BRE
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BALTIC RIM ECONOMIES

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ANNE-MARI VIROLAINEN
Finnish-Swedish economic relations – together stronger on the global market

ALEKSEI KUDRIN
Russia's economy after 2018: Long-term challenges, short-term solutions

JARMO LINDBERG
Finnish-Swedish defence cooperation advances

JOUNI KEMPPAINEN
Climate change will not stop without broad co-operation

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BRE REVIEW

BALTIC RIM ECONOMIES

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EXPERT ARTICLES

ANNE-MARI VIROLAINEN

Finnish-Swedish economic relations – together stronger on the global market

Expert article • 2440

Small and open economies such as Finland and Sweden are far from being immune from political risks and global market turmoil. With global value chains leading to interdependence between economies everybody is affected by a fluctuating situation. The soured relations between the US and EU is not only affecting the European area, but is also a global challenge, as the transatlantic relationship has an impact on the global economy as a whole.

We ask ourselves how the future of the EU's trade relations will look post-Brexit. When the United Kingdom leaves, the block loses a very central trade partner. At the same time we must stay assured that our cooperation with the UK for a liberal and regulated trade policy will continue in other international fora. The UK will remain a very interesting export and investment market for businesses and that is worth investing in already today.

The big changes and challenges our economies are facing at present will not be solved by closing borders, markets and turning towards protectionism. Instead, it is important to improve the competitiveness of our companies. We need to strengthen the resilience of our economy to prepare it for coming shocks. Foreign trade is a key pillar for a high employment situation and a stable economy. Within the European Union 31 million jobs are directly dependent on export, in Finland the number is half a million people. We need to work closely with our partners to preserve these jobs.

Without a liberal foreign trade policy and an open market, Finland and Sweden could not have become the welfare states they are today. Though Finland and Sweden often are competitors, our economic interests and goals are very much the same. Global trade challenges, like Brexit, have even deepened and strengthened our common interests and increased the need for an even closer cooperation on trade policies and internal market issues in order to make ourselves more resistant.

This year Finland and Sweden have been celebrating 100 years of diplomatic relations. Sweden is Finland's closest partner in the world and our closest trade and economic partner. Our economic and commercial lives are very closely linked. When Sweden is successful it also gains Finland. This makes us stronger and more resistant globally.

Sweden is a natural export and import market for Finnish companies. It is in many ways identical to Finland in regards to industrial culture, society and its people. Both Finland and Sweden are among the most prominent countries in the world considering economic growth, technology and education. This has also been reflected in several international surveys. Political stability, low level of corruption, well-educated workforce and favourable business conditions are the pillars of both countries competitive advantages and the reason why the countries are attractive also with foreign companies and investors.

In numbers the close link is clearly visible. Sweden is the largest investor in Finland with a 45 percent share of the investment portfolio. Roughly 30 percent of Finnish direct investments are going to Sweden. Sweden is Finland's biggest export market for goods right after Germany. In import statistics, Sweden comes as number three on the list. In 2017 the volume of imported goods from Sweden was nearly seven billion euros and the export of goods to Sweden around six billion euros. Sweden covers for one fourth of the Finnish service export and import.

The Finnish-Swedish Chamber of Commerce founded in 1936 is an excellent proof of the close ties between our countries. Today the Chamber is helping small and medium businesses in Finland with everything that concerns the Swedish market. Together with Business Finland and the Finnish and Swedish embassies, the Chamber also aims to develop and deepen the bilateral trade relations between Finland and Sweden, as well as create positive networks around the business world and media.

> Sweden is the largest investor in Finland with a 45 percent share of the investment portfolio.

Business Sweden has been active in Finland since 1974. The Finnish office has, through the years established a vast and successful network of business leaders and political decision-makers in order to promote Swedish business in Finland.

The last few years mining, telecoms, environmental technology, food and medicine technology have been the most attractive sectors for investment in Finland. Also in the start-up world Finland has become renowned, not at least for the attention given to SLUSH, the most important meeting point for Nordic start-ups and potential investors. Sweden and Finland strive together to further strengthen our economies by cooperation even closer with our other Nordic friends, in the most integrated region in the world. ■

ANNE-MARI VIROLAINEN
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ALEKSEI KUDRIN

Russia's economy after 2018: Long-term challenges, short-term solutions

Expert article • 2441

The Russian economy is challenged by an inertial development model and low dynamism. One recent effort to energize the economy has been the presidential Order *On National Goals and Strategic Objectives of the Russian Federation through to 2024* issued May 7th, 2018, setting new ambitious goals for the Government.

Nine national goals are to be achieved by 2024: (1) ensure sustainable natural population growth; (2) increase life expectancy to 78 years; (3) ensure sustainable growth of real wages and pensions above inflation; (4) cut poverty in half; (5) improve housing conditions for at least 5 million households annually; (6) increase the share of innovating organizations to 50%; (7) speed up the digitalization of the economy and the social sphere; (8) become one of five world's largest economies with growth rates above the global average and inflation below 4%; (9) support high-productivity export-oriented businesses in the key sectors of the economy, doubling non-raw-material and non-energy exports.

The Government will execute the Order by implementing 12 national projects, as well as the Integrated Infrastructure Modernization and Expansion Plan – essentially, the thirteenth project. However, there is a lack of clarity on how they will help to achieve the goals.
It will be particularly difficult to reach the intended growth rates. The growth potential remains at 1.5-2%. The forecast underpinning the current three-year budget assumes moderate growth, with expected rate at 1.6-1.8% GDP in 2018. In 2019, the official forecast assumes a decrease to 1.3%. Growth is expected to increase to 2% in 2020 and 3.1% in 2021.

However, there are a number of risks that may lead to slower growth: inflation in 2019 may be above the planned 4.3% and the VAT will be raised from 18 to 20%. In 2018, real incomes, decreasing for four years in a row (by a total of 11%), may see zero or even negative growth. External factors are also at play, with further sanctions against Russia and a deteriorating global environment. Experts assess that sanctions 'subtract' around 0,5% of growth annually.

As a result, real growth in 2019 may be at 1% or less, which is below that forecasted by the Government and the Central Bank. 3.1% growth is achievable only through a very active economic policy and institutional and structural change.

Some structural changes are visible in two domains – the reduction of non-oil and gas budget deficit and the launched pension reform.

The Government has presented an ambitious plan to reduce non-oil budget deficit. Diversifying away from oil is a key challenge for the Russian budget system. During peak oil in 2012, non-oil & gas budget deficit stood at 9.7% of GDP, it will slide to 7.3% in 2017 and is expected to reach 6% by late 2025.

Another major change is the pension reform. After the transition period in 2028, the retirement age will hike from 60 to 65 for men and from 55 to 60 for women. But the budget will actually start to save money only after 2028-2030 and these funds will remain in the Pension Fund. So the budget will basically not save any money with the increase of the retirement age. On the contrary, raising retirement benefits at first will require additional 7.5bn USD at current rates annually.

The federal budget would ideally reflect the new growth model as well. Over the next three years, spending will increase from 18 to 20 trillion rubles (270 to 202bn USD at current rates), but with a decrease from 17% to 16% as share of GDP. Meanwhile, the budget structure for 2019-2021 will remain the same. With an overall decrease in expenditure, there are slight cuts in national defense (0.3 p.p.), national security and law enforcement (0.2 p.p.). Productive expenditure, like education, healthcare and infrastructure, will not increase as percentage of GDP. This means that the budget is not responding to the challenges of the technological revolution and a need for emphasis on human capital.

Another systemic task highlighted in the presidential address to Parliament is the downsizing of the public sector. This isn't the case, however, with the current draft budget expecting to gain less than 400mln USD from privatization in three years. On the contrary, SOEs continue to acquire private assets.

The President has not only assigned ambitious goals, but also formulated a 'breakthrough' policy involving substantial changes beyond budgeting. Institutional reforms are needed, including improving of public administration; lowering the administrative burden on businesses; enhancing regulation; upgrading of the judicial system. In the coming three years, the Russian economy will continue to face the need for structural change. The national goals will not be easily achieved. Taking into account the external environment, growth rates may be much lower than desired, thus questioning a breakthrough and a change of the economic model. ■

ALEKSEI KUDRIN
Chairman
Accounts Chamber of the Russian Federation

ANNA-MAJA HENRIKSSON

Strategic collaboration, influence and results

Expert article • 2442

There are many things to appreciate about our part of the world. Our weather might be a tad on the colder and darker side in winter, but in the grand scheme of things, maybe that is not so bad. We make up for it in summer after all, and with a wider perspective, our climate is quite livable. Looking at the Nordic countries bordering the Baltic Sea, Finland, Sweden and Denmark have well-functioning economies, and stable political systems. The combined population of Finland, Sweden and Denmark is well over 21 million, and adding Norway and Iceland, we are almost 27 million people. Without Norway and Iceland, but adding the Baltic States, we reach that same number. Together we are everything but small. In the Nordic countries, we have a strong tradition of a well-developed and well-functioning welfare state, even though necessary reforms are on the horizon. In the Baltics, the rapid economic growth has made a new form of state possible, and it is easy to admire, for instance, the digitalization of the Estonian society. Obviously, we still have to work at making the best out of our possibilities, but all of our countries can be an example for others. We need to work together to defeat unhealthy nationalism and shortsighted populism. It is our job to make sure our democracies develop towards more transparency and more inclusiveness. Our people should all feel included and heard.

One issue that I, together with the Centre Group, have brought on the agenda of the Nordic Council is the issue of Nordic-Baltic eID (NOBID) – a project to secure borderless access for citizens and businesses using their own national eIDs, to digital services throughout the Nordic-Baltic region. I am very pleased to see this project move on and find it to be an essential tool for us as we move closer to each other, both in an economic and a cultural way. Easier access across the Baltic Sea, and less complicated bureaucracy, is something that will benefit all.

The health of the Baltic Sea concerns us all. The valuable work of the Helsinki Commission (HELCOM) cannot be stressed enough. Many things have been done to make sure our agriculture and our industries are well managed, and making sure waste is cared for in our ports and not dumped at sea. The amount of human waste sent out from shore is also being dealt with – and all these efforts should help improve the situation. We need to be mindful of the challenges ahead – our Baltic Sea needs help, and we are the ones tasked with helping.

There are of course many things to consider when one looks at how to best face the future. One thing is clear to me at least – we are better off working with one another than figuring everything out alone. Each of our countries in the Baltic sea rim are dependent on a functioning global economy, our industries need efficient ways to reach the end-customer, whether they are near or far, and we thrive in a stable and predictable world. As a region situated in our own corner in Europe, we are far better off working together. Our interests should be similar, no matter the political winds of the moment. We stand for democracy, human rights for all, transparent government and economic progress through open economies with free and fair trade. We need to make sure our interests are heard everywhere. This we can best accomplish together.

Finland may be a small country when it comes to our population size, but having represented Finland around the world as Minister of Justice and serving in Parliament in Helsinki, I know that Finland is respected beyond its size. I am also very aware that our voice is heard the loudest when we work with our partners, no matter the setting. Representing a political party that has never been among the biggest in Finnish politics, I am also very aware of the need for collaboration to get things done. Having been part of almost every coalition government in Finland our influence has been far bigger than our size may suggest. In a partnership one values trustworthiness, knowledge and effortless cooperation that works. These lessons are not only valuable for a political party but can also be applied in almost any other context.

We already cooperate through many organizations present in our region. Much can be done through the Nordic Council, and much can be achieved in the EU when we work together. We need to learn how to utilize the networks already in place to our benefit. There might be voices crying for us to look at our own countries first and ignore others – but I am convinced that we are far better off ignoring those voices and striving for yet more partnerships and close collaborations. I am willing to work for new ways of making the voices of our region louder. We have challenges when it comes to the environment and to our collective security. Our economies need working free trade without bureaucratic obstacles and harmful tariffs. These, among other things, we can best address together. I will work endlessly to achieve this moving forward. Please come along!

ANNA-MAJA HENRIKSSON
Member of Parliament and Party Leader
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ANDERS AHNLID

Civil defence next for Finnish-Swedish cooperation

Expert article • 2443

For centuries the Baltic Sea has bound Sweden and Finland together as two parts of the same realm. As relations between Sweden and Finland today are both broader and deeper than ever before during Finland's now 101 years of independence, the Baltic Sea continues to play a prominent role for the cooperation between our two countries.

Over the past few years our relations have deepened even further through extensive defence cooperation. This, in turn, has been prompted by the changing military-strategic situation in the Baltic Sea region, which has made the region less secure.

Rapid progress has been made regarding cooperation between the respective country's military defence forces since 2013, which is now formalized in a Memorandum of Understanding signed by defence ministers Peter Hultqvist and Jussi Niinistö in Turku in July 2018.

The Swedish and Finnish defence forces have been tasked to plan for joint action "beyond peacetime conditions", that is in crisis or, if the worst comes to the worst, war. Finland has enacted legislation that makes it possible to give and receive assistance to and from Sweden. Sweden has basic legislation to be able to give and receive assistance in place and is currently processing new legislation enhancing the possibilities even further, in the case of giving and receiving military assistance to and from Finland, which is due to be finalized during the coming spring.

The cooperation has advanced furthest between the Swedish and Finnish navies. A joint Swedish-Finnish Naval Task Group (SFNTG) has been set up in the Baltic Sea. It has reached initial operational capability, meaning that it is able to conduct naval operations, and will have full operational capability in 2023.

The Swedish and Finnish air forces frequently exercise together. Agreements for easy access to each other's ports and air bases exist, and ongoing work will enhance those possibilities even further. The respective land forces are also stepping up their cooperation, frequently exercising together.

Secure communication has been established. Swedish and Finnish service men and women as well as public officials serve in the other country's defence forces and defence ministry.

As the cooperation in the area of military defence is maturing, time has come to seriously consider and engage in cooperation also on civil defence in order to cover all components of Sweden's and Finland's total defence.

The case for such cooperation has been made by the Swedish Defence Commission, which prepares Sweden's next defence bill, due in 2020. In its report "Resilience – the total defence concept and the development of civil defence 2021-2025" published in December 2017, the commission elaborates on the need for civil defence cooperation with Finland.

Sweden ended most of its civil planning for crisis around the year 2000. Much of the previous total defence, and in particular civilian measures, were withdrawn, while remaining parts largely focused on peacetime crisis management.

However, the need for a functioning total defence was again expressed in the 2015 defence bill, and planning resumed. The government of Sweden's 2017 National Security Strategy defined access to water, food, energy, transportation and communication, functioning health care and supply of pharmaceuticals as national security interests. On the basis of the Defence Commission's report, the upcoming defence bill is likely to give further strategic direction and define ambitions for the planning of Sweden's total defence efforts.

While Sweden "disarmed" its civil defence, including emergency stocks of various sorts, Finland did not. Instead, Finland has maintained and modernized the structures for its civil defence. The Finnish system for emergency supply was to some extent modelled upon the Swedish system after World War II. Today, Swedish officials come to Finland to study how the National Emergency Supply Agency operates and how it fulfils the objective of ensuring "…the continuity of production and infrastructure vital to society under all circumstances". Sweden has much to learn from Finland. This fact and the development of the military defence cooperation explain Sweden's interest in expanding the cooperation to civil defence.

There are also arguments for why Finland should be interested in an expansion of the cooperation. The Swedish Defence Commission writes that Atlantic-centered westward transport and communication connections, including through sea, railway and road transport, are crucial for Sweden's ability to endure a crisis or resist a military threat or attack. Western transport and communication links are equally important for Finland in the case of foreclosure during crisis or war in the Baltic region.

The Defence Commission notes that Gothenburg harbor is of key importance for the supply of necessary goods to both Sweden and Finland. Hence, to maintain these links is crucial and of existential interest to both countries, which in turn constitute yet an argument for cooperation. In addition, to uphold western corridors of transportation, the Commission proposes to add Norway to the cooperation on civil defence. Cooperation is also envisaged within the ongoing Nordic Defence Cooperation (NORDEFCO).

The Swedish Defence Commission underscores the need to reestablish Swedish security of supply for foodstuffs covering a period of three months. Likewise, an assessment is needed concerning supply of strategic goods and services, including transport, energy, electricity and digital communication. The Commission finds that Finland's way handling security of supply for foodstuff could act as a model for Sweden.

Expert article • 2443

Finnish civil defence rests upon clearly defined cooperation between the state and relevant private actors, amongst which the business community plays a key role. Sweden has largely dismantled this form of cooperation as well, but this will also change. A public inquiry has recently been mandated to assess the situation, clarify the role of the business sector and propose a new structure for public-private cooperation as part of Sweden's total defence. It will no doubt also study Finland's model very carefully.

The Finnish-Swedish defence cooperation is an important element in the two countries' security and defence policy, together with international cooperation with other partners, such as the Nordic countries, the United States and Nato. In the years to come it will hopefully be extended to include also civil defence.

ANDERS AHNLID
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MAXIMILIAN HENNIG

The Austrian Presidency of the EU Council

Expert article • 2444

In July 2018, Austria took over the Presidency of the Council of the European Union. This is already Austria's third presidency since it joined the EU together with Finland and Sweden in 1995. Much has changed in the European architecture since then, and the previous Austrian presidencies in 1998 and 2006 were conducted under very different geopolitical and economic circumstances.

The current global environment presents the EU with a number of challenges, including growing global competition, migration flows, instability - including armed conflict - in neighbouring regions, and the growing threat of terrorism and radicalization, all of which require common responses on a European level.

