

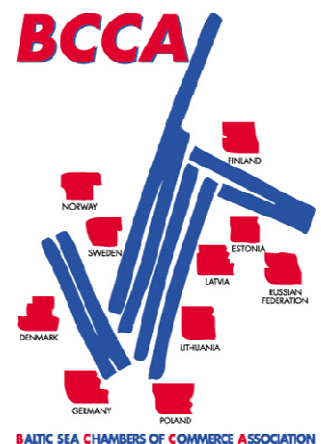
Building of a new business region – the Baltic Sea Region and its future

Article by

Mr Wolf Rüdiger Janzen,

former President of

the Baltic Sea Chambers of Commerce Association



About the author:

Wolf-Rüdiger Janzen, has been Secretary General of the Kiel Chamber of Commerce and Industry until 2006. He was one of the founders and ten years (1992 -2002) President of the Baltic Sea Chambers of Commerce Association BCCA and held important functions in different bodies of the Baltic Sea cooperation as well as in national and regional context. He is a lawyer, today active as Honorary President of the BCCA and holds i.a. Functions in bilateral chambers of commerce in the Baltic. He is Honorary Consul of the Kingdom of Sweden and knight of several orders from the whole Baltic Sea region.

There has been no region in Europe after the Second World War where different structures clashed in such a way. Thus, an overall positive regional development has been retarded until the end of the 1980th. Only in this region, democracies met monarchies and dictatorships. Only here, neutral states met highly armed NATO- and Warsaw-Pact-countries. Member States of the European Union EU, the European Free Trade Association EFTA and the Council for Mutual Economic Assistance COMECON had different economic systems and tried to influence economic development by state-related economy or competition order. Not astonishing that contacts from East to West and from West to East were rare. But this also held true for the cooperation from North to South and vice versa, as there has never been the intense cooperation as was customary between the Federal Republic of Germany and the Benelux-States or France for instance. Additionally, “normal” contacts between the citizens of the countries have been complicated or even made impossible by long-winded granting of visa, slow customs clearance and exceeding controls – bearing in mind that also insufficient infrastructure handicapped traffic.

Only the reunification offered the potential to development of the whole region

The political change at the end of the 1980th, the regaining of the independence by the Baltic Republics, the reduction of military confrontation, the increasing free movement of persons, the gradual enlargement of the EU, the beginning reduction of trade barriers between the countries around the Baltic Sea, all this set the stage for a real cooperation in the region. Today, the Baltic Sea Region is considered as being a model region in the EU, where it has been achieved to reduce separation widely, to adjust living conditions to a large extent and to create sustainable structures in almost all areas. Who would have believed in the beginning of the 1990th that 15 years later all countries around the Baltic Sea – except Russia and Norway – are members of the EU and also the economic

situation in all countries displays that positively? Of course, the actual global economic situation has affected the countries in the Baltic Sea Region and leads to major problems there. But the quality of the previous development, the structures built and the not fully utilized potential of cooperation give cause for hope that the current crisis will not hit the countries harder than other states and that soon recovery is probable.

At a critical appraisal of the positive development of the Baltic Sea Region in the last 20 years, it is important to note that all this has happened mainly in a bottom-up process. The freedom of travelling enabled a variety of private contacts, meetings and initiatives as well as programmes of partnership, friendship and relief, all of them without engagement of politics and governments. The people are interested again in the neighbours of the Baltic Sea Region, they remember their common history and remember more all what in centuries has banded together than what has separated during the Cold War. Not least, it was the reminiscence of the Medieval League of the Hanse, that regained actuality around the Baltic Sea as a league of merchants, that has led the region to economic and cultural boom years. The idea to connect with this area has led to numerous activities.

Business contacts already during the 1970th

It would be wrong to believe that there were no connections at all in the area before the political change. They existed, but more or less casually, often only sporadically and always running the risk to be cut by political reasons. Business often was the pacemaker for cross-border contacts, which were more or less tolerated by politics. Even if the single governments did not negotiate with each other at that time, they knew about the importance to find ways for the exchange of goods. This was important especially for the shipping lines and might explain that already in the early 1970th the the first “half-public” contacts arose, for instance between the Polish Chamber of foreign trade and a German

Chamber of commerce and industry, the Kiel Chamber. Similar relations to the German Democratic Republic have been created by business organisations from Scandinavia. Regularly, the big trade fairs in the East, the fairs in Poznan and Leipzig presented themselves as meetings between East and West and increasingly, politicians accompanied business delegations to their meetings. The – slow – political thawing led to twinning arrangements between cities and regions, however mostly signed under political aspects and therefore leading more to meetings of politicians and less to meetings of the citizens.

