules and procedures are the basis of security. The United Nations is the most important global organisation from this perspective. Common values are also strengthened through the Organization for Security and Co-operation in Europe.

The European Union is a growing security policy player. The development of EU crisis management capabilities strengthens the Union's capabilities. The EU is not a defence organization, but its Common Security and Defence Policy and solidarity clause reinforce the EU as a security community.

Most EU nations are members of NATO, which gives them security guarantees. NATO is actively seeking partnerships, which is binding Baltic Sea countries to cooperation. The USA is shifting the focus of its international politics to Asia, but it will remain a strong actor in Europe.

The Nordic countries share similar values and therefore form a natural group for cooperation. Nordic Defence Cooperation NORDEFCO is a suitable regional means to improve military capabilities, increase interoperability and enable cost-effectiveness. This cooperation increases collaboration and promotes stability in the northern region.

Finally

Concrete examples of successful military cooperation are the Cross Border Training of the Finnish, Swedish and Norwegian Air Forces in the north and Surveillance Cooperation Baltic Sea (SUCBAS), which all of the Baltic littoral states, with the exception of Russia, have wanted to join. It would be important that also Russia would participate in cooperation. The navies of the region meet and train on a yearly basis and thus build trust and interoperability among their navies. Common exercises form a platform for enhancing development. The cooperation in the civilian sector is also active. Good examples are arrangements for oil recovery, search and rescue and ice breaking.

In order to maintain a safe and secure maritime environment, to prevent friction and maintain the positive development, we must continue networking and building partnerships, share information and collaborate with all essential regional and bilateral actors. It is important to take small steps in the right direction.

Ari Puheloinen

General Commander

The Finnish Defence Forces

Finland

The Baltic connection

By Eeva-Johanna Eloranta

Here, in the cold, faraway North, the waters of the Baltic Sea wash the shores of the edge of Europe. Long ago our destiny was to react to outside impulses and events whilst coping with harsh realities dictated by nature. Gradually our position changed from one of isolation and rigid individuality and started attaining a more worldly flavour through trade and commerce. The Middle Ages saw rapid growth in trade that spanned across the Baltic Sea. In the wake of the 20th century, then, the Nordic societies started gradually evolving into welfare states and, especially after WWII, showed signs of rising living standards and a proliferation of new technologies and innovations. Yet another historical milestone was reached, when in the 90's, the Baltic States regained their independence and the EU and NATO enlarged eastward bringing prosperity and stability to the European North.

The speed of recent historical events has been dramatic. Especially when one thinks that only twenty-four years ago, during the Cold War, the Iron Curtain spanned across the Baltic Sea stretching all the way from Lübeck in Germany to Virolahti in Finland and created a significant gap not only in living standards but also between societies, the rights of the individual and an air of danger through potential military confrontation. Estonia, Latvia and Lithuania became full members of the EU only a decade after regaining their sovereignty. These decades can and will be branded exceptional.

Today the Baltic Sea Region encompasses nine countries, different cultures and a plethora of histories, yet they all share the fundamental importance of our lifeblood – the Baltic Sea. The enlargement of the EU, now encompassing nearly all the countries in the region, has only added to the importance of the Baltic Sea Region within the context of Europe. There is no doubt that, thanks to political, economic, cultural and social ties and cooperation, the significance of the Baltic Sea Region will only grow in the future. Many barriers between countries have been eradicated and today it is often taken for granted that people can move across borders for travel, education and work purposes. However, there is still a lot of work to be done before the integration processes of the Baltic Sea Region are finished.

The EU Strategy for the Baltic Sea Region aims at improving the marine environment of the Baltic Sea, at increasing the safety of marine traffic and at strengthening economic cooperation in the region. In other words the three main objectives are to save the sea, connect the region and increase prosperity. The aim of the Northern Dimension is to support stability, welfare and sustainable development in the Baltic Sea Region through practical cooperation.

The Baltic Sea is an important area for tourism. As a matter of fact approximately half of all the tourists arriving in Finland come from countries around the Baltic. Equally often these countries are the main tourist destinations for Finnish tourists. The significance of the Baltic Sea Region as a tourist destination will probably grow in the foreseeable future as the greenhouse-effect makes summers in Southern Europe and the Mediterranean too hot to enjoy during summer holidays. The Baltic Sea Region offers a mild climate, clean nature, beautiful archipelago sceneries and also some nice, long beaches. The Sea has immeasurable value in terms of recreation.

Bearing the above mentioned in mind, it is sad to say that there are dark clouds gathering over the recreational use of the sea, since the marine environment of the Baltic Sea is in very bad condition. Every summer blue-green algae rises to our shores. Because of this our children can no longer go swimming. Nowhere else in the world can we find such high levels of nutrient content in the sediments. Nowhere else in the world can we find a seabed with so little life due to lack of oxygen.

The main actor tasked with the protection of the Baltic Sea environment is HELCOM, which defines the measures necessary in order to save the Baltic Sea. The Baltic Sea Action Summit process (BSAS) gathers together public and private bodies in order to implement actions that have a positive impact on the state of the Baltic Sea environment. The Council of the Baltic Sea States (CBSS) promotes stability and welfare in the Baltic Sea region. Currently Finland holds the presidency for 2013–2014 choosing a Clean, Safe and Smart Baltic Sea as its umbrella theme.

Saving our sea can be achieved through strengthened cooperation of all the actors and with the help of national parliaments, the European parliament, the Nordic Council and the Baltic Sea Parliamentary Conference (BSPC), which provides a political platform for parliamentarians from the Baltic Sea Region to meet, form opinions, exert political pressure in relation to questions of regional importance as well as organise political activities to bring about major improvements in the Baltic Region's health and prosperity.

Eeva-Johanna Eloranta

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Member of Parliament of Finland

Member of the City Council of Turku

Member of the Nordic Council

Finland

Economic growth in South-Eastern Finland

By Jukka Kopra

South-Eastern Finland consists of regions of Kymenlaakso and Etelä-Karjala (South-Carelia) and about 320000 people live in the area. South-Eastern Finland has traditionally been a stronghold of large-scale forest and paper industry. As a result of the financial crisis and global trends this heavy industry has been shrinking dramatically causing severe unemployment and general lack of financial prospects.

Entrepreneurs and politicians alike in the area have been scratching their heads to find means to stop the economic decline and to get back on the track of growth again. While this question is still largely considered unresolved there are some special trends that shed some light to this valley of economical darkness. The forest industry is reinventing itself and investing in new innovations. One good example of this is the new facility of value of 150 million euros for production of biodiesel from excess pulp fibres in Lappeenranta by UPM-Kymmene Inc.

Alongside of these activities there is a sector of economy that looks very promising. It seems that the region's location next to Russia is generating very bright rays of light to the abovementioned darkness and enabling significant growth.

Russia is at the moment the single most important trade partner of Finland. At the moment, 80 % of all the logistics between Russia and Finland - people and goods - pass through South-Eastern Finland and its harbors and border stations.

The effect of Russia and especially the area of St Petersburg to the economic development of South-eastern Finland has been very strong during recent years and is still growing. Most visible consequences of this are long lines of Russian tourists at border stations, growing revenue from tourism services and a strong and growing demand of consumer goods.

This growth has lasted for several years despite the economic crisis and general recession in Finland and EU. Most of the Russian tourism to Finland concentrates on the area of South-Eastern Finland and a large portion of tourists are day-travelers. This means that a large number of people come from Russia to Finland in the morning, visit the cities alongside the border, do some serious shopping and head back home in the evening. It is mostly because of this the demand for retail services has been growing steadily and strongly especially in South-Carelia area.

As the South-Eastern Finland is full of picturesque lakeside cottages the owners of these facilities have found a new and serious clientele in Russian tourists. Fishing, swimming, boating, picking mushrooms etc in the last frontier of EU is very popular among Russian tourists, too.

The tax-free sales to Russian customers are growing in 2013 although the pace of growth has somewhat slowed down. The most popular cities are Lappeenranta and Imatra. The area of Lappeenranta sporadically presents higher sales figures to tourists than the capital of Finland, Helsinki.

Last year Russian customers spent approximately 500 million euros in South-Carelia area only. Combined with the figures of Kymenlaakso, the expenditure in South-Eastern Finland is close to 1 billion euros.

There are several estimates of the development of Russian travel, spending and tourism to Finland. Estimates of the turnover of this "industry" for the year 2025 in South-Eastern Finland with a mediocre growth trend range from 2 billion to 5 billion euros. For the economy of the area these figures are extremely attractive.

Of course, to accomplish these figures of growth, a lot of investment in border stations and commercial and logistical infrastructure is needed. The business community in the area is working at full power to utilize new opportunities. The municipal and regional authorities are co-operating very closely. The government of Finland has acknowledged these possibilities and opportunities in South-Eastern Finland and will provide legislation and investments that enable the development of the infrastructure.

In general, the effects described above have naturally been a welcome boost to the area. One might argue, that this is the "normal" situation that has traditionally been in effect between Finland and Russia. With the exception being the era of the communist regime in Russia 1917-90 when all direct interaction between people of South-Eastern Finland and North-Western Russia was strictly forbidden.

Nevertheless, the cross-border economical activities - be it simple retail-trade or more serious industrial investments - are of substantial importance not only to the area of South-Eastern Finland but to the whole country. We also should acknowledge their importance to Russia and its people, too. For Russians South-Eastern Finland acts as an entry point to the EU and to western ways of doing business.

Jukka Kopra

Member of Parliament

National Coalition Party

Chairman of the Board

Regional Council of South-Carelia

Finland

The Baltic Sea region has a role in transatlantic relations

By Ritva Koukku-Ronde

There is an increasing interest in the US towards the Baltic Sea region while at the same time there is a growing interest to emphasize the importance of regional cooperation. This US interest was clearly seen when President Barack Obama recently met with the Nordic leaders in Stockholm and with the Baltic leaders In Washington DC to discuss shared global priorities and long-term goals.

In the meeting with the Nordic leaders the countries agreed to deepen the collaboration on important shared global priorities, including e.g. climate change and clean energy, the Arctic, a strong, open multilateral trading system as well as Europe's regional and security environment. A week earlier the US and the Baltic leaders reaffirmed to strengthen their relations by expanding trade, enhancing strategic cooperation and advancing democracy and human rights around the world.

The Baltic Sea Region is known in the United States as a model for fostering economic prosperity and implementing sustainable environmental policy based on knowledge, innovation and research. It is also logistically well connected and a stable area with over 80 million consumers in reach.

Finland already offers a solid base for trade in a wider region. Our world-class logistics, together with a highly-educated workforce, create an attractive hub for foreign business. I love the expression my American counterpart in Finland, the US Ambassador, uses of Helsinki: "The Epicenter of the New North".

The innovation center of the US Embassy in Helsinki is a clear sign of the interest of US businesses in the market. Finland can serve as a hub for activities in the Baltic Sea area, including especially North-West Russia. Finland can also work as a gateway for Russian companies to enhance their businesses in the European and Transatlantic market.

Looking from Washington DC, the Baltic Sea Region is a case in point as regards to regional cooperation in logistics, security and safety. It is seen as one of the most prosperous markets in the world, embracing the Russian markets and also exploring the opportunities in the High North. There are many opportunities for practical cooperation. For example the Gulf of Finland Vessel Traffic Reporting System GOFREP could be a model for a similar system in the Arctic including the Bering Strait. And let us not forget the Barents cooperation, which has already a functioning search and rescue agreement with common exercises. GOFREP has proven to be a success. It is drastically lowering the accident rates in the Baltic Sea and preventing close calls for ship collisions and possible oil spillages. In addition to this it is also a prime example how three nations - Finland, Estonia and the Russian Federation - sharing a common sea and common concerns for safety, can successfully work together.

Another area of special interest is the cooperation between the Nordic countries and the Baltic States, both in terms of foreign and security policy and the economy. Our interconnected electricity grids are often mentioned as another showcase of successful regional cooperation. The discussion on LNG-terminals and the security of supply in the Baltic Sea area is one of the topical questions, also with a view to the US becoming a net exporter of natural gas in the coming years.

The Baltic Sea is truly a Sea of Cooperation and can offer best practices in many fields, which might be of great interest to the United States in the emerging Arctic cooperation. The US will take up the Presidency in the Arctic Council in 2015 and Finland will follow in 2017. This is an opportunity we should not miss in transatlantic relations.

At the moment, the EU and the US are negotiating a comprehensive Transatlantic Trade and Investment Partnership Agreement, TTIP, which would increase global trade and boost the EU´s economy by 120 billion and US economy by 90 billion US $ annually. It would increase EU´s exports to the US by 28 %. This historical process gives new impetus to EU-US relations in all sectors and the outcome will certainly benefit the Baltic Sea region as well.

Ritva Koukku-Ronde

Ambassador of Finland
to the United States of America

Austria and Finland – a partnership with room for improvement

By Elisabeth Kehrer

At first glance, Austria and Finland don't share many commonalities. When it comes to geography, history and tradition, language, economic ties and regional policy priorities, they are quite different. Austria, small successor to a once great empire, lies landlocked in Central Europe. It neighbours eight countries, which are members of NATO or in a status of neutrality. Finland, comparatively younger as an independent state, looks out on the Baltic Sea and has close relationships with its neighbours, particularly Sweden and Russia.

Nevertheless, the 20th Century created similarities in both countries. During the Cold War, both found themselves bordering the Iron Curtain and choosing a status of military neutrality. As bridges between East and West, Finland and Austria took similar positions in foreign policy matters, with a strong emphasis on multilateralism, peace-keeping and international law. In the United Nations as well as the Helsinki Process, Finland and Austria played an important role and contributed to democratic changes in Europe.

This consonance also extended to our participation in European integration. Long-time members of EFTA, Austria and Finland decided to seize the opportunity provided by changes in Europe in the late 1980s and to apply for EU membership. This culminated in simultaneous EU accession on 1 January 1995. A side benefit of negotiating together for membership are friendships and long-lasting ties between politicians, civil servants and diplomats which serve us well in today's larger EU.

Both countries joined the EU as advanced market economies with high social and environmental standards. From the beginning, we have been net contributors to the EU budget. This leads to many shared interests in the EU's ongoing work, ranging from sustainable agriculture, to consumer protection, from easing regulatory burden on SMEs to trade liberalisation, from pursuing high environmental and climate goals to ambitious EU standards on science and research – to name but a few examples.

Austria and Finland are members of the Eurozone, weathering its crisis together. Both countries are contributing to the various support mechanisms for EU countries in fiscal crisis. And we also share the position on stricter implementation of fiscal rules and reducing public debt.

In an EU of 28 member states, cooperation on a regional basis seems called for. Finland and other Nordic countries have therefore set the initiative for the creation of macro-regional strategies, the first one for the Baltic Sea Region. Austria together with other Central European countries has followed this example by proposing and implementing the Danube Regional Strategy.

Like the European Union as a whole, Austria and Finland face similar structural challenges how to maintain high social and environmental standards while dealing with demographic shifts and changes in the global economic development. Both countries have traditional industries (e.g. paper, pulp, wood processing, steel and machinery). And both countries are making efforts to diversify and to shift towards clean technology, alternative energy, in particular biomass, or medical technology.

Globalisation requires that European businesses move from industrial production to industry-relevant services, from invention to permanent innovation. When dealing with these challenges, Austria and Finland can learn from each other, and compare best practices. Similar government structures and functioning social partnership make such exchanges even easier. Learning from the best will have to become a general principle for both countries – and other EU partners of similar size. For example, while Finland is a model for a highly successful primary and secondary education system, Austria could provide insight into its successful dual education system with its strong emphasis on vocational training on the job. Similar examples could be found in other fields, e.g. in tourism, IT or bio-energy.

Despite similarities and close cooperation within the EU and Eurozone, trade relations and FDI between Finland and Austria have remained at the same level for several years. In a globalised world, bilateral trade figures may not be too relevant as indicators. Nevertheless, cooperation should be intensified. Given that Finland and Austria's economies rely to more than 90 percent on SMEs, "teaming up" among SMEs might be a key to success in globalised markets.

For smaller economies like ours, cooperating mainly on a regional basis seems too narrow. Open integrated European markets allow Austrian and Finnish SMEs to look beyond their immediate neighbourhood for business partners best-suited to complement them, in order to venture into global markets together. Shared interests in Russia and Central Asia could be the beginning of such "teaming up". Austria's experience in South Eastern Europe could also be of interest. So – as indicated in the title – there is indeed room for deepening our cooperation.

Elisabeth Kehrer

Austrian Ambassador in Finland

The Baltic Sea orchestra is playing out of tune

By Björn Carlson, Valery Gergiev, Juha Nurminen, Esa-Pekka Salonen and Michael Tydén

The critical condition of the Baltic Sea is by far the biggest environmental problem in Northern Europe. The uninitiated can nothing but marvel at the high number of organisations and statements churned out from the Baltic Sea cornucopia. If the number of Baltic Sea seminars and publications were used as an indicator, the Baltic Sea would already have been saved.

The Baltic Sea orchestra of 14 nations will not be able to keep in tune without a charismatic leader. The Helsinki Commission HELCOM is a step in this direction, but it lacks the power of decision required of a leader. The cooperation body of the states around the Baltic Sea acts on the basis of consensus, and it has no right to punish member states that have not delivered. In autumn 2013 the Ministerial Meeting of HELCOM convened in Copenhagen. There was no breakthrough but ambitious goals where set – once again. This target setting has to be followed through – simply because we have witnessed too much hot air when it comes to the action plans about improving the poor status of our Sea.

For us, the signatories, the Baltic Sea is a beloved and central part of our lives. For many years, we have looked on as the status of the Baltic Sea has deteriorated, and, using our own means, have all done what we can to help the sea. Our efforts have been channelled through art, music, foundations we have established, or projects aiming to protect the Baltic Sea.

We believe that leadership and an unambiguous roadmap are needed to save the Baltic Sea. We have no time to waste, as the sea, particularly in terms of eutrophication, is approaching a critical threshold. For too long, the sea has been protected only in official speeches and through such activities that carry an insignificant or nonexistent actual environmental impact.

Today, we need to focus on actions that help the Baltic Sea as fast and as efficiently as possible. First, we must block the greatest streams. Although non-point agricultural load is the greatest source of nutrients in the Baltic Sea, we can help the sea fastest by continuing to focus on the remaining major point load sources.

We have seen great progress at municipal wastewater treatment plants particularly in new EU states and in Russia, but this work needs to be carried out to its completion. When municipal wastewater treatment plants have been renovated, it is important that they are also used in a way that removes nutrients to as great an extent as is possible. It is a question of life and death to the Baltic Sea that Poland, for example, does not merely treat nutrients at the minimum level required by EU but strives to meet the more strict HELCOM recommendations agreed by the countries surrounding the Baltic Sea.

At the same time, the remaining major industrial point load sources must be dealt with. We thought they were a thing of the past, but unfortunately they continue to exist. The shocking news of massive nutrient loads generated by the fertilizer industries of Russia and Poland must not be repeated. We are facing an absurd situation: thousands of farms in Southern Sweden use buffer strips to fine-tune their nutrient discharges of a few kilograms while, at the same time, blue-green algae in the main basin is being fertilized by a discharge of hundreds of tonnes of fertilizer phosphorus, originating in waste stacks. The same applies to discharges to the environment from industrial animal farms. These major sources of nutrient load must be dealt with.

Even though fast results are not likely, we must carry on with measures that reduce nutrient loads from agriculture. By its nature, agriculture generates loads to waterways, and especially the phosphorus runoff from the soil can continue for decades. Still, we cannot give up. Long-term effort for more environmentally friendly agriculture must continue. Otherwise there is no future for the Baltic Sea.

While the status of the Baltic Sea continues to be poor, a lot has been achieved through conservation effort. Discharges of nutrients and poisonous substances to the Baltic Sea have reduced as the volumes of municipal and industrial discharges have declined. Particularly in the Gulf of Finland, where nutrient loads have been significantly reduced in recent years, the ecosystem is showing signs of recovery. Combined, the improved efficiency of phosphorus removal from the wastewaters of St. Petersburg and curbing the phosphorus discharges of the fertilizer factory in Kingisepp have reduced the phosphorus load to the Gulf of Finland by almost 60%. In some areas, codfish has returned. Populations of seal and the white-tailed eagle have recovered. A Baltic Sea that is clear, clean and diverse no longer looms hopelessly far on the time horizon.

We must be able to discuss even difficult issues without accusations, focusing on solutions. We need doctors, not judges. Here is our 'first aid prescription' with which major results can be achieved already in the next few years:

All wastewater treatment plants in the Baltic Sea area must treat their wastewaters in line with the recommendations of HELCOM.

Phosphorus discharges entering the Baltic Sea from the fertilizer industries of Poland, for example, must be blocked by treating the runoff waters of gypsum stacks and building appropriate insulation around them

Manure from large animal farms in the Baltic Sea area must be treated so that discharges to waterways are minimised.

The credibility of the effort to save the Baltic Sea is in the hands of political decision makers in economies around the Baltic Sea. We who love the Baltic Sea place our hopes in you.

Björn Carlson

Founder and Chairman of the Board

BalticSea2020 Foundation

Valery Gergiev

Conductor

Artistic and General Director of the Mariinsky Theatre and co-founder of the Baltic Sea Festival in Stockholm

Juha Nurminen

Founder and Chairman of the Board

John Nurminen Foundation

Esa-Pekka Salonen

Composer and Conductor

Co-founder of the Baltic Sea Festival in Stockholm

Michael Tydén

General Manager of Berwaldhallen

Co-founder of the Baltic Sea Festival in Stockholm

Evangelical-Lutheran Church of Ingria

By Alex Prilutskii

Evangelical-Lutheran church of Ingria is one of the two oldest Lutheran churches, which exist in Russia: the first documental mentioning of it comes back to 1611 year. Before revolution in 1917 the church had 32 parishes in Saint Petersburg and its regions, right up to the Estonian border. Total number of parishioners at that time was 147 000.

During the post-revolutionary period of time the natural church development was handicapped and for many following years the church was forced to exist in shadow. Only in 1970 when new parishes were officially founded in such towns as Pushkin and Petrazovodsk the church revival was begun.

Nowadays parishes of the church of Ingria are located all over the country – both on the historical territory of Ingria, and also in the region of Povolzie, Siberia, at Urals, including the central regions of the country.

For the support of congregations in the church body there were formed four special committees, which are responsible for the work with children and youth, spiritual enlightenment, and informational support of the church life. At present there are 110 ministers, which work in the church body. Most of them are Russian citizens.

The church supports the work in the houses of old men, which were built with the aid of the official finish structures, such as Finish Ministry of the social support and health, and Inkerinliitto community.

The church tries to restore and develop those traditions, which were lost in post-revolutionary period of time. In different parishes restoration of the historical church buildings is carried out. Many of these buildings are considered as historical and architectural monuments. Completion of the restoration of the central cathedral of Saint Marry in Saint Petersburg became an important event in the life of the whole church of Ingria.

One bishop heads the church body of Ingria. At present this ministry is carried out by Arri Matveevich Kugappi, which was elected a bishop by the Church Synod and ordained according to rules of the apostolic ministry in 1995.

1. Strengthening of provost regions

Huge geographical coverage of ELCIR makes the church administrating process difficult. Week information channels, bad internet connection, absence of computers in some parishes, and 6 hour time-zones, all these factors allow us to have such a mode of the church organization when some decisions might be made on the regional provost level. This approach corresponds to legislature of Russian Federation, according to which, parishes are independent juridical organizations. However, constantly growing state requirements, connected to annual reports, introduction of new forms of reports creates before parishes such tasks, which they cannot overcome independently. Constant reduction of Central Office staff makes the individual support for every parish impossible. That is why provosts may become an instrument to provide support and care of every parish. Strengthening of provost regions implies:

- strengthening of the provost position as a person delegated by Bishop and a representative of Consistorial Board, providing a provost the controlling authority
- delegating a provost an ability to have monitoring of the provost region situation and relevant informing of the Central Office of ELCIR about possible conflicts and difficulties, so that Central Office might make preventing decisions
- commissioning a provost a representative functions:
- represent Church on the level of local authority
- represent Church on the level of social local event and inter-church initiatives
- formation of provost funds, which will allow provost administrations and provide financial support to parishes
- usage of provost administrations to quickly inform parishes concerning church and state events, rules of reporting etc.
- organization courses and seminars in provost regions.

2. Improvement of the Central Office work

Consistorial Board of ELCIR made a decision to form ad hoc commission, which is obliged to consider and suggest further steps concerning the improvement of Central Office work. It includes:

- reorganization of responsibilities among employees of Central Office
- structural changes
- suggestion concerning rational usage of Central Office rooms
- transfer of some Central Office functions to the local level (decentralization)

3. Cooperation with universities and state authorities

Cooperation of ELCIR with universities and participation in the research academic projects allows us:

- to distribute positive information about church and its social position
- to organize disputations of church important items
- to participate in the strengthening of tolerance in society
- to participate in programs, organized by state authorities
- to strengthen social status of church

The church of Ingria keeps to traditional Lutheran theology, which is based on the unchanging truth of Holy Scripture and makes stress on the biblical approach to the understanding of the pastoral ministry.

At the same time the church of Ingria has got rather active dialog with other Christian churches, and remains a member of the World Lutheran Federation, International Lutheran Committee, and Conference of the European churches. The church has warm relations with Russian Orthodox Church and other protestant churches of Russian Federation.

It is worth to pay attention to the long time traditions of the fraternal collaboration between the church of Ingria and the Evangelical-Lutheran church in Russia, Ukraine, Kazakhstan, and middle Asia. These two churches have got a lot in common, since they are related not only by history but their geographical ministry.

Alex Prilutskii

Dr., Rev., General Secretary

The Evangelical-Lutheran Church of Ingria

Russia

CBSS Expert Group on maritime policy – towards better coherence among actors in the Baltic Sea region

By Ilya Ermakov

The Council of the Baltic Sea States (CBSS) has defined for itself five long-term, broad priority areas: Environment, Economic Development, Energy, Education and Culture, Civil Security and the Human Dimension. It was decided that the aforementioned priorities will be implemented by expert groups, including governmental and non-governmental experts, and CBSS Expert Group on Maritime Policy (EGMP) was established in 2009. EGMP Chairmanship follows the CBSS Presidency.

The current Finnish Presidency is being carried out under the theme "Clean, safe and smart Baltic Sea". The three principles guiding the work are coherence, cooperation and continuity.

Finland will continue to promote better coherence among different actors in the Baltic Sea Region. The maritime issues will be taken forward in the framework of the Expert group on maritime policy under the theme "Clean, safe and smart shipping in the Baltic Sea". The Presidency will seek to cooperate closely with other actors in the Baltic Sea Region, especially with HELCOM. Bringing together the work done in the framework of the Northern Dimension Partnership on Transport and Logistics and the EU Strategy for the Baltic Sea Region with the cooperation with our partners is also of importance.

A special emphasis will be put on the cooperation between the public and private sectors, building also on the St. Petersburg Initiative, which was agreed at the Baltic Sea Forum in St. Petersburg in April 2013.

Finland will take further steps in the development of the Baltic Sea as a model maritime region. Special attention will be paid to promotion of clean shipping and the use of alternative fuels.

Cooperation around mutual interests and regional priorities could be intensified by focusing more systematically on common action.

