

Photo: Jan Erik Ebbesson



The BCCA's vision of the future of the Baltic Sea Region

BALTIC SEA CHAMBERS OF COMMERCE ASSOCIATION



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The Baltic Sea Region has established itself over the last decade as one of the most promising regions in the world. The development has been inspiring and the Baltic Sea is once more bringing together the countries in the region.

The changes since the beginning of the 90s have been dramatic, but overall they have created a better standard of living for the majority of people and developed democratic institutions in all the countries. The enlargement of the European Union and the membership in NATO for several of the countries are further signs of a very promising development.

The Baltic Sea Chambers of Commerce Association has since the beginning in Rostock 1992 been convinced of the region's various potentials. The driving force for this development has been and will always be trade; therefore BCCA launched the vision Triple Trade in Ten Years – 3T in 2003.

3T – Triple Trade in Ten Years

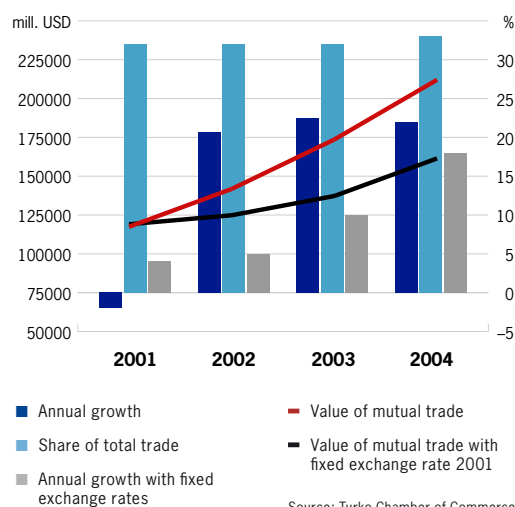
The BCCA believes 3T to be an ambitious yet realistic vision. It will require considerable political will as well as great initiative from the business community.

Political stamina, long term commitment and a will to change and do better will be needed to realize this vision. Certain conditions have to be fulfilled before this vision can become reality. These include the use of the Euro as a common currency in the Baltic Sea Region and that there can be no compromises on the internal market.

Why focus on trade?

The focus on trade within the Baltic Sea Region as central to the realization of 3T is quite natural to the countries in the Region. To a large extent trade is a local and regional phenomenon. The main trading partners are usually found in surrounding countries. And for smaller countries the economic interdependence on trade is larger than for bigger countries. Germany is the largest economy in the Baltic Sea Region and is on the list of the top-five trading partners of all the countries in the Baltic Sea Region, though none of the countries in the Baltic Sea Region is Germany's largest trading partner.

Baltic Sea region mutual trade



BASIC FACTS ABOUT THE BALTIC SEA REGION

- 10 countries (Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Norway, Poland, Russia, Sweden) with a population of 310 million people, between 90–110 million living on the rim of the Baltic Sea
- 10 languages and three dominant Christian churches, Protestant, Roman Catholic, Russian Orthodox
- Metropolitan areas ranked in size: St. Petersburg, Berlin, Hamburg, Warsaw, Copenhagen, Stockholm

Expected average growth in BSR West: 3–4% (2 years)

Expected average growth in BSR East: 4–6% (2 years)

Total market: USD 1,609 billion (2004)
(1/8 of American market, 1/3 of Japanese market)

Sea transport: 3.1 million trailers crossed the Baltic Sea to approx. 68 destinations in the BSR (2003)

Air transport: 10 million passengers (30,000 passengers/day) within the BSR, 100 BSR air routes

Source: IMF and internal gathering of statistics

"Economic dimension is without a doubt the basic scope of any cooperation, the basis that commences deeper integration... thus economic ties are the first step towards close cooperation and integration."

*Professor Edmund Wittbrodt,
former minister of education in Poland*

Source: 1992-2002 Economic Cooperation, Region building and old new Friendships around the Baltic Sea, Essays on the occasion of the 10th Anniversary of the BCCA Kiel, Germany 2002

"There is a real potential for us as a region to work together, although we are different. If we achieve that we can truly become a role model not only for Europe but also for the rest of the world."

*Christian Ketels, Principale Associate,
Harvard Business School*

Source: Baltic Development Forum, Report on Stockholm Summit 2005"

"Regional coordination is vital to accelerate growth; this is evident for both the advanced and developing countries in the Baltic Sea Region... everybody has something to gain from integration in the regional context. Poor countries have the possibility of catching up quickly; through access to sophisticated customers, building better performance capabilities and gaining from competitive pressure. The rich countries on the other hand, will get access to bigger markets, and thus the opportunity for efficient specialization, which makes it possible to outsource production in an efficient way. This will enhance the region's overall competitiveness for the common good of the whole region."

