

Europe's Strategy for the Baltic Sea Region

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Introduction



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It is timely a year after the successful European Union Enlargement to draw the necessary conclusions in a wholly changed situation.

The Baltic Sea is bordered by nine countries, eight of them EU Member states, the enclave of Kaliningrad and the St Petersburg region in Russia.

This European Baltic Sea Strategy compiled by European Parliamentarians from all the eight Member States and supported by others from further afield should serve as an important basis for future discussion of how we assure that once again the Baltic returns to being a region of great stability, prosperity, realizing once more her full potential and contributing to the overall success of the European Union

Introduction	1
I Environment	3
II Economics	4
III Culture and Education	5
IV Security	6
Background for the Baltic Sea Strategy	7
I Environment	7
1. Eutrophication.....	8
2. Persistent harmful substances	9
3. Oil discharges and oil transport	10
4. Nuclear safety	10
II Economy: Achieving the Lisbon goals regionally	11
Winning the Lisbon Challenges together.....	12
Free movement of Labour, Capital, Goods and Services	12
Improving the cross border infrastructure.....	12
Ensuring the supply of safe and clean energy.....	13
The innovative region of Europe	13
Piloting the Common Economic Space with Russia.....	14
III Culture and Education.....	15
Education	15
Culture.....	15
Image and Identity	16
Tourism	16
IV Security.....	16

I Environment

- After the last enlargement the Baltic Sea is almost internal to the EU, with the exception of the Eastern end of the Gulf of Finland and Kaliningrad which belong to Russia. Therefore, many of the environmental problems can mainly be solved by the actions of the EU and the Member States. But there are also areas where co-operation with Russia is needed. The EU needs a more coherent action plan to protect the environment of the Baltic Sea.
- The key issues where further co-operation between EU and Russia is needed are reducing the eutrophication load from Russian cities, reducing emissions from maritime transport, reducing the risk of oil tanker accidents, reducing emissions of toxic substances from Russian sources and improving nuclear safety, preferably by closing down the nuclear power station in Sosnovyi Bor near St Petersburg.
- New measures in the EU agricultural policy are needed to reduce the eutrophication load from agriculture to the Baltic Sea. Protecting Baltic Sea should also be taken into account in developing the transport infrastructure. From that point of view investments in railroads are more favourable than in road transport.
- Further measures and research are needed to reduce the emissions of harmful substances to the sea and to better understand the sources of toxic substances in the Baltic Sea and the influence of these substances in ecosystems..
- Co-operation between EU member states should be further developed to reduce the risk of oil tanker accidents and to improve capability of action in case of accidents. All EU member countries should implement the Helcom "no special fee" recommendation to stop the deliberate illegal discharges from ships.

II Economics

- The key economic weakness of the region is the low level of competition. Most national markets are too small for genuine competition. The only solution is to deepen the integration of the markets. The older EU members must drop all their restrictions on the new member states joining the common labour market. A regional view has to be an essential part of the national implementation programmes of the Lisbon strategy.
- The current transport system is designed to meet national needs and is not optimal for a more integrated regional economy. A process for merging planning and sharing costs of projects of regional interest is needed
- The energy demand of China will make Russia less dependent on demand from the European energy market. The price of Russian energy may rise and Russia can use the 'energy-card' as leverage in political problems if we don't find sustainable regional solutions for the energy supply.
- The region can become a world-leader in innovation, and there are clear opportunities for policy learning and for cooperating on concrete issues. There are also barriers to overcome: different regulatory environments, limitations to international investments and protection of intellectual property and nationally distinct educational and research systems.
- There is an open window for regional integration with Russia right now. The EU and Russia agreed on the 10th May, 2005 on a road map for the common economic space. Kaliningrad is a special key issue for the Baltic Sea Region and could act as a pilot for regional integration with Russia.