Finland started its EGMP chairmanship by inviting the Baltic Sea partner organisations - Baltic Sea Parliamentary Conference (BSPC), Baltic Sea States Subregional Cooperation (BSSSC), Helsinki Commission (HELCOM), Visions and Strategies around the Baltic (VASAB), Joint Baltic Sea Research and Development Programme (BONUS), Baltic Sea Forum, Northern Dimension Partnership on Transport and Logistics (NDPTL), Baltic Development Forum (BDF), EU Strategy for the Baltic Sea Region (Priority Area Ship and PA Safety and Security) - to workshop for continued maritime dialogue in the Baltic Sea Region within maritime conference "Baltic Sea between Blue Growth and Green Limits" during the 23rd Hanse Sail in Rostock, Germany 8 August 2013.

In the discussions on concrete issues that could be tackled together the issues highlighted at the Conference were also referred to, namely the challenges for the shipping industry due to the new stricter environmental rules, especially in the context of the Baltic Sea and the North Sea Sulphur Emission Control Area coming into force 1 January 2015, and difficult lending markets due to the uncertainties in the global economy and the overcapacity of ships. Concerns raised by the industry at the Conference related especially to the fuel market after 2015. The price for low sulphur fuel, such as marine gas oil (MGO) is significantly higher than the price of heavy fuel oil (HFO) due to the production costs. Uncertainty in availability of MGO is also a concern for the shipping industry. The alternatives to the use of low sulphur fuel are the use of liquefied natural gas (LNG) or HFO together with exhaust gas cleaners, so called scrubbers. Concerns were also raised in respect of LNG pricing, due to the producers view to link LNG to the oil price. At the same time the shipping industry is facing lower charter and freight rates, and funds accessibility from the credit market is getting worse for the maritime sector when it is needed most. Public funding both from national states and international programmes seems to be insufficient. Within the EU, the EU Commission considers that the challenges should mostly be met by private investments, though TEN-T funding could be used, as well as the cohesion or structural funds and European Investment Bank loans.

There was a general agreement that financial issues need to be addressed to assist the industry to fulfill its obligations. Two frameworks to address this issue were discussed at the workshop.

One platform could be the St. Petersburg Initiative - an initiative to engage all levels of society to work for the ecological balance of the Baltic Sea.

Secondly, HELCOM informed about its intention to work towards the creation of a joint "Green Technology and Alternative Fuels Platform for Shipping" together with other regional actors in the Baltic Sea. The Finnish CBBS Presidency has also engaged in activities in promoting clean shipping and together with HELCOM and with BDF participation is organizing a "Green Technology and Alternative Fuels" event 16-17 January 2014 on board the LNG fuelled passenger ship Viking Grace. The aim is to bring together policy makers and administrations, business and research community in the BSR to draw up a "roadmap" how to promote the development and use of clean and green technology and alternative fuels in the region.

The participants found the Rostock workshop most useful and decided to continue the dialogue and also the preparations for a joint event at the European Maritime Day 2014 in Bremen, as they had had in Gdansk in 2011 and in Gothenburg in 2012.

Ilya Ermakov

Senior Adviser: Economic Cooperation, Maritime Policy, Energy

Council of the Baltic Sea States (CBSS)

Cooperation with Russia benefits Eastern Finland

By Janne Laine

Savonlinna is a historical Finnish city, which was once split by the first border between Sweden and the ancient Russian state of Novgorod. When I'm driving over the Kyrönsalmi Bridge, I tell my daughter that if it was 1323, we would be crossing over the border from Sweden to Russia. Finland didn't exist at the time. We were a part of Sweden and its power politics, locked in a battle over the mastery of the Baltic Sea. The role of Finland, or Österland – the eastern land – was to give its all for Sweden against Russia. The best of Finnish men fell in battle to expand the Swedish realm, and the lot of the eastern land was to become poor in these wars fought for Sweden. Savonlinna was burnt down and destroyed in the hostilities several times.

Savonlinna became a part of the Russian Empire in 1743, as did the whole of Finland in 1809. During the period of autonomy, the Finnish language gained equal status with Swedish, the national identity emerged, and education, transport connections and the industry were developed strongly. Finland began to prosper now that resources were no longer spent on warfare. During that time, Savonlinna also developed strongly and was a growth centre in its region.

After the Second World War, trade with the Soviet Union brought prosperity to Finland, creating a basis for the most developed and equal welfare society in the world. Savonlinna became the most industrialised city in Eastern Finland, and its growth was very strong thanks to exports to the east. Then, in the early 1990s, everything came crashing down.

Today in Eastern Finland, Lappeenranta has become a sturdy regional growth centre thanks to the strong economic development in Russia. Last year, Russian travellers brought over €1.1 billion into Finland, and Russia has once again become Finland's largest trading partner. There are more than 200,000 Russian-speaking people living in Finland, and over three million Russian travellers have visited the country last year.

The town strategy of Savonlinna made the opportunities offered by Russia the primary issue in 2007. The strengths of the city were defined as Saimaa, the forests, and a return to the large historical arc where the city benefits from the endless opportunities offered by Russia. Developing connections to Russia in transport, education, expertise and business life were defined as important lines of action.

A vital issue for Finland and Savonlinna is the smooth operation of border crossings. The return on investment from the project for the internationalisation of the Parikkala border crossing has been calculated as more than 40 per cent. The estimated number of crossings is 0.5–1 million.

The internationalisation of the border crossing would create a new development corridor for growth all the way from St. Petersburg to the west coast of Finland via the middle of Eastern and Central Finland. With it, Finland's largest cluster of mechanical forest industry in Savonlinna as well as the growing bioenergy and biomaterial industries could take advantage of the Russian forest resources.

It would also be possible to take advantage of the EU's longest eastern border as a location for logistics, international industry and tourism. There are already a large number of companies in Savonlinna operating successfully on both sides of the border, taking advantage of the strengths and opportunities of both sides.

Savonlinna is at the top of the most attractive locations for Russian tourists, and among the best three in Finnish studies. Last year, tourism grew by more than eight per cent, while in the whole of Finland it grew by less than two per cent. The investments in tourism in the Savonlinna region amount to a phenomenal €350 million, and half of the investment projects are funded by Russians. Visa-free travel would double the number of Russian tourists and bring 300 new jobs to the Savonlinna region.

Russia has always been a significant scientific and engineering country. In 2008, the town of Savonlinna made a cooperation agreement with St. Petersburg State Polytechnical University, one of the best in Russia. Now our technology park and its fibre laboratory cooperate with Russian laboratories and researchers from St. Petersburg, for example to improve the corrosion resistance of paper machines and soon also to develop new chemical products using wood as a raw material.

Similarly, the Centre for Tourism Studies of the University of Eastern Finland is developing the internationalisation of St. Petersburg, the Leningrad Oblast and Southeast Finland tourism towards China, Brazil and India. They have for example one project castle to castle financed by enpi-program and Russian and Finlands states.

The cooperation between companies and business life is being developed together with Northwest Russia's entrepreneur organisation Opora Russija in accordance with the cooperation agreement signed in 2009. In the Saimaa Summit seminar, Finnish and Russian companies and experts on Russia meet every year. The companies network together, and now even companies from third countries are interested in finding cooperation partners for developing business in Russia.

On the Finnish national level, it is time to understand the opportunities brought by Russia for our economy and for maintaining our welfare society after the enthusiasm over the EU, which of course is very important framework to us. We also need a new kind of ability to understand and to act wisely when new kinds of economic blocs are forming globally, and that safety is not built by creating images of the enemy – it is built by creating images of friendship. We must have good economical co-operation to EU area but also to Russia, USA and China and other areas. Home countries are not built through wars or conflicts – they are built on trade and friendly relationships. We finns have allways been very skillfull, pracmatical and good people in international businesslife.

Janne Laine

Mayor

Savonlinna

Finland

Innovation development of St. Petersburg

By Maksim Meyksin

Saint Petersburg is a city which has a stable economy and a high investment activity. Moreover, it is a heritage asset listed by the UNESCO and one of the economic centers of Russia.

St.Petersburg shows an upward trend in the economic expansion, while the main growing sectors are the industry and the commerce. It's worth mentioning that its foreign trade turnover keeps growing every year, and for example the commerce between St.Petersburg and Finland in 2012 amounted at 967 million US dollars (it grew by 43% if compared with year 2011). Thus, Finland is in the 3rd place among the trade partners of the city.

St.Petersburg is one of the major educational and scientific centers of Russia. The city houses over 10% of the Russian science, which means more than 350 scientific organizations. St.Petersburg is home to: over 60 bodies of the Russian Academy of Sciences and other state academies, over 250 state institutions, which carry on scientific research, 12 state scientific centers. About 40% of the gainfully employed population are university graduates, and among them over 9 000 persons are doctors of sciences and over 26 000 are candidates of sciences. It is noteworthy that the unemployment rate in St.Petersburg is one of the lowest in the world – only 0,4%.

The innovation potential of the city places it among the three main innovation centers of Russia. Moreover, by the results of II all-Russia CHALLENGE CUP-2013, St. Petersburg was recognized as the "Best innovative region of Russia". According to the innovation rating of the cities around the world "Innovation cities global rating" elaborated by the international innovation agency "2thinkNow" (Australia), St.Petersburg is in line 84 among the innovation cities of the world 2012-2013 (Moscow is in line 74). Its geopolitical advantages, congenial investment climate, its innovation policy program are destined to guarantee the leadership of St.Petersburg in the field of innovations.

According to the Decree of the Administration of St.Petersburg "On the concept of the social and economic development of St.Petersburg till year 2025", the development of innovations is one of the priorities for the city.

In order to implement the main guidelines of the innovation policy of the city, the Administration of St.Petersburg adopted the Complex programme "Science. Industry. Innovations" for 2012-2015. The main focus areas of the programme are the following: to promote the technological development and the modernization of enterprises and organizations, to develop the innovative infrastructure and territories, human resourcing of the innovation development of the economy of the city, to promote integration processes between the industries of St.Petersburg, its scientific and educational institutions, to commercialize the innovations, to protect the intellectual property rights, cost-effective use of resources and the improvement of energy performance of the St.Petersburg industry, to promote the popularity of science and the innovation products, to expand markets and contribute to the export of innovative goods, to promote the development of clusters in St.Petersburg. The total financing of the main items of this programme amounts at 3 643, 4 million RUB (82,8 million EURO).

The Administration of St.Petersburg is implementing a policy aimed at creating favourable conditions for the development of industry. The Ministry of economic development of the Russian Federation takes part in the creation of a technology development special economic zone. Such economic zones provide unique environment for an active development of innovative business, for the manufacturing of R&D deliverables and selling in the Russian and the international markets. What makes them attractive for the manufacturers of high-technology products is the combination of state preferences, qualified staff and the growing demand for the high technologies. Nowadays the development of the St.Petersburg special economic zone is in its active phase, and its residents are building the manufacturing facilities in the parcels of land leased in the special economic zone.

The city has infrastructure for supporting the innovations in different life-cycle phases. The Ingria Technopark is one of the key elements of the city's IT-cluster, it is jointly financed by the city budget and the private investors. In 2012 the residents of the Ingria business incubator attracted 459 million RUB (10,4 million EURO) as investment into their projects.

In order to support and develop projects at early stages the Administration of St.Petersburg has created the non-governmental organization "Preplant investment fund", which provides financing for innovation projects up to 5 million RUB. At the moment the investment portfolio of the Fund includes 14 companies.

The city itself is an important potential customer of such goods. On April, 2nd 2013 the Administration of St.Petersburg and the Infrastructure and educational programmes foundation signed a cooperation agreement and a plan for joint activities aimed at the stimulation of the demand for the innovative products in St.Petersburg in 2013-2016.

Many of the city's achievements and projects in the field of innovation have been presented this autumn at the St.Petersburg international innovations forum. The VI innovations forum was held under the motto "From innovating regions to innovating Russia". Great attention at Forum this year was paid to the international cooperation in this field and such issues as the technology transfer, world trends in the development of innovative manufacturing facilities and technologies, the competitive ability of the Russian provinces under the conditions imposed by the WTO.

This year Finland has taken an active part in the St.Petersburg International Innovation forum by presenting a range of events within the business programme. The neighboring region proposed such topics as "The role of the Northern growth corridor: Stockholm – Turku – Helsinki – St.Petersburg in the implementation of innovations", "Small and medium enterprises and start-ups as the engine of the innovation" and "InnoBus: international cooperation in business and innovations". What is more, the Finland delegation participated in the discussion of innovations applied to the medicine, and this topic was predominating during the second day of the forum. Thus, one of the priorities is the cooperation between Finland and Russia, as it will promote the commercialization the innovative R&D results in such fields as biopharmaceutics, diagnosting testing, as well as the innovative approach to the detection, treatment and prevention of infectious diseases, etc.

Maksim Meyksin

Chairman

Committee for Industrial Policy and Innovations

City of St. Petersburg

Russia

Territory available for investors

By Irina Gladysheva

Under present conditions investments are considered to be of critical importance. Attraction of investments to the regions makes their economic development more dynamic, thus improving social and economic indicators. A key factor for involvement of local enterprises in the processes of economic integration is improvement of the investment climate. Therefore development of efficient investment policy is one of the main tasks in the Strategy of social and economic development of the Arkhangelsk region. Priorities within production development gradually move towards private financing. Favorable conditions are created under the long-term targeted program «Improvement of investment attractiveness of the Arkhangelsk region for 2011-2013». It is mainly focused on development of a «transparent» system for working with private Russian and foreign companies coming to the region.

The regional authorities try heard to make business opportunities in the Arkhangelsk region comfortable and clear. Since 2010 a new Procedure for support of investment projects, which are being implemented or planned for implementation on the territory of the region. Openness and availability of information is not less important. Investors need to understand and see the trends for infrastructural development in the region, what kind of state support and benefits they can employ, and where they should apply for the necessary assistance. All the information is available online in Russian and in English on the investment portal of the Arkhangelsk region http://www.dvinainvest.ru.

Today there is a certain system of tax benefits available for investors working in the region. Depending on the total sum of investments a flexible profit tax rate can be applied. Starting from January 1, 2013 investors making capital investments in the reconstruction, technical re-equipment, upgrade and further equipment of production facilities according to the production improvement and upgrade program can also use a reduced corporate profit tax rate.

Cluster policy, important for creation of new conditions to provide sustainable economic development of the territories and transition to the principles of “polarized development”, is actively implemented in the Arkhangelsk region. The Ministry acts as an operator for implementation of cluster approaches in the region. A powerful mechanical engineering cluster has already been formed, it mostly involves shipbuilding. Shipbuilding industry is an important sector in the regional economy thanks to its well-developed professional competences and unique production facilities. The largest factories of the industry are JSC PO Sevmash and JSC SC Zvyozdochka. The shipyards have capacities and technologies for construction of offshore oil and gas platforms and necessary unique competences for construction of floating nuclear thermoelectric power stations. There is also infrastructure available for training of qualified personnel for the mechanical engineering industry. The region also has today one of the most powerful educational centers in the north-west of the country – Northern (Arctic) Federal University has been established, which is one of the 9 federal universities of the country.

The Concept for development of the regional external-economic relations up to 2015 was developed and implemented In the Arkhangelsk region. In 2012, enterprises and organizations of Arkhangelsk region maintain business contacts with 92 countries of the world. The leading positions in the foreign trade turnover belong to the Netherlands (36,03% of turnover), United Kingdom (equivalent to 22.95%), Germany (4,51%). As of 01 January 2013, 132 organizations with foreign capital were registered in the Arkhangelsk region. The Concept for development of the regional external-economic relations up to 2015 is aimed to provide the participants of the external-economic relations with all the infrastructure necessary for their activities – customs, financial, and transportation.

Transportation component is a crucially important element. Development of transportation and logistics infrastructure should in the long run lead to redirect of import and export of goods towards Arkhangelsk and become one of the most important drivers for the development of the regional economy. According to its geographical location Arkhangelsk seems to be the most convenient shipping terminal for both the Northern Sea Route, and for the construction of the logistics and distribution centre and the integrated logistic base for oil and gas projects.

Today Arkhangelsk is a platform for discussion of Arctic projects. In June 2013 Arkhangelsk was host a large business forum «Russian-Finnish Arctic Partnership». Among the topics to be discussed with the Finnish partners there is cooperation within cross-border transportation corridors and the Northern Sea Route, development of cooperation in the tourist sector, and development of new business-projects.

The first international forum “Arctic Projects – Today and Tomorrow” was held in Arkhangelsk in October 2013. The forum aims not only to tell about our capabilities and experience, but also to understand challenges oil and gas companies are facing, promote the use of regional services and supplies, organize effective cooperation with domestic and foreign fuel and energy companies, find ideas for future development and garner the support of major companies.

Irina Gladysheva

Minister of Economic Development and Competition Policy

The Arkhangelsk region

Russia

Vantaa – Finland's link with the world

By José Valanta

To an ever-increasing extent, cities' competitiveness depends on how well they are linked with the global network of cities and with global markets. Two terms—accessibility and connectivity—suffice to describe the two sides of the matter. Finland has been called an island because the country only has sea links to Northern and Central Europe, which is why flight connections to the rest of the world are crucial to the country.

Vantaa is a fast growing city in the Finnish metropolitan area neighboring Helsinki and Espoo. It is also Finland's gateway to the world at a time when air traffic keeps on growing and airfreight is a more and more natural way to transport products requiring top-level IT expertise all over the globe. In fact Vantaa is not anymore only gateway or link from Finland to the world. It is the best base for national and international business.

Vantaa's links, through air traffic to the global network provides the city with a unique strength on which the city's growth will anchor more and more intensively in the future. Connections to the growth conglomerates of the world economy offer Vantaa an unparalleled opportunity to offer the best infrastructure for global commerce in the Baltic Sea.

Our “harbor city” as people living in Vantaa like to call the Finnish capital Helsinki, connects us to the Baltic States through excellent and modern passenger and cargo harbors. Vuosaari harbor is a major port for Finnish foreign trade and it is one of the leading harbors of the Baltic Sea situated only 20 kilometers away from the Helsinki-Vantaa international airport and the City center of Vantaa.

The airport provides Vantaa with a unique competitive advantage

Vantaa has intensively specialized in building the airport city. For instance, the city's fully-owned Vantaa Innovation Institute has combined Finnish businesses specialized in airport technologies into the Airport Cluster Finland network. The network has collected knowhow in airport functions and construction, and its export market consists of the entire network of global airport cities.

The fast, direct and regular airline service attracts investments, businesses, competence and passengers to the city. The Helsinki-Vantaa International Airport—famous for its outstanding global passenger services—was awarded the prize of the best Nordic airport in spring 2013. Finavia, responsible for operating the airport, aims to further boost the airport's success in the near future. The number of passengers is projected to rise from the present 15 million to 20 million flight passengers by the end of the decade.

Besides the high-quality service provided to passengers, the competitiveness of our airport is based on its having the geographically shortest flight route between Asia and Europe. Global air-traffic growth estimates show that the significance of regional flight connections will further increase in the future, and airport regions will become more and more important growth motors.

In 2002, Vantaa began to systematically develop the future Aviapolis airport city around the international airport. The City of Vantaa and several construction companies started to build a regional concept according to which development of the area serves the needs of international businesses and makes their locating in Vantaa as easy as possible.

Since the beginning of the 2000s, Aviapolis has been the fastest growing business center in Finland. More than 10,000 new jobs—that is, 62% of the City of Vantaa's new jobs over the past 10 years—have been created in the region. In addition to international businesses' outlets, the area is home to trade and entertainment services such as hotels, spas and movie theaters. The success story of the Aviapolis area has been noticed both in Finland and abroad, and the aim is to further intensify global cooperation on developing airport cities.

The rising star of travel in between the East and the West

Viewed from the East, we are a gateway to the EU region, which can be fast and reliably accessed from here. Seen from the West, the Helsinki-Vantaa airport's direct regular flights—which are the fastest ones within the EU—are essential for the competitiveness of the entire country. The Government of Finland, the airport operator Finavia and the City of Vantaa have invested altogether €760 million in the cross-traffic rail, the Ring Rail Line, which will begin transport service in July 2015. The new rail connection links the airport not only to the center of Helsinki but also directly to the St. Petersburg rail connection. The vastly popular express-train connection with St. Petersburg makes the Russian markets available to rail traffic as well, which further enhances Vantaa's business opportunities.

Besides business and freight traffic, travel to Finland especially from Asia and Russia has greatly increased. Vantaa develops its air-traffic-related services in a systematic manner, so that this growth trend can continue undisturbed. One core goal of our new Vitality program is to turn Vantaa into the best business-travel location in Europe. Already at this point, Vantaa can offer high-quality travel-related services appreciated by business travelers. In the future, they will be complemented by new high-class service packages that further profile Vantaa as a rising travel city, which it already is in light of passenger statistics.

Info

Vantaa is a modern, international and multicultural city with more than 200,000 residents. Vantaa is home to people from more than 120 nationalities and speakers of more than 80 languages.

Vantaa's self-sufficiency in employment amounts to 105%, and more than 60,000 people from the Helsinki Metropolitan area commute to Vantaa daily. The number of jobs in Vantaa is projected to grow by 20% by 2020; the biggest growth in the entire Helsinki region.

José Valanta

Business Development Director

City of Vantaa

Finland

The Baltic is a challenge to trade

By Juhani Pekkala

The Baltic Sea is the sea of trade. It makes Finland effectively an "island". The Baltic region countries are both trading partners and competitors to Finland. E-commerce will eventually change this balance.

From the Finnish perspective, Russia is the key player in this scenario. Russia is – or at least has been – the only country in the region with substantial economic growth. While recent news from Russia has suggested that the growth is slowing down, it still offers great opportunities for Finnish commercial enterprises.

The retail markets in Russia are at an exciting stage with a great number of people climbing into the middle class with greater ability to spend. Purchasing power is on the rise. Stockmann launched its operations in Russia back in the 1980s, and now SOK and Kesko have followed suit with a notable presence in the market. Both chains are opening new supermarkets in St Petersburg and Kesko also in Moscow.

Finnish technical traders have also tapped into the potential offered by Russia. Several companies are selling raw materials, building materials and machinery and device parts in Russia. In fact Finns have been compelled to seek growth in Russia as industry in Finland is declining and production is steadily being shifted to countries with lower overheads. It would seem that the only country in the region where industry is growing to any significant degree is Russia.

The impact of Russia is also felt within Finland: Russia tourists are an important source of income in Finland. Currently more than four million border crossings are made each year from Russia into Finland, and Russian tourists spend more than a billion euros whilst in Finland. The sum is substantial enough to have importance for Finland's national economy – and even greater importance for regional economies.

According to a border interview survey conducted by the Finnish Commerce Federation and TAK research institute, the number of Russian tourists in Finland is growing by 7–8 percent in a year. The problem is that the median purchasing volume of the Russians is not growing.

There is stiff competition for the Russian spending power among the Baltic rim countries: Estonia, Latvia, Lithuania and Sweden. Estonia has been particularly successful in this competition recently. It has attracted more tourists from Russia thanks to its ability to offer flexible and fast border crossings and more services in Russian than Finns are able to provide.

Estonia has also been successful in attracting Finnish tourists. The biggest reason for this is the high tax on alcohol in Finland, which drives Finns to haul large amounts of alcohol across the Gulf of Finland. The amount of passenger alcohol imports is currently more than one and a half times higher than the amount of alcohol consumed in restaurants and bars.

The authorities have been reluctant to admit that the passenger imports from Estonia has got out of hand, but it remains a fact. Currently planned measures are unlikely to be effective in curbing the amount of imported alcohol. From this perspective, the Finnish state stands to lose substantial tax revenues.

It would appear that Finland is facing a future in which it will start losing tax revenues on services abroad, having first lost much of its industry.

Finland's three biggest trading partners are all within the Baltic region: Russia, Germany and Sweden. Traditionally, Finland has had long and solid trade relations with Sweden as well as with other Scandinavian countries.

Furthermore, Swedish retail business has taken a strong foothold in Finland. The public debate usually focuses on the centralisation of the Finnish grocery trade and at the same time fails to acknowledge that for example the Swedish retail business – fashion in particular – dominates a notable market share in Finland.

Few Finnish companies have entered Swedish markets with similar success. One positive example however is K-Rauta, and another is Stockmann, which bought its way to Sweden through the acquisition of Lindex.

Just like in most geographic regions, the next stage in the competition in the Baltic region will take place online. Finns are buying increasingly from foreign online shops, with German and Swedish ones being particularly popular.

The scale of competition will become European-wide and place great challenges for Finnish trade. The single digital market will open up and this may have an impact on the structure and focus of trade within the Baltic region.

The greatest challenge will be faced by specialised trade. German online businesses have already played a significant role in the bankruptcy of many Finnish and Swedish musical instrument shops.

Trade has always adjusted to the current competitive situation and aimed to achieve the best possible success in the prevailing circumstances. The Baltic region countries are a challenge to each other in terms of competition, while also creating a large market, which in turn promises better opportunities for success.

Juhani Pekkala

Managing Director

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Finland

Finland welcomes foreign investors

By Kari Häyrinen

"Finland is a country where everything works." This comment can be often heard when international investors and business people are gathering.

It is true: when a foreign investor or a business manager needs detailed information about a specific issue the information can be rapidly brought. Or when an investor needs help to take care of paper work, experts can be found without extra efforts.

Foreign-owned companies can take advantage of Finland's well developed, efficient infrastructure, competitive operating costs and highly skilled workforce. In general, Finland treats all companies in the same equal way: foreign-owned companies are eligible for a wide range of national and EU incentives on an equal footing with Finnish companies.

In the beginning of 2014, Finland´s corporate tax will be lowered to 20 % that is a very competitive level in Europe. Finnish legislation is transparent and a secure basis for investments, and in the middle of global economic challenges, Finland is standing strong and solid: Standard & Poor´s, Moody´s and Fitch Ratings have all affirmed the best possible AAA rating for Finland´s long- and short-term foreign and local currency debt.

From the point of view of foreign direct investments, Finland is often related to knowledge-driven investments. According to the World Economy Forum, Finland is the best place in the world to benefit from new information and communication technologies (Global Information Technology Report 2013). Nowadays, Finland has several high-tech clusters with companies that have cutting-edge expertise in wireless and mobile solutions, game industry, cleantech, healthcare and life sciences, and new materials and processes.

In terms of innovation, dynamic entrepreneurship and growth companies, Finland is really blooming. This opinion is supported by surveys: Finland is the second best country in the world for dynamic businesses to flourish, according to the Grant Thornton Global Dynamism Index (GDI) 2012; and by Gartner, a technology research company, Finland is Europe's number one cluster for mobile professionals.

A fresh case of innovative dynamics comes from the Finnish game industry: Japanese SoftBank and GungHo announced an investment of USD 1.53 billion in Supercell, a fast-growing Finnish mobile game company that was founded only a couple of years ago. According to the Japanese investors, right now some of the most exciting companies and innovations are coming out of Finland. Supercell will continue its operations in Finland which shows Finland has gained an international reputation as an innovative hub of the game industry.

Investment decisions are increasingly shaped by issues of sustainability and responsibility. Finnish companies are delivering technologies for improved environmental and economic performance by making better use of raw material inputs, using less energy, consuming less water and other utilities, reducing emissions, and creating a safer operational and working environment. Finland has been repeatedly ranked at the top of international sustainable development indices.

