Speech by the Chairman of the Baltic Sea Forum

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The Baltic –
Europe’s Most Dynamic Region

Ceremony at Stralsund University of Applied Sciences Marking the 10th Anniversary of the Course in Baltic Management Studies

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Ladies and Gentlemen,

It is an honour for me to speak to you on this great day for Stralsund University of Applied Sciences. I am especially delighted to do so because I recently read that this university came top in one of the subjects assessed for the 2005 higher education league tables and took second place in a number of other subjects as well!

I am very happy to have been invited here to celebrate a course that shows this university has a great deal more to offer as well. I find it particularly pleasing that it is possible to do a degree in Baltic Management Studies here because I am the Chairman of the Baltic Sea Forum and the Baltic Sea Region is consequently very close to my heart.

Allow me to start by saying straight away to the students enrolled on this course: you have bet on the right horse! Because the Baltic Sea Region is one of the most dynamic regions currently to be found in Europe. I would very much like to take this opportunity to tell you about the dynamism and growth it is showing.

I will, on the one hand, consider its potential for economic development and growth and, on the other, look at the structures that have been put in place in this region, which is a model for international cooperation and coordination. Right at the beginning, I would like to state my fundamental opinion about the prospects for growth around the Baltic Sea by quoting the words of a former top
manager from Germany: “The only thing limiting how much we grow is our imagination.”

Now, however, I would like to turn to the diverse cooperative activities going on across the region. You will find them exemplified in the Baltic Sea Forum, which I believe can provide a model for other groups. As a non-profit, non-governmental organisation, the Baltic Sea Forum has been working since 1992 to make sure that the worlds of business, politics, culture and the arts do not just pay lip service to the topics of cooperation and integration, and providing an active platform on which these issues can be addressed by means of contacts, communication and projects. Among the numerous cooperative bodies and organisations in the Baltic Sea Region, the Baltic Sea Forum sees itself as a network of networks. We want to provide an overview of regional issues, strategies and institutions with a particular emphasis on German and North German perspectives. Our goal is to bring together projects and partners in shared activities in order to keep up with, and set the pace of, growth and development in the region.

History

Within Europe, the Baltic Sea Region is unique in its dynamism and economic significance. The region is home to approximately 90 million people, who are active on various markets around this European inland sea and generate about 9% of gross world product. Back in the twelfth century, during the heyday of the Hanseatic League, the region served as a major transport route for
merchants. The important trading cities of the Baltic Sea Region were closely interconnected. Yet, at the same time, they also cultivated links to the economic centres of Western Europe. Continuing this tradition, companies throughout the Baltic Sea Region began to revive old trading relations again in the 1990s. Today, trade on the Baltic Sea is a force for integration that is helping the states around the Baltic Sea to grow together and has become the motor driving economic growth across the whole region, of which Stralsund is very much a part.

**Dynamism**

Trade, growth and the experience of integration, these are the factors that keep this motor running. What is important is the interaction between the established economies of Scandinavia and Germany and those of Poland and the “Baltic tigers”, Estonia, Latvia and Lithuania. This is creating a situation in which these states continually stimulate each other to create innovative products and services. Particular momentum is not just coming from the European Union’s active neighbourhood policy, but also economically from contacts and cooperation with the Russian Federation. As deputy chairman of the Committee on the Affairs of the European Union of the German parliament I put special emphasis on that. In view of the rapid, dynamic pace of the region’s development, some people are even speaking of a growth bonanza. Apart from this, the region’s dynamism is fuelled by its relations with other regions, from Southern Europe through to the markets of Asia.
In addition, the relevant parties are working flat out at all levels to create a north-south axis between the Baltic Sea and the Mediterranean. Leading economic institutions forecast strongly increasing volumes of international trade with the states around the Baltic Sea over the next few years.