The institutional context too has changed significantly since Austria's last presidency in 2006. The Treaty of Lisbon has altered the nature of the rotating Council Presidency through the introduction of permanent presidents in the European Council and in the Foreign Affairs Council. In addition, the stronger role of the European Parliament, now a co-legislator on almost all dossiers, has led to a sharp increase in the number of trilogue negotiations, thereby substantially contributing to the presidency workload.

After next year's EP elections, we can assume that a newly constituted Parliament and a newly formed Commission will require time to become fully operational and might wish to begin with a legislative "clean slate". Expectations in the Austrian Presidency to reach agreements on as many open issues as possible during the remaining months of the ongoing legislative period are high.

In 2017, an 18-month Trio Programme was launched together with the Estonian and Bulgarian Presidencies. One year later, as is customary for Council Presidencies, Austria defined a clear set of national priorities, under the heading "A Europe that Protects". The three priority areas focus on (i) security issues, including the fight against illegal migration, (ii) improving Europe's competitiveness, including through promoting digitalization, and (iii) stability in Europe's neighbourhood, in particular the Western Balkans.

However, as past experience has shown, trio presidency programmes as well as national presidency priorities are often quickly overtaken by current events, then forcing the presidency to focus on reacting to such developments rather than sticking to their pre-determined agendas.

From the outset, two overarching issues overshadowed discussions in Brussels: the negotiations with the UK on how to conduct an orderly Brexit and the debate on Multiannual Financial Framework (MFF), the EU's future budget scheme for the period after 2020 (this time without the UK and their significant financial contribution).

Nonetheless, the priority issues identified by Austria remain central. Since the migration crisis of 2015, security and the fight against illegal migration remain urgent challenges which require solutions on a European level. Growing awareness in the general population calls for concrete measures, including the protection of EU external borders and strengthening FRONTEX, better control of migration flows, and a full reform of the Common European Asylum system. In addition, steps are required to strengthen cooperation with third countries on ensuring effective return policies and on providing assistance to those in need of protection before they enter the EU.

In the face of growing international competition, securing Europe's prosperity requires continuous work to improve the world's largest single market. Among other things, transforming structures to meet the requirements of today's global digital markets is essential to retain and enhance Europe's competitiveness. For this a modern and well-balanced regulatory framework is required, allowing innovation to flourish and avoiding stifling overregulation. Europe's industrial and tax policies require adaptation to the digital age. Austria has put these issues at the centre of the presidency's economic programme.

Finally, Austria, in full conscience of its historic ties to the countries of South Eastern Europe, has been working hard to maintain the positive momentum in the rapprochement of the Western Balkans towards the EU. The countries of the region deserve a clear perspective on joining the EU, based of course on clear criteria and individual performance. This will help secure stability and peace in the Balkans and thus for the entire continent.

A useful instrument in promoting transnational cross-border cooperation has been the introduction of macroregional strategies. Austria has been intensively involved in the elaboration and further evolution of the EU Strategies for the Danube Region and for the Alpine Region. This work should tie in well with preparations for incoming Presidencies to promote other macroregional strategies, including the EU Strategy for the Baltic Sea Region.

Throughout the Austrian Presidency, great emphasis has been placed on adhering to the principle of subsidiarity. President Juncker's clear statement that the EU should be "big on the big issues and small on small issues" remains true. But the principle is difficult to uphold as large issues such as combatting illegal migration remains difficult while smaller, "low-hanging fruit" seem more tempting to tackle in the short term. However, staying true to the principle of subsidiarity is an important key to retaining the trust and support of the population for the European project – before European elections as well as beyond. ■

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HARRI TIIDO

Finland and Estonia: Common testing ground

Expert article • 2445

Finland and Estonia are both small and technologically advanced. I have often heard that digitalisation of public services or the use of digital ID is possible in Estonia due its small size but it would be different in a bigger country and in cross-border applications.

Thus, we need a bigger example that crosses the borders… In this context it would be useful to join the efforts of these two tech-savy nations in order to prove that digitalisation works also across the state borders and on alarger scale. If we add the other Nordic and Baltic countries we could have a regional example. That would be big enough to prove, for the starter, to the rest of the European Union, that public services could be turned digital on a wider scale.

The drive towards the digitalisation of public services is not a goal in itself. In fact, it's quite selfish – Estonians would like to have the same ease of using digital services, e.g. digital medical prescription, everywhere they go, not just at home. And Finns would be as happy to use these services in other countries as well. People are more and more moving around in search of better living and working environment. Thus the need for the spread of digital ways of doing business, running one's everyday life and using different services is growing.

Estonia and Finland could be a testing ground for all kinds of innovations due to their receptivness to technological novelties. Different new solutions using digitalisation, AI or anything else are on the rise in a number of countries and they are a focus issue in the EU in general as well. Why not run them through this two-country cross-border testing ground first and then apply them, in case of success, on a wider scale.

All the new applications are not only new gadgets, they are elements of a new technological and social environment that we will be living in. This environment demands a whole set of new approaches – there will be a new labour market that demands a new education market and also a new social security market. Elements of this new environment are already in existance – the possibilities of distant work from your home computer are widening, „digital nomads" are a fact of life, the pattern of constant exchange between studies/training and work is becoming more widespread, the governments are becoming aware of a necessity of creating a social security „purse" that moves along with the person in order to provide him necessary security where ever he lives and works, etc.

All these changes might demand also changes in legislation. In Estonia thinking is going on to create legal grounds for the use of AI. Who would be responsible in case a robot makes a blunder? Do AI applications have rights and/or responsibility? How to solve the possible legal issues arising from the interaction of AI and humans? Or may-be we won't need any new legislation at all and the solution would be in creative use of the existing one? The list of questions is most likely longer than the list of answers. But we have to think about them before they they hit us hard. And in this thinking Estonia and Finland can also be leading the way, creating legal samples that can be, in case of success, utilized on a wider scale.

Both Finland and Estonia are also known for their good environment for start-ups. Some of them attract bigger investments and move elsewhere, closer to some bigger market. But new ones emerge because the mental, legal and digital environment is suitable for them. New and sometimes even crazy ideas are something that we direly need. In fact, it would be useful to create in every country an Agency of Crazy Ideas that would collect all of them. It could have two deparments, or folders: „problems" and „solutions", because sometimes a solution is created without a problem to solve. And vice versa… These agencies could form a network that would be also connected to universities and institutes so that the students and professors could pick out suitable problems or solutions for their degree thesis. In order to avoid unnecessary bureaucracy these agencies should also be like start-ups, emerging and then drawing initial financing from the interested parties. And in this issue as well Finland and Estonia could lead the way.

> Estonia and Finland could be a testing ground for all kinds of innovations due to their receptivness to technological novelties.

This kind of cooperation from digitalisation to the collection and implementation of crazy ideas could lead to a common goal of creating an area of clean nature and ecological farming, flexible and highly advanced education system that is attractive on a global scale, perfect environment for the birth and maturing of new ideas, perfectly easy conditions for doing business and using public services, high-tech environment-friendly industries and flexible but efficient social security system. This hub of attractive conditions would lure in new brains from all over the world and the ideas and solutions, created in this hub, could then be used for the benefit of everyone else. ■

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ANDERS LJUNGGREN

The step by step growth of cooperation between the Nordic and Baltic countries

Expert article • 2446

In 2019, the Norden Associations celebrate their 100th anniversaries. Founded after the First World War, the project was spearheaded by national organizations in Denmark, Norway and Sweden. An important impetus to their formation was the experience of obstacles to foreign trade during the war, to a large extent resulting from the blockades imposed by the warring parties.

The Norden Associations were created as national membership organizations, with a large number of local groups. Considerable support was given by private interests, as well as from leading officials in the governmental and educational sectors. Networks were created between vocational groups, schools, libraries and other cultural institutions. This can be described as foreign policy from below.

Immediately following the war the states on the eastern side of the Baltic Sea were struggling to secure their independence. Relative stability was not achieved until the peace treaty in Dorpat (Tartu) in 1920. In Finland a sister organization was created in 1924, Pohjola-Norden. The orientation of Finland towards the Nordic countries was not a foregone conclusion, however. Foreign Minister Rudolf Holsti was forced to resign in 1922 following the refusal of the Finnish Parliament to ratify the so called Warsaw Accord with Poland, Latvia and Estonia. It was not until the fifth of December 1935 that the Finnish Parliament proclaimed its orientation toward the Nordic countries, a short while after the Swedish Defence Commission, a forum for consultation between the Swedish Government and Parliament, announced strenghtened efforts in the area of defence.

The interest for the three newly independent Baltic states remained limited. When Estonian politicans requested support from Stockholm they were not met with a positive response.

Finland could secure its independence following the Second World War. This required large sacrifices in the form of human lives and loss of territory. But this preserved independence became crucial for the possiblity of Finland to opt for membership in the Nordic Council, and later in the Nordic Council of Ministers.

The increased cooperation between Nordic states, with the formation of the Nordic Council in 1952 as a notable example, is to a large degree the result of the Cold War. Norway, Denmark and Iceland opted for NATO membership. Sweden officially considered itself a neutral and non-aligned country, while Finland sought to conduct a policy of neutrality while adhering to the Finno-Soviet Treaty of 1948. The Nordic Council became an important factor in the strenghtening of the ties between the countries.

Estonia, Lithuania and Latvia lost their independence during the Second World War, and were occupied by the Soviet Union. Falling behind the Iron Curtain, Poland effectively lost its ability to conduct an independent foreign policy.

Cooperation between the Nordic countries deepened during the remaining years of the Soviet Union. But already before its dissolvement, the Nordic countries had taken initiatives to prepare for closer cooperation with Estonia, Latvia and Lithuania. Nordic information offices could be established preceding the regaining of independence in the three states. The Nordic Council, under the lead of influential politicians such as the former Danish Prime Minister Anker Jørgensen, and former Swedish foreign minister Karin Söder, were able to visit the Baltic states before the collapse of the USSR, and assure them of their support.

The question of inclusion of the three Baltic states into the Nordic Council was discussed in the early 1990s, but did not win support. The cooperation has in fact deepened, however, both between the three Baltic states, and between them and the Nordic countries. A rather comprehensive platform of cooperation has been established between the Nordic and Baltic states under the so called Nordic-Baltic Eight (NB8) format.

In 1992 the Nordic Investment Bank instituted the Baltic Investment Programme. In the middle of the 1990s a special loan facility was created for investment in environmental projects. Estonia, Latvia and Lithuania became full members of the bank in 2005.

The educational exchange programme of the Nordic Council of Ministers, Nordplus, also includes the three Baltic states. As a Swedish ambassador to Estonia, I noticed how actors in the country increasingly took part in institutions belonging to the Nordic Council of Ministers, for example the research collaboration project NordForsk. In 2018 Estonia applied for full membership in one of the premier Nordic cooperation institutions, Nordisk Film & TV Fond.

The latter is the result of a prioritization by the Swedish chairmanship of the Nordic Council of Ministers, in trying to gauge the further interest of increased participation in Nordic projects and institutions. In a short term perspective, Estonia's application for membership in Nordisk Film & TV Fond is a clear outcome of this attempt.

One area that could increase the possiblity of further integration between the Nordic and Baltic countries is the creation of a digital Nordic-Baltic citizenship. If a citizen in one country is able to get their citizenship services online, this would offer citizens in the other Nordic-Baltic states the same possibility in that other country.

At the meeting of the Nordic Council recently the Swedish Prime Minister Stefan Löfven suggested that the Nordic-Baltic region should strive to become world leaders in the introduction of 5G technology. It is by such practical work that the Nordic and Baltic countries can be brought closer together, step by step. ■

ANDERS LJUNGGREN
Former Swedish Ambassador
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ARTUR PARFENCHIKOV

Favorable conditions for investors are being created in Karelia

Expert article • 2447

In 2019 the republican budget is going to allocate 600 million rubles to provide state support for investors within the improved legislation framework.

Investment climate is the main factor of social and economic development of the region. It reflects the level of legislation in the sphere of business support, efficiency of different public service provision, availability and quality of protection and investment environment improvement tools, infrastructure development, and accessibility of resources for business and investment activities.

Having analyzed the state of the investment climate of Karelia in 2016-2017, the regional authorities have taken a set of measures to create favorable conditions for business.

In 2018 forms of business support were legislatively improved. For instance, the share of refundable part of expenses on paying interest on loans was increased, which since 2018 was established in the amount of the Central Bank key interest plus 2 percentage points. There are provisions for reimbursement for investors' costs for purchasing machines and equipment in order to implement investment projects. In 2018 the procedure for concluding special investment contracts was developed and approved providing for 5% on profit and 0% on property. The Fund for Development of Industry of the Republic of Karelia was established. And these are just a few examples.

We plan to allocate 600 million rubles in the republican budget in 2019 to ensure state support for investors within the framework of the improved legislation.

Undoubtedly, one of the principal results of creating a favorable investment climate is lowering the tariffs.

The Government of the Republic jointly with the federal center performed large-scale work. As a result, Karelia was included into the list of territorial price zones of the wholesale market of electricity and power, for which there are specifics of functioning of the wholesale and retail markets. Thus, from April, 2018 the electricity tariff for small and medium-size business in the Republic of Karelia has been lowered from 9,5 rubles to 5,57 rubles per 1 kWh.

It is important to note that the crucial component of further development of the republican economy is attraction of investment. In 2017 the republic managed to overcome the negative trend, which had been forming since 2013. The volume of investment into the capital stock last year was 41,7 billion rubles, which is 11,2% higher than the last year's level in comparable prices.

In 2018 investment in the capital stock is estimated in the volume of 44 billion rubles. We plan to reach this point by implementing large investment projects, some of which were included in the Federal Target Program «Development of the Republic of Karelia for the Period till 2020», by creating industrial sites, territories of advance social-economic development, and also a special economic zone (SEZ).

On the territory of the republic two territories of advance social-economic development (TASED) have already been created – in Nadvoitsy and Kondopoga. A decision was made to create a TASED «Kostomuksha». The work is under way to create a TASED in Pitkyaranta.

Organizations receiving the status of the TASED residents are given exemptions among which there are zero rates on property tax for organizations and land tax, the profit tax rate of 5%, reduced (4 times) tariffs of insurance rates of 7,6 %.

There are 11 monotowns in the Republic of Karelia. The monotowns comprise 46% of the total number of towns where about 23% of the republic's population reside. The significance of working with mono-profile municipal formations was mentioned on the level of the Government of the Russian Federation. On behalf of the Chairman of the Russian Federation Government D.A. Medvedev a decision was made to create a special economic zone of an industrial production type on the territory of Vyartsilya municipality with the purpose to expand the opportunities for using its beneficial border location.

Creating such a stimulating instrument for entrepreneurial activity will provide an opportunity to apply the custom-free zone regime on the territory of the special economic zone, which in its turn is not stipulated by the existing legislation for territories of advance social-economic development within monotowns.

It is necessary to mention that the requirements of the federal legislation provide for modernization of the existing and creation of new objects of infrastructure in SEZ, mostly using budget funds.

Creation of the ready infrastructure with budgetary funds allows for reducing investors' costs by 30% when establishing new production sites.

To remove the existing infrastructural limitations there is a list of engineering infrastructure objects, which are necessary to ensure SEZ functioning.

At present, there is ongoing work to conclude agreements on intentions for activities on the territory of SEZ under creation with two potential residents.

Thanks to the work completed by the Government of the Republic of Karelia we can say that today in Karelia more favorable conditions for investors are being created compared to neighboring regions.

The list of investment projects is still open; the Government of the Republic of Karelia would like to invite investors to locate production lines on the territory of the existing TASED and SEZ, and those under establishment, and to implement their investment projects, making good use of the proposed support measures. ■

ARTUR PARFENCHIKOV
Head of the Republic of Karelia
The Russian Federation

TALIYA MINULLINA

Tatarstan is for smart investors only!

Expert article • 2448

The **Republic of Tatarstan** is the most economically developed region of **the Russian Federation**. Tatarstan is located in the center of the European part of Russia in 800 km to East of Moscow (an hour flight).

Head of Tatarstan: the President of the Republic of Tatarstan HE Rustam Minnikhanov
Total area: 68 thous. sq.km
Population: 3,9 mln people
Capital: Kazan city

Tatarstan is first in the investment ranking among the regions of Russia for 3 years in a row (in 2015, 2016 and 2017) which is the analogue of the World Bank ranking on ease of Doing business. Our investors enjoy the best business hospitality in Russia approved by the Club of Leaders and the best level of innovation activity in Russia as confirmed by the Association of innovative regions of Russia. Along with rankings year by year Tatarstan shows impressive results in top social and economic factors of gross regional product yield, gross agricultural product yield, capital investments volume, industrial yield and construction, new housing supply and retail turnover.

Thousands of foreign companies settled their business in Tatarstan from large-scale plants to SMEs. 50% of all investments to Tatarstan come from Europe. Such worldwide known European companies as Schneider Electric, Ericsson, Daimler, Mercedes-Benz, Bosch, Saint-Gobain, Basf, Rockwool, Air Liquide, Kiekert, Clariant, YIT, Huhtamaki and Ford, Leoni, 3M, Hayat, Fujitsu, Sisecam, Armstrong, Kastamonu, Haier, Saria, from other countries chose Tatarstan for their production, research and business.