Political initiatives for Baltic Sea cooperation

The topic Baltic Sea cooperation appeared on the public agenda only when the “big” policy focussed on it. It was Björn Engholm, elected 1988 as Minister President of Schleswig-Holstein, who mentioned in his first government policy statement that Schleswig-Holstein should and had to seek a close cooperation with the Baltic Sea states to become a dynamic business region. The idea to create a “New Hanse” has been discussed in policy and the “International Hansa Days“ of modern age, organised by some cities since the 1980th, gave support to this idea. Schleswig-Holstein gained the reputation of being the “engine” of the Baltic Sea cooperation. A think-tank called “Denkfabrik”, created by the government of Schleswig-Holstein, developed and initiated numerous projects. However, the players realised that a sustainable cooperation could only ground on an institutionalised Baltic Sea cooperation.

The North European Club NEC was one of the new institutions. NEC aimed at implementing the “Baltic idea” in the economic sector. Mainly initiated by Björn Engholm and the CEO of Volvo at that time, Pehr Gyllenhammar, 13 business leaders, all CEOs of large-scale enterprises from Denmark, Sweden, Germany, Finland and Norway developed ideas and activities in the fields of traffic infrastructure, environmental protection, education and culture. At that time projects were born which still are trend-setting today: the

Oresound-bridge, the Fehmarnbelt-Crossing and as cultural initiative the “Ars Baltica”. Despite these forward-looking activities, the NEC lost its significance in a political surrounding that focussed more and more on Baltic Sea cooperation and has been replaced by other bodies. 1992 finally, after preparatory work of Björn Engholm and Mats Hellström, the Council of the Baltic States CBSS has been founded as an initiative of the Danish and the German Foreign Ministers Uffe Ellemann-Jensen and Hans-Dietrich Genscher. Since then, this annual conference of all foreign ministers around the Baltic Sea with its different bodies tries to push the political, economic and social development of the region and to coordinate all transnational activities. It was important that from the beginning Russia and the EU participated in the CBSS. By this, the CBSS was the only political institution, where the northern EU-Member-States, members of the Nordic Council, countries in transition as well as the Russian Federation cooperated on an equal footing. Many other institutions and bodies covering the whole Baltic Sea region came into being at this time in similar configuration, as for instance the Baltic Sea Parliamentary Conference BSPC and the Baltic Sea States Subregional Co-operation BSSSC. Multifaceted were also the NGOs in the region, as the Baltic Rectors Conference, the youth organisations, the trade unions, the cities, the environmental protection organisations and cultural institutions. In the beginning, this variety impressively promoted the idea of close cooperation, later it partly led to redundant work and fragmentation of power with the consequence of idle and slowly decreasing engagement.

The chambers of commerce and industry cooperate

Economic cooperation in the Baltic Sea region has been intensified since the end of the 1980th. Especially the chambers of commerce and industry could build on established forms of individual cooperation. However, this cooperation consisted mainly between Scandinavian chambers, in some cases also between chambers of Scandinavia and

Germany and in few cases with institutions in the state-related economies. The Chamber of Southern Sweden in Malmö and the Kiel Chamber played the major role in an intensive cooperation of all chambers in the Baltic Sea region. In the summer of 1989 a conference with delegates from business around the Baltic Sea took place in Kiel in order to discuss the potentials of Baltic Sea cooperation after the enlargement of the Single European Market. Several meetings followed and in 1992 the Baltic Sea Chamber of Commerce Association BCCA was founded in Rostock. In the beginning the BCCA counted 23 members, later 52 chambers of commerce from all 10 Baltic Sea littoral states, among them the re-founded chambers in the three Baltic Republics. Especially these chambers called for a close institutional cooperation as they intended to secure the newly gained independence and sovereignty of their countries by membership in transnational organisations. The first elected president of the BCCA was the Secretary General of the Kiel Chamber of Commerce and Industry, Wolf-Rüdiger Janzen, and the BCCA Secretariat was established at the chamber in Kiel. The first Vice-Presidents came from Tallin, Gdansk, Malmö and Tartu. By the foundation of the BCCA the business sector was now able to create concepts for the development of the Baltic Sea region and to implement them with support of the politics. Politics on the other hand now had an address that represented die whole institutionalised business of the Baltic Sea region.