The basis of Finland´s knowledge and competence is created at school: our comprehensive school teachers are highly educated with Master´s degrees, and the level of children´s school performance varies very little in different parts of the country. The Finnish school system gives equal assets to all children and teenagers regardless of their social background. Our success in OECD's PISA (Programme for Student Assessment) surveys that measure school children´s learning results in science, mathematics and literacy, has aroused global interest.

In addition, Finland has the third highest percentage of university degrees among population in OECD countries. We are also among the top countries globally in terms of R&D spending per capita, and R&D results are well protected: Finland ranked second in quality of protection of IPR, according to World Economic Forum 2011. The knowledge transfer between business and universities has been one of the key factors in Finland's track record of innovation and economic success.

For those who seek new markets, Finland has a strategic location in Northern Europe which is home to 80 million consumers; it is easy to expand business to east and west from Finland.

Forests – our Green Gold –, nearly 200,000 lakes inland, Europe´s largest archipelago, and mysteriously enchanting Lapland with the sun that either never rises or never goes down are perhaps the best known features of our nature. Experiencing space and tranquility is something that our international guests never forget.

A significant asset of Finland – that is underestimated by us Finns – are Finnish people. International investors or business leaders do not usually have a very structured impression or clear image of Finland in advance, but when they come to Finland, they become stunned: there are competent, well-educated people all over the country – not just in bigger cities – who speak fluent English, and even other languages as well.

We have other virtues, too: *"When a Finn promises to do something, he will definitely do it,"* stated an international investor who visited the start-up event SLUSH in Helsinki recently.

Kari Häyrinen

CEO and President

Finpro

Finland

Finnvera promotes the internationalisation of SMEs in Russia

By Timo Pietiläinen

Owned by the State of Finland, Finnvera is a specialised financing company, which is focusing more on the financing of internationalising and growing Finnish SMEs and Finnish export companies. Finnvera's headquarters are located in Helsinki and Kuopio, with 15 Regional Offices located throughout Finland. Finnvera is the official Export Credit Agency (ECA) of Finland.

Finnvera has a Representative Office in St. Petersburg and an office in Moscow. Operations in St. Petersburg were launched immediately after formation of the new Russian Federation in 1993, with the Moscow office opening in January of 2012. Previously, Finnvera's operating policy and level of activity in Russia varied according to economic fluctuations, but over the past six year Finnvera has invested in the development of its Russian operations.

Together with Team Finland actors

Finnvera is an integral part of Team Finland operations in Russia. Team Finland's core team in Russia consists of the Finnish Embassy in Moscow, the Consulate General of Finland in St. Petersburg, the Finnish-Russian Chamber of Commerce and Ministry of Employment and the Economy (TEM) agencies Finnvera, Finpro and Tekes. Finnvera's Representative Office in St. Petersburg is located in the Finland House, which is also home to other key TEM agencies. In Moscow, Finnvera's is located in the Finland Trade Center/Finpro Office.

Russia a key target country

In terms of Finnvera's export financing, Russia is the second most important target market after the United States. In Russia, outstanding commitments in export financing (measured in euros) more than tripled since 2007, currently accounting for approximately 12–15 per cent of all Finnvera's outstanding commitments in export financing.

About ten years ago, Finnvera was granted the right to finance Finnish SME establishment projects in Russia and other countries by means of internationalisation loans and guarantees. Internationalisation loans may be granted to Finnish parent companies, which can still finance their Russian subsidiaries with loans or venture capital investments.

It is also possible to apply for financial aid from Finnvera for prefeasibility studies, feasibility studies and post-establishment adviser or other expenses involving SME establishment projects in Russia. Over 200 such projects have been financed over the past ten years. The aid covers 50 per cent of the total project costs, but no more than EUR 60,000 per project phase.

Finnvera operating policy for SME projects in Russia

Finnvera generally serves as a co-investor on the Russian projects of Finnish SMEs. Other investors are, in most cases, a Nordic commercial bank and a public international, risk or development investor, usually NEFCO, Finnfund or Nopef. Recently, the European Bank for Reconstruction and Development (EBRD) has also been interested in co-investing in the Russian projects of Finnish SMEs.

In practice, 25-30% of an establishment project is financed by the company itself, with the remainder covered by other sources of financing. On smaller projects, Finnvera and a bank often provide financing in addition to the company's self-financed contribution. On larger projects, there are usually more investors involved to defray the risk.

Finnvera only provides financing for Russian projects being carried out by Finnish SMEs. In such cases, establishment in Russia is done to generate growth for the company abroad, in order to safeguard operations remaining in Finland.

Finnvera representatives in Russia advise Finnish SMEs on how to put together a financing package and assist Finnish companies in networking with Finnish companies and business leaders already operating in Russia. Some good examples of networking are joint gatherings of Nordic financiers operating in Russia, the Investment Group and the new Guild of Finnish Construction Companies, which began operation in the autumn of 2013 in St. Petersburg.. Mentorship activities for assisting companies establishing new operations will also be launched in early 2014, at the latest.

Challenges for Finnvera

Basically, internationalising Finnish SMEs receive financing for their internationalisation projects in Russia at a reasonable rate and a reasonable price. The prerequisites for receiving this type of financing is that the company's business in Finland has been profitable and the internationalisation project is sufficiently well prepared.

A second, post-establishment round of financing in Russia might prove problematic for an SME. A company might lose its status as an SME upon being established, because, in many cases, the number of group employees, at the very least, will exceed the SME limit after the first phase of a Russian investment. According to the current interpretation of the law, as Finnvera may only provide financing for SME internationalisation projects, it is excluded from participating in any further investments of its client companies in Russia. The problem is that companies exceeding the SME limit are, in many cases, still not large enough or financially strong enough to receive financing from the market.

In the future, it would be a good idea to determine whether it would be possible to grant Finnvera and equivalent specialised, state-owned financing companies in the EU the right to also provide financing for internationalising domestic companies that exceed the limit specified for SMEs. An appropriate increase might be to quadruple the current definition of what constitutes an SME, thus including companies with an annual turnover of no more than EUR 200 million, a balance sheet of EUR 150 million and a consolidated staff of no more than 1,000 employees.

Timo Pietiläinen

Head of Representative Office

Finnvera Plc, St. Petersburg

Russia

The joint global competitiveness – an ambitious goal of trade policy between Russia and Finland

By Yuri Piskulov

1. Topic of the round table in the Russian Trade Representation in Helsinki today is more than urgent; it is a priority for the Russian-Finnish relations. The process of globalization and regional integration in Europe, in the former Soviet Union is accompanied by increased competition, the continuation of the crisis and stagnation.

Compared to the pre-crisis period today there are increased economic trends such as the rise of new media research intensity (R&D expenditures), increased individualization of production of goods and services "for the consumer"; territorial cohesion of developers and manufacturers, the rise and dominance of intellectual property in the modern production, re-industrialization of the economy of developed countries , including through innovation in traditional industries, the return of financial assets and production in developing countries. All of this means new challenges and requirements for the competitiveness of enterprises and the country and for the means to achieve it. Among them – the union of the companies' assets, the creation of new alliances, which include former competitors, the use of the mechanisms of mergers and acquisitions. These requirements are taken into account by the trade policy, both at the multilateral (WTO) and national levels.

2. Transnational business reacts to the increased competition in different ways. Combining assets, acquisition and elimination of competitors are the most common ways. Thus, the purchase of "TNK-BP" by the state "Rosneft" has led to the creation of the world's largest mining and refining company. This is an example of a "friendly" merger of the assets, from which both sides have benefited.

To the "unfriendly "can be attributed, perhaps, the methods of retention of competiveness applied recently by TNK "Uralkali", which doubled "brought down" prices for their products (low cost of production allowed to do so) and thus eliminated its former partner and rival "Beloruskali" and a number of other suppliers of fertilizers. This behavior led to a sharp political reaction from the Belarusian leadership: the arrest of CEO of the Russian TNK in Minsk and declaring its major shareholder oligarch Kerimov wanted through Interpol.

A striking example of the "hostile" acquisitions, in our opinion, was the purchase by the American "Microsoft" of the "Nokia" company – brand number one in Finland. According to experts, this absorption is the result of a 3-year-rule of CEO of "Nokia" Elop – "Trojan horse" of the "Microsoft", who brought down the value of "Nokia" shares thrice, which was sold to "Microsoft" for just 5,4 billion euro. In fact one bureaucratic organization was absorbed by another (due to overconfidence of the top managers), which lost its leadership in its original field of mobile devices and skipped ahead its competitors "Apple" and "Samsung" including by reason of ignoring the Russian market offers to localize its production (RBC-daily 04.09.13). It is unlikely that trade and political authorities in Finland are related to this transaction. "I cannot like it – posted in Twitter Minister Alexander Stubb, – to sell so cheaply".

3. In addition to the above, the comparison of the dynamics of foreign trade in Russia and Finland given below substantiates the appropriateness of accounting of these trends in trade policy in both countries.

In 2012, Russia's foreign trade turnover amounted to 837 billion dollars, including the "foreign countries" (countries not members of the CIS) – 720 billion dollars. Positive trends are observed in comparison with the previous year both in exports and imports – share of non-CIS countries reached 85% of exports and 87% of imports.

During the same time, the physical volume of Finland's foreign trade fell by 1,2%, including exports by 0.1% and imports by 2,3%. Neither the export of Finland, 57 billion euro, nor imports, 59 billion euro, in 2012 reached the level of 2008 (or 60 billion euro and 62 billion euro). Most of all in 2012 the export share of machinery and equipment was reduced, from 44% to 21% and telecom equipment, from 13% to 2,9%. The negative trade balance of Finland reached 2,4 billion euro, the national debt was 53% of GDP (in Russia – 11%).

The above statistics indicate problems in Finnish exports and its competitiveness, the most important of which is an increase of comparative costs of production, especially in traditional industries. In this context, attempts of development of new approaches to modernize the economy and improve its competitiveness are clear, which are included into the program of action for the development of foreign economic relations of "Team of Finland", and strategies to attract foreign investment.

4. Against this background, the Russian-Finnish trade two years in a row shows good dynamics and the maximum share in the foreign trade of Finland: 15% (2008 – 12 %), although it has not yet reached pre-crisis volumes of cost. Worth noting is the fact that earlier this dynamic was noticed by few people, now the Finnish authorities and the business say that it is a neighboring Russia, with its growing market and economic potential and its membership in the WTO, which is playing an important role as a factor of sustainable economic growth in Finland, especially against the background of crisis and stagnation phenomena in the global economy and the euro area.

The priority areas of the Russian-Finnish economic cooperation in the light of tradition and experience accumulated by the parties, in our opinion, (which is shared by the Trade Representation of the Russian Federation) are:

Industrial and technological cooperation in the field of shipbuilding and marine equipment manufacturing, commercial and industrial and technological cooperation in the forestry sector, including modernization and the creation of new capacity pulp and paper production, and cooperation in the field of biotechnology, medicine and pharmaceuticals, industrial and technological cooperation in the field of energy and energy efficiency in information, telecommunications and clean technology , in the construction, transport and logistics, agriculture and agribusiness, the food industry, joint research, development and commercialization of innovation, using the Finnish experience and intellectual property in both countries.

More than 10 directions listed in many cases are already provided with a "roadmap", e.g. life length of business and government agencies, including the working groups of the Finnish-Russian Intergovernmental Commission. In nearly every direction production and technological cooperation and localization of production and R&D in Russia and in some cases – in Finland, is possible. This potential is also the potential of Russian-Finnish cooperation in the markets of the three countries, for example in the field of nuclear energy and shipbuilding.

The main thing that prevents the implementation of the directions listed above is the lack of "political will" that is agreed by the parties at the highest level of mutually beneficial trade policy, which includes measures of economic and legal assistance to business. There is also the question of why during the meetings of the leaders of our countries the strategy of the Finnish-Russian cooperation, including crisis and issues of joint global competitiveness, still has not been discussed. Obviously, it is hampered by the different interests of certain elite groups, the bureaucracy, the stereotypes and myths of the "cold war", which were successfully overcome by the Finnish and Russian politicians and businessmen in the era of the "Eastern trade" and the East-West confrontation.

5. In addition to the above arguments "for" the production of a joint strategy for the global competitiveness of our countries, we can give arguments, talking about the actual beginning of its implementation:

a) Shipbuilding and Marine Technology

Recommendations of the round table "The challenges in the maritime industry," ... of the Finnish-Russian business forum in Turku

27.03.13 speak directly about the "presence of the prospects of Russian-Finnish cooperation in the Arctic shipbuilding industry …, the formation of a joint maritime cluster, which is significant and internationally recognized, the creation of cross-border production chains and networks of subcontractors, cooperation of R&D of new conceptual directions in shipbuilding ... the creation of joint ventures in the maritime industry ... and modernization of the existing shipbuilding infrastructure and new infrastructure ... , interaction in the design and construction of vessels for offshore operations, platforms for drilling and production of oil and gas ...

Specific members of this interaction are named, first of all, this is Russian "United Shipbuilding Corporation" (USC) and "STX Finland".

Implementation of the forum's proposals will require large amount of financial resources, preferential treatment (tax and customs) and global approaches. President Putin at the meeting on the development of commercial shipbuilding in Vladivostok on 29.08.2013: – Russian companies, especially of oil and gas industry, form a large order for the period of 2030 to 6,5 trillion rubles (more than 500 vessels, 22 thousand units of marine equipment). For this we need not only to develop new types of ships, ordering them to domestic shipyards and using Russian technology of the world level, but also create alliances with foreign shipbuilders, including The Republic of Korea. The latter should understand that there will be no procurement of foreign equipment, if there is no cooperation and the localization of production in Russia (following the example of the automotive industry). According to D. Ragozin, cooperation with shipyards of defense department is at that possible.

The outcome of the meeting was the order on the establishment of the Far Eastern shipbuilding cluster, increasing the share of commercial shipbuilding, its funding and establishing objectives of "USC".

In our opinion, settlement of the tasks outlined by the President Putin in Vladivostok is closely linked with the recommendations of the business forum in Turku. Global approach might be to interact with shipbuilding and financial institutions of the Republic of Korea, which are directly related to shipbuilding in Finland.

b) Timber industry

What could be more natural for neighboring countries endowed with vast renewable forest resources than a large-scale cooperation in this sector? According to Dmitry Medvedev on the fourth "Forest Summit in Finland, "in some we are competitors, but, on the other hand, our markets are now open and we have to work: Russian companies – in Finland, Finnish companies – in Russia ... not to prevent displacement of the Finnish and Russian timber companies from the global markets .... Projects in the Russian timber industry will benefit from a special government support ".

However, compared with the period of the "Eastern trade" forest products and related investments occupy a modest place in the Russian-Finnish trade. Russian exports to this group (mainly raw wood) accounts for 4 % of their value, in import – 14% , and the share of accumulated Finnish investments in the branch is a few more than 1 billion euro. In the post-Soviet period in Russia there was built no single pulp and paper mill.

In contrast to such a "pure business" as power, in which Finnish companies ("Fortum", for example) like to invest, the development of timber industry in Russia is a laborious and thankless task. Our partners do not usually go further than processing primary forests and purchase of forest raw materials.

On what is needed to be done from both sides it was said and written a lot. In 2009 – 2011 particularly active was the Russian Chamber of Commerce (Working Group on international production cooperation), together with the Central Research Institute of this industry in Russia and the leaders of the South-East Finland, which account for over 50% of the country's wood processing products .

In 2010, it was prepared a joint project of the program of public-private partnerships in forestry in Russia and Finland, which was repeatedly directed to all possible levels – from ministers to the Prime Minister and the President of Russia. Proposals included measures to integrate resources of the parties to share access to foreign markets and investments in innovative development of the industry, particularly in the development of "bio-industry", to obtain qualitatively new types of products and value-added fuel. At the same time these proposals were of anti-crisis character, including loading the idle capacity of Finnish enterprises at preferential schemes with Russian raw materials and semi-finished products, as well as an assortment of exchange. A" start-up" was also provided – the sources of funding from the program "ENPi", (regional programs of EU, Finland and Russia).

However, the weakening of the global crisis and "aggravation" of the bureaucracy on both sides put out the activity of Russian and Finnish developers and supporters of this program. It was not even discussed at the meetings of the working groups of the Finnish-Russian intergovernmental commission.

From the above it can be concluded that the achievement of the joint global competitiveness of the businesses and industries of neighboring countries would be in the national interests of both Russia and Finland. The logic of competition and the development of the crisis are pushing the two sides to the realization of this task as a priority for the strategy of the Russian-Finnish relations. It's high time for trade, political and economic representations of the parties, including the intergovernmental commission, to review the preparation of the appropriate document and the measures for its implementation.

The author analyses the issues raised at the international round table in the trade mission of the Russian Federation in Helsinki (Finland) 18.09.2013 on the subject "Russian-Finnish relations in the context of modern integration processes".

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Russia

Responsible gaming system – the most efficient way to prevent money laundering

By Petri Lahesmaa

There is good reason to ask why some member states of the EU apply an exclusive rights system to gaming operations. Should not competition and a smoothly functioning internal market be the guiding principles of all economic activities in the EU?

In Finland, the gaming system is based on the Finnish Lotteries Act. It clearly defines that games can only be provided by three operators owned and controlled by the Finnish State. The member states' systems vary considerably. There are states where games are operated by a single state-owned monopoly firm. There are also member states like Malta, which has granted gaming licences to over four hundred operators on the web – which, however, are not allowed to operate in Malta. The aim of these companies is to disturb the gaming systems of other states, benefiting faceless tax evaders.

The member states' varied systems are based on the EU's decision to define gaming systems as falling under national discretion. The ECJ has demanded in several rulings that the systems shall be in harmony with the EC Treaty.

Many complaints have been lodged with the European Commission concerning the Finnish system. Since 2006, the Commission has had numerous open infringement proceedings against several member states, without any progress. At the end of November the Commission decided that there were no grounds to proceed with the infringement proceedings against Finland. Thus, the Finnish system was found to adhere to the principles of the EC Treaty.

Finland has an effective system

It is easy to see why foreign private gaming companies operating from tax havens find the Finnish national gaming market attractive. The Finnish gaming system generates one billion euros a year for the good causes. This amount is used to finance culture, arts, sports, grassroots sports, youth work, research by the Academy of Finland, war veterans, organizations of the disabled, health and social care associations, and many other core operators of civil society. For example, the public financing of the Finnish film industry is practically based on Veikkaus funds. This is also the case with sports. Thanks to the Finnish gaming system, we can support grassroots sports for children, young people, and special groups. Collecting these funds by commercial means would not be possible.

Gaming is no ordinary business. It is a special industry that requires regulation different from that of ordinary economic activities. This is why the normal internal market regulations are not applied to gaming. The need for special regulation has to do with the problems caused by gaming. Especially games offered on the web with a high event frequency can cause and do cause gaming addiction. The Finnish gaming operators have set strict limits on daily gaming. Players cannot transfer money to their game account in the nighttime. They can also only open one game account. The identification system on the web is secure and reliable. The treatment of gaming problems and the national supervision of the gaming system are covered by the three national operators out of their turnover. Private gaming firms operating from tax havens do not follow the same rules.

Money laundering and match fixing – growing threats

From a social perspective, money laundering and sports-related crime are growing threats. Match fixing is increasing. It is a phenomenon that threatens sports integrity more than doping. The Finnish gaming system is well prepared for fighting these threats. The payout percentages are lower than those offered by private bookmakers, making the games less attractive to money laundering criminals. However, neither player identification nor the daily gaming limits can protect us against money laundering or match fixing. Foreign operators are actively trying to get a foothold in Finnish sports. In February 2011, a Singaporean money laundering criminal was arrested for fixing matches of Rovaniemen Palloseura, a Finnish football club. He was sentenced to two years of unconditional imprisonment. Many players also got tough sentences. Rovaniemi is a town of 60 000 inhabitants in northern Finland, far away from Singapore. This case was just the tip of the iceberg. No state, no sports event is safe from crime that infiltrates sports. Strict gaming regulation and control are a necessity. Gaming is no ordinary business!

The Finnish gaming system has been approved by the Commission. It has been deemed to comply with the principles of the EC Treaty. Thus, Finland can continue to develop its own system. Its reliability, security, and the additional value it generates to society make it a good model even for other EU member states. Yet, the pressure on the Finnish gaming system will continue even after the Commission's decision. Although foreign operators are not allowed to offer games in Finland, they go on marketing their games on the web, blogs, and the social media. Many states have blocked companies operating without a licence. Access to websites and funds transactions have been blocked. Private operators with a fresh licence in a state with a multi-licence system are usually the first ones to demand such measures. Blocking websites is one way to limit illegal game provision. However, the best way is to make sure that the legal operators provide games that are clearly more reliable and secure than those provided by others.

Petri Lahesmaa

Director, EU Affairs

The Beneficiaries of Finnish Lottery

Belgium

Technology for the benefit of people and the environment

By Markku Kivikoski

New technology holds promise for addressing many of today's global challenges. Technically oriented universities play a key role in transferring knowledge, expertise and technology into industry and developing innovative technologies with the potential to achieve commercial success and deliver wider benefits to society. Groundbreaking advancements in the development of materials, automation systems and industrial processes provide a solid foundation for the sustainable growth of competitive industries.

Professor **Reijo Tuokko** from Tampere University of Technology (TUT) introduced the initiative called the Baltic Sea Region Manufacturing Belt at the Manufacture 2013 Conference that took place in Vilnius in October. Led by TUT, the initiative seeks to strengthen the competitiveness of the manufacturing industry in the countries that make up the Baltic Sea Region by promoting macro-regional smart specialization and attracting more private investments in research and innovation. As a major employer, the manufacturing industry has a substantial impact on the region's economy.

Commitment to pursuing new avenues of research and learning

TUT has a long tradition of fostering close ties with companies, universities and research institutions in Finland and abroad. Our extensive international networks provide an ongoing mechanism for the establishment of bold new research and educational initiatives. One example of successful collaboration is the Demola concept that originated in Tampere, Finland, and is currently driving the creation of new jobs and businesses and improving the quality of life in six regions around Europe.

The innovative and yet seemingly simple concept has won several awards: Demola brings students and companies together to find solutions to real-world industry problems. The partner companies take home new ideas for products, service concepts and social innovations. Students not only earn credits, but also gain hands-on experience and contribute to the development of future products and services.

The first Demola innovation hub was established in Tampere in 2008 by TUT, the University of Tampere and Tampere University of Applied Sciences. The concept has since spread to other parts of Finland, southern and eastern Sweden, Vilnius in Lithuania, and Budapest in Hungary.

Demola has been identified as the best practice for open innovation in BSR Stars, a flagship project within the EU Strategy for the Baltic Sea Region. In connection with and supported by BSR Stars, Demola has been benchmarked and promoted across the Baltic Sea Region. In June 2012, the concept was recognized with the Baltic Sea Innovation Award. InnoPlatforms is a new Demola-based initiative that is currently being promoted as a separate flagship project under BSR Stars in a bid to extend the Demola BSR network, develop interregional Demola activities and explore new funding opportunities in the upcoming EU funding period 2014–2020.

In addition, TUT participates in the FIRST Programme that promotes the reciprocal mobility of students and teachers between Finland and Russia and sponsors joint intensive courses. The majority of exchange students who come from the countries bordering the Baltic Sea to study at TUT are from Germany, Poland or Russia. The most popular exchange destinations for TUT's students and researchers are Sweden and Germany. The FIRST Programme aims to ensure that the numbers of incoming and outgoing exchange students are balanced.

Welfare through education and technological expertise

The building blocks of the Finnish welfare state are quality education, high-tech expertise and exports. Research and education have a significant impact on society, as demonstrated, for example, by the impressive results achieved by Finnish water education programmes. Many of the international graduates have gone on to raise the standards of water and sanitation in their home countries. Over the years, TUT has been actively involved in water management education and research both in the Baltic Sea Region and Africa. The Nordic-Baltic Research Network is currently pursuing a project titled Viable Water Management and Governance for Futures (VIWAFU). The network aims to generate knowledge about water management and governance to support decision-making in the Nordic and Baltic countries and the EU. TUT brings to the project its expertise in water resources management and sanitation. In 2012, our University was awarded the globally unique UNESCO Chair in Sustainable Water Services. The prestigious appointment will be held by Adjunct Professor **Tapio Katko**, who is also heading the VIWAFU project, from 2012 to 2016.

TUT has maintained active collaboration with the Tampere-based Baltic Institute of Finland (BIF) ever since the institute's establishment in 1994 and has a permanent seat on its Board. TUT has served as a partner or expert in dozens of BIF's projects that have explored, among others, new innovation systems, water and waste management solutions, and environmental management systems in the Baltic Sea Region. In 2009–2012, TUT was a key contributor to BIF's St. Petersburg Business Campus Project, whereby Finnish and Russian universities joined forces with Finnish companies operating in Russia to develop and pilot a new MBA level training programme on Russian business.

Signal processing, optics and photonics, intelligent machines, biomodelling and the built environment have been identified as TUT's leading-edge fields of research in the 2011 Research Assessment Exercise. We are continually seeking new avenues of research and education and aim to be recognized as one of the world's foremost research institutions in our leading-edge fields.

Markku Kivikoski

President

Tampere University of Technology

Finland

Role of advisory council in developing competitive technological universities

By Leonids Ribickis and Arturs Zeps

Nowadays technological Universities are more than facilitators of the study and research processes. They have an important role in creating a sustainable innovation environment, solving problems of technology transfer for new products and technological solutions for many different businesses. Thus it is important for Universities of technology to follow the most actual trends and industry demands to serve its needs.

Universities have always valued their autonomy that allows them to act independently from political and other influences. In some countries local governments have introduced a University management system that puts a Council consisting of politicians and other third party members, as a general decision body. On the contrary, Universities in Latvia have a possibility to decide independently on the need for an additional consultation body – Advisory council in addition to rector, Senate and Academic council. Some Universities in Latvia have expressed their free will defined in the Law and introduced Advisory councils.

So, one may ask – what is the benefit of having another consultation body in the structure of the University, which most likely knows better on its own how to manage the institution. Riga Technical University (RTU) is a good example. RTU is the largest Latvian technical University that has set its strategy to be an internationally recognized as the leading university of science and innovation in the Baltic States.

RTU has an active Advisory council that consists of 30 experienced managers of the largest Latvian manufacturing and utility companies as well as the leading scientific institutions. It comes together 4 times a year and helps to define priorities and solve problems that are important at the time being for the University. The Advisory council creates a strong bond with the direct consumers of the knowledge, research and innovation created within the University.

At first glance it might seem that such a consultation body cannot influence the University work and development directions. However, the impression is wrong since Advisory councils consist of the highest-level managers who are not ready to waste their time on plain talks about University. They expect numbers, clear plans and strategies that University wants to implement to provide their thoughts and suggestions. RTU's experience has proved that members of the Advisory council analyze available materials on all topics, ask questions and provide suggestions that allow seeing possible development plans from different angles.

Most important questions that are raised at the Advisory council are the budget and the Strategy of University. This provides opportunity for members of the council to influence the University's development plans and structure of expenditure for the next planning period. Thus the University decides together with the businesses industry on which way it will evolve and how it will invest funds available.

The Advisory council of RTU has the right not only to consult on existing and current resolutions, but also to come up with its own initiatives that later are forwarded to the Senate of the University for enforcement.

Though the Advisory council is more than just a consultation body, it works as a lobby protecting interests of the University. Members of the Advisory council often serve as experts in different working groups of the Ministry of Economy, the Ministry of Education and Science as well as the Ministry of Foreign Affairs and other institutions in such way representing the University.