European companies are one of biggest investors in Tatarstan: Dutch Rockwool invested in its biggest in Europe plant for stonewool around $150 mln, Czech Drylock opened a plant of hygienic products for $85 mln, German companies Daimler, Mefro Wheels and ZF invested in automotive industry $47 mln, $28,5 mln and $15,5 mln correspondingly and German Saria set an animal feed production facility by $30 mln. From the Baltic states Finnish YIT is worth mentioning of course for its big volume of real estate construction by $ 22,7 mln and we are very proud to have one of investors of McDonald's cluster Finnish company Huhtamaki with paper cups production by $3,5 mln.

Tatarstan is rich in natural resources, diversified industry, advanced logistics and skilled workforce. More than a half of Russia's population (70 million people) live within 1,000 km of Kazan therefore we are the entry point for investors to the Russian market.

Oil and natural bitumens are the main mineral resources of the Republic of Tatarstan. Oil-bearing areas occupy 25% of the area of Tatarstan. Every year, over 35 million metric tons are produced in the Republic, and approximately 50% of extracted oil is processed in Tatarstan. Petrochemical enterprises in the Republic of Tatarstan produce a wide range of products. The most common types of products include crude oil, gasoline, diesel fuel, mineral fertilizers, plastics in primary forms (such as polyethylene, polypropylene), synthetic rubbers, coating materials, detergents and cleaning products, and pharmaceutical products. Tatarstan produces almost half of Russian rubbers like polyethylene, one third of trucks and of automotive tires.

The industrial profile of the Republic is defined by its petrochemical industry (production of oil, synthetic rubber, tires, polyethylene, and a wide range of petroleum refinery products); and large machine-building plants that manufacture competitive products (heavy-duty trucks, helicopters, airplanes and airplane engines, compressors, oil and gas pumping equipment, inland and marine vessels, as well as a range of commercial road vehicles and cars).

Tatarstan's location defines its key role in transport connections between the eastern and the European parts of Russia, as well as communications with other countries. Tatarstan has all types of transportation.

Tatarstan is a region with strong educational and scientific potential. Human capital is of a core value for us. Tatarstan is among the top 5 Russian regions in terms of quality of life. The population of the Republic is 3.9 million people, 76.43% of which is urban, and 2.4 million people are economically active. We consider multinational and multiconfessional peace and unity to be our competitive advantage which is proved by investments from a wide range of countries from all around the world.

Tatarstan proved to be the hub for international events. We started with sports hosting FISU's summer Universiade in 2013, FINA's world watersports championship in 2015, games of world Confederations Cup in 2017 and world FIFA championship in 2018. Tatarstan is shining brighter each year as a meeting point for world-class business events and the next point to prove it is the WorldSkills Championship in 2019.

Economic policy provides favorable conditions for opening people's talents and implementing business dreams. Tatarstan provides investors with the best tax regimes at its investments sites like free economic zones one of which, Alabuga, renowned by Financial Times multiple times as the best free economic zone in Europe for large tenants. Besides, that all investors are encouraged to invest in smart economy as Tatarstan is a smart territory that happened to become an innovative hub of Russia being a pilot territory to may federal initiatives.

Tatarstan is proud of its team: efficient and hard-working. As the Head of Tatarstan Investment Development Agency, I assure that you can meet reliable partners in Tatarstan and we will do our best to make investors not only more reach but happy. ■

TALIYA MINULLINA
The Head
Tatarstan Investment Development Agency
Russia

Member
Tatarstan Government
Russia

ROMEK KOSENKRANIUS

Pärnu: Our cooperation with the Nordic countries

Expert article • 2449

Pärnu is the birthplace of the Republic of Estonia. Here, independence of Estonia was declared for the first time on 23 February 1918. Pärnu is located in west Estonia on the shores of the Gulf of Riga and at the mouth of the Pärnu River. Pärnu received its city rights in 1253, it was a famous Hanseatic city and an important trade port in the Middle Ages, industry and resort developed here in the 18th and 19th centuries. Its favourable location and superb sandy beaches have provided good conditions for the resort development and from the 20th century Pärnu is considered the official summer capital of Estonia. Currently Pärnu extends to over 856 km^2 and has a population of about 52,000.

As mayor of Pärnu I consider relationships with other towns and countries extremely important. When looking at relationships with Nordic countries, I should certainly mention Vaasa in Finland, which has been our twin town for the longest. Our friendship started in 1956. It was the time when, for Estonians, our opportunities for travelling the world were limited, friendships tightly controlled and all activities strictly regulated. In the past 62 years a lot has changed worldwide, not only our statehood. We have been a "receiving" partner, now we are an equal partner.

In recent years we have had very close cooperation in the areas of education and youth work. Several schools and kindergartens have twinned with similar institutions in Vaasa. There are bilateral visits and learning from each others' experiences. Workers in the cultural sphere also have close working contacts. I dare say that contacts between Vaasa and Pärnu are some of the best in Estonia in terms of twin towns. Over the years high numbers of people have made visits to Vaasa or Pärnu, and the contacts are neither formal nor superficially polite. Thanks to people dedicated to joint activities between the towns we have been able to create and retain friendly relationships that last until today. People are the key to communication!

E-state and e-governance are beneficial and make people's lives easier but communication cannot and should not stay at the digital level. It is face-to-face communication which spurs activities and makes them last. This brings me to the topic of money. Quite a few activities have been carried out with external support, be it NORD+ or another, similar programme. Pärnu City Government's budget always has allocations for safeguarding cooperation. Good relationships are not sustainable if one were to rely only on projects and external support.

In addition to Vaasa, Pärnu has twin towns in Sweden. A good example is Helsingborg, which is rather similar to Pärnu as both are on the water. In urban planning we need to consider the River and Bay of Pärnu which renders planning processes more complicated. It is wonderful to exchange experience and ideas with colleagues. In that sense Helsingborg is an ideal partner for us. Another similarity is that Pärnu has a college of the University of Tartu, one of the largest and best known universities of Estonia, while Helsingborg has a college of Lund University, the most prestigious university of Sweden. Pärnu does not have a formal twin town in Norway but Pärnu is a member of the Union of the Baltic Cities, and through this organisation it is easy to find a suitable project partner. Pärnu is also a former Hanseatic town and through the Hanseatic movement we have contacts with Bergen in Norway.

In different projects we have different towns and organisations as partners. We cooperate in various fields of activity, such as tourism, environmental protection or health promotion. Pärnu is a partner in the Baltic Sea project "Hanseatic Approach to New Sustainable Alliances" or HANSA, where partners are towns from Estonia, Latvia and Sweden. The project's main aim is to further develop Hanseatic heritage, promote history and its visibility in each partner town. The project was launched in October 2015 and is funded from the Central Baltic programme 2014-2020. The project output is HANSA as a central tourism brand in the Baltic Sea region resulting from cooperation and joint tourism products developed.

> We cooperate in various fields of activity, such as tourism, environmental protection or health promotion.

Estonia is represented by Viljandi and Pärnu, Latvia by Cesis Culture and Tourism Centre, Limbaži, Pargauja, Koknese and Kuldiga municipalities, Valmiera City Council and Vidzeme planning region, and Sweden by Region Gotland and Inspiration Gotland where the latter is the project's lead partner. The HANSA project outputs include a mobile application for walking routes, and the town will get a new tourist information kiosk. All activities aim to increase the number of tourists year round and make the low season more attractive.

The project "For Better Health" (2017-2018) focuses on health promotion in the Baltic region. The project outputs include proposals on how to improve a local municipality's ability to plan and implement methods for the prevention of lifestyle diseases of the population. In other words, what a town or rural municipality should do in order to guide people to help them make better choices for their good health.

During the course of the project studies and interviews were carried out in project partner countries: Finland, Latvia, Lithuania, Estonia, Sweden and Norway. Pärnu is the only partner from Estonia. This project serves as an introductory stage of devising ideas for a larger project.

The project NonHazCity (Innovative management solutions for minimizing emissions of hazardous substances from urban areas in the Baltic Sea Region) runs from 2016 to 28.02.2019. Its lead partner is the city of Stockholm.

Expert article • 2449

Hazardous substances are found in literally everything synthetic, e.g. cosmetics, household chemicals, clothes, house textiles, building materials, pharmaceuticals, etc. Thus every household, service or production company releases some dangerous substances into water. Waste water treatment processes are unable to remove most hazardous substances (e.g. heavy metals and their compounds, residues of antibiotics etc) from water, and they are released into the environment where they are absorbed into aquatic organisms and thus people's food. Removal of hazardous waste (in the waste water treatment process) is complicated and costly, therefore we need to raise awareness of the population and companies and improve their behavioural habits.

Management strategies are developed within the project in order to diminish emissions of hazardous substances into the Baltic Sea and value green attitudes of mind and green economy in municipalities. The latter establish sources of hazardous substances and implement measures to reduce emissions. Including stakeholders and increasing local people's awareness plays an important role.

As noted at the beginning of the article, cooperation and contacts with other towns and countries are very important. We do not stand alone in the world. Solutions for many worries and problems lie in cooperation and mutual understanding. ■

ROMEK KOSENKRANIUS
Mayor
The City of Pärnu
Estonia

MIKKO HUPA

Åbo Akademi University – a link in the Nordic chain

Expert article • 2450

Where was Sweden's third university founded? The answer may come as something of a surprise: in Turku, Finland! The Royal Academy of Turku was found in 1640, thus laying the foundation for university education in what would later become an independent Finland. The Royal Academy had four faculties and the language of instruction was Latin. After a great fire in 1827, when large sections of Turku were destroyed, the Academy, which had already changed its name to the Imperial Academy of Turku, was moved to Helsinki, where it was once again renamed the Imperial Alexander University.

Nearly a hundred years passed before Turku was once again a university town with the founding of Åbo Akademi University in 1918. Two years later, university education was further expanded with the founding of the University of Turku.

Even today, Åbo Akademi University still has four faculties. We offer a wide range of educational opportunities in the humanities, social sciences and pedagogy, and science and engineering. Latin is no longer the language of instruction - undergraduate studies are conducted in Swedish, with a large portion of Master's level studies given in English. Although we are a university with a special responsibility to serve Swedish speakers in Finland, approximately one out of every five students has Finnish as their mother tongue and we have a strong international tradition, particularly in research.

Åbo Akademi University has probably the strongest Nordic contacts of all Finnish universities. We maintain and develop these contacts on a continuous basis. Thanks to our language and Nordic cultural identity, it is easy for us to co-operate with the other Nordic countries. A large number of our researchers participate in joint Nordic research projects, which further knowledge and raise the level of research by consolidating resources. Over time, this improves the opportunities for funding and breakthroughs on the international stage.

As a university, Åbo Akademi University also has co-operative agreements with some Nordic universities. Strategic co-operation comprehends both research and education, has clearly-defined goals and benefits both parties. Finland's teacher training and successful basic education has attracted a great deal of interest in the world, and this is where Åbo Akademi has much to offer. Our partners, Umeå University and Uppsala University, are both interested in pedagogical co-operation. Åbo Akademi University trains teachers for all levels of education, including language immersion, and we have highly effective models that we are more than happy to share with others.

The Norwegian University of Science and Technology (NTNU) and Technical University of Denmark (DTU) are two more of our strategic partners. The goal of our co-operation is to enhance the global competitiveness of the three universities, particularly in energy, material and chemical technology. The focus areas have been, for example, biomass technology, chemical technology and fuel technology. NTNU is highly active in energy research, and we hope to make more effective use of each other's research infrastructures for our students. Because the ambitions that DTU and Åbo Akademi University have for Molecular Process and Material Technology are very similar in nature, we are working to establish an even closer co-operation.

Molecular Process and Material Technology is one of Åbo Akademi University's four strategic research areas, along with Minority Research, interdisciplinary research on The Sea (particularly the Baltic) and Drug Development and Diagnostics, which is joint focal area shared with the University of Turku.

We see that our Nordic networks give us a competitive advantage, because they are based on the sharing of knowledge and provide added value for researchers, students and administrative personnel. Co-operation lays the foundation for an expansive operating area and increased internationality.

You might be wondering why I opened with a little history presentation. Åbo Akademi University is celebrating its centenary this year and it also has a proud tradition in Sweden in the 17th century. Is this really so important in a time when a majority of the research co-operation is carried out in English and digitalisation has made the world so much smaller that geographical distance is rarely an obstacle to the exchange of knowledge?

In my opinion, it is important. When I serve as the representative for Åbo Akademi University at special occasions, I don the Rector's chain of office. The chain of office was donated to Åbo Akademi University in 1950 together with a deed of gift signed by the rectors of eight higher education institutions and universities in Sweden. In the letter, the chain is described as 'an emblem of fellowship in the spiritual cultivation of Finland and Sweden'. This fellowship makes Åbo Akademi University a link in an unbreakable chain of Nordic university co-operation. ■

MIKKO HUPA
Rector
Åbo Akademi University
Turku, Finland

KAREN SPENS

A business school with a Nordic heart – shaping leaders for a sustainable future

Expert article • 2451

Business schools are one of the success stories in higher education over the last century. Worldwide, there are almost 14,000 public, private, and foundation institutions providing education in the field of business and management. One of the schools that has a long history is Hanken School of Economics, which was founded in 1909 and by that, Hanken is actually the oldest business school in Finland, and one of the oldest in the Nordic countries. Hanken was founded by the local business community as a private institution, and was described as the most advanced educational institution in Finland with instruction in the Swedish language. Today Hanken has teaching in Swedish and English, and almost 2500 students and we can argue that, in a national context, Hanken is in the forefront of internationalising its activities. Hanken amongst other things has a mandatory study abroad period for all its Bachelors students, the only university in Finland to offer that. On the research front, a significant share of Hanken's publications are internationally co-authored and Hanken researchers actively engage in international research networks.

Ever since its foundation, Hanken's operations have also been deeply rooted in the business community and in the surrounding society. This is reflected in the fact that Hanken has, in addition to focusing on internationalisation, high quality research and education and good corporate connections. In addition, during the last 15 years, we have had a strong focus on social responsibility and sustainability.

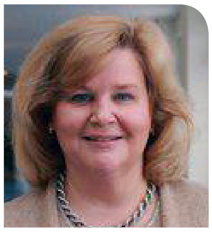
The Humanitarian logistics and supply chain research institute was established in the 2008, and has since become one of the leading research centers in the field of humanitarian logistics. During the same year, Hanken was the first university in Finland to sign the principles of responsible management education, and is currently a member of the PRME champions group. As a consequence of this focus on social responsibility, the crossdisciplinary Research and Development Institute, the centre for corporate responsibility (CCR) was established in 2016. CCR is a joint Institute between Hanken School of Economics and the University of Helsinki, with a secretariat based at Hanken. Later on in 2016 the research center GODESS was launched, that focuses on gender, organization, diversity, equality, and social sustainability research.

In our revised strategy from last year, social responsibility and sustainability have been central in building our new mission. We have portrayed them in our strategy as pillars or building blocks of our school. This is now also materialized in the form of a new mission statement which says that that *"We create cutting-edge knowledge and educate responsible professionals for the global economy and changing society"*.

With this, we have in my view come a long way when we can see that responsibility is now even integrated in the mission statement. However, there is certainly still work to be done. As one important step in this continued work, we have, now for the first time, launched a **Sustainable Development Goals Week**. We feel that as an educational institution, Hanken has the power to generate positive change in the world. We want to take charge and push the boundaries in building a more responsible society through collaboration and innovation.

Recently, Hanken was also accepted into the Global Business School Network (GBSN), a leading network of over 70 top business schools working to strengthen management education for the developing world. In recent years, Hanken has been looking for a platform for structuring, consolidating and expanding its cooperation with the developing world. When deciding on which platform or network to take part in, the Global Business School Network was deemed as the one being fully in line with Hanken's ambition to structure and expand its cooperation with developing world. Hanken was accepted as a member and as concrete actions, we have decided to invite and sponsor 2 students from the GBSN network to attend the Hanken International Summer School. In addition, we will sponsor 2 scholarships on the masters level for students from the network, thereby inspiring also others to apply to Hanken.

Through this work, we want to indicate that Hanken is a business school that is true to the Nordic values, as stated in our vision. Hanken wants to be acknowledged as a Nordic business school with a distinctive research, teaching and learning environment promoting cutting-edge research, effective research-based education and the development of global competences for the benefit of its graduates, of the corporate world and of society at large. Being a business school with a Nordic heart does, however, not take away the foundation that we were built on. Business schools of today need to cater, as they have always done, to the needs of industry. This also means that we need to focus on integrating technology into our education, as well as integrate new skills and knowledge needed for our future leaders to manage in this new era. Through doing this, we want to form and shape the business leaders that our organisations and the planet need for a sustainable future, while at the same time creating a much deeper, more meaningful educational experience. ■



KAREN SPENS
Rector
Hanken School of Economics
Finland

JARMO LINDBERG

Finnish-Swedish defence cooperation advances

Expert article • 2452

The Finnish model, built based on our circumstances and needs, is the foundation of our defence. Its corner stones are conscription, a credible defence that covers the entire country, and not belonging to any military alliance. In the background is the strong will of our citizens to defend our country. Defence capability consists of the spear-head capabilities of the services and of large reserve.

As a militarily non-aligned country we cannot rely on outside help. Still, for Finland's defence and its development, the importance of defence cooperation and networking is now greater than ever in view of today's security challenges. The goal of cooperation is to improve the Defence Forces' interoperability with selected partners. It will strengthen Finland's defence capability in all conditions, and its readiness to participate in crisis management. Providing and receiving military assistance will also be easier as a result.