III Culture and Education

- While education policy is largely reserved to the member states, there is scope for EU action of benefit to the region in the field of academic co-operation and the creation of centres of excellence and technology parks to encourage the further creation of clusters. A clear benefit to the region and a significant contribution to the Lisbon agenda. The region has a well developed educational structure with a number of renowned Universities. In order to encourage economic development as well as to help retain talented graduates in the region, attention needs to be given to encouraging the further establishment of links between Universities throughout the region.
- Existing programmes do help students to study elsewhere in the EU but there is no mechanism for attracting graduates back or to remain in the region. Mother-tongue kindergartens and multi-cultural centres would further encourage labour mobility within the region. This is essential to encourage mobility within the region.
- Due to persistent underinvestment and neglect throughout much of the Post War period, much of the educational infrastructure in the region is in need of investment.
- A much better international understanding of the Region's character and potential is necessary. The Region must demonstrate its cohesive identity and opportunity for substantial progress, as with the Mediterranean. In order take full advantage of the Region tourists must be able to easily travel to and around the Region.
- Cultural tours and exhibitions, beyond those already supported by Culture 2000, such as singing, help raise the profile of the region, there would also be an implicit boost to tourism. It is also important in terms of the promotion and development of civil society in the region that distinct cultures are helped to flourish. The EU should support national Governments' initiatives in this area.

IV Security

- The enlargement of both the European Union and NATO has considerably improved the security situation in the Baltic Sea Region. It is no longer an arena of military confrontation. Thus, environmental, economic and social problems together with organised crime pose the greatest threat to the security of the Region.
- Stable and close relationship between Russia and the EU is imperative for the security of the whole Region. Growth in the Russian economy and improving the rule of law also weaken the possibilities of organised crime. The EU must speak with one voice in relation to border agreements with the Union's neighbours. While there are also environmental and economic implications, the proposed North European Gas Pipeline presents a significant threat to security of energy supply to a number of Member States in the Region.
- The Region's extensive Eastern border has seen a significant level of organised crime, human trafficking and drugs trafficking pass over it. A strengthened Europol presence and security co-operation at intergovernmental and EU level is required.
- Counterfeiting remains to be a problem in both cash money and trademark manufacture, both in Russia and some member states. Fighting the problem requires co-operation between police and border control authorities.
- The spread of HIV/AIDS is a particular problem for the Region. This calls for co-operation in the social and health sector, but also for tighter border controls to reduce human trafficking.

APPENDIX

Background for the Baltic Sea Strategy

For centuries the Baltic Sea has united areas and countries along its coast, and brought them closer to one another and the outside world. Still, throughout most of its history, aspirations to dominate other states and areas have overshadowed political and economic relations. In the years following the Second World War, relations in the Baltic Sea Region were hampered by East-West antagonism.

The strategic position and importance of the Baltic Sea has changed fundamentally over the past few years. Due to the collapse of socialism and European Union enlargements, the Baltic Sea Region is now a showcase laboratory for integration processes in Europe. The emergence of “a Baltic corner in the European house” is seen as part the change resulting from enlargement.

The Countries around the Baltic Sea consist of a third of the population and a third of the GDP in the European Union. The region has the potential to become a core of Europe, not a marginal periphery as it was in the 20th century.

Meanwhile, the sea itself is in peril. It is shallow, its water changes slowly, and it is polluted heavily. Saving the Baltic Sea is of vital importance for all the countries in the Region.

The actions and initiatives we propose in this document form the substance of a new Baltic Sea strategy for the European Union. To tackle these worries adequately, a new political framework must be established. This requires the involvement of, besides the eight member states in the region, also of all the EU institutions and of the various organisations already working in the area. These include; Council of the Baltic Sea States, Helsinki Commission and the Baltic Development Forum.

The Baltic framework of co-operation is to co-exist in parallel with the Northern Dimension. Whereas the latter concerns external policy and especially relations with Russia, the Baltic Sea strategy deals mostly with internal policy matters.

I Environment

The Baltic Sea is extremely vulnerable for several reasons. The sea is shallow, the average depth being only 58 meters, whereas that of the Mediterranean Sea, for example, is several kilometres. The channel between the North Sea and the Baltic Sea is narrow and therefore the water changes slowly: it takes 30 years for the water of the Baltic Sea to fully change. Polluting substances therefore stay in the sea for a long time. The human burden for the sea is intensive as there are 85 million people living in the catchment area and the maritime transport is among the most intensive in the world. The Baltic is a pool of brackish water. There are both freshwater and seawater species living in the Baltic Sea and for many of them the conditions are extreme, close to the survival limit.