Based on the existing experience in work with the Advisory council RTU has developed few suggestions on how to strengthen the cooperation with the council to gain the maximum benefit. To fulfill the improvements the Advisory council should be given the right to approve the annual budget, the Strategy of the University and structural changes within the University before they are approved in the Senate. As well the Advisory council should take part in the Rector's election process, by hearing out the candidates to the Rectors post and recommending the candidate for the Academic council.

Universities in Latvia can decide whether they need to introduce Advisory councils in their structure. Example of RTU shows many benefits of such act. This allows creating a stronger link with the industry and other businesses that demands specialists and consumes knowledge and innovations provided by the University. Since the Advisory council is not defined as a general decision making body, but just as a consulting one, the University keeps its autonomy and is not affected by any political parties as it is seen in many State owned companies in Latvia. Incorporating the Advisory council in strategic management like RTU did, and widening its functions other Universities as well could benefit from ideas and suggestions provided by the leading experts in the field.

Leonids Ribickis

Rector

Arturs Zeps

Advisor to the Rector

Riga Technical University

Latvia

University of Jyväskylä – ahead of its time for 150 years

By Matti Manninen

The roots of the University of Jyväskylä lie on the first Finnish teacher training college founded 150 years ago, in 1863. The college was in many ways much ahead of its time. For the first time in the world, male and female teachers were educated in the same school. The director of the college, Uno Cygnaeus, also demanded that all teachers should have international experience and arranged scholarships for teacher students for studying abroad. This was at a time when there were no cars and the closest railroad station was 200 kilometres away from Jyväskylä. Cygnaeus himself had worked in Alaska and St. Petersburg and made a long trip to Sweden, Denmark, Germany and Switzerland to study different educational systems.

In the last century, the teachers' college grew to become a multidisciplinary university that now has seven faculties and more than 14,000 students. The University of Jyväskylä has several strong areas, for example, natural sciences and mathematics, humanities, social sciences and sport and health sciences. Nevertheless, the University is still most famous as Finland's leading expert in children education, teacher education and adult education, as well as the largest exporter of education in the country.

The University is also responsible for teacher education in the Kokkola University Consortium Chydenius, and it is the only provider of teacher education in Finnish sign language.

Nearly half of the 1,400 master's degrees awarded annually include teacher qualifications. Last year the University educated around 150 elementary school teachers, 55 special education teachers and 300 subject teachers in various fields. The Faculty of Education also provides an international master's degree programme with all teaching in English.

The University of Jyväskylä is exporting its expertise in teacher education through EduCluster Finland Ltd, a company in which the University is the main shareholder. The company now operates in more than twenty countries on four continents. It is perhaps a sign of globalization that only two of these countries, Russia and Poland, have shorelines along the Baltic Sea.

Internationalisation has played an important role during the history of the University of Jyväskylä. Today, all the research and teaching positions are advertised internationally and the number of foreign employees is increasing steadily, being now nearly 10% of the total personnel. We already have more than 1,000 foreign students from nearly 100 different countries. The University has bilateral agreements with 82 universities around the world. Only five of the universities are located in the Baltic region: Tallinn University, the University of Tartu and three universities in St. Petersburg.

The distant geographic location of Jyväskylä, way up north from Central Europe, intensifies the attraction of more distant universities and we may often overlook the possibilities provided by the neighbouring countries. In any case, the Baltic Sea Region is becoming more important for our student exchange. The total number of regular students from countries around the Baltic Sea at the University of Jyväskylä is already about 150. The student exchange program to the Baltic Sea countries is also intense: In 2012, we had 98 incoming students and 132 outgoing student within the Baltic Sea countries.

Ten years after the end of the Cold War, on 8 November 1999, the presidents of five Baltic countries, Finland, Estonia, Poland, Latvia, and Lithuania, met in Jyväskylä and discussed in a public meeting about the future of their own countries and Europe. This meeting was the beginning of the Martti Ahtisaari lecture series arranged in Jyväskylä every year. Many of the lectures have had a Baltic dimension. Last year Jyrki Katainen, the prime minister of Finland, spoke about "Opportunities and potential for cooperation in the Baltic Sea and Arctic regions". It is easy to agree with his conclusions that the expertise of snow, darkness and cold weather gives great prospects for Finland and the Baltic Sea region in research and economy related to the Arctic.

The University of Jyväskylä is collaborating globally – even in the most distant places of the world. At this point, it is good to take a look at countries close to us and increase international collaboration with our neighbours. A detail that may interest our collaborators who want to study Finnish: Jyväskylä is the place to learn the purest Finnish language. You are welcome here.

Matti Manninen

Rector

University of Jyväskylä

Finland

Petrozavodsk State University cooperation with the Finnish universities and organizations

By Anatoly Voronin

Petrozavodsk State University (PetrSU) as one of the leading universities of Russia in international cooperation actively expands contacts with foreign universities and international organizations. Due to the geographical position of the Republic of Karelia and its long common border with Finland cooperation with the Finnish institutions is significantly important for PetrSU. The main areas of PetrSU cross-border cooperation are educational and research activity and production cooperation.

For nearly two decades PetrSU has annually been sending its students and receiving students from Finland for training and internship for one or two terms according to the exchange programs within the framework of bilateral agreements. The exchange programs with the Universities of Helsinki, Turku, Oulu, Eastern Finland, Tampere, and Lappeenranta are being implemented most actively.

PetrSU students take an active part in the Finnish-Russian Student Exchange Program FIRST, short-term student exchange based on network cooperation between the Finnish and the Russian universities.

The university postgraduate students and young scientists participate in the programs of the Centre for International Mobility (CIMO) which allow postgraduate training, as well as practical training in various academic fields. Besides, CIMO provides significant assistance in international exchange of the students and lecturers of the Department of the Finnish Language and Literature of PetrSU.

Two cross-border universities, the Finnish-Russian Cross-Border University (FRCBU) and the Barents Cross-Border University (BCBU), hold a specific place in development of cooperation between PetrSU and Finland. The main aim of both projects is to develop and promote joint Master's programs in English, to raise the quality of students' training and mobility.

Annually, PetrSU implements more than 30 international projects, and the major part of them is carried out with the Finnish partners and is supported by the Finnish funds and programs. For instance, in collaboration with the University of Oulu and FRUCT Oy, PetrSU has been realizing three large Karelia ENPI CBC projects in the field of ICT, social sphere and tourism.

The essential component of PetrSU cooperation is joint activity with a number of the Finnish companies and research centres. Together with its Finnish partners, PetrSU performs research, training of students and specialists in the forestry sector (Finnish Forest Research Institute – METLA, Ponsse Plc.), as well as develops software (Metso Automation Inc., VTT Technical Research Centre of Finland, Nokia Research Centre, Outotec Oyj, FRUCT Oy).

Cooperation between Metso, the global supplier of sustainable technology and services for mining, construction, power generation, automation, recycling and the pulp and paper industries, and PetrSU has been successfully developing since 1993. Since 1994 PetrSU and Metso have been organizing the biennial international scientific and technical conference "New Information Technologies in the Pulp-and-Paper and Energy Industries", which is well-known to and is being visited by the representatives of all large pulp-and-paper mills of Russia. In 2002 this cooperation led to the establishment of joint PetrSU-Metso Automation Systems Center (PMASC). The software developed there is then delivered to customers all over the world. Since 2004, the Training Center for Metso, the only in Russia and one of 6 in the world, operates at PetrSU. By now, the training has been given to more than 500 specialists from more than 30 Russian companies, including the leading ones such as Norilsky Nickel, Surgutneftegas, Sibur. In 2009, a local branch office of the CJSC Metso Automation was established at PetrSU. This confirms the intention of both parties to continue and expand cooperation.

Since 2008, PetrSU has been collaborating with Outotec Oyj, the world leader in supply of technical solutions for the enterprises of mining and processing and metallurgic industries. For Outotec, PetrSU is conducting research and development of a new mathematical method and its software implementation for minimization of the Gibbs energy in the package of HSC Chemistry.

Cooperation between PetrSU and VTT began in 2005. The main directions of joint activity are scientific research, development of hardware, mathematical models and software for automation and control of industrial enterprises and factories, organization of conferences, seminars, training and expert exchange.

Cooperation between PetrSU and Nokia Research Center started in 2006. The partners' joint activities include development of software for mobile devices, training on Open Source Software, as well as scientific research and development of hardware and software for wireless sensor. Center of mobile and wireless technologies and applications was founded with the support of Nokia in PetrSU in 2008.

PetrSU cooperation with the Finnish universities and organizations opens new opportunities for joint activities. It is an effective factor for development and modernization of scientific educational institution and an important tool for training of highly qualified specialists who are able to work in the global economy conditions and are up to the challenge of innovative labor market.

Anatoly Voronin

Rector

Petrozavodsk State University

Russia

University of Turku – with research to better future

By Kalle-Antti Suominen

Smart specialization within a strong multidisciplinary frame is the concept that University of Turku applies to its future strategy. With its 20 000 students and 3 300 staff members our University is a key institute for higher education and top-level research in South-Western Finland. The geographic position puts Turku also on the growth corridor that spans from Stockholm to St. Petersburg via Turku and Helsinki, with excellent connections by air, land and sea. The regional influence and importance of the University of Turku spans also further north along the Finnish West Coast, up to Vaasa and even beyond.

International rankings of universities are a fashionable but also a much debated and also criticized method for considering the current status and past performance of higher education institutes. With over 10 000 universities existing worldwide, University of Turku is typically found among 200 to 500 "best" universities, which is a considerable achievement. For a multidisciplinary university it is a challenge to be at the top on all fields, which affects the overall ranking. On the other hand, a reasonably large size is often helpful since quality is often measured by quantity, and a broad spectrum of fields it can increase also the international visibility.

In many rankings life sciences and social sciences appear as the top fields at University of Turku, especially when one considers such topics as citations of scientific papers or international reputation. This is reflected in the current strategy of the university, which nominates six topics as the fields of strength: molecular biosciences, cardiovascular and metabolic research, ecological interactions and ecological genetics, research on learning and education, research on institutional design and social mechanisms, and futures research. In these fields the researchers in Turku, often with their local, national and international collaborators, have succeeded in obtaining funding from national sources as well as from EU funding instruments, including participation in past and present national Centres of Excellence.

In many research fields a key prerequisite is infrastructure. It starts with modern and functional working spaces but especially in hard sciences it is a question of laboratories and other facilities. University of Turku has been building its strength in life sciences for several decades, often jointly with Åbo Akademi University and the Turku University Hospital. Turku Centre for Biotechnology is an infrastructure and research facility shared by the two universities, and Turku PET Centre includes also the University Hospital. A recent strong arrival in life science infrastructure is the Auria Biobank, which is riding on the wave created by the new Finnish legislation that makes it possible to use the stored samples for research easier than e.g. in Sweden.

A major national exercise, the new Finnish Infrastructure Roadmap, will be officially published in March 2014. It will likely contain several pan-European ESFRI infrastructures in which Finland is participating as they are formed by distributed nodes. Among the important ones are Euro-Bioimaging, the Biobank network BBMRI and the translational medicine network EATRIS. University of Turku is a strong partner in these networks, which will act as two-way roads: while funding will be available for developing the local infrastructure further, it also opens that infrastructure for national and European use, creating a win-win situation for everyone. In other hard sciences, such as physics and astronomy, the University of Turku is strongly relying on international research facilities, such as the European Southern Observatory ESO and the Max-Lab synchrotron radiation facility in Lund, Sweden. In the latter there is a strong Baltic element as the new Max-IV source will contain a Finnish-Estonian beamline, with universities in Oulu, Tarto and Turku as main contributors.

An infrastructure is not always just technology. University of Turku is the Finnish coordinator for yet another ESFRI network, namely European Social Survey ESS, which is a large database of social data collected from European countries every second year since 2001. The initiatives of making any data collected or obtained by public funding available for open access will accelerate the buildup and utilization of databases in the future.

One of the important changes in Finland has been the establishment of proper graduate schools in the universities. University of Turku has been among the first universities to establish its own system of graduate schools, with 200 funded four-year positions. The schools will also include students that are funded by other sources (research funds, grants from foundations etc.). The doctoral students have always been a strong element in Finnish research, and the new system will bring further equality and clear structure to the training process.

Futures research has strong traditions in Turku. It is multidisciplinary by default, but also challenging to define. As our world is facing various grand challenges, recognised also in the content of the new European Union Horizon 2020 programme, a wider look will be needed. With well-established and high-quality research fields that are also closely connected to education, University of Turku is looking forward to the future.

Kalle-Antti Suominen

Professor in Physics

Vice-rector for Research

University of Turku

Finland

The future of business education in the Baltic Sea region

By Hannu Salmela

The first universities in Europe were characterized by international student and faculty mobility that current universities can only dream of. During the 20th Century, the growing need for educated labor force led to the birth of the regional universities. The faculty and students came from the same region, and the regional language became the language of instruction. Most business schools in the Baltic Sea region were established during the 20th century to serve the educational needs of their regions. When entering the 21st century, there are, however, many new trends that may change the position of the regional business schools.

Since the late 20th century, student mobility has been steadily increasing. Such mobility is partly explained by the quality of the business schools, but students are also looking for ways to enter more promising international job markets. Mainstream of this mobility has directed from developing countries to e.g. Europe, USA, and Australia. In the Nordic countries majority of students still stay in their regional business schools that are also well positioned to arrange international exchange and degree programs. But this may also change in the future.

Another change affecting business education is the gradually strengthening role of the English language in the business life across the world. Students accept and even expect the language of instruction to be English. An international business school means a school where the language of instruction is English. The winners are business schools in the English speaking countries: United Kingdom, Australia and the USA. Business schools in the Baltic Sea region need to balance between English language and their regional languages.

Multiple and/or joint degree programs offer a possibility for the regional business schools to ally with other business schools to provide international alternatives for students. Graduates from a multiple degree program get a degree diploma from several business schools, thus providing students with access to labor markets in several countries and regions. European Union has been actively promoting joint and multiple degree programs through its Erasmus Mundus scholarship program. Although multiple degree programs are still relatively few, they will offer an interesting alternative for the regional business schools in the future.

Massive open on-line courses provided by internationally recognized universities like MIT have received a lot of media attention. The actual transformation is, however, much wider. Combination of eLearning tools, the Internet, and new devices like iPads and tablets will challenge the old fashioned modes of teaching. In the regional business schools, student experience and learning have been based on in-class lectures, group exercises and on-campus student interaction. If technology enables young adults to learn the necessary business competences and skills over the internet, regional business schools will have to deal with much stronger international competition.

Although some European countries offer government subsidized degree programs, tuition fees constitute the primary funding model for business schools worldwide. Government funding naturally emphasizes the regional role of the business school, thus emphasizing the need to focus on the needs of the domestic students and companies. Free education may sound like a good way to attract also international students, but there is very little evidence that e.g. a free master's program would get any advantage in the competition of best students. The best students tend to aim at programs that have high tuition fee – simply because these are seen as high quality elite schools.

The two main accretions for business schools, the European EQUIS and the U.S. based AACSB both expect business schools to comply with specific requirements for business school operations and management. Quite naturally, they also expect the business school to be sufficiently international. Students applying to degree programs and companies recruiting graduates from these programs do not yet pay a lot of attention to accreditations, but this may also change in the future.

Despite the fact that the trends above do increase internationalization of business education, centralization of all business education into a few elite business schools is still a somewhat unlikely scenario. In many countries, vast majority of students still choose the local business school and companies are willing to recruit students from national schools. All business schools in the Baltic Sea region will, however, each need a conscious strategy on how to deal with the changes described above. Such a strategy must be sensitive to the needs of the students and the companies – both regional and international.

Hannu Salmela

Vice Dean

Turku School of Economics

Finland

An oil company's perspective on operating in the Baltic Rim

By Matti Lievonen

Neste Oil was the first Western oil company to build a fuel distribution network in the former Soviet Union, and opened its first station in Estonia, which had only recently regained its independence, to the accompaniment of a brass band in 1991. Additional Neste stations soon followed in Estonia's Baltic neighbors, Latvia and Lithuania, and in St. Petersburg. Today we are among the top two or three station networks in all these countries. We also expanded into Poland, and only recently exited the market there, in spring 2013.

Neste Oil's approach has long been based on seeing the Baltic region as the company's home market. Our retail presence is the most obvious sign of our operations in the region, but we are also very active in the business-to-business area. Neste Oil sources the majority of its crude oil from Russia and supplies its refineries in Porvoo and Naantali by sea mainly via the terminal at Primorsk. We also sell a significant proportion of our output in the Baltic region. Sweden in particular is a major wholesale market for us.

Back in 2006, Neste Oil decided that it wanted to become the world's leading producer of renewable diesel. We succeeded in achieving this goal in terms of volume in 2012, and the business became a profitable part of our portfolio in 2013. We invested €1.5 billion between 2005 and 2011 in building 2 million tons of renewable diesel capacity. Around a fifth of this is based at our Porvoo refinery, which has become the leading advanced biofuel producer in Northern Europe.

Marine shipments are key to our operations

In addition to feeding our refineries with crude, tankers are key to how we supply our customers. Our export is totally dependent on marine transport, and around 70% of the petroleum products that Neste Oil supplies in Finland, in fact, are shipped by sea to coastal terminals. Although we recently announced that we are planning to exit the shipping business, marine shipments will continue to play a central role in our overall operations.

Safety at sea is important everywhere, and particularly so in the Baltic. Recognizing the fragile nature of the ecosystem in the Baltic, high safety standards have long been a priority for Neste Oil. The safety performance of our tankers and Neste Shipping as a whole has been highly rated by the authorities and international vetting agencies. We have been involved in a number of other projects aimed at improving safety at sea. One of these has been the Enhanced Navigation Support Information (ENSI) system launched by the John Nurminen Foundation and designed to improve tanker safety. The Finnish Transport Agency has now taken over responsibility for the system. We introduced it on all our tankers in 2013.

A rethink is needed on how Finland funds its oil spill response capabilities

Financial resources to maintain and enhance Finland's oil spill response capabilities are channeled through a special statutory fund outside the state budget. Known as the Finnish Oil Pollution Compensation Fund, this is financed through fees levied on oil imported or transferred through Finland. As Finland's only oil refiner, Neste Oil pays around 90% of the fees collected by the fund annually.

While a high standard of oil spill response capability is undoubtedly important, the current way of financing it in Finland is not completely fair in our opinion. The oil protection fees charged today are three times what they were just a few years ago, for example, even though Neste Oil's marine shipments in the Baltic have not increased over this period. The growth of Russia's terminals at Primorsk, Vysotsk, and Ust-Luga will see a continuing increase in the amount of oil being shipped via the Baltic, and oil spill response capabilities will need to expand to deal with this. Given this prospect and the importance of protecting the Baltic, it would make sense to begin funding these capabilities directly from the state budget, as happens virtually everywhere else.

LNG terminal is important

The EU's sulfur directive will require shipping in the Baltic to switch to cleaner solutions, and will probably see the majority of ships turning to using diesel as their bunker fuel. This could impact diesel prices, as there is already a shortage of diesel in Europe. Installing scrubbing systems for exhaust generated by existing bunker fuel is not as attractive an option as it may seem either, as the time required to pay back these investments would often be longer than the remaining service life of many of the ships concerned. When ordering new ships, LNG-powered vessels are a very strong alternative.

Finland needs an LNG terminal to service this new need and the needs of existing gas customers such as Neste Oil refineries. The LNG terminal should preferably feed gas also into the existing natural gas pipeline network. This would increase the gas supply, which usually lowers costs. For many industries the availability and price of gas are a major competitiveness factor.

Matti Lievonen

President & CEO

Neste Oil

Finland

Germany's energy policy – responsibility and chance for sustainable development

By Klaus Töpfer and Carolin Sperk

German Energy Policy in a short historical perspective

German energy policy supporting renewable energies started as early as the 1990s, with the electricity feed-in law from 1990, making it mandatory for electricity companies to buy electricity from renewable sources and feed it into the supply system. This law induced a development process for technologies for the production of electricity from renewable energy sources, which must not only be seen as a contribution cleaner energy production but rather as an important step towards options for sustainable development.

In the context of the early 1990s, in the aftermath of the Tchernobyl reactor catastrophe and already long-term societal discussions on the risks of nuclear power, one major concern was to open up alternatives to the then common idea, that nuclear power was the only option for power supply in growing economies under the impression of declining fossil fuels. Both, relying on fossil fuels and on nuclear energy seemed dead-ends in the long-run, and therefore we needed to find energy sources which would allow truly sustainable development with the perspective on long-term damages and costs that could be avoided by renewable energy sources. In the following years up until the final turn in 2011 the path was laid out for a new energy system, with new and updated regulations on feed-in tariffs for renewable energies such as the "Renewable Energies Act" (EEG) from 2001 which enabled and encouraged the establishment new modes of energy production.

The final turn – the "Energiewende" in 2011

Having come to a societal consensus in Germany that nuclear power generation should only bridge the gap to other forms of energy production, the "Energiewende" after the Fukushima disaster was therefore not an entirely new turn in German energy policy, but a logical consequence from a societal development and discussions that had been going on for nearly three decades. Of course the expansion of capacities, especially with solar PV and on-shore wind production, reaching a climax in the last year with an increase of nearly eight GW in PV alone, resulted from the governments increased support of renewables after 2011. Decentralization started to become an issue with this as well, leading to a significant rise in energy cooperatives run by citizens from around 70 in 2003 to more than 750 in 2013. This can be seen not only as an important element in the new energy system but it also constitutes an outstanding societal development.

With regard to the development and distribution of renewable energies, the system of feed-in tariffs has therefore proven successful in creating an environment for small-scale investors by keeping the capital risks reasonably low. This intense commitment contributed to economies of scale in the production of solar panels and wind power plants, resulting in sinking prices for electricity generation by those technologies, which now have reached nearly the production costs of conventional power plants.

Energiewende as contribution to global sustainable development

The payments which producers of electricity from renewable energy sources received over the years have thus been an essential investment in research and development of technologies, which now contribute significantly to sustainable development in many other countries in the world.

However, the challenge for the new government remains, to further build new capacities for electricity from renewable energies and in the meantime stabilize the costs for households by refinancing some of the costs of renewable energies via other funds, e.g. for research and technology development. This would not only be a contribution to a socially more balanced transition of the electricity system but also show internationally that energy production from renewable energies is not only for rich countries like Germany but also very reasonably affordable by less wealthy countries. It should be clear that this is a fundamental investment for the future, in a new infrastructure, which will bring strong benefits for industry and society. Today, Germany still imports fuels for about 80 – 90 billion € per year to satisfy our energy demand, which in the future can be saved.

Integration of energy and climate regulations, guidelines and policies on the national level

Other domestic challenges in energy policy which need to be tackled with high priority are energy efficiency, especially in the building sector and the integration of the existing regional German climate regulations into a national climate law, to name only the ones most at hand. At this stage all German Federal States have their own climate regulation, at least on a guideline level, as well as regional energy policies. Both of these need to be integrated on a national level in order to achieve the German national climate targets and to coordinate the transition of the energy system. This is also of relevance for European climate and energy policy, which needs to be addressed in a more integrated manner, if an emission reduction target of 80-95% until 2050 is to be reached, this can only be achieved by integration of local, regional and national policies. An important element to achieve major reductions in emissions and energy consumption is efficiency, particularly in the building sector, which has been neglected in the past years. This will have to be taken further with strong efforts, since the building sector is responsible for around 40% of the energy demand and 30% of CO2-Emissions. Here, even more than with the transition of the electricity system, social issues will play a major role.

Take on the European dimension

For the European dimension the grid infrastructure and the integration of the European electricity system are important in the technical regard. Despite a now reduced annual

growth rate of renewable energy capacity, of around 3,6 GW PV in 2013, which is projected to be the annual growth corridor for the next years, there will still be a considerably higher amount of electricity produced, with high fluctuations depending on the weather. This results in conflicts with electricity grids in the neighbouring countries such as Poland, Czech Republic and the Netherlands on the one hand and profits for countries such as Austria, who due to their hydropower capacities can make a good deal by taking up German electricity surplus and then reselling it at higher prices. Even if the latter case shows that the European energy system and markets are functioning in some respect, the German Energiewende should not have negative effects on other national systems like the aforementioned.

Altogether, the Energiewende has come a long way and is now on a track, where there is no return, significant changes in society and electricity system have already set on. However, the project needs unanimous coordination and implementation with the wider perspective on European integration.

Klaus Töpfer

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Germany

AREVA in a key position to support Baltic Rim countries in their future energy strategy

By Frank Apel

The European Commission's World Energy Technology Outlook (WETO) 2050 forecasts a significant growth in electricity demand of the member states which is expected to double by 2050 compared to 2010. Over the same period this region's carbon emissions from electricity production are expected to drop from about 1.6 billion to less than 1.5 billion tons. Growth can be reached jointly with a decrease in emissions only if there is a significant shift to low-carbon energy technologies.

AREVA's product portfolio – nuclear and renewable energy – is based on providing solutions that support this major trend. Through its technologies and projects, AREVA has created a strong local, positive impact for many countries around the Baltic Sea. AREVA understands the specific national contexts regarding environmental, political, economic and legal factors as well as local conditions like weather, natural resources and geographical situation. An understanding of the local context is critical to support the different energy supply strategies of the Baltic Rim countries.

Denmark's goal is to reach complete independency from oil and gas by 2050. Therefore it is focusing mainly on wind energy – onshore as well as offshore. To balance this weather dependent energy source, the country is looking to develop hydrogen storage technologies – a field of research that AREVA also pursues as part of its renewables activities.

This focus on wind energy is similar to Germany, where the coastal areas are becoming important for electricity production. The development of onshore and offshore wind plays a major role in the energy transition, known in German as "Energiewende", which includes among others the phase-out of nuclear by 2022. Although "Energiewende" creates challenges for AREVA's nuclear business, it also offers opportunities, particularly for growing activities in offshore wind and the upcoming decommissioning and dismantling of the nuclear power plants.

In contrast, neighboring Poland is planning to launch a nuclear energy program just as Germany is heading in the other direction. AREVA, in cooperation with EDF, is committed to supporting the Polish nuclear program by collaborations with the industry as well as universities and research facilities. In addition to nuclear, Poland is going to intensify the use of biomass and expand the use of natural gas. The country's overall objective is to diversify its mainly coal and lignite based electricity generation.

Russia plays a specific role in the energy supply of the Eastern Baltic region: the Eurasian giant is the main, and often only supplier, of energy commodities like oil and gas. The country is strengthening its position by also becoming a supplier of nuclear technology and fuel. Additionally, Russia is preparing to build a nuclear power plant in its exclave around Kaliningrad in order to market the electricity in the surrounding countries.

With regard to Russia's strong position, nations like Lithuania, Latvia, Estonia and Finland are seeking greater independence from Russian imports and look to diversify their energy sources. This includes ambitions to build a terminal for the import of liquefied natural gas (LNG). Now it is for Brussels to decide which of the competing projects of Finland, Latvia and Estonia should be supported under the upcoming European Union's financial framework.

Greater energy independence can also be achieved through another domestic resource: biomass. Lithuania, Latvia, Estonia, Poland and Finland are fostering that energy source, relying on their potential in the agricultural sector.