Since 2014 Finland and Sweden have systematically deepened bilateral defence cooperation. It aims to strengthen security in the Baltic, as well as the defence of both countries. The Finnish Government's Defence Report 2017 acknowledges the special status of Sweden in defence cooperation. There are good reasons for this.

Finland and Sweden's security policy interdependence between East and West has defined the relations between the countries throughout history. Today, we are joined together by shared values and similar societies and culture, as well as the Swedish language. Our countries generally assess the security environment from similar starting points. Despite the differences in military organisations, Finnish and Swedish soldiers have a very similar way of operating and thinking. This compatibility has been tested in both peacetime exercises, and in crisis management operations, i.e. Afghanistan.

In July 2018 the countries signed a Memorandum of Understanding (MoU) on defence cooperation. The agreement provides common political guidance for defence cooperation. The document states the goals, and lists the areas of cooperation. It covers all conditions, setting no predetermined limits on deepening the bilateral defence cooperation. The MoU does not, however, contain mutual defence obligations.

Cooperation is developed to cover operational planning in all contingencies. We are talking about real military capabilities and readiness, and not only technical interoperability. It is not only about working together in military crisis management but also about operating in the partner country in all stages of readiness. Naturally, cooperation in such cases requires political decisions by the countries' leadership.

The advancement of the cooperation has not only a strong political mandate but also a clear and timed execution schedule. The central piece in naval cooperation is the Swedish-Finnish Naval Task Group, which reached initial operational capability last year. It covers for example maritime surveillance and protecting sea lines of communication. The air forces strive for the capability to plan and execute air operations together. Versatile peacetime training is an effective means to build compatibility. Finland and Sweden are preparing to also exchange air surveillance information. This is done within the Nordic NORDEFCO framework. The armies' focus is on exercise and training cooperation. Training activities systematically support the ability to work together in a brigade-size framework.

The practical progress between our countries was visible in exercise Aurora 17 in Sweden. From Finland's perspective the focus was particularly on developing the interoperability between Finland and Sweden. After a few days we had a combined battlegroup able to conduct combined operations. The Swedish-Finnish Naval Task Group trained in demanding coastal and naval operations, and the Air Force exercise detachment was on the "blue" side for the first time, i.e. defending Sweden in the exercise. Also, in NATO's recent Trident Juncture 18, a Finnish infantry company operated as a part of a Swedish brigade.

> Cooperation is developed to cover operational planning in all contingencies.

Deepening the defence cooperation between Finland and Sweden is advancing favourably. Ultimately, the guarantee of successful cooperation is that is provides concrete benefits to both sides, both separately and together. Despite the favourable developments, we must not become complacent. There are also challenges. For example, the need for additional resources for cooperation and different starting points of the militaries and their services for deeper cooperation still need much work. Identified challenges can be overcome, however, ultimately it is about shared will and understanding. ■

JARMO LINDBERG
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JENS NYKVIST

Swedish-Finnish Naval cooperation

Expert article • 2453

The security situation in the Baltic Sea area has changed and is more uncertain. Military activities have increased; countries within the area are frequently conducting more and larger exercises. The Baltic Sea region is strategically a very important region. A large percentage of all the import and export to the Baltic Sea nations is transported by sea which also contributes to the importance in the region. It is in the interest of all the Baltic Sea nations to contribute to create stability and security within the region. Military cooperation is therefore necessary.

Due to the security situation the Swedish government has declared that Sweden`s military capability will be strengthened. Sweden's bilateral and multilateral defence cooperation will also be deepened, especially with Finland as a prioritised partner.

Background

In 2014, Sweden and Finland announced that their intention was to deepen the defense cooperation between our two nations. The aim was to increase our countries military capabilities, increase interoperability and increase efficiency with combined use of resources. In addition, the cooperation would strengthen the security situation within the Baltic Sea Region. Eventually, a joint declaration was signed in 2015 and the implementation started. This included enhanced cooperation in exercises, education and training, air and maritime surveillance and the possible development of combined units. The Swedish and Finnish navies were tasked to develop a Swedish Finnish Naval Task Group, SFNTG. The aim of the naval cooperation was to develop a common capability to conduct basic sea control operations focusing on sea surveillance and protection of shipping and international crisis management operations. The cooperation was also a way to utilize the two navies' operational capabilities in a cost-effective and smart way.

The development of the cooperation

The Swedish and Finnish naval cooperation has a long history. The Swedish and Finnish navies and marine units have been engaged in different types of cooperation since the late 1990´s; bilateral exercises and personnel exchange but also activities with a more operational goal such as the bilateral sea surveillance cooperation SUCFIS. The deepened cooperation and development towards a Swedish Finnish Naval Task Group was therefore a natural step for our navies. The initial focus was to create the foundations for the development of the task group, including development of standing operational procedures and an evaluation concept. The aim was to achieve Initial Operational Capability in 2017 and Full Operational Capacity in 2023. The evaluation of SFNTG was conducted in two steps during 2017 and Initial Operational Capability was declared in December 2017. Sweden and Finland now have the ability to conduct bilateral basic sea control operations focusing on Sea surveillance and protection of shipping

Future

Considering the security situation there is a need for maritime forces that are able to operate over the full spectrum of conflict. The naval cooperation has come a long way and has grown to encompass much more than SFNTG. Today cooperation is ongoing in many areas and on all levels of the navies which reflects the aim of the Memorandum of Understanding that was signed by the Governments of Sweden and Finland in July this year. When looking at the future we see that our cooperation will continue to grow and deepen even further with the aim to strengthen our defence capabilities in order to contribute to stability in the Baltic Sea Region. ■

JENS NYKVIST
Rear Admiral, Chief of Staff
Royal Swedish Navy
Sweden

JANNE KUUSELA

New framework for Finnish-Swedish defence cooperation

Expert article • 2454

Defence Ministers Jussi Niinistö and Peter Hultqvist signed a Memorandum of Understanding (MoU) between the Government of Finland and the Government of Sweden on defence cooperation in Turku on 9 July 2018.

The MoU is a milestone in the defence cooperation between the two nations. It brings, for the first time, the broad and deep Finnish-Swedish bilateral defence cooperation under one single umbrella document. The overarching nature of the document is also emphasised by the fact that it was concluded between the Governments, not only between the Ministries of Defence.

The MoU is based on the common understanding that Finland and Sweden share joint geostrategic interests and views on the security challenges that currently exist in the Baltic Sea region.

The Finnish-Swedish bilateral defence cooperation enjoys strong political and public support in both countries. Hence, the signing of the bilateral defence MoU was a rather uncontroversial issue.

From the Finnish perspective, the MoU is a natural step in the deepening of the bilateral defence cooperation with Sweden. As the Finnish Government's foreign and security policy report, and defence policy report state, Sweden enjoys a special status in Finland's bilateral cooperation.

The signed MoU provides the framework, and identifies the aim and scope for the Finnish-Swedish bilateral defence cooperation. The key message is that the Finnish-Swedish defence cooperation covers peace, crisis and war and no predetermined limits will be set on deepening it further. This is a clear political statement about the level of ambition. It is noteworthy that the MoU states, for example, that the ability to act jointly also raises the threshold against incidents and armed attacks. The cooperation thus plays a role in creating deterrence. However, the MoU is not a legally binding document and it does not contain mutual defence obligations.

The defence cooperation between Finland and Sweden aims at strengthening the defence capabilities of the two countries, creating prerequisites for combined joint military action and operations in all situations, and to further common interests in the defence domain, including strengthening the security of the Baltic Sea region.

Sweden and Finland should achieve increased operational effect through combined use of resources, increased interoperability, increased capability to act jointly both domestically and internationally, and a closer dialogue on common security interests and challenges.

The bilateral defence cooperation includes all levels of the two countries' defence: the policy and military levels including the strategic, operational and tactical level.

The MoU identifies 19 different cooperation areas. The non-exhaustive list is very comprehensive, covering issues like defence policy dialogue, host nation support and situational awareness. The list also includes areas that could, if so politically decided, go beyond peacetime cooperation. Examples of this could be procedures for transfer of operational command and control authority, as well as territorial surveillance and protection of territorial integrity.

Both countries have been developing their legal frameworks to support the bilateral defence cooperation. In Finland, legislation on the provision and reception of international assistance, including military assistance, came into force on 1 July 2017. Sweden is currently considering a new act on operational military support between Sweden and Finland and possible changes to other legal regulations that are deemed necessary to enable Finnish military forces to provide appropriate support.

The practical defence cooperation between Finland and Sweden continues. These developments have also been presented in two articles of the May 2018 issue of this BRE Review. One of the publicly visible examples have been the exercise cooperation, the Swedish-led Aurora 2017 exercise being one of the prime examples.

To sum up, in recent years Finland and Sweden have taken major steps to strengthen their defence cooperation. The bilateral MoU as the new framework supports the cooperation and opens up opportunities. How far will Sweden and Finland eventually go remains a matter of political will. ■

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Swedish elections – still diplomacy over military?

Expert article • 2455

Finland and Sweden have tightened their bilateral defense cooperation during the last years very intensively. From the Finnish point of view, Sweden enjoys a special status in bilateral cooperation and vice versa. Defense cooperation aims at strengthening the security of the Baltic Sea region as well as the defense capabilities of both countries. Finland and Sweden are deepening the cooperation, which is developed to facilitate operational planning in all situations. Examples of these may include the protection of territorial integrity or exercising the inherent right of collective self-defense pursuant to Article 51 of the UN Charter. No predetermined limits are set on deepening the bilateral defense cooperation, even though there are no legally binding obligations either.

There is a natural background to the development. We have a long history together, Sweden and Finland were one nation for almost 700 years until 1809, we share common values and our everyday bonds are strong through trade, integrated economies and travel. Swedish is also the second official language in Finland and everyone is obliged to study the language at schools. We share the same security environment and our positions as neutral countries after the World War II – nowadays only militarily non-aligned. All this as a background, it is more than natural that countries have now decided to deepen and to develop the defense policy cooperation even if there are differences both in historical experiences and choices countries have made in the past.

The very vivid and interesting difference between the countries is the role of defense as a part of national elections. In Finland, the question is always more relevant and that can be of course explained with our history. After 1809, we were a part of Russian empire for 108 years. Since Finland became independent in 1917, we have fought twice against the Soviet Union in 1939 – 1940 and 1941 – 1945. We are the neighboring country and the "buffer zone" for the other Nordic Countries, which solely explains the role of defense politics as a vital part of the elections.

What happens in Sweden and especially now, when the country is building up their total defense system? Not a single word about the defense in the election campaigns. Why is this so? During the cold war, Sweden had a major military potential, even though the idea was to keep the country outside any military conflict by any means. After the collapse of Soviet Union, not only Sweden, but also almost all the rest of the world considered for ten good years that traditional art of war between major states has ended. Which in Sweden's case meant major cuts on budget, material and personnel. The Swedish defense forces´ main task became international peace keeping instead of territorial defense and if the security environment for some reason would change, it was believed, that Sweden could somewhat easily adapt to that reality with time enough to build up the needed capability. One can be sure that many Swedes considered Finns old-fashioned and unable to adapt the new security environment, clinging to the past.

The Swedish Minister of Defense, Peter Hultqvist, stated in January 2018 in Sälen security conference that Sweden totally miscalculated and underestimated both the security environment and the time needed for building up the total defense system. Currently, Sweden has big plans for the total defense and that requires both time and money. These are both questions that should be debated during elections. It is true that all countries always have other important issues to be discussed and debated by the time of election campaigns. However, the military defense is still for the most countries such an essential question, that one could imagine that it would be a matter of importance.

Doesn´t Sweden care about the military defense or has history shown that one can always avoid harm's way with effective diplomacy? Alternatively, is the pressure for consensus so huge that it is not even allowed to discuss the matter? There are no simple answers, of course, but the biggest reason is that there is no tradition for that kind of discussion and many honestly believe that Sweden is still a neutral country, which can avoid all kinds of crises using diplomatic means. In addition, discussion on negative and frightening issues are avoided, perhaps even more than in many other countries. The government published a guide late spring this year, in which the officials advise the public what to do in case of emergencies or even in time of war, if such would occur. Many Swedes were scared for real - the government shouldn´t talk about these kind of unpleasant themes.

Now Sweden has faced great challenges in government negotiations. The right wing alliance led by Ulf Kristersson has declared many times during the last four years that they would take Sweden into NATO if Kristersson was the one to lead the new government. It will be interesting to see if the discussion concerning the future defense will rise up after the new government has started its work. ■

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The revival of the European defence cooperation

Expert article • 2456

The European Union is currently experiencing one of the most challenging periods in its history. Conflicts, crises and wars in the Middle East and Northern Africa have direct effects on the European security environment. Russia's aggressive rhetoric and actions in Ukraine have shown that even in Europe peace cannot be taken for granted. President Donald Trump's 'America first' policy has fundamentally changed the dynamics of world affairs and forced Europeans to revaluate their role in the world. The EU is also challenged by its own member states. Hungary and Poland are breaching the core values and rules of the Union and, on top of all this, the United Kingdom is leaving the Union in March 2019. In times like these, Europe needs more unity than perhaps ever before.

Somewhat surprisingly, defence cooperation, and the Common Security and Defence Policy (CSDP) as a policy, seems to be the forum where EU members have found common grounds. Defence cooperation, as an idea, is nearly as old as the Union itself. At times it has been in a state of stagnation while at other moments some cautious steps have been taken towards a more independent, common European defence. One reason behind the slow progress is the relationship with NATO: most EU countries are NATO member states and fear a duplication of efforts. Similarly, the question of whether the European defence cooperation should be strictly intergovernmental or more supranational has plagued the CSDP for decades. Even though cooperation began with an initiative to create a supranational European Defence Community, defence cooperation today is a distinctly intergovernmental project - and will likely continue as such.

At the moment we are experiencing an active phase of the CSDP that started roughly in summer 2016 when the new European Union Global Strategy was presented. Since then we have seen the establishment of the Permanent Structured Cooperation (PESCO), the European Defence Action Plan and the European Defence Fund. These are important steps on the road towards the more efficient and coordinated European defence policy that is sorely needed.

The military expenditures of European countries have been in constant decline since the end of Cold War and the 2008 financial crisis saw further defence budget cuts across Europe. Duplication of capabilities and military systems within the member states is a severe problem since it prevents the countries from using their scarce resources in a more efficient way. For example, at the moment there are 178 weapon systems in use in Europe, whilst in the US there are only 30 of them. There are also 17 different types of main battle tanks and 29 frigates, while in the US the respective numbers are 1 and 4. Initiatives, such as PESCO have been created to tackle exactly this kind of pressing problems.

Traditionally the EU has been seen as a purely soft power actor – the very core of the EU is embedded in the idea of peace and stability. However, as the European security environment has dramatically changed in the last decade, the EU has had to alter its approach towards hard military power in order to be a globally powerful and credible actor. There have even been discussions around an 'Army of Europe' but this is an unlikely development in the near future. The increasing EU military activity does not stem from a traditional pursuit of power but, above all, from the need to protect its member states, citizens and the core values that define the very idea of the Union.

When speaking of strengthening the Common European Security and Defence Policy and deepening the defence cooperation, it is essential to remember that defence policy is still fundamentally a national competency. In other words, it is up to the member states to decide in which direction they want the CSDP to develop. Although all the member states have an equal say in defence matters, defence integration is likely to deepen most when the strongest countries are in favour of it. At the moment the strongest countries in the European Union are France and Germany. In fact, the whole idea around the EU was originally embedded in the need for a strong Franco-German cooperation and these two countries also seem to lead the decision-making on the new direction for European defence cooperation.

What Europe needs right now, is not a common army but internal unity. Europe cannot face the current and future challenges if it cannot stand as a unified actor that has the means to effectively defend its citizens and its core values. The Union needs the full commitment of its member states but at the same time the member states also need the Union. No country can defend itself on its own from the security challenges of the 21st century. ■

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Climate change will not stop without broad co-operation

Expert article • 2457

The latest report of the Intergovernmental Panel on Climate Change, IPCC, started a delightfully vivid and active discussion on climate also in the Nordic Countries. Even though the message did not differ too much from those of the earlier reports, the wake-up call seems to have strengthened at least here in Finland. The authorities, politicians, organisations, enterprises and above all we, the ordinary citizens, clearly need these shocks intensified by the media. It is becoming clear to an ever-increasing number of people that the world will not be saved on its own. We need to save it, and we need to save it together.

Although the actions of the nation-states appear slow, and, among others, the official policy of the US president Donald Trump does not seem to support our common goal at all, the situation does not allow us to fall into cynicism. In particular the Nordic Countries and the other countries of the Baltic Sea region ought to be in the forefront in the battle against climate change. We must be able to do more than our share, for several reasons.

At present, it appears that the biggest damages caused by climate change will take place elsewhere in the world – unfortunately in the countries with a low standard of living – it is here in the North where climate warming will take place faster than anywhere else. We also possess the tools and means, knowhow, will and above all money to renew our society into a carbon neutral direction. We can sequester a lot of carbon, too. This is something we all simply have to do, for the sake of the other countries as well as our own.

In the Nordic Countries, particularly in Finland, there have been plenty of discussions on the possibilities of felling forests in a situation where carbon sequestration ought to take place immediately and as extensively as possible. This topic and these discussions should raise interest in other parts of the world, too. The importance of the forests is huge economically, but at the same time we ought to take a broader, long-term look at their ability to sequester carbon.