The main environmental challenges for the Baltic Sea are eutrophication, persistent pollutants, e.g. dioxin, PCB and organic tin compounds, alien invasive species,

deliberate illegal discharges from ships, growing risk of oil accidents because of rapid growth in oil transport, as well as nuclear safety.

After the recent enlargement, the Baltic Sea is almost internal to the EU, with the exception of Kaliningrad and the Eastern end of the Gulf of Finland which belong to Russia. Therefore, many of the environmental problems can mainly be solved by the actions of the EU and the Member States. But there are also areas where co-operation with Russia is needed. The EU needs a more coherent action plan to protect the environment of the Baltic Sea.

Helcom has produced a list of "hot spots", the most important pollution sources around the Baltic Sea. When the list was created in 1992 the number of hot spots was 149. By 2005 the number has been reduced to 86.

- The special characteristics of the Baltic Sea should be taken into account in formulating the EU Marine Strategy.

1. Eutrophication

The visible sign of eutrophication is murkiness of water and growth of algae, e.g. the toxic blue green algae which has caused many coastal areas to become useless for recreation activities in summertime. The situation is worsened by an internal burden of the sea. Nutrients, nitrogen and phosphorus have been accumulating at the bottom sediments of the sea for several decades, so signs of eutrophication have not been visible. When there is oxygen deficit in the bottom, nutrients are released from the bottom sediments to upper water layers. This makes reducing nutrients in the water column more difficult. A recent study published in Sweden suggests that the Baltic Sea may have already passed beyond a critical threshold, which means that the ecosystem may possibly never fully recover.

The biggest point load source of eutrophication in the Baltic Sea is the city of St Petersburg. St. Petersburg's South-Western wastewater treatment plant was opened in September 2005, which brought previously untreated waste waters of 700 000 people to modern treatment. But the waste water of 800 000 people still goes untreated to the sea. Further investments are needed to channel this waste water to treatment plants and to improve the processes in existing waste water treatment plants. There are also several smaller cities along the Russian coastline without proper wastewater treatment. The enlargement of EU has improved the situation in the new EU member states; they are implementing community legislation also in the field of sewage water treatment.

- Further co-operation between EU and Russia, including funding from EU and the member states and from European financial institutions, is needed to reduce the load from Russian cities, both from St Petersburg and Kaliningrad as well as from smaller cities.

The biggest eutrophication nutrient load of all comes, however, from non-point load sources such as agriculture and transport, the biggest source being Poland's agriculture. Also load from Ukraine is carried to the sea by Polish rivers [which river?] When agriculture is being modernized in the new Member States, it is important to prevent further increase of eutrophication nutrient load. Additionally, releases from old Member States need also to be reduced further.

- Special measures in the EU agricultural policy are needed to reduce the eutrophication load from agriculture to the Baltic Sea. This should be taken into account in developing the Common Agricultural Policy.
- Co-operation with Ukraine is needed to reduce the eutrophication load from Ukrainian agriculture.

Nitrogen oxide emissions from maritime and land transport also play a role in eutrophication, because nitrogen oxides dissolved in the seawater act as nutrients.

- It is necessary to continue measures to reduce emissions from maritime transport. When it comes to land transport, investments in railways are more favourable for the Baltic Sea environment than investments in road transport.

2. Persistent harmful substances

Persistent organic pollutants, such as dioxin, PCB, organic tin compounds and brominated flame retardants accumulate in nutrient chains. In Baltic herring, the content of brominated flame retardants is 5 times higher than that in Atlantic herring. The dioxin content of Baltic herring exceeds the EU dioxin limit for human food. Also the content of persistent pollutants in fish eating species such as seals and sea eagles living in the Baltic Sea region are 2-5 times higher than in the North Sea.

