

## The Baltic Sea – A New Dimension?

by Paula Lehtomäki

The Baltic Sea region cooperation – stretching from Russia in the East to Norway in the West, from Germany and Poland in the South to Sweden and Finland in the North – has been an effective response to the fact that these countries sharing a common Northern geography can better face challenges collectively than singly.

Modern challenges affect domestic, social and economic development as a result of the globalisation process. Through cooperation, the Baltic Rim region has been able to raise its influence in the EU, by showing progress on a regional level towards the goals of the Lisbon Agenda. The Baltic Sea region has enhanced the economic efficiency and world market competitiveness of the European Union as a whole. The key to this success has been increasing integration by removing the existing barriers for trade and investment.

Now the Baltic Sea region is entering a new stage in its economic development. With the accession of Poland, Lithuania, Latvia, and Estonia to the European Union, all countries, except Russia and Norway, are now part of one integrated economic area, subject to common rules and regulations in many areas. The new EU members on the Baltic Rim are moving out of transition into their next stage of economic development as young but established market economies. Regional cooperation is shifting from western countries providing support to their eastern neighbours to a more balanced give-and-take where both sides invest to achieve joint economic returns.

This new stage of development is in many ways a confirmation of past achievements. The enthusiasm that fueled the Baltic Area cooperation throughout the 1990s was well founded. But that will not be enough, we can not simply sit back and enjoy our previous successes based on the existing models and means. In order to take advantage of all the opportunities opening up in the interest of the region and its business community, a new strategy for cooperation is critical. This new strategy can be built on the institutions and networks created in the last decade but will have to be based on a hard-nosed look at the facts to make the case for why businesses and political leaders should invest their energy in this regional effort.

The actual starting point for the strategy composing is very challenging indeed. The Baltic Rim-region has many times been referred to as one of the most dynamic areas in the world economy. This is very true. Especially Estonia, Latvia and Lithuania have, over time, been very successful, albeit from a rather low footing. In a great number of clusters, such as telecommunications or forestry and wood processing, for example, the Baltic Area has reached a strong position, notably on a regional level and not just on any single national one.

We need to find ways how the level of economic performance and integration can developed as a function of enhanced and mutually harmonised quality and business environments across the whole of the Baltic region. The process of economic integration has been very impressive, but not completely on a really universal Baltic Area level: the process has many times been stronger between individual pairs of countries, for example, Finland and Estonia.

The differences in integration in different dimensions are pointing still to the existence of a number of real or perceived barriers holding back stronger economic ties. That is why we must go on in upgrading the context for cross-regional activities through transportation and infrastructure investments.

With regard to the world market aspect, the competitiveness agenda for the Baltic Rim requires more than just an assessment of where we stand today; it needs to be based on where exactly we want to go. We can not be strong in all areas, we must have priorities. Based on current discussions, the Baltic Area very understandably wants to be innovation-driven, focused on clusters such as IT, telecom, be active as a bridge to the Russian market and predominantly industry-driven and so on. But what of our aspirations regarding environment rules, progressive gender and labour relations, tax and regulation issues or social welfare state models? Do we have enough common ground on these issues to be able to utilise them as competitiveness factors for the whole Baltic Sea Rim? This is a question that deserves some serious consideration when talking about a new strategy for cooperation in the Baltic Sea region.

And last but by far not least: we must take care of sound business environment based on a sufficient predictability of the legislation framework and practical operation conditions for the enterprises involved. Especially in this area huge differences exist between parts and countries of the Baltic region. Even if historically explicable they are nevertheless delineating one of the main obstacles for the increase of economic integration and interaction. As long as they prevail they will have a negative impact on the further development of Baltic region, making it unnecessarily vulnerable, even to outside influences.

As the saying goes, the future Europe will be a Europe of regions to a much greater extent than the actual holistic entity. That will be a challenge even for the Northern part of our continent. But this challenge we accept with trust in our capabilities. The Baltic Sea region has all the prerequisites to become once again a closely integrated economic and cultural area such as the one it was in times past. For that to happen, we need to cooperate, but the success of our efforts up to now gives me confidence.

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