The forest industry is an essential and central part of the economy in Finland and in other Nordic Countries. The Nordic forests have been looked after for decades both efficiently and well. The growth of trees exceeds felling, and for instance in Finland the present annual growth is at a record-high level, 107 million cubic meters. This is one of the reasons – and an important reason, too – why our forests sequester carbon very well.

The Finnish government and the industry would like to increase the volume of felling from the present day 70 million cubic meters to 80 million a year. Those in favour of the increase say it should be done both for economic reasons and because the new, growing forests sequester carbon better than old, degrading forests, and in that way we will have larger carbon sinks in the future.

The critics, however, point out that felling should not be increased since we need carbon sequestration here and now.

The forests in Finland, Sweden and Norway can tolerate quite an extent of felling without losing their status as carbon sinks. The forestry sector in Finland, among other countries, will make sure that this will be the case in the future, too. Nonetheless, the discussion has at times been very unyielding. This is all the more surprising since the differences in opinions concerning the warming of the whole planet are not after all too great.

Anyway, there is a lesson to be learned from the discussions, and this applies to both sides. It is clear that societies and their economies need wooden raw material in order to employ people, to pay taxes, to spread welfare and to pay for the knowhow needed for the protection of the environment and for the prevention of climate change. It is also clear, that in order to have carbon sinks both now and in the decades to come, reforestation and afforestation work must go on.

Even though the discussion has at times been very disruptive, the mutual understanding of targets and means has also deepened. The importance of wood construction has risen, as it is now seen as a significant weapon in fighting off climate change. Wood for construction sequester carbon for a long period of time, and at the same time plastics, synthetic fibres, cotton or biofuels replacing the fossil fuels can be made of the side products. There are high expectations for the research done on sequestration by cultivated fields, something that has recently started both in Finland and elsewhere.

We need a better overall view in the Baltic Sea region before we can measure the different actions against one another. Carbon sinks are needed in order to collect the carbon emissions from the atmosphere and in order to limit global warming. Above all, we need measures for limiting carbon emissions. The quicker and the more drastic the better. The carbon faucets must be closed.

From the Nordic perspective the criticism points toward the rest of Europe and their use of coal. For instance in Poland and in Germany the emissions of the coal power plants are gigantic, in fact so gigantic that they are hard to measure against anything else. But not only there: in Finland the capital, Helsinki, is mostly heated with coal, even though there is plenty of knowhow and renewable biofuel available in the country.

It seems strange that the actions of ordinary citizens concerning carbon sequestration, such as reducing motoring and avoiding meat, and other by all means important issues, are being eagerly and even vehemently discussed, while the atmosphere is simultaneously being heated up violently by burning coal and by establishing new coal mines.

The countries of the Baltic Sea region must launch an ambitious initiative on the fight against climate change. We must be ready for a frank discussion about carbon emissions and carbon sequestration. By acting jointly we will accomplish more both politically and technologically. In this way we can set a remarkable example for the rest of the world.

We need to stop waiting and start acting. Now. ■

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NINNA MÖRNER

An arena for the exchange of ideas and research

Expert article • 2458

Threats against academic freedom is a topic that will be discussed in the coming issue of *Baltic Worlds*. The values that the academic world build upon, rooted in the Enlightenment, are presently facing restrains and attacks in many countries, also in the area that *Baltic Worlds* cover (the Baltic Sea region, Central and Eastern Europe, the Balkans as well as parts of the post-Soviet region). Repressions can take different forms, but often result in fear and a sense of loss. In worst case, attacks on academic freedom damage cross-regional exchange of ideas and critical dialogue. Of course, we do our best to counteract such a development.

For ideologies claiming to have all the answers, and easy ones to deliver, critical thinking is an obstacle. For political actors that secure their positions by creating polarization and undermining the glue of trust in society, dialogue and critical reflection is disturbing. Thus, autocratic forces try to stay in power by shrinking the space for media and civil society – and for academia. Why those targets? Academia is recognized as a place where ideas are critically scrutinized and where opinions based on weak arguments will be rejected, and where a deeper and more nuanced understanding is nourished. Therefore, academia faces threats today. Resistance is of essence.

Baltic Worlds wants to protect the critical dialogue and free thinking that we in academia find crucial for enhancing our knowledge, and rethink and revaluate the past, present and future. Of course, this is not a stand point unique for *Baltic Worlds*, but it has since the very beginning been of utter importance for Baltic Worlds to provide a publication that not only strive to have an impact factor (which it has) but also to establish itself as an arena for the exchange of ideas and research that offers a wide range of perspectives. This is also why we publish articles from different disciplines and from researchers positioned all around the region. Moreover, *Baltic Worlds* doesn't shy away from sensitive topics, if the arguments and the quality are present. On the contrary, *Baltic Worlds* likes to publish articles which can push the dialogue forwards in a dialectic manner.

Of essence to manage to create a dynamic publication is that opinions are not filtered too early in the publishing process. Lack of knowledge in English should not be a filter that decide if the scholarly articles can be accepted or not; the important thing is that the quality of the research is in place. For that reason, *Baltic Worlds* always conduct language check on all articles before publishing. The peer-review process is mostly conducted in English, but we may also in exceptional cases arrange it in other languages. Also, we try to support young talented researchers and researchers from more remote universities with scarce supply of library support, by giving them extra care and help to meet the demands of a peer-review reality. We usually talk about this as taking a regional responsibility.

Baltic Worlds is a scholarly journal that has taken on a specific task to promote intellectual encounters and therefore, in addition to publishing peer-reviewed articles also publishes academic texts in different genres. This can be for instance interviews or commentaries that expand the research agenda and thus do not only focus on the actual outcome of the research process (the findings). Rather, we find it worthwhile also to critically discuss data and the data collection, research approaches and choices, funding issues, the difficulties and limitations as well as the ideas, motivations and the inspiration that keep researchers explore and develop new approaches and revise old ones. We think it is essential to have an ongoing dialogue on how researchers find themselves positioned in their own role, in the subject, in the discourses and regarding upcoming demands from different actors and stakeholders in the academic landscape.

Sometimes we focus on a single topic and may co-work with guest researchers to produce Special Sections such as "Herstory Revisionism, "Roma in the Balkan Peninsula", or "Squatting in the East". In the next issue we have chosen to gather a cluster of articles on threats towards academic freedom.

In sum, *Baltic Worlds* tries to strike a balance between being a high impact factor and multidisciplinary journal, and at the same time being a scholarly journal that can be read and appreciated all around the region and reach readers also outside of academia. This is also why it is important that *Baltic Worlds* is printed, and not only an on-line journal. While browsing in *Baltic Worlds* unexpected encounters can happen that may open up new perspectives for readers, and possibly give input to further research, new research applications or even revised polices. ■

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The EU's Common Agricultural Policy and the Baltic Sea

Expert article • 2459

Since the 1970s, the protection of the ecosystem Baltic Sea is in the heart of the littoral states` regional cooperation. The marine ecosystem of the semi-enclosed Baltic Sea with its limited water exchange with the ocean and a high human population density in the water catchment area is highly vulnerable, only joint political efforts of all riparian states are effective in order to protect and improve the ecological status of the sea. Marine environment protection became the policy field with the strongest level of regulations on Baltic Sea regional level. These collaborations showed success in different aspects and created spillover effects to other policy fields. For instance, regional cooperation were established in the field of education in order to disseminate the knowledge on marine environment and its preservation.

Nevertheless, regional cooperation in the field of agriculture policy remain scarce. However, a collaboration in this field is of utmost importance for the protection of the ecosystem Baltic Sea. As a lot of HELCOM reports and other research documents point out, the eutrophication of the Baltic Sea by agricultural nutrient input is one of the most urgent threats to the ecosystem of the Baltic Sea, leading not only to ecological, but to economic problems as well. The reduction of the input of the so called *diffuse sources* into the running waters of the Baltic Sea's catchment area ought to be a pivotal aspect of a regional adjusted agricultural policy. Yet, the agricultural policy of the littoral states (except Russia) is dominated by the European Union's Common Agricultural Policy (CAP) and leaves little space for regional adjustments.

> Following the plans of the EU Commission, each member state is supposed to create individual CAP strategic plans until the end of 2019.

Currently, the general orientation of the CAP for the next funding period after 2020 is discussed widely on European level. The EU Commission made its legislative proposals in June 2018 which generated a wide range of responses from EU institutions, member states, agricultural and environmental associations, interest groups and researching institutions. At the moment, a certain degree of re-nationalization, i.e. the devolution of decision making and management scope to the member states in order to enhance flexibility and responsibility, is presumably. Independently from the crucial discussions and the fundamental differences in the positions, this tendency seems accepted widely. Following the plans of the EU Commission, each member state is supposed to create individual CAP strategic plans until the end of 2019.

Thus, the EU member states of the Baltic Sea gain power in the field of agricultural policy. The endangered status of the Baltic Sea's ecosystem and the high dependency of the littoral states' economies on the marine ecosystem give strong arguments to use this gain of power in order to adjust the agricultural policy to the peculiarities of the Baltic Sea catchment area. A regional integrated agricultural policy is a way to reduce the nutrient input into the Baltic Sea and to stabilize so many different economic sectors like fishery, tourism or even blue biotechnology in this respect.

There are several possible starting points for such an integrated agricultural policy: The definition of riparian strips, the extensification of land uses in the river valleys or the conditions of animal husbandry, to name only few. Another promising measure is the expansion of the support of Paludiculture as wet agriculture. Looking at the structure of the middle- and eastern European catchment area of the Baltic Sea, most of the rivers in the coastal area flowing through river valley mires (e.g. percolation mires). A lot of these peatlands are drained and degraded, mainly for agricultural purposes. This is not only a problem on a global level due to the CO_2- and N_2O-emissions of drained peatlands and its impact on climate change. It is a problem on regional level as well because active peatlands function as filter for nutrients and reduce the nutrient input into the rivers. Via the rivers of the catchment area, the nutrients stemming from agriculture find their way into the ecosystem Baltic Sea.

Paludiculture on peatlands is able to reduce this kind of nutrient input substantially. Paludiculture means the biomass production (e.g. reed, bulrush) under wet conditions, keeping the peatland active. The filter function of the peatland is retained on that way. Moreover, the crops extract nutrients like phosphate, the harvesting removes the nutrients from the ecosystem. New forms of raw material's utilization (e.g. insulation boards from reed and bulrush) and smart biotechnology may become innovative clusters for regional development in the rural areas of the Baltic Sea Region. Thus, Paludiculture has the potential to combine the protection of the Baltic Sea's marine environment and economic development. A smart, regional integrated agricultural policy creates positive spillovers for the whole region. ■

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The Nordic cooperation for integration of refugees and migrants – IMPORTANT milestone in creating cross-national knowledge about development in the Nordic region

Expert article • 2460

Nordregio has in recent years developed research expertise in integration of refugees and migrants across the Nordic countries. Researchers contribute to the Clearing Central on integration https://nordicwelfare.org/integration-norden/en/ by cooperating with the Nordic Welfare Centre on selected priorities within the Nordic integration Programme. The background for this work is an acknowledgement that managing migration is one of the most complex challenges for politicians and societies in our time. Statistics about migration have become both politically and economically prominent and sensitive. Numbers matter and here scientists have an important role to play.

To facilitate integration policies that work, we must start by analysing comprehensive and accurate data. Only with those data at hand it is possible to maximise the benefits and minimise the costs of migration, both from an economic and a humanitarian point of view. Immigrants provide a potential solution to labour market shortages and can help reverse the ongoing trend of ageing population in the Nordic countries. At the same time, integration of newcomers into the labour market has proven to be a big challenge in many cases and while the welfare society is dependent on immigration in the long term, in the short term it has led to rising costs. But effective integration policies will not only improve people's lives, they will also strengthen the Nordic welfare state over time.

Through this work we have focused on the process from migrant to worker in different Nordic countries and also examined specifically the labour market measures to speed up the integration of refugees in the Nordic region (Karlsdóttir et.al 2017). This work has now been updated with the publication (Simic et.al 2018).

In 2018 we had gathered so much evidence we felt we needed to share with policy makers and the broad public that we published State of the Nordic Region – integration and immigration edition. In this work we divide the process of integration into three distinctive themes: a) coming to the Nordic Region, b) making the Nordic region home and c) entering the Nordic labour market.

The number of people coming to the Nordic Region has increased dramatically in recent years. The population of the region grew by 16 percent from 1990-2017, with immigration a major driving force behind this increase. Importantly, although intra-Nordic migration is still substantial, the overall make-up of the immigrant population has become increasingly diverse. The unprecedented number of asylum seekers to the Nordic countries in 2015 marked a shift in major reasons for migration to the region, most notably in Sweden. The most numerous arrivals were from Syria and Afghanistan, while people from Iraq still represent a proportionally significant group. Following arrival, asylum seekers became dispersed across the Nordic countries in different ways in line with differing national policies which impacted housing, concentration of the asylum seekers, and led to other challenges associated with integration.

The large wave of asylum seekers in 2014 and 2015 included many unaccompanied minors. Approximately 46 thousand in total, of which, 35 thousand ended up in Sweden alone. To put these numbers in a historical context, it is approximately half the number of foreign minors who came to Sweden duringWW2, when 70 thousand Finnish children sought shelter. Most minors came from Afghanistan and over 9 out of 10 were boys. Organization of the reception of unaccompanied minors varied significantly between the Nordic countries. The magnitude of the refugee crisis in 2015 triggered policy changes that contributed to an abrupt decline in numbers throughout the Nordic countries.

> The number of people coming to the Nordic Region has increased dramatically in recent years.

The increasing number of foreign-born persons in the population suggest that many of these new immigrants are making the Nordic Region home. The growth in the foreign-born population is most pronounced in the capital areas and other bigger cities. Between countries, the increase is strongest in Sweden and Norway, but also evident in Iceland.

Naturalization is the process of gaining a citizenship for foreign-born persons in the host country and is sometimes considered the last step or 'pinnacle' of a migrant's integration. Requirements for naturalization differ across the Nordic countries and differing policies may influence the differing rate of foreigners acquiring and achieving national citizenship. These rates were higher in Sweden and Finland compared with the rest of the Nordic countries.

Entering the Nordic labour market is of utmost importance to secure necessary economic progress and favorable settlement of new population. Despite being motivated by the hope of finding better job opportunities in a new country, migrants often face obstacles to entering the labour market. Current employment statistics across the Nordic Region between native and foreign-born persons indicate an employment gap between immigrants and native-born population across the Nordic Region, with the foreign-born population in all Nordic countries having higher unemployment rates in 2016 than their native-born peers. Migrants with an EU background fare better than those from outside the EU. However, these migrants still have

Expert article • 2460

an unemployment rate higher than that of the native-born population. The group who face the most barriers to getting a job are immigrant women with refugee background. This group is the most likely to be economically inactive. Encouragingly, as time spent in the host country increases, the gap between the employment rates of men and women born outside the EU closes, stabilizing at around 65 percent for both genders after ten years (depending on countries). Immigrant women are also more likely to be engaged in language courses than men but unfortunately this does not secure work. In some cases refugees get stuck in a training system without getting opportunities to apply their skills and experiences.

We are progressing in increasing the knowledge about migrants and refugees and their situation across the Nordic countries and will proceed in the next two years with this Nordic cooperation. ■

Links to published work mentioned in the article:
https://nordicwelfare.org/integration-norden/en/fakta/policies-and-measures-for-speeding-up-labour-market-integration-of-refugees-in-the-nordic-region-a-knowledge-overview-4/

https://nordicwelfare.org/integration-norden/en/fakta/state-of-the-nordic-region-2018-immigration-and-integration-edition-2/

https://issuu.com/nordicwelfare/docs/new-in-the-nordic-countries-en-web?e=30952623/65197247

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EUSBSR Steering Groups for better inclusion

Expert article • 2461

The European Union Strategy for the Baltic Sea Region (EUSBSR) is divided into policy areas (PA) and horizontal actions (HA). Centrum Balticum foundation has been working with the EUSBSR through two HA`s, Neighbours and Capacity, and also through multiple Interreg BSR projects. In this work through the HA´s we have encountered a problem related to the complexity and lack of joint operational standards in the steering and coordination of the PA´s and HA´s.

The PAs and HAs are led by a team of coordinators from two or more organizations and from different member country of the EUSBSR. This means that the group of coordinators form a complex and interconnected system through which each member country is represented in the coordination of the Strategy.

Each PA and HA has a steering or coordination group set to direct or to support the actions of the coordinators. These groups are all set up differently. For example if the main coordinator of the PA or HA is a pan-Baltic organization, the group could be composed of the organizations' board of directors or a panel of experts. The composition of the group can also be planned by the coordinators to best suit the needs of the PA or HA in question. It is not impossible for the group to be even *ad hoc* in nature.

An effort is made to include most of the EUSBSR member states and the most relevant organizations in the steering groups. This stems from a need to have a linkage to relevant organizations or ministries in each country to achieve as much impact in the respective policy area as possible on national level as well.

The different set ups combined with the fact that there is no clearly defined role for the groups within the framework of the EUSBSR, other than what the PA and HA coordinators decide, affects the potential of the policy area or horizontal action. This unclear situation may lead to inefficiency. The lack of structure may lead to the members not seeing the membership important and not participate in the meetings actively. On the positive side, it allows to the PA or HA a great degree of freedom to plan the steering groups' work. It is not difficult to see how a very strict set of rules to organize the work might, in fact, have a negative effect on a certain PA or HA.