The situation, however, used to be even worse in recent decades, at least in some respects. In the 1970s the seals in the Baltic Sea almost became extinct because organic pollutants made most female seals infertile. Now the seals are recovering. Legislation and international conventions to ban emissions of persistent organic pollutants have been adopted. But new problems are emerging. The harmful nature of organic tin compounds has been understood only recently. These substances have been used for decades in anti-foul paints for ships and they are present at high levels in the sea bottom sediments close to shipyards. Similarly, it has only fairly recently been realised that many of the organic pollutants act as endocrine disruptors, which can alter the sexual organs of fish and affect also the human hormone system.

Emissions of harmful substances have been partially cut. But there are, for example, sources of dioxin which are not yet fully identified. There are also dumping grounds for toxic substances in Russian territory, e.g. an open dumping ground called Krasnyj Bor close to St Petersburg. If the dam around the dumping ground should break, huge amounts of toxic substances would be released into the river Neva and flow to the Baltic Sea.

- Further research is needed to better understand the sources of toxic substances in the Baltic Sea and the influence of these substances in ecosystems. Further measures are also needed to stop and limit the emissions of harmful substances to the sea. Co-operation with Russia is needed to stop emissions from Russian sources and to treat the dumpsites of toxic substances in the Russian territory in a proper way.

3. Oil discharges and oil transport

For decades there have been deliberate illegal discharges of oily water from ships, although the Baltic Sea is a MARPOL 73/78 special area to control discharges of oily waters. HELCOM, the governing body of Helsinki Convention to protect the Baltic Sea, adopted a recommendation on "non-special-fee" some years ago, to include the price of waste treatment of ships in the normal harbour fee, to discourage releasing oily ballast waters and other waste waters to the sea.

- If there are EU member states which have not yet implemented the HELCOM "non special fee" recommendation in their national legislation, they should do so. Co-ordinated action of Baltic Sea countries in fining the shipping companies releasing illegal discharges is also needed.

The new oil harbours in Russia have doubled the oil transport in the Gulf of Finland in a short time, and oil transport will continue to increase. This, of course, increases the risk of oil spills. To reduce this risk a control system called VTMIS (vessel traffic monitoring and information system), "a maritime version of air traffic control", has been established in co-operation between Estonia, Finland and Russia. Every ship coming to the Gulf of Finland is registered and monitored by the system.

After the accident of the Prestige tanker near the Spanish coastline the EU banned single hull heavy oil tankers from entering EU harbours. The difficult conditions in wintertime, however, present a particular problem for the Baltic Sea. The norms for ice strengthening of ships are different in different countries. In winter 2002 oil was transported from Russian harbours by tankers which would be sufficient in summertime, but, at least according to Finnish standards, were not sufficient for ice thickness of 70 cm. These ships were transporting oil to harbours in EU countries. To improve safety of winter navigation in the Baltic Sea, the Parties of Helsinki Convention adopted a new recommendation on icea classification of ships in March 2004.

- Co-operation between EU member states should be further developed to reduce the risk of oil tanker accidents and to improve capability of action in case of accidents. The EU should have common standards for tankers in icy conditions. The Union should refuse to receive tankers in EU harbours if they have travelled through icy conditions without proper ice strengthening.

4. Nuclear safety

In Sosnovyi Bor, close to St Petersburg and 200 kilometres away from Helsinki and Tallinn there is a nuclear power station with 4 reactors of the same type as in Chernobyl, 1000 MW capacity each. The oldest of these reactors reached the 30 year lifetime for which it was designed in 2003. It received a further operating permit allowing it to continue for some years. The operating permits of the other reactors are going to expire in less than 10 years. The intermediate waste storage for used nuclear fuel in Sosnovyi Bor has been full for several years. It is located only some tens of meters from the sea shore. There are nuclear reactors of the same design also in Ignalina in Lithuania, but these reactors are going to be closed due to the EU accession of Lithuania. The special safety problem of nuclear reactors of this design is the carbon inside the reactor. In Chernobyl the cooling water was lost from the

reactor, air flowed in, and the hot carbon ignited. The smoke of the fire spread radioactive substances in several European countries.

The Russians are planning to extend the operating permits of all the 4 reactors in Sosnovyi Bor and even to construct more, similar reactor units. On the other hand the potential to improve energy efficiency in Russia is huge. The energy consumption to produce GDP of 1 billion euros is 17 times greater in Russia than in the EU-15. The position of the EU Commission is that the nuclear reactors in Sosnovyi Bor should be closed down.