Nuclear is another domestic energy option. Despite setbacks Lithuania further develops its own new build project. Finland is ahead with the first AREVA EPR™ reactor under construction in the world and is pursuing two additional new build projects. Beyond new builds, AREVA supplies technologies for service and modernization of the existing nuclear power plants. Finland has also decided to strongly increase the share of renewable energy and is currently focused on biomass with other options for development like offshore wind. The country aspires to have an energy mix that includes 60 percent nuclear and 40 percent renewable energy.

Sweden already relies on a nearly completely low carbon electricity supply through a combination of nuclear and hydro energy. By 2020, the country wants to reach at least a 50 percent share of renewable energy. After a scheduled phase-out of nuclear during the 1980s, Sweden had dropped the decision in 2009. At the moment, the country is considering replacing installed units with new build projects. AREVA is highly active in the Swedish market, providing fuel and maintenance services to reactors, and assisting the operators for plant modernization and safety upgrade projects. AREVA is ready to take part in any new build projects when coming up. Through its local subsidiary Uddcomb, AREVA is also an employer on the Swedish nuclear market and engages to localize its activities when possible.

Overall, AREVA has a broad range of capabilities to support the Baltic Rim countries on their way to a stable, independent, affordable and low-carbon electricity supply through its complete portfolio of nuclear technology, a leading role in offshore wind and biomass markets, and its increasing R&D efforts in the field of energy storage. AREVA also has strong presence in the region, established industrial networks, and experience with national safety authorities as well as political systems.

Frank Apel

Senior Vice President Sales Central Europe and Nordic Countries

AREVA GmbH

Towards a Northern Dimension electricity market?

By Jukka Ruusunen

History of electricity trade between Finland and Russia
Electricity trade between Finland and Russia has a long tradition. Finnish pulp and paper company Enso-Gutzeit started electricity imports from Svetogorsk to Imatra already in 1961. Cooperation between Northern Lapland and Russia (Soviet Union) started in 1965 when the local grid in the Finnish side was connected to the Soviet grid. Large scale electricity import from Soviet Union to Finland started in the beginning of 1980's as part of the economic agreement between the two countries thus making possible to postpone large electricity generation projects in Finland. The trade was based on bilateral agreements between Finnish and Soviet companies. Both sides benefitted from the trade.

Market opening in the Nordic countries changed the picture. When the old contracts expired, the independent transmission system operator Fingrid started to sell the transmission capacity in an open auction in 2001. Now it was possible for an independent trader to enter the cross-border trading market by buying transmission capacity from the auction, making a purchase contract in Russia and selling the electricity in Finland, which was part of the well-developed Nordic electricity market. Many players used this opportunity, but gradually only Russian companies were left.

Where are we today?
Today there is a functioning wholesale market on both sides of the border - and transparent electricity price. This is an excellent starting point for further development of cross-border trading between the countries: it is the electricity price that defines how electricity should flow across borders. However, EU and Russia have chosen a different market model for the electricity market. This complicates trading in EU-Russia borders.

Historically Finland has imported electricity from Russia as much as the transmission capacity has allowed. The average wholesale market price of electricity is still lower in Russia compared to the Finnish price. But a radical drop in the trading volumes took place in 2012 as a result of the introduction of capacity fees in Russia: this doubled the value of electricity in the Russian side during peak (morning and evening) hours of the weekdays. With current electricity prices and capacity fees, it is not profitable to export electricity from Russia to Finland during these peak hours.

Fingrid has been working already for some years in close cooperation with the Federal Grid Company of Russia (from the year 2013 also with JSC Russian Grids), Russian System Operator and the Russian Market Council to create possibilities for more efficient electricity trade in the Finnish-Russian border. Both sides have shown commitment to the development and in spite of the difficulties related to the differences in market models clear progress has been made. Real market also requires that there are many players in the market and that the entry barrier is low: InterRao has today a de facto monopoly in Russia in cross-border trading.

The main connection between Finland and Russia, Vyborg link, can transmit electricity only from Russia to Finland. Tests are now taking place to use the connection also to the other direction. Possibility for two-way trading is also included in the plans when Vyborg link is renovated - this renovation project is important as it creates better trading opportunities for the future.

The vision: 1000TWh Northern Dimension electricity market!
Electricity markets are developing both in the EU and in Russia. The fact that the market models are different is, of course, a challenge for efficient cross-border trading, but still a lot can be done. A necessary condition is that there are many players on both sides of the EU-Russia border (no export monopolies like today) and that the market rules allow efficient trading from one market to the other. Today's cross-border tariffs between Finland and Russia could then be replaced by explicit transmission capacity auctions. Similar principles could be applied in all EU-Russia borders which would be a necessary condition for an efficient international market.

Amount of transmission capacity naturally plays a key role when any electricity markets are integrated. As far as the Baltic Sea region and North West Russia are concerned, there will soon be enough transmission capacity for efficient trading. Strong links between Finland and Russia, and Baltic countries and Russia already exist. EstLink 2 between Finland and Estonia will serve the electricity market from the beginning of 2014 and NordBalt between Sweden and Lithuania from 2016. Adequacy of transmission capacity is thus not an obstacle for further market integration.

The conclusion is that there really is potential to develop the Northern Dimension electricity market consisting of the Baltic Sea regional market on the EU side and North West Russia. The potential volume of this market is huge: the size is about 1000 TWh! Total market size of EU is about 3000 TWh and Russian market is about 900 TWh. And what could we get: more efficiency, better security of supply and better environment.

Like in all international cooperation, politics and national interests play a key role in electricity market integration. Electricity price for local households and industry is important for every country. Many countries also have goals for self-sufficiency in generation. Building a level playing field that takes into account national goals is important if we want to see further development in the region. But at the same time we know the upside in market integration: more reliable and sustainable electricity at affordable prices to citizens and industry in the Northern Dimension region.

Jukka Ruusunen

President and CEO

Fingrid Oyj

Finland

Risks and opportunities analysis in the oil and gas industry of Russia

By Denis Kolchin

Investments in oil production in Russia lose attractiveness, the majority of fields are in the 3-4 stage of development, there is a high water content factor, new fields almost openly.

Depletion of oil reserves on land and approach to global peak production stimulates the oil companies to start active work on development of deposits on the shelf. This leads to the following key risks: reducing performance of projects, reducing the quality of forecasting projects, difficulties in emergency response, the change in the legislative framework, the complexity of the design.

Significant rise in offshore projects and increasing set of risks do not add to the investment attractiveness of Russian oil fields.

Statistics and forecasts exploration companies shows that in the next five years will reach the peak of world oil production, which could push oil prices higher, thus give impulse to the development of gas projects and alternative energy. In the next 5-10 years gas will be the main energy source in the world. Now the necessary part of the gas infrastructure already exists and ready to replace oil infrastructure, gas is much cheaper, the number of gas projects are increases, the problem of the universal gas transportation solved with the LNG technology. Gas now competes with oil.

Today U.S. and China are the main consumers of oil. U.S. reduces oil consumption by switching to natural gas and shale gas, car and power generating installations manufacturers are realize the fuel efficiency doctrine.

Past 30 years, China increased its oil consumption, in the coming years they will realize the benefits of switching to gas. Moreover, China is an owner of significant shale gas field.

In Europe, consumption is likely to remain at current levels, with a tendency to decrease and shift to gas and alternative energy sources. Relevant programs already found application.

In addition to gas projects, projects in the generation of energy from hydrogen (Brown's Generator) are actively developing, synthetic fuels, electric cars that will also help to reduce oil consumption in the world.

The economic slowdown in the world and the subsequent stagnation will contribute to slowing growth in oil consumption, search and move to cheaper energy.

Most manufacturers of power plants each year improve their performance to reduce fuel consumption, which in turn began to produce a 3% annual decline in consumption.

For Russia, the fall in oil consumption will reduce the export component and reduce the government income, all this will give an impulse to increase the taxation. Development of oil fields would become less attractive.

Model of Russian oil companies based on the growth of oil prices has exhausted itself.

Ways to increase the profitability of Russian oil companies

In addition to increasing the efficiency by standard methods, such as reducing production costs by using the best professionals, using unfrequented technologies, process optimization, organization processes optimization, output of non-core assets and the use of outsourcing is possible to increase profitability through the production of petro-chemicals and using of associated petroleum gas.

The associated petroleum gas can be used for electricity generation, petrochemical production, liquefied gas receiving (LNG technology).

Using these areas will partly make oil production more autonomy for the company, will also boost revenue by sales of new products.

Prospects in the gas industry of Russia

The main gas production in Russia is on the land, it has lower costs than the production on the shelf and in the oil production. Gas consumption in the world is growing and the trend continues, hence the growth in demand will increase and the price of gas. According to the forecasts of world gas production peak will be reached after 2020.

Modern technologies allow to expand the opportunities for gas and thereby increase the revenue and profitability of gas companies in Russia.

Today widely used technology for compressed gas transport and the market is growing.

Use of LNG technology for transport and getting electricity and heat in different regions will give a new impulse to the development of the gas industry and reduce its dependence on pipelines.

Gas processing technology allow to get plastic, cellophane, synthetic fuels, etc., the number of projects in this area increases.

In general, it should be noted that the prospects for the gas industry look more optimistic, not to mention the fact that the use of gas more eco-friendly.

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Russia

Oil production in Kaliningrad

By Artur Usanov and Alexander Kharin

Kaliningrad is not known in Russia as an oil province of any significance. Indeed, Kaliningrad's oil production is barely discernible if plotted as a part of Russia's total production – even in the best years of the last two decades its share has never exceeded 0.3%. However, even this small oil output has been important for Kaliningrad's economic development in the post-Soviet period.

The first oil fields were discovered in Kaliningrad in the late 1960s and commercial oil production started in 1975. By the middle of 1980s production already reached its peak of 1.5 million tonnes (Mt) of crude oil. This did not last long, however. In 1990s Kaliningrad's oil output was on a downward trajectory falling to 0.65 Mt in 1999 but after that it started to recover.

The largest boost came from offshore. Back in 1983 Soviet-Polish-East German joint venture, Petrobaltic, discovered the largest offshore oil field in the Baltic Sea, Kravtsovskoe or D-6, located approximately 20 km from the coast of Kaliningrad. Production from this field began in 2004 and quickly reached its peak, 0.88 Mt, in 2007. This helped to push total crude production in the province from 0.8 Mt in 2004 to more than 1.4 Mt in 2006-2008, almost to the level of the 1984 peak. However, since 2007 production from the Kravtsovskoe field has been declining by 9-11% each year and overall Kaliningrad's crude production fell to 1 Mt in 2012.

Kaliningrad does not have an oil refinery although discussions about the costs and benefits of building one periodically flare up. All crude oil produced in Kaliningrad has been exported and it has been Kaliningrad's main export commodity typically accounting for at least one quarter of all exports in 1990s and early 2000s. Its share increased substantially with the rapid growth in oil prices since 2003 but the presence of large transit flows counted as Kaliningrad's own export in official statistics makes precise estimation difficult.

The main oil producer in Kaliningrad is a local subsidiary of Lukoil, the second-largest (after Rosneft) Russian oil company. Lukoil entered the upstream business (i.e. exploration and production) in Kaliningrad in 1995 when it absorbed state-owned Kaliningrad-morneftegaz. The other existing oil producer is Kaliningradneft, which develops two small onshore fields and contributed less than 2% of all oil produced in Kaliningrad in 2012. The company was sold to U.S. investors in 2005.

How important was oil production for economic development of Kaliningrad in the post-Soviet period? A short answer to this question would be: quite important but not overly so. Official statistical data show that the share of the extractive industries in Kaliningrad's gross regional product (GRP) declined from 15% in 2005 to 6% in 2011. An alternative indicators is the ratio of total oil output in the province to the GRP. The total value of crude oil produced in Kaliningrad reached approximately US$1 billion in 2008 but then declined. It was about US$840 million in 2012. As a percentage of GDP it also fell but less drastically than the official data suggest: from 15% in 2005 to 11.4% in 2011. The difference between these measures might be potentially explained by increasing costs of production.

However, these two indicators are to some extent overestimating the impact of oil production on Kaliningrad's economy. The largest part of rent from oil produced in the province goes to the federal government (as various taxes) and to the head office of Lukoil (as profits). For example, in 2012 Lukoil's local subsidiary paid 5.5 billion RUB of taxes to the federal budget and only 1.4 billion to Kaliningrad's budget. Oil business is also not a labor intensive one: the number of employees in all extractive industries in Kaliningrad does not even add to 1% of the employed population. Still the importance of Lukoil in the regional economy is quite high. It accounts for a large share of all fixed investment in the province and employs a number of local companies as suppliers and subcontractors. It built an integrated oil terminal, which is also used for exporting oil from other Russian regions, and a steel-work plant, which manufactured an oil platform for the development of the Kravtsovskoe field as well as facilities for other Lukoil's fields.

What does the future hold for oil production in Kaliningrad? Kaliningrad is considered an "old" or mature oil province. It means that it is a well explored region and its oil fields have high depletion rates. Untapped onshore oil fields in Kaliningrad are quite small and will not be able to offset the fall in production due to the depletion of existing larger fields. Even optimistic forecasts suggest that onshore oil production will decrease to 0.2-0.3 Mt in the next decade. The hopes of reversing the fall in oil production are pinned on further exploration and development of offshore fields in the Baltic Sea. It has been reported that 36 Mt of oil resources in the Russian sector of the Baltic Sea is prepared for development. Their successful development might increase annual oil production in Kaliningrad to 2.5Mt (http://www.oilru.com/or/53/1140/).

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Russia

Financial markets and the threat for European security

By Jānis Bērziņš

The discipline of economics experiences ideological cycles that shape what is and what is not acceptable in terms of macroeconomic policy. Since the XIX century, it is possible to identify three main periods. The first, is the classic liberal period from the First Industrial Revolution until the 1930s, the second is the Keynesian period from the 1930s until the beginning of the 1970s, which was substituted by the Neoliberal period since then. In each case, changing from the established economic ideology to another was trigged by the necessity to cope with structural economic crisis, first by the Great Slump and second by stagflation forty years later.

Following Polanyi's idea that there is a pendulum sometimes pending to more state intervention and sometimes for less, in all three cases the main debate was about state versus market. However, the establishment of Neoliberalism as dominant economic ideology is not simply the result of the pendulum again pending to the market's side. Rather, it represents a structural change in the way the economic system reproduces itself. First, when the United States abandoned its commitment to the dollar-gold standard in 1971. Second, as a result of the process of financial deregulation that leveraged the financial system's capacity to create money disconnected from the real economy.

Both led to the establishment of an economic system that, notwithstanding the falsified narrative of free market often used by politicians, is not really free but rather strongly regulated by the state, at the same time being disconnected from the real world. To be more precise, data from the Bank for International Settlements shows that although in 2008 the world GDP (real sector) was around USD 60 trillion, the value of securities and derivatives was near USD 596 trillion. Most of this money has no counterpart in the real system, thus it only exists as accounting fiction. As a result, the entire economic system became extremely unstable.

The main problem is that this form of regulation is based on ideology and unreal philosophical presuppositions presented as econometric models to form its narrative. The most important are rational expectations and the idea that individual action based on self-interest always results in the best for society as a whole. These simple presuppositions would explain why a free market economy is more efficient than a planned one.

However, even if it is possible to accept that individuals are rational and have all available information to base their decisions on, empirical evidence shows that economic interests very often go against the interests of society. Therefore, the state regulates the economic system to limit the actions of the economic agents, and instead of a free economy as many like to believe, Neoliberalism is about regulating the economic system to artificially reproduce a situation of perfect competition, what is a contradiction in itself.

More, the result is that the state interferes where it should not, but does not interfere where it should. Nowadays the financial system's power to influence politics is such that politicians, thus the state apparatus, were convinced that some financial institutions are too big to fail. As these financial institutions captured the state, the market lost its mechanism to penalize failure. Instead, the state transfers the losses related to fictive money to the real sector, penalizing business, taxpayers, and those in need of social protection, as usually the first cuts are on the education, health, and social budget. This jeopardizes Europe's security both internally and externally.

On the internal side, it results in people losing their belief in democracy and in the democratic political process. Thus, it jeopardizes the legitimacy of the state as democratic institution as a direct result of rising unemployment combined with low social security. A concrete indicator of this trend, for example, is the significant rise of euroscepticism. Also, the increase in the popularity of nationalist and populist political parties with radical platforms. In the limit, there can be even increasing social unrest, as the six days of rioting in Stockholm in May 2013. It also undermines EU's soft-power, reducing its influence in the global arena.

On the external side, European countries have been forced to drastically cut their defense budget to bailout the financial system. For example, in Spain the € 41.4 billion bailout was equivalent to almost five years of the defense budget. In 2014, it will drop by 3.2%, including a reduction of 8.4% in new investments. One of the most dramatic cases is the United Kingdom. The bailout for the banking sector was equivalent to 21 years of the British defense budget, which is equivalent to the annual cost of servicing the public debt. France is expected to cut the defense budget by 10% over a five-year-period, including reducing its personnel in 12% until 2019, making nearly 34,000 persons unemployed.

The United States defense budget is being considerably cut because of sequestration. Since the US already pay for 75% of the NATO's budget, it is clear that Europe is expected to increase the responsibility for its own security. At the same time, at European borders terrorism is quickly spreading in the Maghreb; Russia has an ambitious program of military modernization; the Arctic question is raising serious concerns. The capture of the state by derivatives finance must end. This casino part of the financial system, the one that makes it too big to fail and is based on fictive money, is the biggest threat for NATO, Europe, and specially the Baltic region's security. That is why it is urgent to make investment banks being responsible for their mistakes, letting Adam Smith's invisible hand to act.

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The Finnish Naval Academy – international cooperation

By Sakari Martimo

Training and education is the first and foremost task of the Finnish Naval Academy (FNA). Additionally, as a result of the ongoing Defence Reform of the Finnish Defence Forces, the FNA is establishing a Naval Research Centre (NRC) along with her other research organisation, namely the Navy Combat Centre (NCC). The FNA utilises international cooperation both in education and in R&D tasks.

The lowering military budgets together with raising materiel and personnel costs compel nations to work together in defence. Also, the prevailing common threat picture, like terrorism, creates a basis for joint efforts to tackle these problems. The forms of cooperation vary a lot. Every nation reflects her own goals and purposes when choosing the most suitable partners and projects to develop military capabilities.

The Finnish Navy has a long and fruitful tradition in international cooperation. Today there are no military activities where the international element would not be present. Nowadays NATO STANAGs define our military procedures and functions. EU laws and guidance reflect also on defence, for instance via directives on materiel purchases. UN, EU and NATO peace keeping missions are a vital part of our everyday duties.

Training and education

Finland adopted the European Bologna process in mid 2000 as the educational basis also for officer training. Legislatively the Art of War is today an equal science with other sciences in Finland which, by the way, is unique in Europe.

Due to nations' different contents of studies (resulting from different national defence doctrines) and language barriers, the Bologna-based student exchange occurs mainly on senior officer courses like the General Staff Officer Course arranged by the National Defence University (NDU). As the FNA educates only junior officers on bachelor and master levels, she very seldom hosts international students or sends students abroad. An exception from the near past is the training of quite a number of Estonian cadets in Finland in the 1990s after Estonians gained their independence.

However, the FNA participates in international exercises like the NATO BALTOPS in the Baltic Sea area. The FNA instructors participate also annually in several other bilateral or NATO/EU exercises.

The FNA's annual six-week Training Expedition typically covering the Baltic, the North and the Mediterranean Seas has to be mentioned even though the Expedition is not international training as such. However, during port visits the officer and Petty Officer students normally visit local Navy and other military facilities and simultaneously get to know logistic arrangements abroad.

A part of the bachelor education, namely the sport centred Nordic Cadet Meetings and Cadet Balls, contributes to international networking. Behind having fun lays the fact of exploiting the established relations later during officer careers.

Research & development

The NRC exploits the European Defence Agency's (EDA) projects. One of the success stories is the Maritime Surveillance System (MARSUR) where Finland has been the leading nation. Another interesting project worth mentioning is related to Unmanned Underwater Vehicles (UUV).

The NCC which concentrates on developing naval tactics and operations has set a member to NATO's Confined and Shallow Waters Warfare Centre of Excellence situated in Kiel, Germany.

Bilateral connections with for instance the U.S. and German Navies and Swedish R&D organisations help to tackle technical obstacles.

Other examples of cooperation

The EU Naval Academies' Commandants together with the U.S. colleague from Annapolis meet every second year. The theme for the previous meeting held in Norway was leadership education in Naval Academies. The briefings and lively discussions broadened participants' knowledge and gave fresh ideas of the topic.

Under the EU's Pooling and Sharing initiative, the Nordic defence cooperation NORDEFCO is steadily developing practical and generic forms of cooperation. This is shown, for instance, in the regular meetings of the Commandants of the Nordic Naval Academies when discussing about allocation of simulator slots and instructors between partners.

Last but not least, in 2013 the FNA hosted three naval visits, including the first ever Japanese Naval Visit to Finland. Some 350 Japanese sailors learned Finnish culture and history while executing joint training and maintaining their vessel.

The Finnish Naval Academy has a demanding responsibility when teaching young bright minds and being responsible for the Naval R&D process. The task is ever more interesting and fun when connecting the international and domestic information and military codes to an understandable and effective package.

Sakari Martimo

Capt (N)

Commandant

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Finland

Poland and prospects for defence cooperation with Nordic countries

By Tomasz Szatkowski

Parallel to the US "rebalancing" towards the Western Pacific, one could observe among European EU and NATO members, an increasing inactivity in terms of the security policy, which is conditioned partially by the financial situation, as well as a relative regionalization of threat perception. The Common Security and Defence Policy of the EU has never acquired much flesh, and the Battle Groups have never been used since their inception. NATO is increasingly split between those that are oriented more to the crisis management in the Mediterranean and Middle East, those who are preoccupied mostly with the Russian military assertiveness at the Eastern and Northern Frontiers of NATO and EU, and others who do not express much interest in any of the contingencies. That trend was conspicuous during the recent NATO drill Steadfest Jazz, that was held in Poland and the Baltic States, which saw only a very symbolic contribution of some of the Allies. On the other hand it was only a handful of countries that were active during the Libyan operation in 2011.

Concurrent to that is a process of creating clusters of defense cooperation in Europe. Lingering, within NATO there are unanswered questions on the overall impact of those forms of cooperation to the cohesion of the Alliance and on the way that non-allies could be included into such initiatives. Currently the nations discuss the concept of Framework nations, which are to possess a nearly full spectrum of capabilities and become capability generation hubs for their smaller partners.

In terms of the capability group where Poland fit in, it has quite an important and specific place. Because of cultural and historical affinity Poland fits well as a member or even a leader of the Visegrad Group (V4) encompassing also Czech Republic, Slovakia, and Hungary. However, this initiative has not brought much effect so far, the reason being differences of threat perception, little level of defence spending – in particular in Slovakia and Hungary as well as a relative inefficiency of the defense bureaucracies and interagency cooperation among V4 countries. Without addressing those problems, the progress is unlikely.

Poland is, however, situated also as a possible important participant of the Nordic-Baltic initiatives. So far Poland has not been active in this format being preoccupied more with reviving the Weimar Triangle (with Germany and France) and the V4. The "northern" direction offers however a greater potential of effects.

First reason is that there is a greater cohesion of threat perception – Finland, Sweden, the Baltic States and even Norway share Poland's concerns with the Russian military buildup. Secondly, the Nordic States are mature in terms of their experience on defense cooperation. They also possess the industrial base which is robust and modern enough, possesses a good access into most advanced markets, and is not overly big to pose a threat of complete domination of possible Polish counterparts. Moreover, developing that cooperation might lead to further integration of Sweden and Finland with the NATO structures. Closer cooperation with Finland and Sweden might also serve as a reassuring factor for Baltic countries. In turn it might help the countries of the region, to be active again in external contingencies.

Poland's role could be instrumental in transferring more mature practices of defense cooperation with Nordics to V 4 countries. Another possible important aspect for Poland would be to facilitate the US involvement in those initiatives. For instance, the US Rotational Air Detachment's to Poland could together with the Polish Air Force reach to robust air forces of Norway, Denmark, Sweden, Finland and Poland to cooperate in a wide spectrum of missions, including forming an out of area contingent.

Till recently there has been a discussion whether in developing cooperation with such partner countries NATO should impose a prerequisite of membership, at a certain stage. It seems however that the conclusion is, also in Washington D.C., that the advantages of deeper cooperation exceed the possible downsides. There is however an obstacle, on the Swedish, and even more on the Finnish side. The domestic public is still not favorable sufficiently to the NATO membership or to arrangements which put them into mutually dependent relation with regard to their security. Finland has been particularly worried that NATO membership might divert their defense resources to much out of their territorial defense task. A more active role of Poland, a country recently refocused on the territorial defense and serious about the security situation in its vicinity might help to assuage those concerns. The future is yet to prove, whether this arising opportunity will be taken advantage of by Nordic countries and Poland.

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Debating NATO in Finland and Sweden – some wind, less motion

By Kari Huhta

1. Debate on membership in the NATO Alliance will continue with varying degrees of intensity in both Finland and Sweden until they either join or the security situation in the Nordic-Baltic area changes significantly from the present. The debate is not in itself necessarily an indication of ongoing change in either country, but rather of the admirable resilience and determination of both the pro and anti NATO-membership constituencies.

The permanent nature of the discussion sometimes conceals underlying shifts. This has been the case during the past year 2013. Change was easiest to detect in Sweden, where arguments about NATO briefly became untypically loud. In Finland military alignment and defence policy were discussed with greater clarity than in the recent past. A new voice was added by Estonia, which chose to speak on behalf of both Finnish and Swedish NATO membership. Russia did its share by fuelling concerns about its increased military capabilities with a more assertive posture in the Baltic area.

These shifts merit a closer look, but it is good to keep in mind that the overall situation is unaltered. Both the Swedish and Finnish governments remain clear about not seeking membership in NATO at the present time. Opinion polls in both countries indicate that a majority remains opposed to membership. In Sweden support for membership rose from the previous year, but defence did not become a leading concern for Swedish voters. It was rarely mentioned in debates as Sweden's politicians geared up for national elections in September 2014.

2. The moderate increase in the volume and saliency of national defence as an issue in Sweden dates back to the turn of the year. In an interview with Mikael Holmström, the enterprising defence writer for the Stockholm daily Svenska Dagbladet, the Swedish defence chief, General Sverker Göranson estimated that the country could defend limited targets against an invader for one week.

"One week defence" became the rallying cry of Swedes dismayed by the conversion of the country's conscription based military into a primarily expeditionary professional force with little ground troops to speak of.

The dispute was inflamed by a mock run by a Russian bomber and fighter planes towards Swedish airspace during the Easter holidays, and particularly by the failure of the Swedish Air Force to scramble planes in defence. The strongest reminder of Russia's military presence came in September with the Zapad war games. According to western estimates the exercises were by far larger and more extensive than Russia had officially announced.

Throughout the year the Swedish defence debate was basically about Russia. According to the alarmed view Sweden had scrapped its capability for territorial defence, only to find that Russia remained a threat after all, and that Sweden was no longer protected by the US and NATO the way it had been during the cold war.

The Swedish government was not moved, but a parliamentary defence review did give more attention than previously to Russia and to Sweden's limited readiness to receive military assistance.