It has been noted in the EUSBSR that there is a need for more discussion about the role of the steering and coordination groups. Hopefully, this discussion will lead to the development of clear but not too restrictive set of principles by which the groups should be organized. However, what is equally important is the linkage that the members of these groups offer the PAs and HAs on the national level. Each PA and HA is coordinated by organizations from no more than 3 different countries. This is a severe limitation, set by practicality, on their connections in the other countries.

The steering or coordination groups can, however, alleviate the severity of this limitation. By having a all member states represented on a high political level, and perhaps most importantly, actively participating in its steering or coordination group the policy area or horizontal action has a vastly improved ability to achieve policy impact on national level.

However, not all the countries relevant for the development of the Baltic Sea region are members of the Strategy. We have the North Western parts of the Russian Federation as closest, Belarus and Norway as close seconds and even Iceland though its connection is a little thin if we define the region solely by the water cycle and drainage basin. Of course the cooperation envisaged in the Action Plan of the EUSBSR is much more than the sea. These countries are not represented in the EUSBSR governance structure even though their impact on the region is immense.

As the EUSBSR is in fact a European Union strategy it does have certain limitations when it comes to cooperation with non-EU countries. These limitations are not absolute and their severity varies from time to time, from level to level and even from policy area to policy area. It is not feasible to expect that these problems could be solved with a stroke of a pen when updating the Strategy. Incremental changes in the EUSBSR are needed. One possible starting point could be the invitation of the representatives of non-EU countries as members or at least as a non-member observers of a PA or HA. Some of the PAs and HAs have already pioneered in this or have enabled it by using a pre-existing international structure as a basis of their steering or coordination group.

The EUSBSR needs and already has begun to take the issues of the steering groups composition and work format in to consideration. This is a opprtune time as the Action Plan is soon to be revised. Centrum Balticum will through HA Neighbours keep the better inclusion of the non-EU countries in the EUSBSR on the agenda. ■

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CHRISTER BRUZELIUS

Gotland's outlook on tourism & environment

Expert article • 2462

Located in the Baltic Sea, off the southeastern coast of Sweden, Gotland is the country's largest island and has become a magnet for both Swedish and foreign travellers over the last years. It is often called the pearl of the Baltic, mainly characterised by stunning landscapes and its favorable weather, which makes it one of the sunniest places in Sweden. From Fårö in the north to Hoburgen in the south, Gotland measures 176 km in length and 52 km at its widest point. It counts over 58,500 inhabitants of which 24,000 live in Visby, the largest town on the island.

About 1,75 million travellers choose our ferries to reach the island annually, departing from the east coast of Sweden. About 470 thousand travellers use the airplane instead. Both numbers have been constantly increasing over the last years which shows a clearly positive trend with regard to the island's attractiveness and the traveller's willingness to vacation on it.

Looking back, Destination Gotland has always been an appreciated domestic line, but: there's more to it! That's exactly why we are currently focusing on two main goals: enthuse even more international tourists for the island by e.g. expanding the season and – at the same time – keep moving forward as a company thanks to environmental investments.

One of the most attractive new markets we currently put our emphasis on, is the German one, Europe's most important travel market which accounts for 30% of EU citizen's overnight stays in foreign countries. Moreover, it's seen as the world's third largest outbound market, spending more than 130 billion € on leisure travel per year. That makes its travellers highly influential. Current trends within the market show that Germans of all ages nowadays are more interested in travelling than ever before, seeking trips that offer a mix of relaxation and activities. In fact, when being abroad, they place a high importance on outdoor activities. At the same time, they aim at being able to relax, avoid stress and feel pampered by the accommodation they're staying at or the restaurants they choose to go to. That's exactly where we pick up on as a company, as everything Gotland has to offer is perfectly fitting their expectations – within the high season, as well as the off-season, which leads us to our next point: increasing the island's attractiveness throughout the whole year. A lot of highlights travellers can experience on the island are not timebound, they are enjoyable all year round. Examples with regard to the active part i.a. include the broad hiking and biking offer on site, activities that are considered two of German travellers' most favourite ones, as well as the possibility to go fishing all year-round. Examples with regard to the more relaxing part i.a. include exploring the cultural offer on site, getting to know local artists and enjoying the regional cuisine, innovative and of high quality.

All this is continuously pushed by PR-activities within Germany, in close cooperation with high-reach media, who get to know Gotland, experience its uniqueness and share their experiences.

Besides the focus on new markets, we are always aiming at our company's development. When talking about transportation by ferry in the Baltic Sea, we are moving towards an increasing awareness of environmental issues. The current trend is to order new ships for longer routes that run on LNG and – when talking about short route ferries – convert them or build new ones running on electricity. A future vision could be to have a combination of LNG and battery driven ferries: battery driven from the port and running on LNG while in traffic. That's something that has already been implemented by others. Our very own closest highlight will be the launch of a new ferry that will be put into operation in 2019. It will run on LNG and will decrease the amount of greenhouse gas in 20%. In Visby, we will together with the port install equipment that enables our ships to be connected to shoreside electricity when in berth for longer than one hour. That's a really big step for us, we can't wait to put into practice. We believe that there will be a further effort from both passengers and authorities to work with opportunities to reduce the discharge of greenhouse gases in and around the Baltic Sea – and do something good for the environment. For us, that's essential, as we see ferry transports around the Baltic Sea as the, by far, best means to effectively and environmentally friendly supply the need of transporting passengers and goods from the mainland to Gotland and vice-versa. Besides keeping an eye on the environment, we also aim at improving the on-board experience. We want passengers to feel like they've already arrived on Gotland when boarding our ferry, providing nice interior design, comfortable transportation and tasty food. All in all: we don't know where our journey will lead us in the end, but – we're convinced that it's going to be a really inspiring and exciting one! ■

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JANNE VIRTANEN

Northern Growth Corridor brings together Nordic major cities

Expert article • 2463

The connection between Stockholm and St Petersburg is a major logistic route. It is part of a Europe-wide transport network stretching across southern Finland. It makes up the northernmost TEN-T Core Network Corridor between the EU and Russia.

The northern corridor is more than a logistical route. It brings together the movement of things, people and information. It is a growth corridor for the European internal market. The zone covers an economic area worth 330 billion euros and as much as 20 million consumers. As a concentration of business, education and research the Northern Growth Zone is the future of the northern Baltic Sea region.

The connection between Stockholm, Helsinki, Turku and St Petersburg is the most important direction of Finland's economic development. The growth zone is essential to Finland's foreign trade, since it accounts for more than 60% of Finland's export in euros.

The Northern Growth Corridor connects cities to Europe-wide transport TEN-T Core Networks. The Scandinavia-Mediterranean Corridor reaches southern Finland where lives more than 50 % of the population. In Finland, the core network covers major hubs and international airports in Helsinki and Turku, and also Ports of Turku, Naantali, Hamina, Kotka and Helsinki.

The economy of the Northern Growth Zone grows rapidly. Favourable structural changes in southern Finland, especially in Southwest Finland, but also in Helsinki-Uusimaa region, is driving growth for the benefit of all of Finland. The positive structural change in manufacturing industry, particularly in maritime and car industry, has been rapid and the greatest growth is expected to be ahead. The phenomenom is exceptional, since alone in Southwest Finland 30 000 new jobs will be created in the near future.

The biggest challenge for positive structural change is the availability of labour force. The unemployment rate is significantly decreasing in all age groups, and employment is almost at its highest since 2008. Without flexible new ways to move labour, experts and know-how, growth will not hold up.

In order to ease the mobility of people between big cities, transport infrastructure must be upgraded. Not only the transport system but the whole economy would benefit from increasing accessibility. Continuing urbanization and the demand of combined labour market between major Finnish cities depend on the railways. Upgrade to the railway system would enable one-hour rides between larger southern cities and give the opportunity to develop a three-point labour market that would generate international interest. This is how the three major cities of Helsinki, Turku and Tampere could form a strong and internationally competitive triangle of economic growth.

> In order to ease the mobility of people between big cities, transport infrastructure must be upgraded.

The high-speed rail line between Helsinki and Turku, belongs to the EU TEN-T Core Network Corridor, and is strategically important to Finland. The fast train would reduce travel times between the two cities by taking a shortcut through Lohja and Salo. From the suggested large railway projects the One Hour Train between Helsinki and Turku is by far the most likely one to get the green light in near future. 40 million euros has already been earmarked from the State budget for planning this high-speed rail connection.

Improvement of the preconditions for public transport and investments on railways are needed in order to reach joint climate targets. EU aims to cut 40 % greenhouse gas emissions from 1990 levels by 2030. Finland has committed to reduce transport-related emissions half of what they were in 2005 by 2030.

The plans to modernize the rail network means a new way of thinking and funding state-owned transport. The Swedish model of 12-year transport infrastructure plan would ensure decision makers commitment and bring predictability in transportation development. Possibilities to use funding outside the state budget is under investigation. New principle of using private money in transportation would mean also some kind of revenue model that would interest investors.

The fast rail link can be co-financed with the European Union. Connecting Europe Facility (CEF) is a funding instrument for interconnected trans-European networks. CEF channels funding from the EU for Core Networks to promote growth. These targeted infrastructural investments support the development of high performing, sustainable and efficiently interconnected trans-European networks in the fields of transport, energy and digital services.

Investing on railways is a sustainable way to develop transportation and mobility. Investments on transport infrastructure, such as fast train connections, is strategically wise and pays itself back in the future. The One Hour Train as part of the Northern Growth Corridor strengthens economic growth, employment and competitiveness of the region. The aim is to further strengthen the conditions to develop a significant logistical route between EU, Russia and Asia. ■

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ANNE HORILA, ISMO HANNULA & OUTI MYLLYMAA

Co-operation on smart and sustainable mobility in the North Sea Baltic region

Expert article • 2464

The transport sector is in transition. Development pressures come from urbanization, environmental challenges and customers' needs for more flexible mobility. Maas (Mobility as a service) has inspired the Finnish companies and the public sector in recent years.

City of Hämeenlinna, City of Berlin and Growth Corridor Finland (GCF) have clarified the state of the smart and environmentally-friendly mobility services as part of the NSB CoRe project together with Sitowise. In 2017, the cooperation between private and public actors was benchmarked in Finland, Germany, Estonia, Latvia, Lithuania and Poland. During the year 2018 two Innovation workshops were held with MDI in Hämeenlinna and Warsaw, aiming to find new ways to promote sustainable mobility and build a common vision in the North Sea Baltic region.

Barriers and keys to success

The benchmark based on interviews, literature studies and project groups' experiences. The main themes were legislation, route optimization, trip chains and integrated services, automated vehicles, shared rides and vehicles, smart parking and background systems. The interviewees were asked 1) barriers of entry to markets, 2) keys to success 3) public sector role and 4) action points.

Barriers of entry to markets were for example finding funding, new market and new stakeholders, the customer attitude to introduced new services, creating interfaces, tedious partnership negotiations and stakeholder engagement, slowly opening interfaces and challenges to integrate public transport. Technologies already exist, but cooperation and contracts are challenging.

Key to success is to find the right partnerships - seamless collaboration between vehicle operators, public officials and other stakeholders. It is important for all partners to benefit from co-operation. As a result of the benchmarking analysis it can be said that it is important to find minimum terms at booking phase: vehicle operator vs. customer, sufficient technical abilities, customer identification and profiling, analysis and anticipation of customer behavior, databases of vehicle, driver and customer characteristics, ability to predict travel time, reliability and predictability of traffic conditions, smooth real time operations.

Recommendations for local and areal authorities to boost MaaS

Based on the results of innovation workshops which were facilitated by MDI, it can be said that the proliferation of new mobility services and the integration of mobility services is slowed down because of a lack of vision and ambition within local governments. It is important to establish an inclusionary process for co-creating a **shared vision** and roadmap. Generating local demand for new mobility service will boost the development of services.

Travel chains rarely function adequately at the level of the urban area or region (corridor). At least the integration of first/last mile solutions is often missing. **Municipal co-operation** is needed to coordinate service development. Building a culture of **experimentation** and **sharing experiences** and good practices strengthens collaboration among authorities and private companies.

Extending mobility chains to **rural areas** along commuting corridors needs the introduction of flexible and sustainable mobility solutions that don't require a lot of passengers to be feasible. New forms of cooperation and business models are needed in order to find functional new services.

Based on studies and experiences, it can be said that key development targets are **regulation, integrating services, user-centric development** and **open interfaces**. In general, public-private-people-partnership and cooperation seems important based on experiences on different pilots and development projects. It is important for customers to be involved in co-development. It is worthwhile to continue national and international co-operation and knowledge sharing. ■

Additional Information:

City of Hämeenlinna is a midsize Finnish inland city of 68 000 inhabitants. Hämeenlinna aims to reduce CO_2 emissions in transport by enhancing walking and cycling conditions and developing public transport. Long distance commuting is crucial for Hämeenlinna as 15 600 workers commute daily in or out of Hämeenlinna, many of them by train.

Growth Corridor Finland is a collaboration network comprising 20 cities and municipalities, four ministries, three regional councils, four chambers of commerce and Finnish Entrepreneurs. GCF utilizes a common vision process and experiments with companies to develop new solutions for sustainable mobility and services. GCF is involved in the project and attaches great importance to international cooperation in the development of sustainable mobility.

The NSB CoRe project main aims to improve the sustainable accessibility of the Eastern Baltic Sea Region (EBSR) to freight and passenger transport along the North Sea Baltic TEN-T corridor. Project activities consist of logistics, long distance commuter services, transnational community building and transport branding. The Interreg Baltic Sea Region Programme financed NSB CoRe project. The Helsinki-Uusimaa Regional Council is the lead partner of the project in Finland. City of Hämeenlinna, City of Berlin and Growth corridor Finland implement part of the project in co-operation.

Expert article • 2464

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Maritime spatial planning & blue growth

Expert article • 2465

Competition for maritime space for uses such as renewable energy, shipping and aquaculture has increased rapidly in recent years, and this development is expected to continue. In addition, the latest news on marine litter, the decrease in fish populations and the poor quality of marine environments is alarming and clearly demonstrates the urgent need for managing maritime areas in a much more sustainable way.

Maritime spatial planning has been launched as a tool for managing maritime areas more coherently. It is a tool to create preconditions for new developments and blue growth and, on the other hand, to protect the environment and the biodiversity of marine areas. The aim of maritime spatial planning is to reduce conflicts and create synergies between different uses and activities, encourage investments by creating predictability, and protect the environment through early identification of the impacts of planned activities on marine areas.

The European Union adopted the Directive on Maritime Spatial Planning in 2014. The deadline for member states to establish maritime spatial plans is 2021. Through their maritime spatial plans, member states must contribute to the sustainable development of the off-shore energy sector, maritime transport, and fisheries and aquaculture, as well as to the protection and improvement of the marine environment.

The Baltic Sea Region countries are forerunners in maritime spatial planning. As early as in 2010, they established a Joint HELCOM-VASAB Maritime Spatial Planning Working Group to develop coherent plans for the Baltic Sea. Both the spatial planning and marine environment protection authorities are members of the group. One task of the group is to resolve how to develop blue growth without compromising the good status of marine waters.

Drafting national maritime spatial plans in close cooperation makes it possible to take into account the common Baltic Sea and its exceptionally vulnerable ecosystem. The Baltic Sea is special in many ways and it differs greatly from the oceans, but both face the same expectations, that new jobs, food for the growing human population, material for new products (e.g. medicines), etc., should be developed in marine environments.

Marine ecosystems offer great potential to fulfil these expectations, as most of the world's biodiversity exists in the ocean. Although the state of the Baltic Sea sets limits on growth, the long tradition of cooperation, the high level of education and the good governance among the Baltic Sea Region countries provide a good framework to foster well-being and prosperity by developing sustainable maritime activities.

Off-shore wind energy is one example of such sustainable maritime activity that can be developed on a large scale in the Baltic Sea Region. It represents zero-carbon energy, and moreover, the underwater base of an off-shore windmill may increase local biodiversity by functioning as an artificial reef. In addition, social acceptance of off-shore wind energy is greater than that of terrestrial wind energy, as it can be located far from anybody's back yard. On the other hand, large scale off-shore energy production can have impacts, for example, on bird migration and fishery. It also requires common planning of energy grids. These kinds of cross-border issues have been dealt with in several INTERREG projects. The projects have proven to be effective tools in creating practical cooperation and a common information base for maritime spatial planning in the Baltic Sea Region.

Currently, all of the Baltic Sea Region countries are going through the first round of maritime spatial planning. For the first time, spatial planning is being carried out in close, large scale cross-border cooperation. The planners are following the same commonly agreed principles, meeting regularly in the Joint HELCOM-VASAB Maritime Spatial Planning Working Group, and working on practical planning pilot schemes alongside scientists from EU co-financed projects. However, it is clear that the first round of planning is a learning round and further development of the process is needed. For example, impact assessments are now carried out separately country by country, although the Baltic Sea ecosystem does not recognise borders and the impacts of different activities cumulate in the ecosystem.

The future will show us how maritime spatial planning can contribute to sustainable blue growth and the good environmental status of the Baltic Sea. The countries themselves will review the plans and their implementation at least every ten years after finalising them by 2021, and the European Commission will give a progress report on the implementation of the directive to the European Parliament and the Council regularly every four years. ■

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Baltic Sea Challenge as a water protection tool in Turku

Expert article • 2466

The City of Turku published the joint Action Plan for the Baltic Sea together with the City of Helsinki and started the Baltic Sea Challenge network initiative in 2007. The initial push for active protection of the Bal-tic Sea came from the mayors at the time, because the sea and its status were seen as success factors for the cities. According to the City's strategy, environmental protection and biodiversity are important to Turku, and the city is active in its efforts to protect the Baltic Sea and the Archipelago.