Building-up an efficient network of chambers

The chambers of commerce in the Baltic Sea region vary significantly in their legal foundation, in their number of members and in their fields of activities. There are chambers under private law regime with several hundred member companies such as in the Scandinavian countries, there are state-related chambers i.a. In the Russian Federation and there are chambers under public law with mandatory membership and several thousand members. Hence, the fields of activities of these chambers differ as much as the number of staff. But all chambers are active in the promotion of economic development,

promote their business location and offer services to their members, for instance in the field of export and import of goods. They also take care of the development of the regional retail market, the vocational training and the traffic infrastructure of the region. Some chambers even maintain own or are engaged in projects or institutions for technology-transfer, for advanced vocational training and further education or for regional development issues. This is especially valid for the German chambers under public law regime. In order to develop efficient common strategies under these different structures it was important to spread specific knowledge of single chambers to others. This has been implemented by means of information services, staff twinning and internships, so that the competent chamber staff was able to communicate directly with his or her counterpart in a partner chamber for the benefit of the companies. The newly or re-founded chambers in Poland and the Baltic Republics were in a special situation: It was important first to support these chambers in building-up operational structures at all and to assist them in proving their expertise in economic matters as advisers for policy, for public institutions and for the companies of their countries. This has been essential, as the idea of a business self-administration has not been supported in all countries from the beginning; often chambers were seen as competitors. As these countries were long-time used to state-run structures, some intended to maintain those also in the economic sector, others rejected any idea of nation-wide chamber structures at all. Though it could be foreseen, the newly founded private companies in these countries needed experience and advice to stand their ground under the “new” rules of market economy. Hence it was necessary to establish competent chambers that were able to support these companies efficiently. Therefore, the BCCA assisted the chambers in the transition economies in their demand for a public law regime and mandatory membership, as this would have been the basis for an immediate personal and financial strength. Unfortunately, this proposal has been rejected by the governments of these countries arguing that a mandatory membership would not be reasonable after

many years of soviet public restraint.

In order to realise a fast implementation, some Scandinavian chambers, but especially German chambers – partly making use of government aid – took an active part in building-up the new chambers. They sent short-time experts, instructed the new colleagues from the transition countries in their own chambers and offered assistance by staff and financial means. The Kiel Chamber of Commerce and Industry for instance allocated two staff members to the chambers in Koszalin and Tallinn for several years. Often, politicians from the transition countries visited the Kiel chamber in order to collect information on-site about the economic self-administration and the promotion of economic development. Other BCCA member chambers were integrated in these projects, and thereby new functioning chambers had been formed which quickly gained acceptance of their members and politics. With this, in the Baltic Sea region existed a tighter network of competent and capable business organisations than in other regions in Europe or even on a global scale. The BCCA had and still has under his actual president Stephan Müchler, Malmö, the potential to approach more than 450.000 companies with own projects or those initiated under the CBSS. On the other hand, the BCCA is the organisation to approach politics, i.e. the national governments, the CBSS in Stockholm or politics in Brussels with requests, wishes and ideas from the companies in the Baltic Sea region.

Actions for the business development in the Baltic Sea region

After the long “artificial” separation of the countries in different power blocs, the first priority of the BCCA was to inform about the economic situation in the different countries, in order to offer companies the chance for new business opportunities. With this aim, the BCCA organised annual “Hanse Business Days”, first in Southern Sweden and in Northern Germany, later also in the Baltic Republics and Poland. These “marketplaces of business” generated numerous international business contacts between companies. Additionally, the

companies had the opportunity to get a first overview about the economies in the Baltic Sea region without the – at that time still sometimes troublesome – expeditions in the single countries. Therefore, the BCCA lobbied for an Europartenariat in Gdansk (with participating companies from all over Europe) and for Baltpartenariats in the transition countries. All of them were successful, proven by many foreign trade contracts. The BCCA also supported other institutions active on the field of economic development of the Baltic Sea region. Thus, by its president the BCCA took part in the foundation of the Baltic Sea Forum and was represented in the Steering Committee of the Baltic Development Forum, founded by the former Danish Foreign Minister Uffe Ellemann-Jensen. From the early 1990th till today, representatives from government, politics, science and business discussed in these boards and institutions about further options for the development of the Baltic Sea region. Political consulting was and is for the BCCA an essential part of its activities. All actors had been eager making use of the new situation and enforcing economic development as well as privatisation of the companies. But of course there was no patent remedy, and that was valid for politics and governments, too. Thus, they gladly came back to the advice and the experience of the BCCA and its member companies and asked for proposals. As a matter of course the president of the BCCA was permanent guest in the annual meetings of the foreign ministers in the CBSS conferences. The same applied for the working bodies of the CBSS where the business' proposals and ideas were discussed and often taken up. On invitation of the BCCA, discussions with the Ministers for Economic Affairs and other single ministries were organised. The 1990th were characterised by a close cooperation between politics and business, probably unique in Europe, and offered the chance to solve problems in quick and uncomplicated procedures without major bureaucratic difficulties.