Professor Michael Porter

Source: Building a Coherent Region-Uffe Elleman Jensen in "New Northern Knowledge - Structural Change in Europe 2", Hagbarth Publications, Bollschweil, Germany 2002

Vilnius, Lithuania

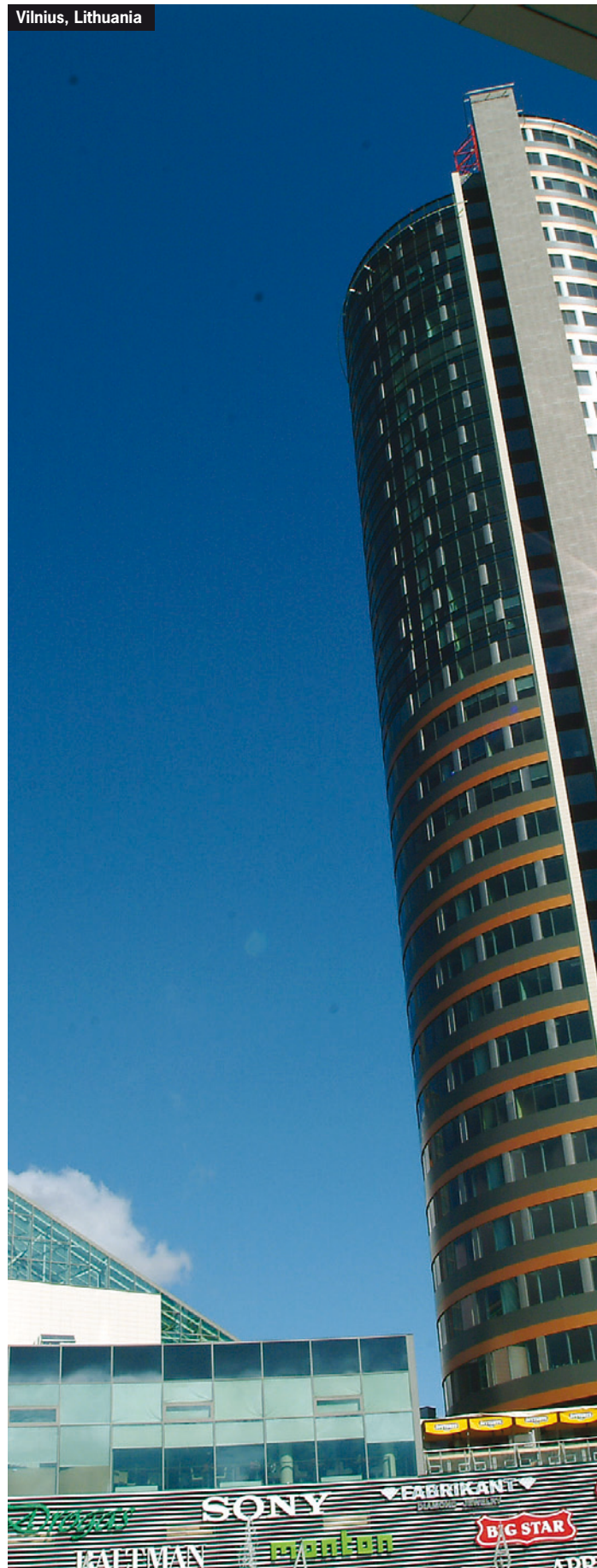




Photo: LDA

Intraregional trade is a global trend. It is easier and more convenient to trade with partners who are close by and it is therefore important to focus on the possibilities that exist within regional trade. And it is important to focus on the political aspects of regional interdependence and development.

The BCCA bases 3T on an overall belief that trade can be the common denominator for the countries in the Baltic Sea Region. Trade can help promote the development of social and economic welfare for the inhabitants of the region. Trade can encourage greater cooperation and business and thus help change the attitudes of people around the Baltic Sea. The BCCA believes that 3T is an initiative that can help to strengthen the bonds between the countries in the Baltic Sea Region.

The agenda for 3T

3T lists a number of basic political initiatives and actions that need to be addressed and fulfilled by political decision makers in order to realize the vision. On the other hand, the BCCA does not demand political action alone to address and solve these issues. The BCCA is committed to the vision and will in turn take responsibility for what the BCCA can contribute with. 3T, therefore, includes actions that the BCCA will implement. Economic and democratic developments are at the core of 3T. Certain areas of focus demand more attention from the political sphere and others require more action from the business sector. Therefore, the BCCA believes that 3T is a vision that can be shared and realized by the political leadership and the business community in the Baltic Sea Region.