The basis of the region’s economic success is a special combination of cooperation and competition that relies on exchange, transfer and ways of thinking and acting embedded in networks. Should it then be any surprise that the world’s leading provider of mobile telephones comes from Finland? Or that the Linux operating system, which is founded on transparency and integration, was also developed in the region?

These examples show how the Baltic Sea Region’s globally unique competitive situation is helping to put its products and services into leading positions on the world market.

**Competition**

The Baltic Sea Region is characterised by its great economic heterogeneity. Norway, for example, has an especially high level of productivity. Sweden does not have quite such a good employment rate as in the past, but can still point to high productivity as well. The three Baltic States are distinguished by their low prices, high employment rates and low levels of productivity. Whereas Poland has rather higher productivity, but lower levels of employment and higher prices.
In the export sector too, there are wide disparities between the positions in which the countries of the Baltic Sea Region find themselves. Nevertheless: overall, it is possible to paint a picture of a strong and prosperous Baltic Sea Region.

This is also shown by the close cooperation and networked economic activities taking place across the Baltic Sea Region, particularly in trade, transport, logistics and infrastructure. Leading economic institutes forecast, for example, that the volume of freight carried EU-wide will increase by 38 percent by 2010, while passenger numbers will go up 24 percent. The Baltic Sea Region is developing even more dynamically and is expected to see a doubling of goods traffic by 2015.

One issue that is just as strongly associated with the term “network” is that of energy security, which is particularly topical just at the moment. Germany is seeking bilateral solutions in the Baltic Sea Region in order to secure undisrupted energy supplies, something that is understandably a permanent national interest. There are hardly any technological limits on new solutions in this field, which means that, over the medium term, projects of this kind will open up opportunities to establish political, economic and technical links with other regional partners.
The Baltic pipeline

The recent discussion about the Baltic pipeline has shown, however, that it is certainly quite possible for such projects to spark conflicts. The background to the construction of the pipeline is Germany’s primarily national wish to secure its energy supplies over the long term. The gas pipeline will reduce Western Europe’s dependence on oil, a commodity that is going to be ever less readily available. A stake in Russia’s massive gas reserves will therefore guarantee that Europe’s demand for energy can be met in the future.

Of course, any undertaking on such a grand scale is bound to draw criticism. In this case, there have been differences of opinion with several of the states around the Baltic Sea who feel discriminated against by this major project. Above all, Poland sees a danger that it will become more dependent on Russian gas. Among other things, there are fears that the flow of gas might be stopped if there were bilateral disputes between Poland and Russia. Events in Ukraine (even if they did not occur for primarily political reasons) have shown that this is certainly a realistic possibility. At the latest since the criticism from the Baltic States and Poland, the pipeline has become a matter for the whole Baltic Sea Region. This conflict flared up even though the former German Federal Chancellor, Gerhard Schröder, had no intention of barring other states from joining in the project, but was merely attempting to respond to Germany’s national needs.
The recent efforts by the new German Federal Chancellor and Russia’s assurances that, as a matter of principle, the pipeline is also open to third parties have been enough to calm the dispute. In my view, the example of the Baltic pipeline shows two things:

1) There can be no denying the international significance of the Baltic Sea if the construction of a pipeline through it can provoke reactions of this kind.

2) The Baltic Sea Region has enormous potential. The sums invested in what will be roughly 1,200 kilometres of pipeline should amount to about 4 billion euros.

It is therefore evident that conflicts and opportunities are never far apart here. At this point, I would like to briefly comment on the closer cooperation between the countries around the Baltic Sea and Russia that would also be sensible in this connection.

**Russia’s role**

The Russian Tsar Peter the Great recognised as long ago as the eighteenth century that the Baltic Sea was Russia’s gateway to the West and therefore the best place to start building up trading operations. He even moved the Russian capital to Saint Petersburg for this reason, and the city still has Russia’s most important Baltic port.