A major barrier for the development of the whole region were the long waiting-times at the

borders, as well for the passenger traffic as for the traffic of goods. To accelerate the discussion in the bodies of the CBSS and in the EU, the BCCA mounted the campaign “2 hours in 2000” with the – in the beginning utopian – perspective to reduce waiting-times at all borders in the Baltic Sea region to two hours or less. It was clear that this aim did not only require an expansion of the infrastructure, but also an intensive training of the staff in the customs authority. BCCA took an active part in information and training seminars, but had to realise quickly, that the reduction of this and other barriers was of longer duration than hoped for. In close cooperation with companies, the BCCA listed main trade barriers again and again and addressed them in the meetings of the CBSS and other institutions like the BSPC and the BSSSC. At the request of the EU, the Business Advisory Council BAC had been implemented in the end of the 1990th, which members came from of Baltic Sea littoral country each. The first Chairman of BAC was the president of the BCCA, which offered the advantage that the economic sector could still speak with one voice.

Through its member chambers the BCCA initiated numerous consultation days dealing with matters of foreign trade and a variety of information seminars in the whole region and campaigned for more companies' engagement in the transition countries. These countries noted permanently an increasing interest in their state-agencies for privatisation and the raising of private foreign capital proved to be very successful. Very soon the historic relations within the Baltic Sea region revived and closer cooperation between Scandinavia and the Baltic Republics for instance became visible. By the northern enlargement of the EU the cooperation between the Nordic countries and Germany not only in economic, but also in scientific and technological areas became closer too enabled by European economic development programmes. Besides, the BCCA chambers became more and more engaged in cooperation with the science sector, technology transfer and the advanced vocational training. All this was exercised by the conviction that after the “starting years” with often stormy development, these areas would become of special

importance for the companies and the business regions.

Rather soon, the Baltic Republics were known under the name “tiger-states” and the world noted with admiration that for instance Estonia outperformed Western European countries in the daily use of information technology within only few years. The foreign investments achieved high results. Attentive observers were not surprised at all to see the Baltic Republics in the first group of EU candidate countries, despite still many prejudices in the western public perception: Often, the economic potential was simply measured at the number of citizens. Often not seen was the increasing demand that could be expected from the accession to the EU. With amazement the “old” EU member states watched the high growth rates and this development seemed to last for some years more. But all forecasts were obsolete by the end of 2008 / beginning of 2009 when the global economic crisis hit the new EU member states fiercely. But also the other Baltic Sea countries had to record negative development. Many projects had to be stopped, the trade cycles deteriorated quickly.

Future development of the Baltic Sea region

However, the perspective for the economic sector in the Baltic Sea region is not bad. With the overall positive economic development in the region during the last twenty years, many competences in economic and technological areas had been achieved. In the Baltic Development Forum's “State of the Region Report 2008”, Prof. Dr. Christian Ketels just underlined that the Baltic Sea region was, due to the close cooperation in many areas, in a good position. He holds the view that the region has the potential to be further a model in the EU for new integration and an example for local, national and cross-border cooperation.

In these times, nobody knows how future development will look like. But it is true that the cooperation in the Baltic Sea region, also in the economic sector, has become closer

permanently. Still, the potential for cooperation is not exhausted and offers in the framework of a new “EU Baltic Sea region strategy” chances for further major improvement. The amount of highly educated people, the unique denseness of universities and research institutes, the high competence in many business branches and close networks for the assistance and the mentoring of companies offer excellent preconditions - but must be used even more intensively. After the global disenchantment of globalisation, matures the awareness that global actions of small and medium sized companies remain – at least partly – unclear and therefore are somewhat dangerous. Hence, it might be that regional cooperation for companies becomes more important. This is valid for trade relations as well as for cooperation of companies, for economically oriented services, for tourism and not least for technology transfer. Especially here the network between technology transfer agencies, universities and research institutes must be knotted even more closely. As an example could serve the maritime industry, of which are part not only ship-building, shipping and maritime tourism, but also offshore-technology, energy generation, fishery and fish-farming, maritime research and maritime technology, maritime environmental protection, security and safety of ships, maritime logistics and many more. Several regions in the Baltic Sea countries hold outstanding economic and scientific knowledge in these issues. To spread this, to initiate common projects under participation of research institutes and companies from the whole Baltic Sea region, to commonly apply for public EU funding or to develop new forms of transnational cooperation, this is the chance of the Baltic Sea region. This does not only apply for the maritime industry, but also for other economic sectors. If this succeeds, the Baltic Sea region will remain a model region in the EU.