The BCCA has identified the following four points on which to focus for 3T:

- Changing attitudes
- Involving Russia
- Free trade
- Improving the infrastructure



1. Changing attitudes

One of the important aspects for change is attitudes to trade. It is important that trade is recognized as a positive factor to promote wealth and freedom. It is very important that political leaders and the political sector adopt this stance. The history of the Baltic Sea Region provides ample proof that we cannot take increased economic exchange for granted.

Specifically it is important to combat prejudice about what are seen as problems when trading in the region. In order to do this, it is important to use resources to obtain facts and make them available.

An example of this is the notion of crime and corruption. While it is certainly true that such problems exist, it is not true that any business relationship will be damaged

by it. To achieve a balanced debate, reliable statistics are needed. This can show investors and tourists the real numbers related to this specific problem. If such data is not available, rumour and prejudice will influence the economic decisions made when entering into new relationships.

There is a need for stronger emphasis on language studies as a means of creating bonds, increased academic exchange and other initiatives for the continuous flow of know-how and expert knowledge. The countries of the Baltic Sea Region all have different academic and educational traditions that need to be appreciated. The recognition of academic degrees and diplomas should be generally accepted and harmonized within the region.

Generally, the creation of opportunities for people to meet will increase the opportunities



PHOTO: LDA

for business and friendship. Specifically, increased academic exchange is an important aspect of creating cultural cohesion and understanding.

The potential of the Baltic Sea Region is evident for most politicians, public officials and the business life, but large prejudices still seem to exist in the opinion of the general public. To change this mindset of the public is the development of the tourism sector a crucial tool.

The business community and the political sector have a joint responsibility to moderate the grim picture of crime presented in the media. The political leadership must therefore take the issue of attitudes to Baltic trade seriously. Rumours and prejudice need to be challenged by facts and statistics.

The BCCA will promote and report success stories within the business community, continue to inform and assist companies that are interested in new business opportunities within the Baltic Sea Region. BCCA will carry on its cross cultural work with seminars and information provided in the Baltic Sea Cross Culture Management Guide. The BCCA will also work to strengthen the internal BCCA network and spread knowledge of the different countries and markets.

- Facts and statistics
- Cultural and academic exchange
- Development of tourism
- Business opportunities
- Baltic Sea Cross Culture Management Guide
- Strengthened BCCA networks via BCCA Office Representatives

2. Involving Russia

It is important to continuously emphasize that Russia is a part of the Baltic Sea Region. It is important to let Russia know that it will not stand alone as an 'EU counterpart' in the Baltic Sea Region but rather as a partner. The BCCA welcomes the EU's focus in the New Neighbourhood Policy. The constant emphasis on Russian involvement within the region is a prerequisite for future success. Politicians need to focus on EU and Russia as partners, politically as well as economically.

In a longer perspective Russia has the potential to become one of the driving forces for economic development in the Baltic Sea Region. It has a large internal economy, a potential for competitiveness in several high-tech branches, but major steps need to be taken over the next years. Better infrastructure and reduction of trade barriers are central issues in this respect to facilitate more trade for Russia.

And in terms of regional development, Kaliningrad is a key issue for the whole Baltic Sea Region. The economy in Kaliningrad needs to be better interconnected with its neighbours and not so dependant on internal Russian trade.

The BCCA will continue its efforts to fight trade barriers within Baltic Sea Region. Special attention has been paid to the problems existing at national border crossings; new project will be started in order to try to reduce the maximum time spent at the national border crossings. The BCCA will continue to develop it's relation with its Russian members.

- Border crossing campaign for Russia
- Developed relations with Russian chambers help to strengthen the bonds between the countries in the Baltic Sea Region.

3. Free trade

As stated earlier the BCCA believe that free trade is a prerequisite for 3T. Intraregional trade will increase as the economies in the eastern parts of the Baltic Sea Region become more open and markets grow. The demand for new products and services is increasing in order to meet the need to speed up processes within industries and administrations. EU enlargement will increase the accessibility of markets.

The BCCA insists that there be no compromise on the internal market. There should be free movement of labour, capital, services and products. Positive action by the European Commission to enforce compliance with the internal market should be welcomed, since it is important to use the effect of the post-enlargement of the EU to gain positive effects.