- The EU should intensify efforts to close down the nuclear power station in Sosnovyi Bor. Possibly a win-win solution could be found, supporting investments to improve energy efficiency in North-Western Russia.

II Economy: Achieving the Lisbon goals regionally

The Baltic Development Forum has compared the competitiveness potential of the Baltic Sea region with three other regions of approximately same size: The Central European Region (Austria, southeast Germany, the Czech Republic, Hungary, Slovenia, Slovakia, and southern Poland), The British Isles and The Iberian Peninsula.

According to the research, the Baltic Sea Region leads in the Competitiveness Index. The Baltic Sea region has in recent years outperformed European peer regions on key performance measures such as prosperity growth, labour productivity growth, and scientific innovation. Key strengths are a strong physical infrastructure, a skilled labour force, low level of corruption, strong clusters and a strong science system.

The competitiveness potential is not fully exploited. Prosperity of the region is below the level of peer regions. The Region is home to only 27 of the 500 fast growing companies ranked in the “Europe 500”. This share is only about half its 10.5% share of EU-25 GDP.

It turns out that the key weakness of the region is the low level of internal competitive pressure. None of the countries in the region alone has a market big enough to promote needed competition. The only solution to the problem is to deepen the integration of the region. This paper aims to give some examples of the measures that should be taken to achieve this goal.

If the regional weaknesses can be overcome, the Baltic Sea Region has the best growth potential out of the compared regions. The predicted potential for prosperity improvements is close to 10% of current prosperity. Central Europe (14% above the expected level) and the Iberian Peninsula (20% above) conversely enjoy a current prosperity that seems unsustainable given their microeconomic fundamentals.

The differences across the sub-regions of the Baltic Sea Region are higher than in peer regions. This gives the Region higher potential for integration benefits. Empirically, we find that the prosperity of neighbouring countries has a significant impact on a nation’s own economy. This indicates that working together to improve the state of the Region is in the interest of all participants.

Winning the Lisbon Challenges together

The Baltic Sea region has become a leader in economic growth and innovation. It is recognized in the EU as the frontrunner in terms of achieving the ambitions laid out in the Lisbon Agenda. It is clear that a regional view has to be an essential part of the national implementation programmes of the Lisbon strategy that will be presented first to the national parliaments and then to the European Commission in near future.

Free movement of Labour, Capital, Goods and Services

The working internal market is a key demand of the Lisbon agenda. The Baltic Sea Chambers of Commerce Association has launched a campaign for 3T = Triple Trade in Ten years. 3T could be a good goal for the regional Lisbon strategy.

Free movement of Labour means first of all that the older EU members drop all their restrictions on the people of new member states joining the common internal labour market. The discussion on labour mobility in the wake of EU accession has highlighted the danger that governments in the Western countries feel forced to curtail regional integration. This threat must be eliminated.

Free movement of Capital can be fully utilized only after the adoption of the euro by Sweden, the Baltic States and Poland.

Truly free movement of Goods and Services requires reducing the costs of the existing trade procedures in the EU internal market. It has been estimated that a normal international trade transaction in the Baltic Sea Region includes 27-30 actors, 40 original documents, 360 copies and 200 data elements. International reports estimate the costs of trade procedures to 2,5-15% of the value of a trade transaction. For example in Sweden trade procedures cost 300 million euros in 2003. Free movement requires also harmonisation of certain standards and requirements across the Region also in cases when the EU is proceeding too slowly.

Improving the cross border infrastructure

Long distances make transport costs count. Therefore transport issues are of special interest to the Region's policy makers. Now, the enlargement of the EU in the Baltic Sea region creates a unique opportunity for the development of a transport sector adapted to modern needs.

The current transport system is designed to meet national needs and is not optimal for a modern situation when transport is more and more international. For example, the Baltic Sea Chambers of Commerce Association has estimated that the main problem for Swedish rail transportation is the lack of coordination between operators in Europe, rather than the lack of investment in Swedish rail capacity. Econometric studies show Sweden benefiting more from the Danish Öresund Bridge than Denmark; and that Sweden will benefit a lot from the Fehmarn belt while not sharing the burden.