This brings me to one of the central challenges faced by the Baltic Sea Region. The integration of Russia – a task that holds out great potential for the further development of the *Mare Balticum.*
It should be clear to everyone that this represents a political challenge, above all for the three Baltic States, Estonia, Latvia and Lithuania.

But, as academic studies have also concluded, it is important that the economic integration of Northwestern Russia, above all, should result in this area ceasing to be viewed as a partner and really becoming a part of the region. This will generate long-term advantages for both sides. Northwestern Russia has grown very strongly in economic terms since 1998, but also has weaknesses when it comes to business relations and barriers to trade and investment. As a result, its integration with the other states around the Baltic is still being hampered.

Northwestern Russia’s potential for the relatively peripheral Baltic Sea Region lies not least in the size of Saint Petersburg, which has 4.6 million inhabitants. If we can succeed in integrating this still weak area, with all its enormous potential, not only Russia itself, but the whole region will benefit greatly. It should not be forgotten that a certain amount of action will be required from the Russian side if this is to happen. Nevertheless: the area could well represent a source of future prosperity for the region.

**Transeuropean Networks (TENs)**

As a politician committed heart and soul to Europe, I naturally feel that it is important to highlight the EU component in the development of the Baltic Sea Region as well. First and foremost, I
would like to explain the significance of the Transeuropean Networks, as they are known. The European Union has set itself the goal of making maritime transport routes real alternatives to land freight. What are called the “motorways of the sea” have been conceived as an instrument for this purpose. One of these motorways of the sea is the Motorway of the Baltic Sea, which links the countries around the Baltic Sea with the states of Central and Western Europe and includes the route through the North Sea-Baltic Canal.

The motorways of the sea pursue three objectives:
- The concentration of freight flows on sea-based logistical routes
- Increased cohesion
- The reduction of road congestion through modal shift

Although the Baltic Sea Region is generally peripheral from the point of view of the EU, its tradition of dynamic trade and transport links has survived for economic and geographical reasons. This tradition ensures that the concept retains wide relevance across the board for the whole region. And comparisons with other regions in which motorways of the sea have been established show clearly that the Motorway of the Baltic Sea is one of the most active and advanced corridors to have been created under the scheme.

**State of the region**

And it is not just the success of the Motorway of the Baltic Sea that illustrates the potential here. The *Report on the State of the Region*
2005 that was presented last year makes it clear that the performance of the Baltic Sea Region is above the European average in terms of the Lisbon Agenda criteria. It finds itself among the leading regions in the fields of employment, environmental standards - and innovation.

However: the report also reveals that the region has not exploited its potential to the full. On the one hand, of course, this is to be regretted; on the other, it makes it all the more worthwhile to engage actively with the region and fully exploit its potential. Furthermore, the report suggests that one of the key advantages of the Baltic Sea Region is its well educated population – which is where you, the students present here today, have a very important role to play. This includes comparatively high numbers of researchers and scientific and technical workers.

However, at the same time, the report proposes that more be done to analyse knowledge transfers and regional barriers to integration. In addition to this, a system of incentive schemes for student exchanges and research collaboration should be created.

**The Lisbon Strategy and the Baltic Sea Region**

I would like to spend a few more moments discussing the Lisbon Agenda. As you probably know, the objective of the European Union’s Lisbon Strategy is to make Europe the most competitive knowledge-based economic area in the world by 2010. I am very closely involved in this topic in my parliamentary work. As far as the Lisbon Strategy is concerned, it has become evident that we still
need to do a great deal in order to achieve its main objective. Above all, national efforts will be necessary if Europe as a whole is to be capable of improving its competitiveness. I am, however, particularly pleased that this region, your region, is developing so outstandingly. The states around the Baltic Sea are also right up at the top of the rankings for the national implementation of the Lisbon Strategy.