3. The Finnish and Swedish defence debates became more closely intertwined 2013 than they have ever been in modern times. Alongside the issue of NATO the countries were brought closer by increased Nordic defence cooperation, which gave rise to very differing expectations.

In early 2013 the atmosphere in Finland was not auspicious. The political opposition (the ascendant True Finns Party and the Centre Party) had challenged Finland's participation with Sweden in air surveillance exercises over Iceland, which they saw as a service entrance to NATO. Defence policy became a vehicle of domestic politics. Disagreements were felt also inside the broad coalition government

By summer the situation had largely cleared up.

First the parliamentary Foreign Affairs Committee unanimously approved the government's new White Book on Defence. The committee went further than the government in underlining the importance of international networks for credible deterrence and defence. The parliamentary report explicitly questions the feasibility of traditional military non alignment in the modern world.

The second significant event was a foreign policy forum convened by President Sauli Niinistö at his official summer residence in mid June. Two days of frank and informal discussion cleared the air in Finland's stagnant NATO debate, without doing much to the substance. Niinistö did not alter his own policy of not preparing for Finland's accession to NATO.

The two events did produce one concrete change: The True Finns, previously seen as isolationist due to their critical views on the EU, emerged as one of Finland's most pro-NATO parties.

4. In early autumn the Estonian International Centre for Defence Studies arranged a seminar focused on Finland's and Sweden's relations with NATO. The hosts made no secret of advocating membership, nor had they done so previously.

Since then both the Swedes and the Finns have in different ways communicated to Estonia, that they will make their own choices based on national interest. Seminars in Estonia can be useful, but will not determine the course of events.

Events will be determined by developments in Finland and Sweden. A potential game changer would be an election victory by Sweden's Social Democrats in September. In government the party can be more flexible on NATO membership than it has been in opposition. So far indications of a major change are weak.

One driving force will be growing defence cooperation between Finland and Sweden. Presently it is more policy than defence, and no alternative to NATO, but it can lay the groundwork for choices the countries will make in the future.

The primary outside force affecting those choices remains Russia.

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Northern Europe as a model region for agriculture

By Lauri Kontro

No very certain forecast exists for the rate of climate change or for all its consequences. However, it is known that the Earth's climate is undergoing change, the effects of which will affect the life of every citizen. The majority of scientists agree on this.

Global warming is also evident in Europe. The average temperature has risen, but at the same time seasonal fluctuations have increased. In Northern Europe, over the last few years, we have witnessed both warmer summers and colder winters. There has been a lot of snow in winter around the Baltic Sea. Also, storms have strengthened.

Climate change is expected to cause both widespread dryness and worsening floods in various parts of the world. In Europe, the Mediterranean area will lose part of its natural fertility, leading to a clear deterioration in the conditions for food production. In Finland, rising temperatures will mean that agriculture can be carried out more effectively throughout the country, including the most northern areas. Some scientists have calculated that, a few decades from now, grain crops might well be produced even as far north as Rovaniemi. Perhaps by then farmers will be growing grapes in Southern Finland.

In future, one of the strengths of Northern Europe may be the production of clean food. The Food and Agriculture Organization of the United Nations (FAO) estimates that, by 2050, food production will have to grow by up to 70 per cent from the current level in order to feed a total of nine billion people. In order to achieve this goal, the world should invest more than 80 billion dollars a year in agriculture. In addition, significantly increased resources must be channelled into agricultural research.

Achieving this goal will not necessarily be very easy. While the population continues to grow, the acreage available for cultivation will be reduced. In addition to climate change and erosion, land will be lost to rapidly growing cities and traffic routes. There is already increasing competition for the planet's two key factors in food production: land and water.

Besides land and water, the available fertilizers are critically important. The current population can only be fed with sufficiently large crops. High yields in turn require the secure availability of chemical fertilizers and energy supplies.

The world's known phosphorus reserves will last for about 40 years if their use continues to increase at the current rate. Even if new deposits were discovered, the price and availability of phosphorus would eventually become a growth-inhibiting factor. The nutrients required in cultivation must be obtainable by other means than digging them from the soil.

The solution is recycling, a transition to a closed nutrient cycle. There is a particular need for this in Northern Europe, since both population centres and agriculture constantly add an excessive burden of nutrients to the Baltic Sea. Instead of nutrients flowing into the sea, they must be returned to the fields and to food production.

However, the Baltic Sea region has a huge potential for the development of food production. Both climate change and the scarcity of raw materials will create more opportunities than problems. Northern Europe may become a growth area for food production, which utilizes the latest research and technology. This will allow for the more ecological production of better quality food.

Agriculture and the food industry are likely to remain the world's largest business sector. The demand for food is growing; after all, every human being in the world is hungry every day. Food has always been and will continue to be an important item in international trade.

Increasing food production is also an environmental challenge. The question is whether Earth's resources are adequate and whether our environment can withstand the increasing burden.

The answer can only be that we must produce more from less. Efficiency must be increased. This requires increasingly broad use of renewable energy sources, increased energy efficiency and nutrient recycling, and decreased food waste. Agriculture is an important field for the application of new environmental technologies.

Northern Europe could become a more important food producer, if we so wish. Traditionally, the Nordic countries and Germany have been in the forefront of agricultural technology. The Baltic countries and Poland are old agricultural countries, which are re-emerging as significant producers of agricultural products.

The possibilities are many. The use we make of them is up to us.

Lauri Kontro

Editor-in-Chief

Maaseudun Tulevaisuus

Finland

Investment climate of St. Petersburg in the mirror of media

By Anna Scherbakova

St. Petersburg, the second largest Russian city, is known as the window to Europe. With a population of about 5 million people and 310-year long history, it is not only a cultural capital but also an industry center and the main transportation hub in the North-West of Russia. In the last decade, it survived the investment boom that was caused by both economical and political factors.

In early 90s, St. Petersburg Mayor Anatoly Sobchak, and his deputy Vladimir Putin, had an idea of making the city financial capital of Russia. First foreign banks that operated in post-soviet Russia – BNP-Dresdner and Credit Lyonnais – were registered in St. Petersburg in 1993, as the resistance of Moscow banking lobby was too strong. But the next dozen of foreign financial institutions have since chosen Moscow for their headquarters instead.

About 80 percent of Russian financial resources are concentrated in Moscow, which is unfair Sobchak used to say back then.

Vladimir Putin, who has served as the Russian President since 2000 with a break in 2008-2012, named Sobchak, who died in 2000, his teacher. Putin's attempts to make St. Petersburg, his home-city, more famous and wealthy were well known and widely published. During his first presidential term, he used every possibility to invite his guests - foreign leaders to his hometown.

In 2001, the President's administration raised over $100 million from Russian businesses to restore Constantine Palace, the ruined residence of the Great Prince on the south coast of the Gulf of Finland. By 2003, when St. Petersburg celebrated its 300th anniversary, the palace turned into a state residence. It has hosted both G7 and G20 summits in 2006 and 2013 respectively. The Constitutional court moved from Moscow to St. Petersburg.

In order to fill the city budget authorities asked several big mostly state-owned companies including Gazprom's oil mining subsidiary to re-register in St. Petersburg. In its best years, the big taxpayers provided up to 10 percent of the city budget income. They also purchased historical buildings for their offices, which revived the real estate market.

Since 2004, the St. Petersburg economy has grown rapidly. Direct foreign investment has rocketed 12 times and totaled $1.4 billion in 2008. Obviously among the reasons was the low base. St. Petersburg's share in the direct foreign investment in Russia, that grew up 2.8 times in those years, did not exceeded 5 percent.

The money flowed to St. Petersburg not only due to administrative efforts but also due to market reasons. The city has an educated workforce, a good geographical position with an access to the sea and is a huge consumer market by itself. From 2007 to 2010, Toyota, GM, Nissan and Hyundai all launched production facilities in St. Petersburg as well as their suppliers. International consortium started construction of 1.2 billion euro new Pulkovo terminal for the city's airport. Housing construction also grew from 5 to 15 percent a year.

The economy slowdown coincided with political changes. Valentina Matvienko who served as St. Petersburg governor since 2003, left her position in 2011. Her successor Georgy Poltavchenko served as a KGB officer in 1979 – 1994 and as tax police chief in 1994-1999. It took governmental officials more than a year to deal with problems and to cancel several projects involving the money from the city budget. No new projects passed through the government during this time. Many prospective investors, feared by the uncertainity of the local rules, moved to the neighboring Leningrad region, whose government demonstrated its friendliness and claimed it approved a $800 million worth project within 35 days.

After the crisis, the income of the St. Petersburg budget decreased by approximately 10 percent. Its fame as a magnet for foreign investment is fading. In 2012, the city got $891 million direct foreign investment, which is 17 percent less than in 2011.In three quarters 2013 it grew by 50 percent to $1,1 billion. Leningrad region with population 1.7 million people increased foreign investment by 50 percent to $1 billion in 2012.

City's gate to possible investors is the Investment committee. Consisting of professional officials, the committee promotes itself as a consulting company that will help companies in planning their strategy, preparing a project or hire personal while businesses are looking for fast approving decisions, clear rules and possible support at negotiations with local energy supplier. In order to make façade more attractive it is to launch St.Petersburg investment brand. This autumn the committee issued four news releases on how this brand will look like but it doesn't report on negotiations with any investor.

St. Petersburg authorities have not announced their strategy towards the investment. The advances of the second largest city are not obvious. The competition between regions and countries is escalating. It's not enough to be President's home-city and the economy boom is over.

Anna Scherbakova

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German Baltic ports – forecast 2030

By Jürgen Sorgenfrei

In order to prepare the German Transport Master Plan 2015, a comprehensive traffic flow analysis for all German Baltic sea ports for the base year 2010 as well as a forecast of hinterland traffic into the most relevant NUTS 3 areas and port throughput 2030 has been elaborated. Major driver for port business is the expected growth of real GDP in all countries relevant for trade. A detailed European and Global trade analysis 2010 and a forecast 2030 of commodity flows between all relevant countries has been delivered as input. As typical for trade statistics, the data set was constructed on base of real value terms.

Key performance parameter for ports are usually not trade volumes that have been handled; measured in Euros or US-Dollars, but cargo data, measured in tons and/or TEU´s, clustered in categories like Dry Bulk, RoRo or Containers. So, a huge major task was the transition of value data in tons and TEU´s, as well as the transformation in typical cargo load units. This task was performed for the base year 2010. In addition to pure trade data, additional factors that influence port competition have been taken into consideration and have been included in a so called "port competition model". Major factors in this model with sustainable influence on typical Baltic traffic are new rail and road links, like the Fehmarnbelt link. In this study we assumed that this link will be ready in 2030, and that parts of the cargo flows will take this route. Other mega trends are e.g. direct vessel calls into the Baltic, competition from other ports or potential re-routings of central-European cargo volumes into the Mediterranean and via Med ports. But also new technologies like off shore wind energy have been analyzed in detail.

For Germany e.g. it is calculated that real GDP will grow with an average rate of 1.14% p.a. between 2010 and 2030, export will grow with 3.63% and import with 3.99% p.a.. The expected increase of port cargo throughput of all German Baltic ports will increase from 53 mill t (without transport unit loads; e.g. trailer chassis) in 2010 up to 79 mill t in 2030, respectively 2.1% p.a.. Total German port throughput will increase from 269 mill t up to 468 mill t; this puts the ranking of the Baltic ports into perspective.

The two most important German Baltic seaports are Rostock and Lübeck, handling cargo volumes in 2010 of 19.5 respectively 17.9 mill tons. The two ports grew between 2001 and 2010 with annual rates of 1.5% (Rostock) and 0.5%. Both ports together represent a market share of 70.9% of the German Baltic ports throughput in 2010. This eminent market share gives evidence to concentrate in the following on these two ports.

Forecast for 2030 shows that Lübeck will grow faster on a rate of 2.3% p.a., whereas Rostock is analyzed for an average annual growth of 1.2%. In cargo volume this will lead to a volume of 28.0 mill t in Lübeck and 24.8 mill t for Rostock. The already in 2010 existing predominance of imports in German Baltic ports will remain and is foreseen with a slightly increase as import are analyzed to grow with a rate of 2.1% until 2030, whereas exports will increase with 1.9%.

A major argument for stronger growth in Lübeck is the already established and quite well functioning hinterland access; this for relevant modes of transportation; i.e. rail and road. Relevant barge volumes do not exist in Lübeck or Rostock. Especially from an environmental point of view this is a common disadvantage of both ports. A second main argument for the difference in forecasted growth is the cargo structure. Lübeck and Rostock are not comparable with regard to the structure of cargoes transported via both ports. Rostock had had a larger share of bulk products in 2010, and it is forecasted that this will remain in future. Dry as well as liquid bulk cargoes are in all forecasts that exist not combined with over proportionally growth rates. It is more likely that typical consumer and investment goods will show higher growth. Trends in technological progress adduce evidence.

Already in 2010 Lübeck is by far the most important German Baltic port for Container trade, handling 153.2 thousand TEU (= TTEU). Forecast for 2030 shows a volume of 253.6 TTEU. Second largest German container port in the Baltic is Kiel with 24.9 TTEU in 2010 and expected 46.6 TTEU in 2030. Rostock handled 2.2 TTEU in 2010, and with forecasted 2.5 TTEU this volume is only slightly higher. Lübeck already is and will continue to be the German Baltic Container port.

In addition to the main scenario we calculated another more optimistic and third more pessimistic scenario as sensitivity analysis. Results show that the main scenario is quite robust and that only slight variations will occur, but no substantial changes.

Few details of the forecast as well as of hinterland relations of the German Baltic seaports are already published and are available on the server of the German Ministry of Transport (www.bmvbs.de). More details will be published in mid 2014.

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High North – high stakes: maritime activities in the Arctic

By Sturla Henriksen

Maybe nowhere else in the world are the consequences of global climate changes more apparent and dramatic than in the Arctic region. Over the past three decades, more than two thirds of the volume of Arctic summer ice has disappeared. Our children will be the first generation in modern history to experience an entirely new ocean opening up.

The Arctic is covering one sixth of the surface of the Earth. Once a frozen, remote front during the cold war, the melting Arctic has generated a paradigm shift in geopolitics. Over the past years, eleven countries have appointed "*Arctic ambassadors*" to coordinate and promote their national interests in this region.

As the polar ice cap recedes, vast amounts of natural resources are uncovered. New regional and global trade routes are opening up, generating a powerful new impetus to major changes in the global pattern of trade and production. These developments open up vast opportunities for increased maritime activities:

- *Offshore oil and gas production:* More than one tenth of the world's undiscovered oil resources, and one third of the gas, is located in this region. Already, there are significant offshore activities in the Barents Sea, and the formal agreement on a delimitation line signed two years ago between Russia and Norway has further spurred exploration.
- *Arctic destination sailings:* The polar ocean floor and the circumpolar land areas are rich on rare earth minerals, and the Polar Sea is home to some of the world's richest fishing grounds. Cruise ships are venturing into the area in growing numbers.
- To the general public, access to new sea lanes – *transarctic sailings* – has generated most attention and interest so far. By sending ships through the Polar Sea, sailing distances between Asian and European ports would be cut by one third.

Despite these intriguing prospects for increased commercial activities in the Arctic, our approach should be sober and our enthusiasm tempered. The general backdrop of global warming and the effects on the Arctic region should be of major concern to us all.

The general operational conditions facing the industry in this region are more complex and demanding than, maybe, anywhere else in the world. The Arctic is a cold place. The climate is hostile and the weather is violent and extreme. Drifting ice and sudden icing of vessels constitute constant threats. The region is enshrouded in darkness half of the year. Distances are vast. The region is very sparsely populated and remote from large population centers and basic infrastructures.

And last, but not least, the environment in this region is extremely fragile, as are the livelihoods and cultures of indigenous people living here.

Therefore, exploring and expanding current boundaries to commercial activities in the Arctic require a stepwise, precautionary approach based on sound scientific, industrial and hard-won practical knowledge.

The international business community itself should assume a truly responsible approach to exploiting the commercial opportunities in the Arctic. The overlying consideration, of course, being the one we must have for our global community. But also, from a more pragmatic perspective - it will be in the business community's own, genuine self-interest to maintain "the license to operate" in these areas. A major accident or oil spill may not only severely damage the environment, but also the legitimacy of commercial activities in the entire Arctic. In order to raise awareness and encourage discussions on these aspects within the international business community, the NSA has launched the initiative of an Arctic Business Council.

At the NSA, we have recommended three types of initiatives we believe will be crucial to underpin increasing commercial activities, and to ensure safe and sustainable maritime operations:

- Firstly, there is an urgent need for a relevant *regulatory framework* – a "Polar Code" – based on the relevant conventions of the UN International Maritime Organization. The process going on in the IMO is very important. We urge all member countries to do their utmost to secure an agreement, and to avoid a situation where "*the ice is retreating faster than negotiations are progressing*"!
- Secondly, there is a need for extensive developments of *relevant infrastructures* for navigation, communication, weather forecasts, monitoring of drifting ice and icing conditions, contingency, search and rescue, maintenance and supply.
- Thirdly, there is a need to develop adequate *industrial standards* for Arctic operations. Harsh climate technology, winterization of vessels, rigs and equipment, enhanced operational procedures, indoor environment for sensitive parts of the operations are but some aspects of this.

Underlying this should be an overall recognition: *That there are fundamental values to be protected. That there are extensive challenges to be overcome. That our task is to master, not to conquer, the nature of the Arctic – one of the most pristine and least explored places on Earth.*

Sturla Henriksen

CEO

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Norway

The Arctic as a manifestation of international transformation

By Stephen Blank

Apart from death and taxes the only constant in international affairs is change. And the emergence of the Arctic as an important factor in world politics with a fundamentally different strategic agenda than was the case during the Cold War is, in itself, a manifestation of several types of change that have an impact on world affairs. At the same time the future importance of the Arctic is also subject to change due to other equally dynamic factors lying beyond it. The primary reason for the emergence of the Arctic in its new strategic aspect, i.e. as a potential center of large-scale energy exploration and much more international commerce is clearly climate change. Climate change makes it possible to expand the use of the Arctic and the seasonal duration of that use and thus makes the Arctic Ocean a more practical trade route than has previously been the case. Indeed, it already is the case that the amount of trade traversing the Arctic Ocean has increased steadily since 2010 even if it remains at a relatively low level.

That same factor also makes it possible to contemplate much more seriously the exploitation of the Arctic territories and waters for energy, especially as the US Geological survey of 2006, the only truly scientific recent estimate and the basis for all subsequent ones, made clear that huge amounts of hydrocarbons and minerals lie in those territories and waters. This last factor is of particular significance to Russia which has driven Arctic developments since 2007 because of its large Arctic endowment and huge and unchanging dependence on energy. But the rush to demarcate boundaries Exclusive Economic Zones (EEZ's) also stems from another force making for inadvertent but clearly significant change in the Arctic, namely the UN. By requesting signatories of the UN Convention on the Law of the Sea (UNCLOS) to state their claims the UN invited Russia to make the extensive territorial claims to the territories and waters of the Arctic, including the lands under those waters to include the entire Lomonosov Ridge and other territories. The spectacular and militarized form in which Russia made its claim and its subsequent and continuing militarization of the Arctic, even as it professes its pacific intentions, has added a new dynamic here.

Whereas in the Cold War the Arctic's exclusive importance was as a potential naval nuclear battlefield or naval base for the Soviet naval nuclear force and for Western counterattacks or equivalent naval bases, now a multilateral "scramble for the Arctic" is underway. In addition to the well-established interest of the US, Denmark, Norway, Sweden, and Finland as well as Russia, the Arctic's enhanced accessibility has begun to fire China's imagination. Although China has not yet proclaimed a formal Arctic policy it and other Asian nations have now gained entrée as observers to the Arctic council and are preparing to increase their exposure in the Arctic and utilization of it for commercial purposes. This list of Asian actors includes China, India, Japan, South Korea, and Singapore. But by acting to a greater or lesser degree to display a robust interest in the Arctic these actors have brought some of the quandaries of Asia's international agenda into play here.

Thus in addition to the factors of climate change, enhanced demand for hydrocarbons, Un action, both European and Asian great power politics are now impinging on the Arctic which is no longer isolated from these competing tides of international affairs. Issues of EEZ's, maritime boundaries, etc. are now issues to be decided in the Arctic just as they must be resolved in contested areas – also reported to have high degrees of hydrocarbons – like the South China Sea. And just as those issues take place in the South China Sea and are stimulated primarily by the rise of China in the context of the other changes, demand for energy, etc. we see this happening in the Arctic as well.

Just as the surge in global demand for access to oil and gas has profoundly altered many aspects of world politics, changes in energy are affecting geopolitical struggles like those now occurring with regard to the Arctic. It is not merely the case that European states are acquiring weapons, e.g. Norway seeking F-35 fighters or British Defense Secretary Hammond ensuring that the Royal NAVY and British forces will have an Arctic capability. Russia has taken a series of consistent steps, consonant with its threat assessment that other states, primarily NATO want to seize its territories or deny its access to energy. President Putin said as much on February 27, 2013 in directing this ongoing militarization and Russia's Ministry of Regions in November, 2013 publicly cited a growing conflict potential in the international Arctic that obliges Russia to bring its forces up to date. Thus Russia is "returning to the Arctic" including such remote outposts on the Asian side as New Siberian Islands (Novosibirskie Ostrova).

It is not only concern for energy that drives such moves but, though Russia will not say so, anxiety over China. China's shipping of commercial cargoes through the Arctic and its navy's circumnavigation of the Soya Straits and Japan this summer to threaten Japan have triggered Russian anxiety as well as Japanese anxiety about Chinese claims in the Arctic. As one Japanese official told this author, the Sea of Japan is no longer a bilateral lake but now a potential multilateral Asian and Arctic naval theater of operations due to such actions. In other words, Asia's strategic geography, thank in part to Arctic developments, has now changed in a fundamental way affecting all the actors in northeast Asia. And given Russia's obsession with defense of its energy, a military buildup makes sense as a warning to china and fully comports with the enduring threat assessment going back to Soviet times, concerning the Arctic.

But at the same time and finally change it the energy equation may also confound Russia even as it originally stimulated its activity here. Current shale and LNG prices in the US, due to the American surge in these gases are now 20-25% of global prices, leading to pressure on the US to export large quantities of these fuels and pressure on European and Asian firms to invest in terminals and other relevant infrastructure in the US. Despite Russian official proclamations, the Russian press has recently reported in comprehensive detail just how expensive it still is to extract energy from the Arctic. Moreover, even if Russia builds a new infrastructure there, the changing climactic conditions necessitate a new and different infrastructure, not the one familiar to previous generations. It may yet turn out to be the case – based on signs like the postponement of the Stockman field's exploitation – that Russia's Arctic energy will either not be accessible at break-even prices or simply noncompetitive with LNG and shale. In that case Russia's Arctic adventure will fall under its own weight and billions of

rubles will have been spent, not for the first or last time, on a reckless, ill-conceived gamble. The change to shale and LNG may thus have reverberations in energy economics and world affairs beyond what can be already discerned, and not least in the Arctic.

In other words, just as fundamental climactic and political changes made Arctic exploration possible, it is all too possible that fundamental technological and political change in the future may make Arctic exploration much less rewarding than has recently been expected to be the case. And then what will happen given the buildup of military forces in an area whose strategic importance has been oversold? Just as the constancy of change created the Arctic "boom" it may yet create an Arctic "bust" and that, phenomenon, in turn, will usher in a new series of changes as the Arctic now becomes a permanent feature of world affairs and will be acted upon as much as it is a subject in world affairs.

Stephen Blank

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Shipping as a strategic enabler for Finnish industry

By Ulrika Larpes

Finland, being an island nation, is dependant on the sea and on shipping.

The Finnish Shipping of today is mainly focused on the short sea shipping in the Baltic Sea Region. The import and export products of metal, forest, energy, environmental and chemical from and to the Finnish industry are transported through the western and northern as well as the ports around the area of the Gulf of Finland.

The logistics chain

In the field of logistics within the shipping industry, we find the transport chain actors, i.e. the ports, the marine transports with their shippers, shipping companies with their employees, operators, insurers and authorities.

The challenges of the Finnish sea carriers i.e. the shipping companies operating their vessels in and/or from Finland, can be said in few words; to increase the competitiveness and the co-operation with the other actors in the logistics chain. This can be done when responding in a constructive manner to the environmental challenges the Baltic Sea is facing, when being cost-efficient and coming forward the expectations the industry, i.e. the clients, have.

Therefore, it is important to recognise the connections and common interests between the industry and shipping as well as the maritime technical construction industry.

The future success

The most important task for a company is to safeguard the future of the company. The same goes, obviously, for a shipping company. This fact obviously presupposes an understanding of the control of costs and expenses throughout the marine transport chain. And in order to survive, there is not much room for sloppiness. And consequently, the shipping companies in Finland have amended and developed their business activities in order to survive these, so much less profitable, times.

The level of efficiency and the increase of the same needs, however, to be combined with the future possibilities for growth as well as with the development of skills and knowledge. When focusing on efficiency one should also have a non-fear attitude to re-amend the business concept and commitment to implement new ideas in order to develop the business due to the trends and challenges within shipping. And sometimes, the management has to have the guts to invest and test new ideas also during uncertain economical times, such as new technical innovations in order to respond to environmental regulations coming up or to look for new ways of finding financial means in order to be able to make orders for newbuildings. Why?

Because there is also the need to secure the competitiveness and the possibilities for growth in the future. And one way of doing it, is by creating a constructive dialogue with others in the logistics chain, including the customers and their needs.

The Finnish Economy

The future possibilities for growth are dependant on most of all that the Finnish economy would grow. If the economy grows, it is due to the increase of the industrial production. And thus, the increase of the trade volumes (export), hopefully, leads to increasing freight transport volumes.

So the need to secure the competiveness requires a constructive dialogue with the industry sector in order to be able to provide even more efficient solutions on how to carry out the maritime transport.

What follows after 2015?

In addition to the dialogue with the industry and the other players in the maritime field, one of the challenges of today is to be prepared to the environmental challenges the Baltic Sea is facing from 1 January 2015 and 2016. From January 2015 the fuel sulphur content has to be below 0,1% and from January 2016 the concept of the Energy Efficiency Design Index has to be followed. And the question remains how many vessels will be there after a few years? Will the price of the marine gas oil (MGO) rise and if it does, to what level? To how many shipowners an exhaust gas scrubber, or any scrubber, is an appropriate technical choice in order to meet the requirement of the fuel sulphur content? And is it obvious, that the clients, needing their goods to be transported, will pay the price for the effects of the implementation of these environmental regulations?

Subsidies – investments

Regarding the financial support in form of subsidies, the shipping companies are put in a tuff position; government subsidies of whatever nature may be reduced as the costs of the public sector in Finland today constitute 57% of the total production. Further, the banks are not showing great interest to financing newbuildings. Instead, the possibilities to state guarantees could be an option when investments and newbuildings are considered.

Challenges of the maritime transport from a Finnish Shipping – point of view

The future success of the Shipping in Finland requires, in addition to the control of costs and the constructive dialogue with employees, also investments and development of skills and knowledge as well as to be regarded by the decision makers in Finland as an important asset and as a tool to promote the Finnish Economy.

Thus, the development of the maritime transport services gives the Finnish Shipping society the tool to be the business partner of the Finnish industry and furthermore to compete on an European and global level.