It is also important to continue strengthening the different aspects of the Baltic Sea Region in the European Union. The work on the Northern Dimension and the subsequent Action Plan are important in a larger European perspective. More attention and resources should be focused on the concept of the Northern Dimension. The BCCA will continue to work together with the organizations active in the work on the Northern Dimension such as the Council of the Baltic Sea States, CBSS.

Globally, there are two parallel trends, one of globalization and free trade, and one of protectionism. Politicians need to take a stand on trade and promote free trade in the Baltic Sea.

If we view free trade in the Baltic Sea Region in a short-term internal perspective, this should not involve any compromise on the four freedoms of the EU and in a short-term external perspective should mean more commitment to and trade with Russia. In the long term the Baltic Sea Region could become a Joint Investment Area, JIA. In a few years 6-8 of 10 Baltic Sea Region countries could have a common currency. This will of course have an effect on trade and trade patterns.

Since a couple of years, enhanced cooperation within the European Union is

Warsaw, Poland



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a possibility. Enhanced cooperation enables closer cooperation between at least eight member states on any given matter. The project should not be allowed to undermine the four freedoms or be a barrier to free trade, nor can it be used in security or defence matters. This concept can be used in order to facilitate faster integration within certain areas or regions and it should be examined if this could be useful for the Baltic Sea Region. Together with a common currency in the majority of the countries in the Baltic Sea Region, this could prove to be a catalyst for a prosperous future in the region.

The BCCA will continue its task of creating business opportunities within Baltic Sea Region. The BCCA will create and support matchmaking activities for the business

"A reasonable estimate is that countries with the same currency trade over three times as much with each other as countries with different currencies."

Professor Andrew K. Rose

Source: EMU and Swedish Trade, Andrew K. Rose, Svenskt Näringsliv, 2001

community. The BCCA and its member CCIs will focus on an attitude shift, which is necessary in the field of customs/trade documents, in order to make a commitment to the concept of free trade.

- Promotion of the Northern Dimension and the Action Plan
- Free trade commitment
- BSR Joint Investment Area
- Enhanced Cooperation
- Matchmaking activities



4. Improving Infrastructure

The Baltic Sea Region consists of 10 countries, all of whom have different agendas for their respective national infrastructural investments. But it is necessary to take a new approach to the whole infrastructural system of the Baltic Sea Region. No country is an island in itself.

For example, cargos from Russia need to have alternative routes for their destinations and should not be dependent on any country's national political inability to make decisions on road investments. Bottlenecks in one country have effects in the other countries and work as barriers to trade. In

the relatively near future, East-West trade is likely to expand. The growth in the Eastern Baltic Sea Region will increase trade with markets west of the Baltic Sea Region such as Western Europe and the US. This is a challenge for the infrastructure of the Baltic Sea Region.

The BCCA suggests that the politicians should aim for a joint Baltic Sea Region infrastructural planning process, through the European Union for example. The BCCA strongly believes that this would benefit the whole region in terms of breaking down trade barriers, reducing bottlenecks, reducing the impact on the environment and probably being the most economically sound



Tartu, Estonia

of initiatives exist for 'Sea Motorways' that can and should apply to the Baltic Sea. Politicians need to promote these issues together.

It is important to distinguish between infrastructure and traffic. Of course, regulations and legislation are needed in order to guarantee security, but no limitations should be imposed upon who runs the shipping lines and air connections and their routes. The market will take care of this if there is a genuine demand.

The BCCA has produced a Position Paper on infrastructural projects. This Paper will consist of the most urgent and necessary investments needed for roads, railways, tunnels, bridges, and ferry and air connections, as well as issues such as planning and finance.

The BCCA will continue to work closely with interest groups on the infrastructural issues and will arrange seminars and hearings on the subject of the Baltic Sea Region infrastructure in the future. The BCCA will relentlessly continue to identify bottlenecks and barriers to trade caused by deficiencies in the infrastructure.

- Joint Baltic Sea Region Infrastructural Planning
- White Paper on Transportation in Baltic Sea Region
- BCCA Baltic Sea Region Infrastructure Position Paper
- Infrastructure Seminars

"In 15–20 years time frame trade volumes in the Region ought to increase by up to 10 times. If only politicians will take the right decisions in right time!"