The issue of funding is one of the reasons behind the very nationalistic outlook for the infrastructure in the region. It would be profitable for Swedes to pay a part of the costs of the Fehmarn belt in order to facilitate earlier completion, but historic structures prevent them from doing so.

The simplest solution to the problem is to allow credit markets to enter the picture. The State of Denmark could finance the Fehmarn belt with bank credits and then collect the money from all users, also Swedes, afterwards.

Funding is perhaps the biggest source of bias but the traditional planning structures with narrow nationalistic views are also part of the problem. There must be a different planning approach, where planning and prioritizing is done in collaboration between existing authorities in the nations. A process for merging planning between neighbours is needed.

Ensuring the supply of safe and clean energy

Cold climate of the region and the concentration in energy intensive industry mean that the supply of energy must be secured in all situations.

The fast economic growth of the Baltic States, Russia and China may reduce the supply of energy at a reasonable price in the region. In the Baltic Sea Region Russia has approximately 90% market share of gas consumption (not including Germany). It is also a leading regional supplier of oil and cross-border electricity.

Currently about 50% of oil exported, and roughly 60% of natural gas exported, from Russia goes to the EU. Russia is building capacity for transferring oil, gas and electricity to China and Japan. The enormous energy demand of China will make Russia less dependent on demand from the European energy market. This means that the price of Russian energy will rise. This also means that Russia can use the energy-card as leverage in political problems if we don't find sustainable regional solutions for the situation.

The innovative region of Europe

In the 21st century capability to create an innovative business environment is necessary for any region to gain success. This is also the basis of the Lisbon agenda. Analyzing the results of the World Economic Forum's Business Competitiveness Index gives a clear answer: better mobilization of the economic potential of innovative capacity is especially critical for the Baltic Sea Region. There are at least three reasons why it is vital to do this together and to create a common innovation strategy for the Region.

First, it is a special feature of the Baltic Sea Region that it shares a strength in higher education and human capital assets, but to a varying extent displays weaknesses in turning these human assets into financial gain.

Second, many researchers and businessmen have commented on the apparent complementary nature of the countries of the Baltic Sea region with regards to innovation: the Nordic countries and Germany offer experience, stability, and lessons from global leaders, while the Baltic countries, Poland and Russia offer new perspectives, dynamism, flexibility and high momentum.

Third, one particular challenge shared by many of the countries in the Baltic Sea Region is the fact that business sector R&D tends to be concentrated in a handful of large and primarily foreign-owned, companies and that the countries of the region are

alone too small to create the critical mass for a working and stable cluster-structure around these international top companies.

Finally, there are strong indications that the Baltic Sea Region can become a world-leading region for innovation, and there are clear opportunities both for policy development and for cooperation on concrete key issues. However, there are also a number of barriers to overcome: different legal and regulatory environments (start up laws, financial reporting, tax, employment regulations, etc.), limitations to international (venture capital) investments and protection of intellectual property, nationally distinct educational and research systems, and varied levels of understanding/trust among the different countries.

Piloting the Common Economic Space with Russia

There are at least three reasons why integration with Russia could be a special niche for the economy of the Baltic Sea Region and why the momentum is right now.

First, the Baltic Sea Region already is the arena for the most active interaction between the EU and Russia. The Region is the only place where Russia and EU are physical neighbours. In near future the central European route to Russia will present a serious challenge for the Baltic Sea Region. If we want the Baltic Sea Region to act as the major transition-route to North-West Russia, we must act now.

Second, Russia has a huge potential in acting both as an accelerator of the Region's industrial production by offering possibilities for production with lower costs, and as a huge growing market for the goods that are produced in the region.

The economies of Western Europe tend to linger in 1-2% per annum growth. The Russian economy is already in its seventh year of growth at a speed of more than 5% a year. The Russian middle class is emerging. It's consuming capacity is growing fast. For example, Finnish export to Russia grew 25% in 2004 and more than 30% in the first quarter of 2005. Since 2000, North-West Russia has experienced stronger growth than Russia as a whole. With its 6,8 million inhabitants, the Saint-Petersburg region is clearly the biggest metropolis of the Baltic Sea Region with the biggest economical potential.