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Lower emissions from ships in the light of provisions of "sulphur directive" adopted by the European Union

By Beata Madejska

1. Background

The main sources of air pollution are transport, industry, agriculture, and heating. All these sectors emit a variety of air pollutants – sulphur dioxide, nitrogen oxides, carbon dioxide and particulate matter. Shipping is a large and growing source of different kinds of atmospheric emissions.

2. International legislation (IMO)

The MARPOL Convention is the main international convention covering prevention of pollution of the marine environment by ships from operational or accidential causes. It is a combination of two treaties adopted in 1973 and 1978 respectively and also includes the Protocol of 1997 (Annex VI).

The International Convention for the Prevention from Ships (MARPOL) was adopted on 2nd November 1973 at IMO and covered pollution by oil, chemicals, harmful substances in packaged form, sewage and garbage.

Annex VI Prevention of Air Pollution from Ships entered into force 19th May 2005. The revision of Annex VI was adopted in October 2008 and entered into force 1st July 2010.

Annex VI contains provisions allowing for special Sulphur Emission Control Areas (SECAs) to be established with more stringent controls on sulphur emissions. In these areas, the sulphur content of fuel oil used onboard ships must not exceed 1.5 % by mass.

The Baltic Sea Area is designated as a Sulphur Emission Control Area in the Protocol. The North Sea was adopted as Sulphur Emission Control Area in July 2005.

3. European legal provisions concerning reducing ship emissions

At the European Union level there have been subsequent steps to regulate sulphur content in liquid fuels to reduce its emissions in the atmosphere during the past twenty years.

Historically, the sulphur content of certain liquid fuels was regulated by Directive 93/12/EC, adopted in 1993 (*Council Directive 93/12/EEC of 23 March 1993 relating to the sulphur content of certain liquid fuels,*), which placed restrictions on the marketing of diesel fuels used in road vehicles and gas oil used for off-road transport.

In the following years it has been deemed important to lay down limits for the sulphur content of other liquid fuels, in particular marine gas oils and gas oils, in view of the regulation in Annex VI on sulphur content of marine fuel in the IMO's MARPOL Protocol of 1997. The result was the Sulphur Content of Liquid Fuels Directive No 32 adopted on 26 April 1999 (*Council Directive 1999/32/EC of 26 April 1999 relating to a reduction in the sulphur content of certain liquid fuels and amending Directive 93/12/EEC*).

It established limits for sulphur content in heavy fuel oil (1.0 % after 1st January 2003) and gas oil, including marine gas oil (0.2 % after 1st January 2000 and 0.1 % after 1st January 2008). Member States were obliged to transpose the Directive into national legislation before 1st June 2000.

Following the entry into force of MARPOL Annex VI in May 2005 a new Directive 2005/33/EC (*Directive 2005/33/EC of the European Parliament and of the Council of 6 July 2005 amending Directive 1999/32/EC, OJ L 191, 22.7.2005*), was promulgated in July 2005, amending Directive No 32 adopted in 1999.

The Directive 2005/33/EC of the European Parliament and of the Council of 6th July 2005, amending the Sulphur Directive, introduced, inter alia, the IMO concept of Sulphur Emission Control Areas (SECAs) and the associated stricter fuel standards. The maximum sulphur content of marine fuels was limited to a maximum of 1.5 % for ships operating in the Baltic Sea as from 2006 and in the North Sea and the English Channel as from 2007. Member States were obliged to transpose the Directive into national legislation by 11 August 2006.

The latest significant revision of the Sulphur Directive arises from the amendments to MARPOL Annex VI done in 2008, which included more stringent limits of sulphur content on fuels which are to be used in the Emission Control Areas. The EU rendered mandatory IMO rules on marine fuels through the Directive no 12, effective as of 17th December 2012, amending Sulphur Directive No 32 adopted in 1999 (*Directive 2012/33/EU of the European Parliament and of the Council of 21 November 2012 amending Council Directive 1999/32/EC as regards the sulphur content of marine fuels*). The key elements of the new directive are:

- the sulphur limit in the Emission Control Areas (ECAs) is now 1.0 % falling to 0.10 % in 2015;
- a 0.50 % sulphur limit will be implemented in all EU waters (outside Emission Control Areas (ECAs) by 2020, even if the IMO decides to delay the global limit;
- passenger ships operating outside ECAs but on regular service between EU ports continue to be subject to a 1.50 % sulphur limit until 2020, when the EU-wide 0.50 % sulphur limit applies;
- ships at berth in EU ports are required to use only fuels with a maximum 0.1 % sulphur content.

By 18th June 2014 at the latest, Member States will have to amend their existing legislation on the quality of marine fuels to align it with the new Directive. From 2015 onwards, Member States are asked to ensure that ships use fuels with a sulphur content of not more than 0.10 % in the Baltic Sea and the North Sea including English Channel. From 2020 onwards, ships operating in all other European Sea areas will have to use fuels with sulphur content of 0.50 % or less.

Beata Madejska

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The power of personal and genuine encounters – the key to the success of fairs

By Jaakko Mäkikalli

The history of the exhibition and fair industry in Finland is fairly young as the first modern type of exhibition – a general industrial exhibition – was organized in Helsinki Kaivopuisto Park in 1876. This exhibition was a great success lasting 77 days and attracting 93.000 visitors with Czar Alexander II amongst them. However, it took several decades before the organized exhibition business started first in Helsinki and later in Turku and other bigger cities in Finland.

Founded in 1959 as Turku Fair Cooperative and today known as Turku Fair & Congress Center the company is one of Finland's largest fair organizers and it is a diverse setting for fairs, meetings, congresses and grand public events. Every year about 240.000 guests visit a total number of nearly 200 various events making Turku Fair & Congress Center one of the leading exhibition and congress centers in Finland. Turku Fair & Congress Center is well known for its wide range of annual fairs especially for the consumer sector such as Caravan Show, Top Dog Show, Construction & Interior Design, Turku Art and Antique Fair, Handicraft Fair, Turku Garden Fair, Turku Boat Fair, Turku Fair, International Cat Fair, Skilled Women, Turku International Book Fair and Turku Food & Wine Fair to name a few. Turku Fair & Congress Center has also been the location for various trade fairs such as Nordic Stone, GlassExpo, NaviGate and Infratech. The major shareholder of the company is Turku Chamber of Commerce.

But what makes these and many other exhibitions and fairs still successful in today's rapidly changing world where more and more companies are increasing their marketing and sales efforts in the digital media and the consumers are as well spending more and more time and means in social media and online stores and the overall marketing field is widely splintered? What are the characteristics of the fair as a medium that enable exhibitors as well as the fair visitors to excel?

The answer is the same as it was already over a hundred years ago. The success of the fair industry is based on the effectiveness and power of personal and genuine encounters. As a medium, fairs are both social and personal. In genuine encounters, people are present through all their senses and even with the development of modern technology no other medium can provide a similar platform. Fairs enable companies to meet a large number of contacts in a short period of time and the value of the face to face encounter in a fair is far greater than in any other environment as the exhibitioner and the potential client both meet voluntarily in a neutral environment. Exhibiting at a fair brings inquiries, contacts, requests for quotes and orders and the impact of the fair can last very long and can be seen in sales months after the actual fair.

However, as a medium, fairs are surely not the easiest one and to make sure that the exhibitor gets the best possible result the following guidelines should be followed: get to know different fairs and choose your own; know your target group and decide who you need to reach; define your fair targets as clearly as possible; make a realistic budget and stick to it; choose a competent stand designer and fair constructor; select and train your fair team well; meet you customers and be bold, active and interesting and remember the follow-up and collect the results of your work after the fair. The fact not to be forgotten is also that fairs are not separate from other channels of communication. Aligned with other marketing channels the impact of the fair participation will last much longer.

Exhibitions and fairs provide also an excellent opportunity for b-to-b networking both between the actual exhibiting companies as well as between other interest groups related to the exhibition theme. One upcoming example of such is the Construction & Interior Design Fair in Turku on 31.1.-2.2.2014 which will host a workshop on *Sustainable and energy efficient renovation.* This workshop will be organized by Turku University of Applied Sciences in co-operation with Centrum Balticum. The workshop is a part of the PreKNIGHT project (Preparatory Actions Towards the Knowledge Network in Green Housing Technologies in the Baltic cities) in which Finnish, Russian and German project partners come to together with their expertise to create an extensive network of specialists for energy efficient and sustainable building. The main themes of the workshop will be energy saving, renewable energy sources and life cycle models in renovation.

What are the future trends in the fair business in Turku? The effect of the generally challenging economic cycle has so far been reasonably mild in the fair business. The number of exhibiting companies as well as fair visitors has actually slightly increased during the past three years in the fairs that have been organized by Turku Fair & Congress Center. However, the challenge is to create new events and thus Turku Fair & Congress Center is actively searching for new partners for organizing conferences, meetings and fairs in Turku for both consumer and trade fair sector. As one result of this search and development process Turku Fair & Congress Center will launch a new trade fair in November 2014. NaviGate 2014 will invite the suppliers of maritime industry, shipping industry, logistics, port operations, public and third sector and research and educational institutions to Turku for a new kind of international forum for networking and developing new business opportunities. See you at the fair!

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Will the boom in Japan-Russia economic relations continue?

By Shinichiro Tabata

In the first decade of this century, especially since the mid-2000s, trade between Japan and Russia has increased at an unprecedented rate. While in 2006 the volume of that trade exceeded $10 billion for the first time in the history of the two countries' bilateral trade, in the following year, it reached $20 billion, and in 2011, it surpassed $30 billion. It is safe to say that at present Japan-Russia economic relations have reached their most developed stage ever, despite the limited progress in political relations, marred by the unresolved disagreement over the so-called northern territorial issue.

There are two factors supporting the immense increase in Japan-Russia bilateral trade in the 2000s: automobile exports from Japan to Russia and oil and gas imports to Japan from Russia. During the period from 2002 to 2008, Japanese car exports to Russia skyrocketed. This was due to the oil-fueled economic boom in Russia, characterized by increasing household expenditure, almost half of which is traced to imports. Russia's imports in passenger cars increased from $1.3 billion in 2002 to $30.3 billion in 2008, of which those from Japan grew from $0.3 billion to $11.5 billion over the same period. Japan's share of Russia's passenger car imports increased from 20.3 percent in 2002 to 37.9 percent in 2008. While the automobile industry is the most important and competitive sector in Japanese manufacturing, the significance of Russia as a market for Japanese cars is growing. As Russia became the second-largest market for new passenger cars in Europe, Russia ranked second (its share was 9.0 percent) behind only the United States as a passenger car importer from Japan in 2012.

The rapid increase in Japan's imports from Russia is mainly due to imports of oil and gas. While the share of oil, petroleum products, and liquefied natural gas (LNG) in Japan's imports from Russia was only 5.2 percent in 2004, it reached 68.7 percent in 2012. It should be noted that Russian oil and gas development has shifted further toward the east. The Russian government embarked on development of Sakhalin's oil and gas, construction of the East Siberia-Pacific Ocean (ESPO) pipeline, and exploitation of oil fields in East Siberia. As a result, the share of East Siberia and the Far East in Russian oil production grew from 1.2 percent (3.9 million tons) in 2000 to 9.6 percent (49.4 million tons) in 2012. With respect to oil exports, the sum of those to Japan, China, and South Korea rose from 1.5 million tons in 2000 to 39.0 million tons in 2012. Their share in Russia's oil exports rose from 1.1 percent to 16.2 percent over the same period.

The share of Russia in Japan's oil imports grew from 0.7 percent in 2005 to 7.2 percent in 2010. This share was 4.6 percent in 2012, of which 63.4 percent was imported from Koz'mino, an export terminal on the ESPO pipeline near Vladivostok, and 34.8 percent was transported from Sakhalin. With respect to LNG imports from Russia, they only started in 2009 after the opening of Russia's first LNG plant in Prigorodnoye, located at the southern end of Sakhalin Island. In 2012, Japan imported 8.3 million tons of LNG from this plant and the share of Russia in Japan's imports of LNG amounted to 9.5 percent. Russia already ranked fourth in Japan's LNG imports after Australia, Qatar, and Malaysia.

Given the March 2011 earthquake, tsunami, and closure of the Fukushima nuclear power plant, Japanese demand for Russia's oil and gas is forecasted to increase, since as a consequence of the disaster Japan will inevitably reduce its dependence on atomic energy. In 2010, the share of atomic power in Japan's production of electricity was 30.8 percent, followed by LNG (27.2 percent), coal (23.8 percent), hydropower (8.7 percent), and oil (8.3 percent). In addition, considering the increasing risk entailed in reliance on oil and gas imports from the Middle East (its share in Japan's oil imports was 83.4 percent in 2012), imports from the adjacent Russian Far East will increase in importance in light of Japan's energy security.

While Japan's imports from Russia are certain to increase further at least in the near future, the prospect of Japan's exports, i.e., Japanese car exports, to Russia depends on several factors. Among others, it depends on the continued expansion of household consumption in Russia. In 2013, for example, although relatively high income growth continues, high interest rates of consumer loans, caused by a high inflation rate (about 6 percent), may restrict the growth of passenger car imports. Another factor is that Toyota, Nissan, and other Japanese companies are increasing their production in Russia, as is the case for the automobile companies of other countries. This, together with imports of Japanese cars produced in third countries, may decrease their imports directly from Japan. Nonetheless, the sum of bilateral trade, or we should say overall economic relations, between Japan and Russia, including the activities of Japanese companies in Russia, will undoubtedly expand further in the decade to come.

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Large Finnish companies' international business strategies – an outlook

By Henrikki Tikkanen

The changing business strategies of large Finnish companies following the post-shock years after the economic meltdown of 2008 are of great interest to researchers and practitioners alike. It has been argued that traditional 'corporate Finland' is facing one of its greatest transformation challenges in our economic history.

My research team at Aalto University and at the Nordic Institute of Business & Society think tank conducted a survey to the top management of 250 largest Finnish companies in the autumn of 2012 and 2013, respectively. 96 companies responded in 2012, and 106 in 2013. The following brief observations and interpretations about the corporations' international business strategies are based on this data.

Finnish corporations are facing ever fiercer competition in the international markets. The number of corporations that characterize competition in international markets as 'fierce' has increased from 80 % to almost 90 % over 2012-2013. International price competition also seems to have increased: 80 % of the companies report it as especially fierce in 2013 (75 % in 2012).

It also seems that the strategic self-confidence of many Finnish corporations has begun to erode: international competitors are seen to be in a stronger competitive position vis-à-vis the own corporation. International competitors are more active in conducting their competitive actions: in 2013, 58 % of the corporations reported to face novel competitive moves of their rivals almost every day. In 2013, however, 76 % (71 % in 2012) of the respondent companies felt that the main competitors had also suffered from the economic downturn.

The most important areas of strategic corporate development have remained the same in 2013 as in 2012: 'improving organizational efficiency and effectiveness', 94 % (97 % in 2012), 'being more effective than key competitors', 93 % (97 % in 2012), and ' improving the quality of leadership in the corporation', 93 % (92 % in 2012). The dominant strategic focus on organizational efficiency and effectiveness in understandable under strong international price competition and the related cost pressure. However, at the same time investments in developing markets and customer relationships receive less attention. For instance, only 49 % (51 % in 2012) of the corporations see 'creating novel less competitive markets' (vide the Blue Ocean strategy) as a central strategic development objective. The same figure is 55 % for 'developing a broader offering portfolio than key competitors' (70 % in 2012).

As a whole, the investments of Finnish corporations in marketing and sales have decreased significantly from 2012 to 2013. Despite the fact that there were many corporations that increased their marketing investments, the general trend is downward. Bearing mind that in general, the corporations felt that their international competitive position had eroded significantly over only one year, they still did not increase their investments in marketing and sales, not to mention new offering development. This might be a sign of increased trouble in the future. The recent focus on operational efficiency and effectiveness will not be enough even to retain competitiveness, not to mention gaining competitive advantage.

When customer-related investments are made, they are made more and more abroad. For instance, in acquiring novel reference customers and/or projects, 26 % of the corporations reported to make more than half of their investments abroad (17 5%in 2012).

However, the competitive pressure to move industrial production from Finland overseas seems to be slackening: 18 % of the corporations think they will move more production overseas in the future (17 % in 2012). What is more, 22 % of the respondents even reported that they will relocate production in Finland in the future (18 % in 2012).

The role of Russia as a base for Finnish corporations' manufacturing operations is still strong: 22 % of the corporations plan to increase their production there (27 % in 2012). The same figures for the Asian countries (mainly China and India) are 19 % and 22 %, respectively. Interestingly, North America has gained more attention in the manufacturing strategies of Finnish corporations: 10 % of the respondents reported they will increase their operations in the US or Canada (5 % in 2012).

When it comes to sales and customer relationships, the role of the Russian market continues to be central: 40 % of the respondents see that Russia will increase its importance as a target market in the future (43 % in 2012). The respective figures are 23 % for North America (17 % in 2012), 20 % for South America (15 % in 2012), and 15 % for Africa (8 % in 2012). Thus, Finnish corporations' business in Europe and Asia is not seen to grow as fast as it used to vis-à-vis other key markets.

As a whole, it is more or less clear that once successful business models of Finnish corporations have been eroded by the economic downturn and increasing global competition. Novel strategies and approaches to international operations, perhaps entirely novel business models, are more and more necessary to succeed in the future.

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Maternity health – political issue in 18th century Finland and Sweden

By Kirsi Vainio-Korhonen

The oldest regulations related to midwifery originated in the medieval German cities of Regensburg, Munich, Strasbourg, Frankfurt and Nuremberg. In France, the midwifery profession was regulated from the year 1578. Professional midwives were expected to know how to read and write, and professional literature in the vernacular was written for them from the 16th century (university-taught physicians published and read only in Greek and Latin).

Germany was the first country to start training midwives in maternity clinics (1589), followed by the Hôtel-Dieu hospital in Paris in 1630. This practice was only adopted in the rest of Europe in the 18th century, the Age of Enlightenment, also referred to as the Age of Reason or the Age of Utility, when the learning of "useful" skills was also considered to be of benefit to women. It was widely believed that the problem of high infant and maternal mortality in Europe could be tackled through improved training for midwives. Throughout Continental Europe, new ideas emerged at surprisingly the same time.

In the kingdom of Sweden (and in Finland as the part of the Swedish realm), The Collegium Medicum, established in 1663 in Stockholm, had its task to train and supervise surgeons and pharmacists, as well as midwives. In the early 18th century, the Government of the Kingdom of Sweden encouraged city authorities, in particular, to send able women to learn the midwifery profession in Stockholm, where a new guild for the profession had been established at the beginning of the century.

The archives of the Collegium Medicum, kept in Stockholm, include information about the trained midwives who practiced their profession in Sweden and Finland. The information includes the name of the midwife, the profession of her husband, the midwife's age, examination date and locality where she practiced her profession. According to the matriculation book, there were trained midwives all over Finland during the 18th century, from the northern city of Oulu to the city of Loviisa nearby the Russian border. Midwifery as a profession was an urban phenomena.

Those who sought training had to be literate and know how to write. The studies included practical training under a master midwife, the reading of textbooks, anatomy lessons by the professor of surgery, as well as assisting at the autopsies of female bodies in the anatomy theatre of the Surgical Society in Stockholm. To complete their studies, the women took the midwife exam and the oath for midwives, first in front of Stockholm city administrative court and later, from 1761, the Collegium Medicum.

As elsewhere in Europe, Finnish professional midwifes worked under official responsibility, and besides assisting in childbirths, their tasks included legal and religious duties. They had to perform investigations and give testimonies in legal cases involving infanticide, rape or premarital pregnancy. According to the law, performing emergency baptisms was also part of their duties. All this shows us that early modern women could act as professionals and even authorities in spite of their female sex.

In the 18th century Finland, one in five children born alive died before their first birthday. Neonatal mortality was slightly less frequent in the southernmost Finland whereas at least every third child in the Ostrobothnia region died during infancy. Child mortality, and mortality and morbidity rates in general, were even higher in towns than in the rural areas.

Women's deaths due to childbirth complications became a growing concern in a society looking for ways to promote population growth. The mother was the most natural carer for the new-born, and if she died, the child's life was also in danger. Towards the end of the Swedish reign, i.e., the first years of the 19th century, one Finnish woman out of a hundred died in childbirth or in childbed fever. In big cities, maternal mortality rate was particularly elevated.

The training of Swedish and Finnish midwifes became increasingly professional during the 18th century. What was the impact of this training investment made by the government on the health of the mothers or new-borns? Although the population data from that era is not complete and partly fully lost, parish archives provide some answers. I have studied the urban recordings related to births, stillborn children and infant deaths as well as to mothers who died at childbirth in Helsinki, Hämeenlinna and Pietarsaari as well as in Loviisa for certain years. In each of these cities and towns, infant and mother mortality took a clear downward turn when the first trained midwife was hired during the latter half of the 18th century.

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Positive and negative market forces in university life

By Jukka Korpela

Universities are becoming increasingly dependent on market forces. Money is coming from the private sector, because traditional public funding no longer covers all costs and the state authorities distribute their resources for research and development through open competition. Within a few years what is now known as additional funding will become the main source of university income. The Ministry of Education has even developed a calculation formula which channels state funds into universities. The formula tries to simulate the behaviour of clients and markets.

As regards degree production and teaching the calculation formula is, however, no better than any socialist planning instrument has ever been, starting from the USSR's Gosplan. It has nothing to do with the real markets, because the formula reflects only the wishes of the imaginary clients who are mental constructions of the ministry staff. The formula makes the ministry the client of the universities!

The real client is the one who channels the resources for the activities concerned. In the case of teaching, this is the student. Let him or her fund the teaching! Of course all students are not rich enough and although we could demand that all future lawyers take a bank loan for their studies, because they can afford to pay back this investment, we cannot expect this of every social worker. Their future salaries are low, but society still needs them. Therefore the state can give a voucher to every undergraduate for one university master's degree. She or he can choose the institution to which to bring the voucher as payment for the studies. The level of teaching, its labour market relevance and the graduate employment rate surely all play a major role in the eyes of a young undergraduate. Thus institutions start to compete for students due to their resource impact, and this encourages universities to improve their work.

This real client relationship is also socially fair, because all students can afford it. It is reasonable, too, because it cuts administrative costs; the Ministry of Education can close the Department for Higher Education and Science Policy after it has become useless. Finally it opens universities to real markets for degree export. Thus positive market forces may improve the whole of university life and liberate it from the arbitrariness of educational bureaucrats.

The involvement of real markets has further impacts on the university life. It transforms the whole idea of universities from places of discussion and inquiry into production units. When individual scholars and units are searching for funding they must meet the requirements of the financing bodies. Not only individual firms but also state institutions, independent foundations and scientific academies direct their competition calls for funding to the exact fields of study in which they are seeking results and impact.

A compulsory part of modern funding applications is the description of "the expected results". The idea is that the funding body has expectations, wishes and desires for results, because they expect a return on their investment. This is logical from the market perspective but totally disastrous for the theory of free scholarship which has been at the heart of universities for the last thousand years.

An invention is something that nobody had known beforehand, despite the Latin root of the English word, which misguides us to understand the pre-existence of the invention. This is, however, only a matter of medieval philosophy and language history. A real invention is something which was unknown for everybody and in any case something that a private enterprise or administrative body could never even think about. If we limit scientific and scholarly work to focus areas and "expected results", we exclude all "unexpected results", i.e. real new things and inventions, and are restricted to product development.

A modern market university is hardly the place for suspicion of facts or conventional ways of thinking and a home for revolutions. It is merely a place where director or rector sets scientists and scholars to work on products for imaginary and non-imaginary academic markets guided by business people, politicians and bureaucrats.

I am afraid that this development will result in rules that deny real social, cultural, political and economic criticism as sacrilege, because it may insult the financing bodies and the brand of the university, a popular concept of Chamber of Commerce rhetoric which is currently being smuggled into universities. In this atmosphere, scientific truth is less important than the yearly financial outcome and economic results of the university and its institutions. These negative markets are a real challenge for the entire existence of the free Western university.

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Sport in modern society – reflections on the eve of the Olympic Games in Sochi

By Yuri Mazurov

In modern world sport is often considered as professional sport, as sport of records. But nobody would question the importance of amateur sport and such an enormous part of social life as physical culture in all its forms and manifestations.

Sport in human history

The view on sport as a part of physical culture and consequently as a part of culture in general dates back to protosports manifestations of the remote past, including ancient Greece. Namely in Greece the civilized principle *"A person is uncultured if he cannot read and swim"* was formulated and it is still topical and up-to-date. This definition gives the idea of culture as the result of harmonious synthesis of spiritual and physical development of a person.

Sport in most respects is a phenomenon of culture and at the same time – its direct source both in ancient and our days. That's why sport in its nature is not just cult of strength, stamina, dexterity and other physical characteristics; it is culture of their harmony combined with spiritual merits of individuality.

Sport is first of all the traditions of supporting in the society the best human qualities, such as persistence, determination, responsibility, justice. These traditions are thousands years of age, they accompany practically all the history of mankind. They weaken in the worst times of history and conversely. It is known that people all over the world highly appreciate them, consider them to be their own, protect from oblivion, support by all means available, strive to multiply them. All these enable us to identify the nature of sport, interpreting it as the phenomenon of heritage.

Sport as a historical heritage

Humankind de facto accepts sport as a phenomenon of world heritage in the forms of: monuments of sports history and their ensembles, memorial places connected with sports historical events, sports games and holidays, memorial races, outstanding achievements of some athletes and sports teams and others.

It is important to stress that not only tangible objects but nontangible phenomena as well are regarded as heritage. Half-remembered Russian *"lapta"* (bat), not very popular nowadays *"gorodki"* and other Russian national games could be examples of such heritage. There is no need to specify that such customs, games and festivals are intrinsic to all nations of Russia and other countries. They are known to ethnologists and historians. But quite often they, as well as different memorial competitions, are not understood in public consciousness as cultural heritage. Officially, at the moment neither in Russia nor in another countries many valuable sports venues and phenomena are not accepted as a heritage. This contradicts ideology and tendencies of development of world politics in the area of heritage.

Therefore, we suppose that it is high time to initiate the discussion of the question on preparing and accepting the relevant international regulation about world sports heritage, with the world Olympic heritage being the core of it. It seems logical that this regulation should be the convention of UNESCO or International Olympic Committee (IOC) or their joint convention. Other forms of such a regulation are possible. As palliative a new category in the structure of UNESCO World heritage list is also possible. Russia could provide the drafts of such documents, drawing on the considerations of experts from relevant academic and special institutions. Anyway this work should be started with professional discussion of the problem conducted by experts from UNESCO, IOC and other structures. Baltic region – with its brilliant stories of many important sporting events including the Olympics (Helsinki, Stockholm, Oslo, Lilehammer, Tallinn), is perfectly suited for this.

The adoption of international convention on sports human heritage and the list of guarded properties and phenomena of this heritage will encourage sports as a phenomenon of global universal culture to get the right social status in the world community. In this case sport becomes even more fundamental factor of social development, the factor of sustainable development of mankind.

Sport and sustainable development

In fact, sport as a part of physical culture is, as it was specified above, cultural heritage of humankind. As heritage, sport in fact is an important factor of sustainable development (SD). However the phenomenon of sport, ironically, is not officially accepted as a factor of SD. In the final document of the UN Conference "Rio+20" sport is never mentioned, neither directly nor implicitly. In the materials of other UN conferences on SD there is no sport, physical culture or their derivatives. The situation is quite strange, to say the least of it.