The performance of the Baltic Sea Region is above average on four of the six indicators used to assess the implementation of the Strategy (employment, social cohesion, innovation and research, general economic background, economic reform, environment); it is about average on one (environment); and it is way below the average on another (economic reform). This may be regrettable, but is therefore where the greatest potential lies. However, and I should not try to conceal this, the region’s success is heavily influenced by the strength of the Scandinavian countries and their economic and social models. In turn, this means that the states that have been weaker until now can and must develop their capacities further.

Innovation

The heterogeneity I touched on earlier is also encountered in the field of innovation. While the Nordic states and Germany are putting high levels of investment into research and development and are consequently producing successful new ideas, the states further east around the Baltic Sea are in a weaker position as far as innovation is concerned.
Even if there are no accepted methods for precisely quantifying levels of innovation, a few indicators can be used to assess a country’s output of scientific results, such as the number of scientific texts published or patents registered and how many high-tech goods it exports. Applying these criteria, we find that the countries around the Baltic Sea enjoy a clear lead over the Central European states. And I should like to add in passing that the study in question even includes beautiful Bavaria in its figures for Central Europe…

**International cooperation**

Another positive factor that lends the Baltic Sea Region its unbelievable dynamism is direct international cooperation. Numerous associations, federations and umbrella groups have been set up to promote or support specific goals in the region. For example, the Union of the Baltic Cities (UBC) has adopted the cause of a democratic, dynamic, stable Baltic Sea Region that is integrated in a successful economic, political, social and environmentally appropriate development process. It goes without saying that this organisation is focussed on the region’s cities. But there are outstanding cooperative arrangements like the UBC at other levels as well: such as the Baltic Sea States Subregional Cooperation (BSSSC), which is concerned, as its name suggests, with cooperation between, and therefore the strengthening of, geographical units below the national level, or the Baltic Sea Parliamentary Conference (BSPC), of which I am myself a member.
Some of these organisations have come together to launch a joint website, which they are using to bring the individual groups together in networks (www.balticsea.net). Anyone who wishes to learn about the Baltic Sea Region and the forces that are shaping its future should certainly have a look at this website.

This diverse range of cooperative approaches and projects shows, firstly, how important the region is to the people who live in it and, secondly, how much potential cooperation has to offer.

**Academic cooperation**

Cooperation is also taking place, and this is particularly to be emphasised, in academic life. For example, the European Commission is funding activities in this field under the Baltic Sea Cooperation. Together with national funds from the countries around the Baltic Sea, well over 200 million euros have been made available for this work. In the Baltic States, for instance, we find the linked EuroBaltic Centers of Excellence, which were set up in parallel in Riga, Tartu and Vilnius.

The Baltic has even reached Berlin in the shape of the Baltic Sea School at the Humboldt University, which provides academic training for students and doctoral candidates as well as organising exchanges of academics from the Baltic Sea Region. It offers international masters courses around the Baltic Sea in Estonia, Latvia, Lithuania and Finland.
Anyone looking at the diverse range of fields in which cooperation is taking place will recognise that the region has developed a dynamism of its own. Its people have understood that they are pursuing common interests and can do this best through joint measures.

A particularly creative example of dynamic networking in the economy and the world of work is the Baltic Design Transfer, a member of the Baltic Sea Forum. This network is organised as a public private partnership (PPP) and unites designers, students, marketing professionals and business representatives from all the states around the Baltic Sea. Basing themselves on a virtual communications and working platform, these creative experts develop new ideas and designs for products and services. The group’s current design project, entitled “Future Mobility”, is investigating questions such as how we will reach our workplaces and travel between the countries and cities of the Baltic Sea Region in 2030. One very practical example is the idea of using an infrared interface to provide car drivers crossing national borders with information about the economy, politics and culture of the country they are entering. An on-board computer in the vehicle would receive data such as currency and tax rates, economic sectors, details of key industries, the names of the head of state and leading politicians, language aids, speed limits and the addresses of tourist information offices and administrative points of contact.
**Environmental protection**

There is one more area covered by international cooperation around the Baltic Sea: environmental protection. Since a body of water of this kind can never be a purely national matter, international cooperation is an obvious approach in this field too.