Third, there is a certain open window for regional integration with Russia right now. The EU and Russia agreed on the 10th May, 2005 on a road map for the common economic space. This very comprehensive map includes tens of concrete goals from an EU-Russia investment agreement to the harmonisation of legislation to create a common market. The problem is that the concrete solutions are all open-ended. One may reasonably ask could there be opportunity for a regional pilot?

Special attention should be paid to the problems existing at national border crossings. Another important and urgent issue should be formation of a common investment area. A regional investment agreement is essential especially in the present investment climate after the Yukos case. In the long run, regional co-operation with Russia should include all the same areas that have already been mentioned in other sections of this paper: free movement of labour, capital, goods and services, improving the cross border infrastructure, ensuring a safe energy supply and supporting the innovativeness of the region.

Kaliningrad is a special key issue for the whole Region. The problems at border crossings are identified as major obstacles for trade. Personal visas are needed to visit the Kaliningrad Oblast and quotas are put on goods, both of which are detrimental to the mobility in the community at large. The Kaliningrad Oblast is also in need of an improved physical infrastructure.

III Culture and Education

In order for the Baltic Sea Region to return to its rightful status as a harmonious and cohesive region, now within the EU, it is essential that culture and civil society are addressed. Parts of the region, being artificially divorced from Western Europe now need attention in order that the region becomes a cohesive part of the EU.

The recent commemoration of the defeat of Nazism held in Moscow demonstrated the importance of highlighting the "Forgotten History" of occupation, oppression and savagery committed under Stalin's orders. The infamous Molotov-Ribbentrop Pact under which Hitler and Stalin collaborated to subject whole populations in the EU's newest Member States cannot be airbrushed out of the record. As Lech Wałęsa observed during the 25th anniversary of Solidarność - "without truth there can be no reconciliation".

The West of Europe needs to reacquaint itself with the history of the region, both in times of stability as well as of turbulence. But there are other important lessons from history, which demonstrate the interdependence of the Region and the great prosperity derived from mercantile and commercial operation. Most notable was the Hanseatic League, whose markets included England, the Netherlands as well as the North German coast and the Baltic Sea Region.

Great Powers dominated in the past: Denmark, from which Tallinn the Danish city derived its name, Sweden and Imperial Russia. Significant too was the contribution made by the Baltic Germans between the 13th - 20th Centuries, as was the substantial population in Vilnius.

Education

The Prime Ministers of the Baltic Sea States met in Kolding, Denmark on 12th to 13th April 2000 and designated education as a sector of crucial importance for sustainable development in the region, demonstrating the strong links in the region and willingness to co-operate.

Areas of research ripe for further development include information and communication technologies, food, agriculture, biotechnology

Many schools in Estonia and Latvia are former Baltic German properties and are, as such deserving of conservation both as valuable assets to the cultural heritage with potential for educational and tourism applications.

Culture

There is a need, in order to promote the outward looking nature of the Region, for the EU to sponsor a greater level of awareness of the rich cultural heritage of the region throughout the EU.

EU funding support for the maintenance, and display of archives and sites associated with the occupations and dictatorships of the Twentieth Century play a considerable part in the history of much of the region and are a significant part of our common Europe history. Equal recognition of the crimes committed against the populations of the Region by both Communist and National Socialist Regimes is essential.

The indigenous musical talent developed over the centuries requires little encouragement. However, assistance in promoting and marketing the high quality of musical achievement would be of great benefit, as would be encouragement to further developing the great technological skills present in the Region.

Image and Identity

The Region must restore its identity, within the EU, in its own right while supporting the rich cultural diversity within the Region. The cultural heritage of the member states in the Region is not only a considerable asset to the Region, but its very nature and the history of the region shows strong elements of common European cultural heritage. German Baltic architecture and the Swedish cultural legacy in Finland are significant examples of cultural heritage common to many member states in the Region. This not only binds the Region together but also shows the cultural diversity of the region within the wider context of common European cultural heritage.