Over the past decade and during the course of two action plans, the cities have implemented dozens of measures to reduce the cities' own strain on the water system and develop operating methods. In addition to this, the network partners involved in the Baltic Sea Challenge, currently including 270 organisations in Finland and other Baltic countries, have performed hundreds of actions for the benefit of their local wa-ters and the entire Baltic Sea.

With systematic water protection has achieved much for the Baltic Sea already. Despite this, the Baltic Sea and the coastal waters of the cities remain in poor condition. The goal of the EU framework directive is to attain a good ecological status of waters by 2021. According to a report published by the HELCOM, eutrophication continues to be a serious issue nearly throughout the Baltic Sea. There is also an alarming amount of harmful chemicals and microplastics in the water systems. Data on the impact that climate change has on the Baltic Sea is alarming. Runoff to the Baltic Sea as well as the acidification of the sea are estimated to increase as a result of climate change. This has led to many ecosystems and habitats in the Baltic Sea region being endangered. However, the recreational value of cities' coastal areas is im-pressive and will continue to grow if the condition of the sea can be improved. Cities and municipalities have significant potential both in terms of improving the status of water systems and developing clean business.

The vision of the Baltic Sea Challenge is a clean, productive and shared Baltic Sea. The new, updated Action Plan for the Baltic Sea for 2019–2023 focuses on the impact that climate change has on the sea more than before. In addition to measures taken by cities, new operators are challenged to join in on the cooperation, and current network partners for the Baltic Sea Challenge are encouraged to reform their action plans and commit to new measures for the good of the Baltic Sea. With this joint initiative and the third action plan, the Cities of Turku and Helsinki have become active operators in the Baltic region and pioneers in environmental protection of the Baltic Sea.

The themes of the action plan for 2019–2023 are clear coastal waters, a healthy marine habitat, clean and safe water traffic, water area management and active Baltic Sea citizenship. These five themes cover a total of 117 separate measures that Turku is going to implement during the following five-year period.

The measures under the theme 'clear coastal waters' reduce the nutrient load, consisting of phosphorus and nitrogen, which enters the Baltic Sea through cities and catchment areas causing eutrophication. The utilisation and recycling of nutrients in cities' processes is also intensified, and the goal is to attain nutrient neutrality on a city level.

The goal of the 'healthy marine habitat' theme is to reduce concentrations of harmful substances and the amount of litter and noise in the marine environment. For example the city and the city-owned port are going to end dumping dredged material into the sea by 2024.

The measures falling under the theme of 'clean and safe water traffic' are put in place to reduce and pre-vent emissions produced by vessels from entering the ground, air and water. The measures also aim to prevent oil and chemical spills and prepare for oil spill control.

The measures covered by the theme of 'water area management' are aimed at gathering more infor-mation on marine environment in the city's marine areas as well as implementing the principles of different forms of use. The purpose is to combine tourism, recreational use and environmental rehabilitation with the protection of biodiversity and prepare for conflicts between the different forms of use.

The measures of the 'active Baltic Sea citizenship' theme are aimed at increasing awareness on the state of the Baltic Sea and the opportunities of affecting it, as well as strengthening the participation of various interest groups, such as companies, associations and educational institutions.

Even though many measures have already been implemented during the first ten years of the action plan, there is plenty more to do. Improving the state of the Baltic Sea requires long-term national and in-ternational cooperation. The Baltic Sea Challenge is one chance to do that. ■

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CHRISTIAN RAMBERG

NextGen Link project aims at cleaner shipping

Expert article • 2467

The Council of State approved Finland's Strategy for the Baltic Sea Region on 2 November 2017. According to the strategy, Finland will work actively to make the Baltic Sea region a pioneer e.g. in producing innovative model solutions for safe and clean shipping and maritime industry.

Clean shipping is particularly important for Finland. Of all the Baltic Sea countries Finland is perhaps the most dependent on the sea and smooth maritime transports, as most of our foreign trade is carried by sea. You can say that in terms of transports Finland is almost like an island.

The majority of the cargo transports between Finland and the other Nordic countries is carried through the ports of Southwest Finland. The busiest motorway of the seas in Scandinavia between Turku and Stockholm is daily operated by a number of vessels. The environment is thoroughly taken into account in the designing of these vessels and the port operations. A good example is M/S Viking Grace which started operations in 2013. The vessel was originally designed with special attention to the environment. It uses liquefied natural gas as fuel which is significantly cleaner compared to other sources of energy.

Environmental advantages emerge from small contributions.

Ports have also invested in the reception of waste water from vessels and providing onshore electricity for them. The processing of waste water is probably the most significant improvement from the point of view of the Baltic Sea. Today, the reception of waste water is efficiently arranged in Turku, Stockholm and Helsinki. During the short stay of the ships in the port, all waste water can be efficiently emptied directly to the waste water purification plant. Most of other waste, such as cardboard and packages, is also recycled.

The energy needed by vessels is only a part of what it was before. That is naturally affected by a number of factors. The designing of the vessel hull and the shape of bottom has decreased the currents and wave formation on the sensitive archipelago fairways. The energy consumption of vessels has been reduced by improving the recovery of energy. New technology, such as rotor sails, special screws and energy cells, have also been tested on ships.

The EU-financed NextGen Link project involving the ports of Turku, Stockholm and Mariehamn as well as Viking Line aims at even cleaner shipping. The project is part of the EU's Scandinavian–Mediterranean core transport corridor and will make shipping more sustainable and environmentally sound.

The project will update the existing sea connection between the ports of Turku, Mariehamn and Stockholm. The updating includes the building of a new, environmentally safer passenger car ferry, and extra environmental investments and port investments to meet the need of a new larger vessel and the growing cargo and passenger volumes. Viking Line's new vessel will use the automatic mooring and unmooring system to be installed in the Port of Turku in which the vessel is attached to the quay using a kind of suction cups. Another major improvement will be seen in the loading of trucks onto ships. The weighing, measuring and photographing of trucks will provide security and facilitate more efficient and balanced loading of ships, which in turn will enhance energy-efficiency.

Environmental advantages emerge from small contributions. The automatic mooring system generates a time saving of 10 minutes which can be used in the archipelago to save energy and decrease wave formation. As the ship sails on 365 days a year, the accumulating savings become significant.

Tallink Silja also invests in sustainable operations. As with Viking Line, the principles of environmental protection are an essential element of Tallink Silja's strategy, and they are taken into account in everything the company does. Tallink Silja has zero tolerance on pumping waste water into the sea, and its ships run on low-sulphur fuel. Furthermore, waste is sorted and forwarded to recycling. Tallink Silja is also planning to invest even more e.g. in local food and reducing food wastage in the future.

The sea has always attracted people in an unexplained manner. The interest in the Baltic Sea and its state among the people of today is probably also based on that mysterious charm. Environmental questions are increasingly important indeed. Our challenge in the future will be to manage simultaneously the growing goods trade, shipping and the environment. ■

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KJELL SKOGLUND

Nordic integration enters a new era

Expert article • 2468

The cooperation between the Nordic countries has recovered after a relatively long period of stagnation. The new rise of a stronger Nordic unity is a phenomenon that we have several reasons to appreciate.

Some of the underlying reasons for the turnaround in the relationships within the Nordic family are unfortunately not only positive. The main drivers behind the strengthened relations are the security situation in the region and the development within the European Union.

Russia's intensified military presence and activity in the Baltic region has sent a clear message to the neighboring countries. Finland and Sweden, as non-Nato countries, have been forced to respond to the new threats by strengthening their military capacities and by increasing their military and political cooperation.

The turmoil following the financial crisis ten years ago had a deep impact on the European Union and its ability to gather its members around a common goal and vision. The EU had to focus on crisis management for a long period of time in order to prevent a total collapse in the financial system. The quarrel about money put an enormous strain on the internal cohesion within the union. The refugee crisis that followed split the member states even further apart.

Crises dominated the European agenda for a long time and brought the commission's "ever closer union" ambitions to a halt. The natural response among member states was to seek regional solutions that would compensate for the lack of progressive development at an EU-level. A few regions even made attempts to reach autonomy or independence. The Nordic countries reacted, as could be expected, in a more rational way by seeking common solutions in politics, business and environmental issues.

The bilateral cooperation has been most intense between Finland and Sweden. The countries share a common history that span over 600 years as Finland was an equal part of Sweden until 1809 when Finland became an autonomy within the Russian empire. As a consequence, Finland and Sweden have similar jurisdictions and society models. The industrial structures are also similar: Both countries have globally leading companies in sectors such as technology, metal industry and pulp and paper. The gaming sector is booming in both countries with internationally known games such as Candy Crush, Clash of Clans, Minecraft and Angry Birds.

Several large corporations stand with one foot in Sweden and the other one in Finland. This is a trend that started some 20 years ago when the Finnish bank Merita merged with its Swedish counterpart Nordbanken. The merged bank later changed its name to Nordea and is today one of the largest banks in northern Europe. Mergers between big and smaller companies in different sectors followed during the following decades. The number of Swedish companies with operations in Finland and vice versa has also continued to increase.

Finnish companies are at the moment employing about 60 000 persons in Sweden and Swedish companies around 80 000 persons in Finland. Sweden is Finland's most important export market after Germany.

The Nordic countries have many times been among the first to adapt to new technologies and new trends. Our future success relies on our ability to do so also in the future. We have the technical competence and institutions to solve some of the most pressing problems of our time. Together we should be able to find solutions to some of the environmental challenges. Reaching this goal would also create new business opportunities for our companies.

Together we should strengthen the Nordic countries both as economic and political actors on the European scene. We should of course also include the Baltic states in this partnership.

A lot remains to be done. We need to remove obstacles in the bureaucracy in order to improve the mobility of both goods and labor within the Nordic region. Many companies are suffering from a lack of skilled labor. This is a phenomenon that is having a negative impact on the growth and competitiveness.

My sincere hope is that the governments in the Nordic countries will put a real effort in pushing the Nordic agenda forwards, despite the political turbulence in some of the countries. The composition of the new Swedish government is still unclear at the deadline of this article. I trust that the Swedish leading politicians understand their country's crucial role as the driving force of Nordic cooperation. Finland will have a new government next spring. Promoting free trade in the EU should also be a priority for the new governments in both countries. ■

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IGOR LONSKY

Turku's presence in Saint Petersburg

Expert article • 2469

Since the years when friendly ties between Leningrad-Petersburg and Turku - visits, various exchanges, contacts of the both cities' people, began to become ordinary and regular events, the presence of each city in its partner's in one or another way could be noticeable. Many signs of this have illustrated the both side's wish and an objective need to be formally presented with the aim to have a legal unit, body or office which could be able to assist in all kind of cooperation issues, to coordinate and facilitate in an operative way initiatives and projects, helping to find contacts and partners.

The idea of opening in Saint Petersburg the representation office of Turku City has been discussed since years. The clear definition of format and status of such office has been the issue that could not be solved fast enough: legal, bureaucratic obstacles, though being objective, were the reasons of that.

However, until the official establishment the office has been functioning several years, playing its representative role and serving as a liaison between two cities.

Finally, in 2015 the Turku Centre - representation office of Turku International Ltd, was established, with location in the very centre of Saint Petersburg - in the House of Finland, where many companies and organizations have their offices, including the Finnish Institute and the City of Helsinki's representation as well of some other's Finnish cities. Being now a property of the Finnish State the House of Finland is currently renewing its working concept in what concerns the promotion ideology and internal logistic scheme – the process in which students from Turku and Petersburg also took part.

Behind this year's 65th anniversary of friendship between St. Petersburg and Turku there stand many good examples of the results achieved by the two cities' joint work. Of course, events in the very different spheres of cooperation have been happening over these years without some representation office's activities. Universities and schools, civil societies and culture institutions, business companies and official visits by the central administrations, traditional Days of the cities held in sequence since as far as from the past century's sixties - all this constitutes the history, and a long one, of our cities' life and, besides, a solid base for mutual understanding, though this aspect seems far from being critical in our cities' ties.

With the time there appeared new formats of interaction between Petersburg and Turku, like Petersburg-Finnish partneriat, in addition to traditional St. Petersburg International Partneriat of SME. They allow to correspond to new requirements on the market.

With the help of Turku Centre in St. Petersburg all current and future plans, initiatives and projects proposed and promoted by both cities are supposed to find their realization in a more suitable and well-taken way. The Centre can be seen as a good, flexible and operative tool for solving tasks facing the cities. Providing assistance to those citizens and entities who are interested in establishing new and developing ongoing contacts; being a connection and coordination link within the cities' interaction scheme, including cities' authorities and Consulates General. And also, of course, to be as a platform for promoting Turku - its touristic, cultural, educational and scientific attractiveness.

Turku and St. Petersburg continue to interact in the frame of the already existing agreements and to build new plans. It refers to both participation in such big events like St. Petersburg Culture Forum, Innovation Forum and to regular exchanges between universities, including cooperation in the sphere of biomedicine, active mutual work in the environmental sphere. It is worth mentioning joint projects in the EU-Russia Programmes of cross-border cooperation.

Turku plans to be presented with a respective programme in the next year's Hanseatic Days in Pskov in June. The Turku Centre in St. Petersburg will be assisting in the stages of preparation and conducting the event.

In the next year of 2019 it is the Finnish city's turn to hold its Days - the Turku Days in St. Petersburg, with a traditional multi-aspect content, including the intention to mark thirty years of teaching Finnish language in Leningrad-Petersburg schools.

This will become another new step in a long and rich-of-events way the two cities follow, keeping history and looking ahead to the future. ■

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Government dictates the way in Russian business

Expert article • 2470

Virtually all business in Russia is subject to government direction and cannot function without following the dictates of the central government. Government-owned or partially privatized MNEs such as the major energy multinationals in oil and natural gas, notably Rosneft and Gazprom, are critical to the central government for the revenue, as these generate around 40% of the federal budget and are vital to the country's GDP. Privatized MNEs like the country's second largest oil company, Lukoil, and Novatek, the largest private natural gas company, also contribute substantially to state coffers. They are thus allowed a reasonable degree of autonomy, but ultimately at the will of the central government. The entrepreneurial sector is considered less important by the Kremlin, and has some freedom of operating, but still at the pleasure of the government. All three sectors will be discussed, but regardless of government ownership, all function in the shadow of the Kremlin, and in the later years of the Putin administration that shadow has become increasingly darker. They all function in a system of state-managed network capitalism and thus follow the dictates of the government that controls the rules, regulations, and viability of all three segments, in the context of its potential directives amidst institutional weaknesses and voids.

Considering the three segments of the economy individually, entrepreneurship, although no longer illegal and even encouraged in theory at least, still lacks sufficient government support or even the infrastructure to grow and prosper. This is in spite of the fact that it has long been realized domestically and internationally that Russia sorely needs to diversify its economy for sustainable GDP growth. Still, little has developed in spite of voiced support from President Putin and from President Medvedev during the 2008-2012 "interregnum." Another weakness is the fear of takeover of firms by greedy government officials. In fact, a Russian government ombudsman noted that corruption is the biggest problem facing entrepreneurs. As a result of this hostile, or at least less than friendly institutional environment, entrepreneurships and small businesses accounted for only 20% of GDP and 25% of employment in 2017, compared to 58% and 67% respectively in the EU.

Russia's larger private companies are not very productive, far less so than foreign companies operating in the country, and the gap continues to widen as Russian company productivity has stagnated. The most successful ones still operate in the oil sector or other natural resource arenas such as Rusal in aluminum and Severstal in steel, and are generally owned and operated by Putin-friendly oligarchs. Government-owned or quasi-private MNEs have the best of the situation in Russia. Most operate in the energy industry or financial services including the country's largest banks, and these are generally operated by handpicked friends and cronies of Putin. Such firms thus are uncompetitive and unproductive, far less than even their private counterparts, but operate with the explicit support of the central government and thus have little incentive to become more competitive. It is clear to most observers that these uncompetitive and unproductive giants are seen as being political instruments as much as economic entities. They produce revenue for the government and a place for Putin loyalists, helping to ensure his position of power.

This rather bleak picture persists from even before the sanctions that in conjunction with weak oil prices, brought the economy to a near standstill since 2017 with little prospect of improving beyond relatively small gains in GDP. Most observers see the economy and business as a distant second to Putin's desire for stability and continuity of power. But most question whether his present policies to support these objectives can produce a viably sustainable economy. The domestic economy, with its limited growth prospects, will require firms to seek growth internationally. This scenario looms largely because the prospects for change are very limited due to resistance from powerful forces like entrenched political operatives and state-owned MNE executives.

While the largest energy firms will retain Western European countries as markets, many private MNEs and potentially some entrepreneurships will likely have to look for international growth in the areas the Putin government selected after the imposition of Western sanctions. These include China, India, and much of Asia, the Middle East, Africa, and potentially Latin America. Business will likely continue to follow political directions. ■

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Finnish business dives into Russia's turbulent markets

Expert article • 2471

"*A challenging situation, don't retreat, monitor closely"*, one of those who responded to the survey commented in the autumn barometer study of Russian trade. The quotation well-describes the atmosphere of Finnish business enterprises in the Russian market.