The Baltic Sea Research Institute in Warnemünde, for instance, works to "foster science, research and teaching in the field of maritime studies". As part of its environmental protection activities, it undertakes continuous monitoring of the maritime environment and publishes a report on the status of the Baltic Sea five times a year. The Institute therefore performs some of the responsibilities defined in the Helsinki Convention of 1974.

This international agreement led to the creation of HELCOM, the Helsinki Commission, which has set itself the goal of protecting the environment of the Baltic Sea from all sources of pollution by means of intergovernmental cooperation between Denmark, Estonia, the European Community, Finland, Germany, Latvia, Lithuania, Poland, Russia and Sweden. The Commission began its work in the early 1980s and has been able to achieve a number of successes, including a dramatic reduction in emissions of organo-halogen compounds such as toxic dioxins, stricter controls on industry and better special legislation to prevent the pollution of the Baltic Sea by shipping.

Another successful example of the cooperation taking place in the region and the dynamism it can generate is the Baltic 21 platform, which grew out of the work done on the Baltic Local Agenda 21.
This process was initiated in 1996 by the heads of government of the Baltic Sea Region, involves all the member states of the Council of the Baltic Sea States and is supported by the European Commission, a number of intergovernmental organisations, international financial institutions and international non-governmental organisations. Among its other aims, Baltic 21 has the goal of leaving behind a secure, healthy environment for future generations and preventing land, water and air pollution. It is based above all on the idea of sustainability and the interdependence that undoubtedly exists between the states around the Baltic Sea. There is probably such energetic cooperation in this region particularly because its people are aware of their shared responsibilities.

As you see, the Baltic Sea Region has a comprehensive network at its disposal for cooperation and collaboration in the area of environmental protection.

I could list many more examples of successful cooperation. However, what I felt was important was to demonstrate that the Baltic Sea Region, with all its economic and political diversity, has succeeded in analysing the ways in which its countries are interconnected and mutually dependent, identifying shared opportunities and acting accordingly.

**Expectations for the region**

The *Report on the State of the Region 2005* from which I quoted earlier draws rather ambivalent conclusions for the current year. The Baltic Sea Region finds itself confronted with a number of
challenges, both economic and political. I have mentioned some of them.

Economically, the region must work to make sure it does not grind to a halt in the current weak macroeconomic climate.

From a political point of view, it is necessary to ensure that national elections do not result in a purely inward-looking focus in the years to come, as has tended to happen in recent months. It is important to carry on promoting cooperation and encourage activities that drive it forward. There is plenty to do.

However, and this is my firm conviction: if we all set about these tasks together, the success story of the last few years can be continued.

Before I finish my speech, I would like to add a current affairs point about a country. This country does not belong to the Baltic Sea region, but being an election observer there on the last weekend, I take care about its development – the situation in Belarus. The European Union and the democratic community of states clearly need to signal to the last dictator of Europe after those unfair and unfree elections that repressions against the Democracy Movement inevitably will lead to sanctions. Also the dialog with Russia needs to emphasize all efforts to support freedom and democracy.

The course in Baltic Management Studies is creating ideal preconditions for young, highly qualified young people with expert knowledge to participate in the further development of the region.

For which the students on this course and the lecturers who teach them deserve our gratitude and respect. I congratulate the
University of Applied Sciences Stralsund on the cooperation with the International School of Management (Lithuania). This really demonstrates the spirit of the Baltic Sea.

An African proverb says: Turn your face to the sun, and the shadows fall behind you.

Given that the German name for the Baltic Sea, *die Ostsee*, translates literally as “the **East** Sea” and that, as we all know, the sun rises in the **east**, I am confident that you will be seeing plenty of the sun here and that the **Baltic Sea Region** will have a very bright future indeed.