Marketing the Region as a whole does not only raise the political profile of the Region, it also opens up considerable mutual economic benefit through tourism. There are however, two issues to be addressed before this potential can be realised; transport and investment to undo the damage done to much of the region by the occupation and domination by the USSR. Cultural and environmental tourism will only reach its full potential when tourists are better able to travel to and around the region and, when the considerable efforts of Member States to restore and protect Region's rich cultural heritage is fully supported by the EU and successfully marketed.

Tourism

Most of the tourists in the region are domestic or from neighbouring countries. There are no mass tourism sites in the region as in the Mediterranean area, but the concentration of tourist supply is very high e.g. on the German coast. Capitals throughout the region are also attracting large numbers of tourists. A new trend is the increasing travel from Russia especially to Finland and Sweden. Also the number of Polish tourists is increasing. The increase in tourism over recent years, both within the region and from elsewhere, demonstrates the attraction of resorts and their economic potential for the region. This potential can be maximised further investment in transport is required both in terms of transport into and within the region and in environmental protection. The natural beauty of the region must be conserved and protected, as well as the cultural heritage in this context.

IV Security

Security environment in the Baltic Sea Region has improved considerably. This can be accredited both to EU and NATO enlargements and also to the relative stabilisation of Russia's domestic politics and its growing economy.

Further improvement depends mostly on the coherence of EU policy, continued pursuit of reforms in Russia and open-minded co-operation between the two.

The coherence of EU's policy towards Russia has been brought into question due to individual actions and policies by some member states. Talking over the heads of new member states in Russia's neighbourhood must be avoided - also in order to maintain mutual trust among EU member states.

Following violations by Russian military aircraft of the Finnish, Lithuanian and Estonian borders it is essential national governments are supported by the EU as a whole. In case of border disagreements the EU must also support its member states.

Russia's military is still in a transition phase but maintains the ability to use force and also deploy tactical nuclear weapons in the region. A notable portion of Russian military resources has been directed to constant readiness units, which is a trend common to all armed forces in the region.

Whereas conventional security threats have diminished in the region, new phenomena have risen to the public attention. The most acute security problems are of environmental, economic and social nature, not to forget organised crime.

The signing of the agreement between Germany and Russia to begin the North European Gas Pipeline (NEGP) in September 2005 has not reflected the changed dynamic of the enlarged European Union. The NEGP was granted the status of Trans-European Energy Network in 2000, as of common interest to the European Union. While the common need for increased energy supply is of common interest to the enlarged Union, the route proposed for the pipeline ignores the interests of a number of Member States in terms of security of energy supply. Particularly as the Baltic Pipeline will act as the sole supplier of gas to large parts of the Region and will also reduce the transit flow of the two existing pipelines (Yamal I and Brotherhood). Furthermore, the potential environmental problems to the Baltic Sea and the increased cost of this route (compared to an alternative route such as Yamal II or Amber) represent common problems for the Region and the Union as a whole. Considering the status of the Baltic Sea as a Particularly Sensitive Area, (given by the International Maritime Organisation) the high levels of metal wreckage and chemical weapons littering the sea bed from the Second World War is of particular concern.

The region's extensive Eastern border has seen a significant level of organised crime pass over it. Human trafficking and drugs trafficking are in need of action. A strengthened Europol presence and security co-operation at intergovernmental and EU level is required. Improving the level of border control by border guard exchange systems might provide added value.

Following the success in Lithuania in combating Euro counterfeiting more support is required to national governments to continue to combat this. There is also a continuing problem for example in Poland and Russia with the manufacture of counterfeit; branded clothing, cosmetics, computer games, electrical equipment. This is not only detrimental to the states due to lost tax revenues and a distortion of the market, but the lack of awareness of the illegal nature of this activity points to the need to further develop civil society.

Mortality rates are still considerably worse than EU median in some new member states, for example 66 for men in Latvia and Estonia, compared with 78 in Sweden. The EU should act to support national governments in combating alcoholism and other causes of the mortality rate which is lower than much of the EU.

The spread of HIV/AIDS is a particular problem for the Region. This calls for co-operation in the social and health sector, but for also tighter border controls to reduce human trafficking.