It is the case when arguments for integrating sport into the ideology of SD seem superfluous as these notions are definitely interconnected and interdependent. It appears, it's time the representatives of sports sphere and ideologists of SD made steps towards cooperation at the global level. It really corresponds to the mutual interests of both spheres. And the contrary situation: to procrastinate the acceptance of importance to integrate sport into SD means to lose opportunities.

Russia seems to understand it earlier than others. The first pilot workshop *"Mega-projects in sport: potential of space sustainable development"* prepared and carried with participation of leading world experts in pre-olympic Sochi is really indicative of this tendency.

Conclusion

Sport professionalization and commercialization are usually called the most characteristic trends in the development of modern sport. No doubt, there trends do not always encourage the growth of mass involvement, its manifestation as physical culture. The development of sport as an essential part of universal spiritual culture, as an integral part of historical cultural heritage can change the situation for the better for the benefit of people, countries and the world. It was the direction given at the end of the XIX century by Pierre de Coubertin.

Having accepted how significant and up-to-date the ideas of a great sports enthusiast were, we promote and encourage the development of sport as an integral phenomenon of physical and spiritual culture, as a factor of sustainable development of humankind.

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Karelia in the Finnish-Russian relations

By Petri Minkkinen

After the Winter War (1939-1940) and the Continuation War (1941-1944) between Finland and the Soviet Union, the USSR annexed areas belonging to independent Finland, as agreed in the Peace Treaty of Tartu (1920) between Finland and the Soviet Russia; including areas in the Isthmus of Karelia and Karelia of Laatokka (*Luadogu*, Ladoga), inhabited by the Finno-Ugric and Baltic-Finnic ancient Karelians for thousands of years.

Both of these wars, which can also be seen as a continuity of the same war, began as a result of an illegal Soviet aggression, as the USSR attacked against Finland in 30 November 1939 and again in 22 June 1941.

In 1932 Finland and the USSR signed a Treaty of Non-Aggression and Pacific Settlement of Disputes. This treaty was renewed in 1934, to be valid until 1945. Despite of these treaties, the USSR of Stalin demanded territorial concessions, supposedly for the defense of Leningrad (St. Petersburg), founded by the Tsar Peter I in 1703 to the area inhabited by the Baltic-Finnic Ingrians.

The Soviets claimed that the border set in Tartu was too close to Leningrad and demanded areas in the Isthmus of Karelia and the Gulf of Finland Islands. The Finns and the Soviets negotiated during the autumn of 1939. In November 1939 the USSR falsified the Shelling of Mainila and accused the Finns of an aggression.

Justifying his action by this counterfactual claim, Vyacheslav Molotov, the People's Commissariat for Foreign Affairs of the USSR, renounced the Non-Aggression Treaty. Soon after in 30.11.1939, the Soviets began an illegal military invasion against Finland, condemned also by the League of Nations.

The Molotov-Ribbentrop Treaty and its Secret Additional Protocol, signed in 23 August 1939 between the USSR and the Nazi-Germany, placed Finland and the Baltic countries into the Soviet sphere of influence. In September 1939 these aggressors divided Poland. Therefore, when the USSR attacked against Finland in 30.11.1939, the USSR was an ally of the Nazi-Germany.

The Soviet war planners never thought that the Finns would attack against the USSR. Finland was always conceived as a special case, a possible threat only if used as platform of the attack by a Western third party. The Soviets, for their part, represented by Josef Unschlicht of the Revolutionary Military Council, envisioned a partial conquest of the South-East Finland (up to River Kymi) already in 1927.

The Soviets (Stalin, Molotov and Zhdanov) planned to conquest whole Finland, which had become a part of the Russian Empire during the Napoleonic wars in 1809, and obtained its independence in 1917, amidst the Great War (1914-1918) and the Russian Revolutions.

After the Winter War, when the USSR had annexed parts of Finland, Molotov informed his ally Adolf Hitler in November 1940 that the Soviets aim at resolving their affairs with Finland in accordance with the Molotov-Ribbentrop Treaty. Hitler however forbade that. This and other pressure by the USSR clearly indicated their intention to continue with the conquest of Finland.

In 22 June 1941, when the war between the USSR and Nazi-Germany began, the USSR attacked again against Finland. In the beginning of the Continuation War the Finns were able to push the Soviet invaders back and advanced also to the Eastern Karelia. However, in 1944, after the all-out attack of the Red Army in June 1944 (contained after initial losses), Finland decided to make peace with the USSR.

Finland was forced to cede territory to the aggressor USSR, in the Karelia's of Isthmus and Laatokka, various Gulf of Finland Islands and Salla-Kuusamo area and Petsamo (*Peäccam,* Pechenga) in Northern Finland. These annexations were dictated also in the Paris peace negotiations, which ignored the Finnish point of view, and confirmed by the Paris Peace Treaty of 1947.

This annexation represented yet another division of the land of the Karelians. The areas, which later formed Finland, had been inhabited for thousands of years by the Baltic-Finns and the Finno-Ugric Sámi people, became targets of the Germanic and Slavic expansion about a 1000 years ago. This expansion was legitimized by the competitive Christianization of the Swedes (and partly the Danes and the Baltic Germans), representing the Church of Rome and the Novgorodians, representing the Church of Bizancio.

These invaders succeeded in taming the Finnic resistance by the end of 13th century and in the 1323 Peace Treaty of Pähkinäsaari (Nöteborg/Oreshek) took place the first formal division of Karelia, implemented by Sweden and Novgorod. The location of the border has ever since periodically changed.

When the USSR dissolved, the Baltic countries regained their independence and the Eastern European countries their sovereignty. However, though parts of the Paris Peace Treaty were annulled and the Russians indicated their willingness to discuss the matter in serious manner, Karelia and other areas annexed by the USSR after the war of 1939-1944 were not restituted to Finland.

However, as I demonstrated in my book "Karelia in the Finnish-Russian Relations" (2012, in Spanish and in Finnish), the transformation of the world order, i.e. the emergence of a post-Eurocentric world order, together with the world economic crisis, are opening an era, when it is increasingly in the interest of both Finland and Russia to restitute the annexed territories to Finland and effectively to revalidate the pre-1939 aggression border set by the Peace of Tartu.

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Russian cooperation in Finnish universities of applied sciences

By Kirsti Virtanen

In Finland, the higher education system is a dual system in which the two higher education sectors complement each other. Universities and universities of applied sciences have different kinds of profiles and missions. Universities of applied sciences are mainly multidisciplinary and regional institutions of higher education which focus on interacting with working life and regional development.

In all Finnish universities of applied sciences the international perspective is nowadays self-evident and integrated into all activities. This guarantees that students and staff have the intercultural skills needed in today's multicultural working life. International activities include: student and staff mobility, international co-operation in curriculum development, international research, development and innovation projects, and, most recently, the export of education.

Scandinavia, the countries in the Baltic Sea area and Europe at large are the main focus areas of international co-operation for most of the Finnish higher education institutions. At a strategic level, Russia is often stated as one of the most important countries for the development of international cooperation. In practice, the activities are not always so plentiful and diverse as one would hope.

There are many reasons for the current situation; insufficient financing is one of the most important obstacles. Very often the only programme promoting the mobility of higher education students and teachers between Finland and Russia is the nationally funded FIRST programme (Finnish-Russian Student and Teacher Exchange)

There are also bureaucratic obstacles and limitations (e.g. visas), language problems and lack of interest among students and staff. Sometimes it seems that all the far away countries are much more interesting than those in the neighbouring area.

However, there are also significant opportunities to increase and strengthen cooperation:

- Good understanding of the importance and benefits of Russian cooperation, both in education institutions and in work life organisations - Russia being among the three most important trade partners for Finland
- Relatively close location - especially with the northwestern part of Russia
- The increase in the number of courses taught in English in Russian universities enabling the growth of mobility and collaboration in curriculum development
- New sources of financing in the new EU financial framework.

In order to motivate students to go on study exchanges in Russia, it is extremely important that the mobility of teachers and other university staff is active. Also, close cooperation with work life is crucial; this could enable students to find internship and project possibilities in Russia.

Development of cooperation with Russian institutions of higher education – case TUAS

TUAS – Turku University of Applied Sciences is a state-recognised and accredited multidisciplinary institution of higher education with some 10,000 students and 800 experts.

The core task of TUAS is to ensure a high quality of working-life-based youth education. Based on the division of labour between universities and universities of applied sciences, TUAS is responsible for professional higher education that provides experts for labour and business needs in Southwest Finland.

The objectives of the international operations of Turku University of Applied Sciences are to strengthen the readiness of students and staff to work in an international environment, diversify education and applied research and development, and promote the internationalisation of Southwest Finland.

As in many other universities of applied sciences – especially in the southwestern part of Finland, the cooperation at TUAS with Russian institutions has not developed according to expectations. As there is a clear aim to increase overall cooperation with Russia, it became necessary to start coordinating Russian activities at the institutional level. At the beginning of 2013, a working group at TUAS was established and all interested staff members were invited to participate in the development of Russian cooperation. Many teachers, researchers and international staff members joined the group. Many of them have experience in business and industry, including Russian trade. The target of the group was to deepen and diversify cooperation in Russia, especially in the St. Petersburg area.

As a result, many new initiatives have been started during the year and new project applications have been prepared within the framework of different programmes such as the Nordic-Russian Cooperation Programme and the EU Tempus programme.

At TUAS, training in Russian language and culture is offered to both students and staff. Recently, both groups have been more active in starting new courses.

A new focus in Russian cooperation is education export. Education, training and consulting services will be offered to clients in both the private and public sectors. This will be done together with other education institutions in Turku, within the framework of the recently launched FinnWayLearning consortium (www.finnwaylearning.fi) and hopefully also with our Russian partners.

Turku and St. Petersburg celebrate 60 years as twin cities

Turku and St. Petersburg have been twin cities for 60 years, and their long-standing cooperation in many diverse issues, such as the environment, education, economy and culture, is set to continue into the future. To celebrate their twin city friendship, Turku and St. Petersburg have marked 2013 with a variety of events.

To honour the year of celebration, Turku University of Applied Sciences organised in September a gathering for its higher education colleagues in St. Petersburg. The seminar was organised at Finland House in cooperation with St. Petersburg's Turku Centre.

TUAS representatives from each educational field presented their teaching and learning activities, and services to over ten Russian partner universities and other organisations. The aim was to widen and deepen already existing cooperation, exchange experiences and best

practices, to make new contacts, and to enhance project cooperation. Turku University of Applied Sciences supports the industrial and growth strategy of the Turku sub-region in enhancing the Northern Growth Corridor. The most important factors are continuous and diverse interaction, teacher and student exchanges, RDI cooperation and education export carried out in cooperation with Russian partners.

To summarise the results of the development activities at TUAS during 2013, it can be stated that the cooperation between TUAS and its Russian partners has become much more active, new staff members have become acquainted with their Russian colleagues and new projects and other initiatives have been started. The new EU financial framework will hopefully give more support to activities between EU countries and Russia and here in the north we should not forget the possibilities that the EU strategy for the Baltic Sea region can offer us.

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Urban development cooperation in the Baltic region

By Dmitry Gudimenko

The last decade of economic development in the Baltic Sea Region was very uncertain. The periods of growth are still being changed by the decreases in Baltic economies. These economic changes have driven almost all the Baltic Sea Region countries to the understanding of the need of closer practical cooperation with their neighbours as the way for the common sustainable development.

This understanding has turned to preparation and adoption of the macroregional EU Strategy, growing role of the regional organizations, projects and instruments with active participation of Russian Federation, such as Turku-process.

The cooperation on Baltics became more visible. Its results can be seen from the success of Baltic events such as Baltic Sea Summit that is organized every year on the higher level than before. The high level meetings in St. Petersburg in 2013 will turn to even higher level meetings in Turku in 2014, that will host a number of Baltic events at the same time – meeting of prime-ministers of the Baltic Sea states, where Russian prime-minister is expected, and also Baltic Strategy annual meeting by EU authorities, and Baltic Development Forum.

Meanwhile the political level of cooperation has been formed during last years, the Baltic authorities and decision makers raised their efforts to renew and develop cooperation on the practical level. The existing practical cooperation covers certain sectors of economy, but space for development is enormous. Baltic resources allow to do much more then it is done today.

Cooperation in the city development and in real estate sector is among top areas that have to be developed. Baltic cities are the pillars for the Baltic sustainable development. Cities concentrate the majority of regional resources and they always reflect the overall economic condition. Further development of cities will bring efficiency to their management processes, growth to local economies and the comfort of living for people in the Baltic Region.

The treasure and basis for interregional urban projects is the history of XX's century. It has formed a lot of differences to the Cities of the Region. Every Baltic city has its own way of living, own problems and own approaches to the living habits and development. Different solutions and know-how, utilised by urban developers as state as private, may become a starting point of common city development, based on the share of knowledge between cities and businesses involved.

Development of transport infrastructure, redevelopment of industrial areas and objects, renovation of old residential and downtown areas, projects aimed to preserve the cultural heritage and new green & innovative urban projects – these are the latest regional trends of urban development.

Big metropolises of the region as St. Petersburg brings wide range of opportunities and creates a big market for utilisation of modern effective decisions.

The Concept of social and economic development of St. Petersburg determines St. Petersburg as the tourism centre and cultural capital, and also as the most influential city of the northern Europe. In this sense, development of the modern city and preserving the cultural heritage become the most important task for Russian Northern Capital. Development of better living conditions and transport infrastructure are in the top 5 targets mentioned in the Concept. Only in residential sector City during next 5 years is going to get 2,5 million of new square meters of residential real estate. This intensive growth will definitely affect the residential environment that could be created using available good practices of the Baltic cities.

The annual budgets of running city development projects are counted in billions of euros and the solutions, making these projects more effective are able to have good economical impact as for the City as for companies involved. The program of renovation of historical and central city areas of St. Petersburg planned for 2013-2018 is estimated with 87 bn rubles of investments and needs the experience available in the region. First attempts towards the renovation and preservation of historical city has been made already in 70s during the Soviet period, but no success has been reached so far. City community is still searching for acceptable general concept, and program itself needs good decisions that can be applied.

Among other examples of St.Petersburg we can name transport projects in St. Petersburg, development of city airport Pulkovo with 1,2 bn euro investments, and construction of Western High-Speed Diameter with 212 bn rubles investments, where 108 bn are private investments (one of the first projects in Russia created as public-private partnership).

The examples of cross-national involvement of companies to real estate market already exist, but in a smaller scale that it would be possible. The sharing of experiences between cities and construction companies is able to bring more predictability to city planning & development, as well as decrease financial and time resources and increase profitability of that projects.

We can see already today the positive experience of interregional projects in the development of wastewater treatment in St. Petersburg. But the broader cooperation in urban development processes in its wide meaning is very important.

Projects of city development involve many sectors of economy as traditional as innovative. New interregional urban projects will influence all businesses that are involved in construction sector – planning institutions, innovative companies, materials and equipment suppliers, real estate management companies, workers and many others. The influence is even able to cover industries that are out of the current real estate market - cross-industrial projects, as utilisation of technologies applied in shipbuilding industry in the real estate sector has very big opportunity today and able to open a whole new markets. The regional real estate development is able to develop regional financial market and instruments.

The constant dialogue over the existing legislation and construction norms is also important. Good practices can be taken and utilised by authorities to create clear and fast ways for developers on the national and international level. And even if the total unification of rules is barely possible, the dialogue in this sector is able to give very positive results, simplify the entering of the market and create new projects.

Real estate and urban development is able to become the top field for practical cooperation in next 10-15 years and form the basis for sustainable living in the region for next 30 years at least. And the new regional urban developers could successfully operate and compete on the global market bringing even more value to the Baltic Sea Region.

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Third party in the EU EaP Programme

By Tomas Janeliūnas

The meeting of the EU Eastern Partnership (EaP) Summit was the most significant event in Vilnius during Lithuanian Presidency of the Council of the European Union in the second half of 2013. As the Summit was getting closer (it took place in Vilnius on 28–29 November 2013), the issue of the importance of the Eastern Partnership has suddenly found itself in the spotlight. This happened not because of the activeness of the EU or the Eastern Partnership programme's countries, but because of Russia's actions. Paradoxical as it may sound, Russia, being the third party, made the most significant impact on the results of the Summit and more general perspectives of the EU EaP. Expectations that during the Summit the Association Agreement between the EU and Ukraine might be signed has been broken by aggressive trade sanctions from the Russian side to Ukraine (and to lesser extent to other countries – Moldova and Lithuania). The Ukrainian government just a week before the Summit has made a statement that it need a pause because of difficult economic situation.

For quite a long period time, the Eastern Partnership programme hadn't been considered significantly successful and effective. Those goals that were set at the start of the Eastern Partnership programme in 2009 weren't actually met. Democratisation, the reforms of the free market, and the strengthening of human rights – all these processes didn't gravitate the programme towards the positive side.

Even on the contrary – because of Ukraine's actions against opposition's leaders, the EU suspended the process of signing an association agreement and added new conditions which would prove that Ukraine still followed democratic principles, the rule of law and didn't administer selective justice. Out of six members of the Eastern Partnership three – Belarus, Azerbaijan, and Armenia – have basically dropped out of the programme and remain only formally. The chances of these countries signing an association agreement with the EU and joining the free trade area are very slim.

It may sound like a paradox, but Russia attracted more attention even from the EU to the Eastern Partnership programme. Russia's over sensitivity to this programme forced the country into making inadequate actions. Russia is seeking actively to include the Eastern Partnership programme's countries into the Customs Union and, perhaps, – Eurasian Union. For Russia, this may be the last chance to save its authority as a regional power and the perspectives of managing the matters of at least a major part of Europe.

Russia's rough pressure on Ukraine (chocolate wars, threats to change tariffs), the blockade of Moldovan wine, hindrance of Lithuanian carriers at Russian customs offices, and the halt of dairy import created a reaction which became a wake up call of sorts. For a while it seemed Russia's aggression may help to unify Ukraine's politicians and led them to decide to maintain national self-esteem and not give in to Russia's blackmail.

For a long period of time, Ukraine's possibilities to sign an association agreement had depended on a purely political decision – will former Prime Minister, Yulia Tymoshenko and the other opponents of the current Government get released from prison. For the EU, this looked as a matter of core values – it had to show whether or not Ukraine was European country, upheld human rights, and didn't administer selective justice when dealing with political opponents. For Ukrainian President, Viktor Yanukovych, it looked like a stubborn repetition of a principle, forcing to defend his position. The prestige of the Ukrainian President and the Government in their own country depended on it. Some may even say – the maintenance of authority in the society and political perspectives.

The Vilnius Summit did not come with a expected signing of the Association Agreement. But this does not mean Ukraine is turning back towards Russia. Ukrainian people, gathering in streets and squares and demanding to continue integration towards the EU, created a tremendous pressure on Ukrainian government and it will have to take this into account.

The EU politicians is showing more resentment towards Russia's economic sanctions. When the competition is obvious, a wish to gear up and win arises. Rejecting Ukraine's association agreement wouldn't just mean seeing Ukraine as having failed to meet the requirements. It would mean the demise of the EU Eastern Partnership programme and the defeat of the EU's soft power.

The instigated soft power conflict between the EU and Russia will most probably increase the gap of differences between the two even more; i.e. the differences in values, trade systems, and political behaviour. Unfortunately, this will not increase safety and stability in the Eastern European region. Neither will it help Russia to solve its domestic problems, but maybe it will become a pretext to allocate effort to external competition, instead of dealing with Russia's social and economic issues.

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International relations of Ternopil National Economic University and Baltic Rim universities

By Ihor Lishchynskyy

Ternopil National Economic University (TNEU) is one of the leading economic universities in western Ukraine, where more than 17000 students are studied.

Talking about cooperation of Ternopil National Economic University with Baltic Rim countries, two main areas should be marked among others:

- Cooperation with Kaunas University of Technology (Lithuania);
- Collaboration with the Aarhus University (Denmark).

Agreement for cooperation between Ternopil National Economic University and Kaunas Technological was signed in 2005. The Agreement was extended till 2014 and includes cooperation in the academic, scientific and cultural fields.

As a result of years of collaboration the number of mutual research visits of specialists from TNEU Faculty of Computer Information Technologies and Kaunas University of Technology has been made.

In 2005-2006 scientists from both sides carried out joint research in the frames of the project "Development of methods and devices for improving mobile robots' navigation in non-structured environment."

In 2009-2010, the research continued in the direction of "Development of methods for 3D localization for autonomous robot navigation". The project was funded by the Ministry of Education and Science of Ukraine and the Ministry of Education and Science of the Republic of Lithuania.

In 2013 partners applied for the research tender supported by the State Agency for Science Innovation and Informatization of Ukraine and Ministry of Education and Science of the Republic of Lithuania. Scope of the project: "Development of an improved perception-based image processing in 3D space". The main idea of the project is to develop methods and algorithms for computer vision, their software and hardware implementation for enhanced control and identification of products in the production process, which will improve product quality, reduce time for its production, reduce the number of parts rejected by visual inspection and 3D image processing techniques, a knowledge base of expert opinion.

In 2001 TNEU signed a cooperation Agreement with the Aarhus University (Denmark). Every 5 years the Agreement is revised and extended. The Agreement provides good conditions for mutual visits of researchers and administrative managers; ensures opportunities for bilateral exchange of students on the basis of exchange programs and in special cases with the consent of the parties; establishes a framework for the exchange of scientific information that will facilitate the implementation of joint research projects; publication of scientific articles in journals, newsletters, and other forms of academic publications on both sides.

As a part of the Agreement 2-3 students from TNEU are studying each year for a semester in Aarhus University, as well as teachers from TNEU conducts there their scientific training.

Teachers and students from Aarhus University are actively involved in the annual International Conference of Young Scientists and Students held in TNEU "Innovative processes in economic, social and cultural development: national and international experience".

In addition professors from Aarhus University annually participate in the learning process, particularly in TNEU Ukrainian-Dutch Faculty of Economics and Management. Active work of Professors with young scientists from TNEU deserved Special attention for their joint preparation of papers for their publication in world recognized professional journals.

Also in November 2013 a student delegation from Denmark consisting of twelve Master-students from Aalborg University in speciality "Management of Information Technology" visited Ternopil National Economic University as part of the study-tour. Together with the students of the Faculty of Computer Information Technologies and Ukrainian-Dutch Faculty of Economics and Management they have been acquainted with the work of Danish company Conscensia in Lviv, specializing in IT outsourcing. Also in Ternopil the meetings were held with the staff of the companies Eleks and MagneticOne.

In December 2010 Ternopil National Economic University hosts the Extraordinary and Plenipotentiary Ambassador of Finland in Ukraine Christer Mickelson. During the visit, he willingly met with students of the first and third years and delivered the lecture about cooperation of the EU, Finland and Ukraine.

Summing up the abovementioned, it should be noted that despite the relatively small number of partners from the Baltic Rim, TNEU still maintains a very active joint work in this vector. The plans are to expand bilateral and multilateral cooperation with countries of the region, joint implementation of research projects, common involving in educational, social and cultural initiatives.

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Anglo-Nordic relations – past, present, future

By Matthew Broad

It has often been said that Britain has a 'special relationship' with the Nordic countries. They are, for all their differences, considered to be part of a European periphery that is somehow detached from 'continental' European states. This of course is based not only on a reading of their national histories as unique and geographic locations as isolated, but also on an apparently distinctive set of morals and values, of shared preferences and similar conceptions of themselves and the world around them. They are supposedly bound together by their universal support for free trade, likeminded notions of the state and of democracy, a commitment to equality and social justice, and support for functional cooperation abroad – not least with regard to European integration. London, the story goes, has far more in common with Copenhagen, Helsinki, Oslo, Reykjavik and Stockholm than it has ever done with Berlin, Brussels or Paris.

Past

Certainly the countries have traditionally been close. A recurring theme in the early twentieth century was the idea that the Nordic countries formed a sort of northern outpost in Britain's 'informal Empire'. The British extracted a high economic price in return for its presence in the area, but in the process helped foster intimate financial and trading networks between the countries. Even as late as 1959, the British Labour Party considered proposing that the three Scandinavian countries join the Commonwealth.

In reality of course the amity was nowhere near as 'special' as is often claimed. There were, it is true, obvious security and military ties between Britain and its Nordic partners at times of international tension. Economic links between the countries were close in the first two decades after the Second World War, underlined by membership of the European Free Trade Association (EFTA). And arguably countries like Norway have had some sort of 'special' link with Britain. But few other examples exist to suggest that such kinship was any more unique than it was with other states. Germany and Russia could with some justification claim to have had a more significant role in Nordic affairs. The idea of a 'special relationship' between Britain and the Nordic countries as a whole, then, is largely an illusion.

Present

This is not to say that relations today are irrelevant. Leaving aside culture and sports, trade is a notable link between the two. Based on 2012 figures, Sweden, Norway, Denmark and Finland together constituted an export market for British goods worth about €3.6 billion more than equivalent trade with China. On the other side, Britain is a huge market for well-known Nordic brand names like IKEA. Danske Bank is now a prominent feature on the high streets of Northern Ireland. The UK, not to forget, is among the biggest importers of Norwegian gas in the world.

Recently, however, politics, not economics, has taken centre stage. Soon after coming to office in May 2010, David Cameron established the Northern Future Forum (NFF), a grouping of nine countries designed to discuss growth, economic reform and sustainable business ideas. From the start, Cameron seemed keen to dispense with official niceties and concentrate on genuinely interacting with his Nordic and Baltic colleagues. As he suggested in the first NFF meeting in London in January 2011, Britain 'has to learn from other countries'. Anglo-Nordic relations are, it seems, thriving.

Future

This offers, to my mind at least, a huge opportunity for the Nordic countries. Whether special or not, the relationship between Britain and its Nordic counterparts has often been considered unequal. Certainly in times of peace, the link between the two was no doubt driven by smaller states heavily dependent on a larger, if somewhat wounded, power. There were doubtless times when Britain actively sought to utilise what political capital it had with the Nordic states for its own benefits – urging Denmark and Norway to join NATO instantly springs to mind. But even here, the emphasis has been on how much sway Britain had over the Nordics. It is almost as though, in a world dominated by the superpowers, they had perilously few other choices than to take on the role of junior partner.

This, I would suggest, has certainly not always been the case – even if the Nordic countries did not fully recognise the situation as such. As my own research strives to prove, Jens Otto Krag was certainly able to exert considerable influence over British European policy in the 1960s. In recent times, too, the Nordic countries have, among a whole array of issues, proved more than diligent in taking Britain to task over emissions from the Sellafield nuclear plant in the north of England.

And neither does it need to be the case in the future. For, as the outgoing British Ambassador to Finland recently proclaimed, the Nordics have 'substantial', albeit 'quiet', influence over Britain. But this is only really effective when they use their collective weight to the full. Much criticism has been levelled against Cameron for hoping to turn the NFF into an 'awkward bloc' inside the European Union (EU), quite to the detriment of the Nordic powers. By working together, however, the Nordics could instead build the NFF into a nostrum, an important yet informal channel of communication in which they can directly access the British Prime Minister and exert a combined influence. Used effectively, this could be a vital arena to lobby Britain on EU matters. In the future, then, the relationship, although by no means special, is likely to remain close. If the Nordic countries take notice of their combined strength, Britain could well get far more than it bargained for.

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