Viktor Kulbergs, President of Latvian Chamber of Commerce and Industry

Source: 1992-2002 Economic Cooperation, Region building and old new Friendships around the Baltic Sea, Essays on the occasion of the 10th Anniversary of the BCCA, Kiel, Germany 2002

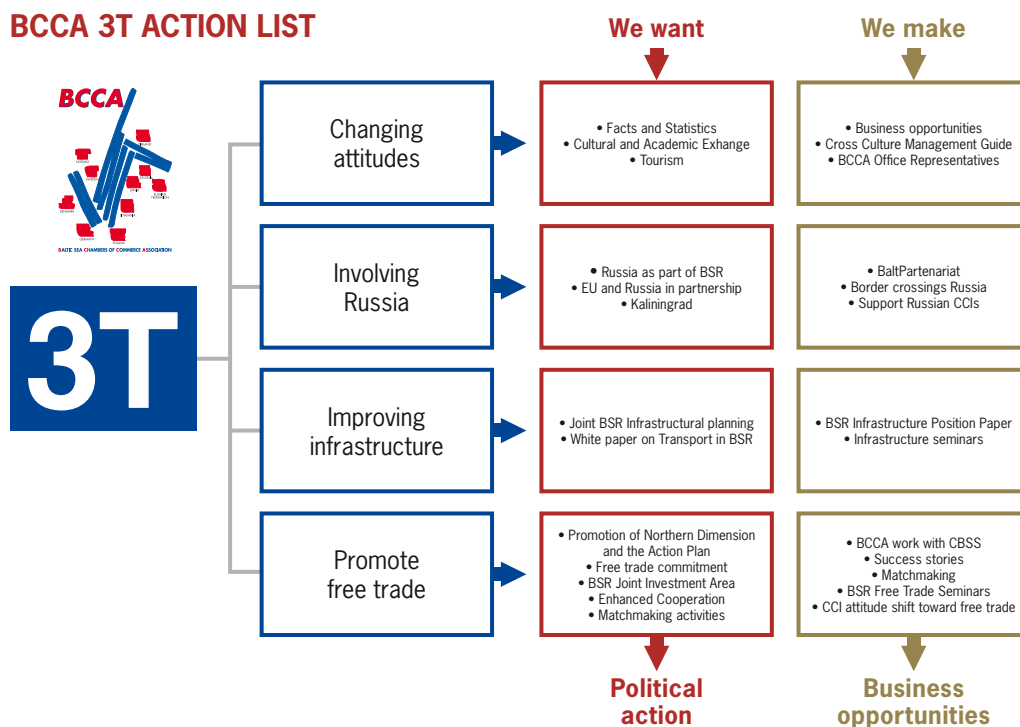
investment plan. Furthermore, in terms of the Baltic Sea Region and its position in the European Union, it is important to produce a joint White Paper on Transportation for the Baltic Sea Region. The Baltic Sea itself as a thoroughfare should not be neglected from the transportation angle. Today, a number

Conclusion

The BCCA views 3T – Triple Trade in Ten Years – as a realistic vision for the Baltic Sea Region. In order to put this vision into practice, a lot of work needs to be done, partnerships strengthened, commitment, creativity, and cooperation and trade opportunities.

The BCCA is committed to 3T. The BCCA welcomes collaboration with other partners in trying to achieve this vision. It is the firm belief of the BCCA that trade is the best way of achieving economic and social development in all the countries of the Baltic Sea Region.

BCCA 3T ACTION LIST



Baltic Sea Chambers of Commerce Association

The BCCA is an umbrella organization for 44 chambers of commerce within the Baltic Sea Region representing Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Norway, Poland, Russia and Sweden with more than 450,000 member companies all together.

The BCCA was founded in 1992 in Rostock, Germany. The aim of the BCCA is to facilitate trade in the Baltic Sea Region by providing services, products and information to the business community, by supporting and assisting the member chambers and developing the internal BCCA network and by representing and promoting the business community in the political arena.

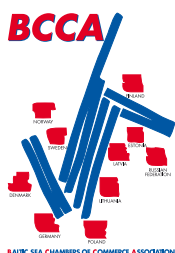
The highest authority of the BCCA is the General Conference where the member chambers are entitled to one vote each. The

General Conference debates and adopts the Annual Report, the Financial Report and the policies for the BCCA. In between the General Conferences the BCCA is chaired by the President and four Vice Presidents.

Stephan MÜCHLER, CEO of the Chamber of Commerce and Industry of Southern Sweden, is the President of BCCA. The Vice Presidents are Kari JALAS, Central Chamber of Commerce of Finland, Vytautas ŠILEIKIS, Director General, Kaunas Chamber of Commerce, Industry and Crafts, and Peter Michael STEIN, Secretary General, Flensburg Chamber of Commerce and Industry.

The BCCA Office is located at the Chamber of Commerce and Industry of Southern Sweden in Malmö, Sweden.

Pontus Lindberg is Secretary General.



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