Along with its partners – East Office of Finnish Industries Oy, Confederation of Finnish Industries, Central Chamber of Commerce, and Federation of Finnish Entrepreneurs – Finnish-Russian Chamber of Commerce publishes a barometric study of Russian trade twice a year. It clarifies the perspectives of Finnish managers and decision-makers involved in Russian commerce on the results achieved in Russian trade, as well as developments on the way and investments. At the same time, barometer clarifies respondents' forecasts of development of Russia's own economy.

According to the autumn 2018 barometer, almost half of all respondents expect Russia's economy to remain unchanged. Only one-third believe its economy will grow. Nobody, however, anticipates growth to be strong.

For over half the companies, business operations have remained stable in Russia. Every third reports that their business has increased, but growth has been substantial for very few. During the last six months, export has grown amongst 28% of the respondents. It was 34% during the spring. Export has declined with 22% of those who responded.

Optimism both in relation to export and towards the development of business operations is more moderate than in the spring, when growth was expected by over half of the survey participants. Currently, only 43% expect export growth, whilst 45% expect business growth to occur during the next six months.

During the spring, almost one-third of the companies related that they were planning investments in Russia during the next year. Currently only 21% of the respondents spoke of their eagerness to invest.

It can be understood from the responses that uncertainty about the Russian market has increased, as a result of the U.S. sanctions. The complex sanctions and the threat of new ones have weakened the rouble, and this is seen directly in the reduction of export by Finnish enterprises as well as the willingness to invest. Under these uncertain circumstances, businesses appear to be playing a waiting game, but they nevertheless wish to remain in the market. On the other hand, these companies sense that their own possibilities of affecting the situation are limited.

The barometric survey confirms that the exchange rate for the rouble has become the number-one source of concern for Finnish companies, and the political situation / sanctions come next, right after the rouble. The activity of enterprises on the market appears either to have tapered off, whilst measures to either adapt to the situation or streamline operations have increased.

The results of the barometer are not surprising, but they are confusing on the other hand. The summaries and averages cast an uneven impression, since they leave innumerable success stories in the background. Many enterprises operating on the market even report excellent results.

It seems that there would be real demand on the Russian market if the trade barriers did not act as brakes on export. Finnish expertise responds excellently to the targets that have been placed on the development of Russia for the next six years, and the modernisation process in Russia's economy requires strong technological partnering.

There are many prerequisites for export on the part of Finnish companies, and room in Russia for growth in business already exists. Russia has consistently improved its environment for business and has caught up in the World Bank's Doing Business 2019 comparison, currently ranking 31. Russia nevertheless still leads the statistics for EU trade barriers. The removal of trade barriers and protectionist measures would restore equal conditions for competition, and also motivate Russian business enterprises to reinforce their own competitive skills. Everyone would win.

Approximately 900 Finnish companies have operations in Russia. On a per-capita basis, Finland is the largest foreign investor in Russia. Finnish tenacity, practicality and calmness are some of the qualities that have helped Finns succeed in Russia's turbulent markets, as Finns rarely give up without a fight. Finnish businesses have also learned that when they go to Russia, they should focus on the things they do best. Russia is a demanding marketplace. To succeed, companies must offer only their best expertise. Finnish businesses can rely on their quality and ability to deliver in helping them stand out from the crowd. These days, firms competing for the same customers come more and more from China.

Finnish companies have good reason to hone their capabilities to ensure that market shares are not lost. In challenging times, business networks should utilise exchange of experiences and peer learning. By creating partnerships, combining the provision of more enterprises into larger entities, and going into markets together, Finnish SMEs could be bigger than their apparent size. Finnish-Russian Chamber of Commerce is part of the Team Finland network and helps companies to succeed in Russia. We are active networkers and experts in challenging markets. We cannot affect international policies on sanctions or the rouble exchange rate, but when the times are challenging, our advice and networks are needed the most. ■

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Drivers for the housing sector in Russia intact

Expert article • 2472

Old residential stock is in rather bad shape or residential stock is in the wrong place, i.e. in those regions with a shrinking population. However, not only these but also several other factors drive residential construction in Russia. The yearly sales of new flats in Russia is about 1 million units (2017 commissioned 1,131,400 units).

Residential space per capita at a low level

There is about 25 m^2 residential space per capita in Russia. Finland has 39 m^2 and Austria and Germany around 43 m^2 per capita. The leading position has North/Western Russia with 27 m^2 per capita. Southern regions with 24 m^2 per capita have the tightest living conditions.

Demographics follow the global trends

In Russia in 1995, the average size of a household was 2.99, and the estimate for 2020 is 2.46. In 1995, 53% of all households had 1 or 2 persons, but in 2020 it will be 69% (estimate), and in total 6 million new households compared to 1995. There has been a constant trend of a decrease of the average flat size in Russia. Only in the two years from 2015 to 2017, it decreased from 56 m^2 to 49 m^2. It is often said that this is because of smaller flats or because of less money available for consumption. In reality, it is more important that smaller families require fewer rooms.

St Petersburg is leading in living space per capita but at the same time the average size of flats in St Petersburg is 45 m^2, which is the smallest in 7 regions where YIT is operating. Smaller families have more living space per capita.

Internal migration is remarkable

Bigger cities are becoming bigger also in Russia even if statistics do not always confirm that. For example, students stay registered in their home regions even if they live in other cities. Some 4.1 million Russians are moving to new towns and cities yearly. Newcomers seldom buy a flat, but those who rent flats to the newcomers might buy an own flat instead. The myth is that people from Siberia are moving the most. Siberians are mainly moving within their own area, 83% of migration is within Siberia. For example the biggest migration flow to the North-Western region is from the Central region of Russia, wherein there were 56,000 according to the statistics of GosKomStat from 2016. Moreover, the biggest migration is taking place within the region at 345,000.

Migrants form about 10% of the sales of new apartments on average in YIT's operating cities.

Mortgage market

2017 Rosreestr registered 699,500 share participation contracts, i.e. deals under law 214. The share of mortgage loans of GDP in Russia is less than 10%, in Finland for example around 50%.

By 2018, the average interest rate for mortgages has fallen below 10%. This record low level has encouraged Russians to take on mortgage loans. Often a mortgage credit is used as bridge financing. After receiving the keys, you complete your new flat without any hurry and after moving in you sell your old flat. And pay your mortgage back.

Only up to 50% of the sales of new flats are financed by mortgages at the moment. After the collapse of the Soviet Union, everybody who had officially rented a flat, could privatise it without paying anything. Millions of Russians have found themselves owning even two expensive flats in Moscow or in St Petersburg or other "Millionics". Russians have jumped over one generation what concerns living career.

The size of an average mortgage loan is still very low. In Sept. 2018, it was 1.94 million roubles. Lowering the interest rate has increased the appetite to take out loans covering also finishing. Earlier you took a minimum loan out and bought a shell and core flat, and then tried to make finishing by yourself.

Improvement of living conditions

41% of flat buyers are claiming that their purchase was to increase their living comfort. The biggest part of home buyers are looking for a new flat in their own neighbourhood which they know well and where friends and parents are living. The difference compared to Finland, for example, is major, as the target audience for a new project is located throughout the city.

Still in 2016 26% of flats were purchased without any finishing, as shell and core. 38% was purchased with pre-finishing and 31% with finishing without kitchen furniture. The other 6% were with full finishing. In spring 2018, the share of flats without any finishing dropped to 14% and the share of full finishing without kitchen furniture had increased to 40%.

Surprises come and go

Traditionally, a sharp decrease of currency rate has led to an increase in sales of flats, mainly smaller ones like one or two rooms flats. The latest phenomena of this kind we saw in December 2014 when the sales of new flats was extremely active. The boom continued to early spring next year. In the beginning of December 2014, the rate RUB/EUR was on the level 55, in a few weeks the rouble weakened to 82, or even more. This resulted in a very sharp increase in demand. Interestingly, two quite remarkable devaluations of the rouble since then have caused only a minor increase of the demand of flats.

During the last 10 years, the increase of private deposits has been 17% per annum on average. If all that money would be used to buy apartments (at avg. price of RUB 3 M) that would make it possible to buy 9.1 million apartments, i.e. ten times the approximate yearly sales. We will see how these deposits will be used.

There have been remarkable changes to the regulations in

Expert article • 2472

summer 2018. The consequences are still unknow, and there might be problems for smaller housing developers who cannot fulfil the requirements, mainly obtaining project financing. This might lead to turbulence on the housing market and even to a decrease of supply, which was not the basic idea of changes meant for securing the interest of cheated customers.

In Western European countries, a rather big part of residential stock consists of rental apartments owned by professional players, investors, pension funds and insurance companies, among others. This market does not exist at all in Russia. One reason is the high interest level. Why invest in the rental market if you get 7-7.25% from federal obligations or on deposits. Most probably the professional renting business starts to develop when the interest level decreases. And this leads to the production of flats for the rental market.

Political support also plays its role in Russia. There have been several governmental programmes for the military, young families etc. to remove hurdles for purchasing flats. Those programmes will be continued in one format or another.

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E-commerce in Russia: Trends and constraints

Expert article • 2473

Current macroeconomic situation in Russia is rather far form facilitating the positive dynamics of online retail growth: economic uncertainty, imports and exchange rate pressure, payment systems restrictions and several other macroprudential factors seem to depress the whole retail segment of the Russian economy thus forcing operators to seek optimization solutions. The majority of those lie within the realms of online trade.

Although CPI-based inflation stays rather moderate, given its retrospective values in Russia, retail segment has been much more sensitive to prices' fluctuations due to significant share of imported goods sold and components for domestic manufacture. That's why contemporary advancements in online trade development are powered by the two main drivers:

1) Consumerism facilitation, which is supported by numerous side-effects such as the increase of mobile internet users' number, online payments development, etc. This tier faces many significant constraints, both pending and already implemented, like mobile user identification issues or restrictions imposed on online payments.

2) Cost-cutting strategies of retail operators that foster a shift from offline to online by eliminating several advantages of the former. The need to maintain Ruble-nominated prices growth' within CPI boundaries against exchange rate fluctuations and to support proper dynamics of sales makes retail operators reduce costs via optimization of their inventory policy and supply channels.

Several segments, like furniture, household supply and consumer electronics, force customers to move to online by eliminating obvious advantages of offline purchases. Supply on-demand and instant delivery are getting less available. One cannot expect to have a purchased commodity delivered 'ex store' because they normally have a front-line exhibit only; reasonable discount from offline price is also a factor to move to online when purchasing durable goods. Average discounts vary from 3% to 5% of offline store prices and in some instances reach 25% making it a good stimulus to change consumer behavior patterns. The model of online shopping in Russia finally changed: from a means of making a choice, online stores became a means of buying a 'package service' that combines consumer goods with the best practices of supply chain management. Finally, the whole landscape of retail is forced to change, following FMCG that lead the market.

The Russian online retail segment generally follows the global trends, although with some significant delay. The potential of its development is driven by emerging segments (food and meals delivery, multi-store and cross-store shopping) and by emerging territories: the Russian regions differ in consumer wealth, internet propagation and possibilities of economies of scale. Yet, the incremental growth of online sales exceeds the general retail due to the opening of new markets away from Moscow, Saint-Petersburg and other highly populated cities.

Another catalyst of online trade in Russia, as well as globally, is the development of online aggregator-platforms that facilitate B2C communication in numerous segments of retail. The 'shared economy' phenomenon is widely deployed and changes quality of life to better. Four of the Russian top-ten online retailers have no offline representation.

Still the global trends meet the Russian constraints that have different background.

Firstly, the lack of competence and expertise is being rapidly recovered but still is among the major factors to slow online retail development down. Chasing obsolete trends can be also denoted as a feature of the Russian online retail market among the startups.

Secondly, the macroeconomic and regulatory environment that is counter-productive towards the whole retail market, including the online segment. Value added tax rate is planned to increase from 18% to 20% starting January 2019. This is expected to place additional pressure on prices and to decrease the pace of retail growth at least for 3-6 month.

Online payment system is another significant factor that regularly requires reiterations in back-end and policies development of online retailers. The national payment system MIR by now is mainly absorbed and widely adapted by the market-makers, although a significant share of the market is still away from MIR processing online. Technological issues like personal data storage and processing also arise and provide severe uncertainty and extra costs for payment processing systems.

Finally, considering a big share of cross-border online trade (up to 35% of all online purchases are made abroad), new restrictions on duty-free individual imports may cause a temporary slowdown. ■

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Kaliningrad – Russia's western exclave

Expert article • 2474

The physical distance from the mother country and the location as an exclave between the EU and NATO member states Lithuania and Poland create special geopolitical conditions for the Kaliningrad region. On one hand, Kaliningrad is characterised by its close connections to the neighbouring countries, due to which it receives more foreign influence than an average Russian region. Travelling abroad to buy products and services that are not available at their home region is an important element of the well-being of the Kaliningrad residents. Despite the growing international tensions, intensive grass-root level interaction across the borders contributes to positive attitudes towards the neighbours.

On the other hand, the Kaliningrad region has a great strategic significance for Russia as a military base and gateway to the Baltic Sea, and is therefore kept in tight control of the federal centre. The interest of the Kremlin is to counter foreign influence and keep the region as an integral part of the Russian Federation. The fear of separatism, related to Kaliningrad's German past, has recently manifested, for instance, in the declaration of the German-Russian cultural centre as a "foreign agent" in 2016 and the ensuing closing down of the centre. However, this fear seems to be more or less groundless as the overwhelming majority of the region's residents identifies themselves as being part of the Russian Federation. The Kaliningrad residents also generally support the ruling power and their policies – for instance, nine out of ten accepted the annexation of Crimea in 2014. The popularity of president Putin in Kaliningrad has also followed the average Russian level. The high level of support expressed for the Russian leadership is probably partly related to the fact that a large part of Kaliningrad's residents are military personnel and their families, or otherwise linked to armed forces, and therefore "ordered" to support the current regime. Moreover, the strong presence of armed forces in Kaliningrad further strengthens the atmosphere of control in the region.

The recent changes in the regional government of Kaliningrad have also been aimed to increase the control of the federal centre over the region, both politically and economically. The governor of Kaliningrad was changed in 2016 when Nikolay Tsukanov was first replace by Yevgeny Zinichev and after a few months, Anton Alikhanov was appointed as the governor. Recently, there has been a wave of dismissals of Russian regional heads that are not trusted at the federal level, which is closely connected to the growing importance of stability as the cornerstone of the Russian society. Besides ensuring stability during the 2018 presidential election, the governor changes in Kaliningrad were probably related to sorting out the region's finances and rooting out the black economy particularly in the amber industry. The Russian government attempts to normalise Kaliningrad's economy to one based on production and exports instead of being a trans-shipment zone for exports from the EU countries to Russia, which is a legacy of the Special Economic Zone status. The government has also published a plan to create special offshore zones in on Oktyabrsky Island in the Kaliningrad region and on Russky Island in the Far East. However, together with the increase in federal transfers, the top-down approach to the region's economic development translates into greater economic dependence on the federal centre.

This approach is in line with the policy of centralisation that has characterised the relations between the Russian federal centre and subjects for many years. The federal subjects have less autonomy and despite Russia's regional differentiation, their ability to conduct policies that are specifically modified for the subject in question remains limited. Consequently, regional elites in Russia face growing pressure both from the centre and from the region's businesses and societies. As staying loyal to the Kremlin is primary in order to keep the office, they may not be able to meet the region's needs, which is likely to lead to growing dissatisfaction at the local level. Kaliningrad has a history of large socioeconomic protests in 2009 and 2010 that were partly caused by the dissatisfaction of the region's residents for the then governor Georgy Boos, who was considered to protect the centre's interests instead of Kaliningrad's. The number of participants in the largest protest in January 2010, over 10 000 people, was about one percent of the region's population – approximately equivalent to a demonstration of 100 000 participants in Moscow.

In general, Russians are ready to protest against socioeconomic grievances, as the wave of demonstrations against the very unpopular pension reform sweeping through Russia this year shows. From the Kremlin's point of view, these kind of protests, even without political aims, threaten the stability of the country. Due to Kaliningrad's strategic significance and growing militarisation during the recent years, it is highly unlikely that the Kremlin will let similar protest movement emerge again. However, pushing control too far can also increase social tensions in the region, whose residents are exposed to foreign influence and able to compare their way of life with that of their EU neighbours. Furthermore, if the Russian state fails to meet the expectations of its citizens to guarantee not only stability and security but also a decent standard and quality of living, it may lead to growing social discontent also in Kaliningrad. ■

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Bioeconomy – a driver for rural development in the Akrhangelsk region in Russia?

Expert article • 2475

Development of a bioeconomy is at the forefront of the national and regional agendas of many European countries due to its potential to contribute to the fight against climate change by replacing many goods and services currently produced using fossil-fuels and other non-renewable resources, but also due to new economic activities in and around rural regions that the bioeconomy stimulates.

Yet little is known about the current status, and institutional and policy framework for bioeconomy development in Northwest Russia. An attempt to improve understanding and shed some light on the issue was made in a study on a bioeconomy in Arkhangelsk oblast funded by the Nordic Council of Ministers in 2017.

The Arkhangelsk region covers an area that is ca 1.7 times larger than the area of Finland. The region is sparsely populated, with a population density almost equivalent to the Finnish Lapland. The relative proximity to the markets owing to a year-round navigation ports and the Northern Sea Route, as well as abundance of forest resources are among the regional strengths.

The timber industry in the Arkhangelsk oblast is the biggest in the Northwestern Federal District and is the dominant sector in the regional economy. The region is regarded as among the forerunners in Russia when it comes to the adoption of the environmentally friendly practices in the forestry industry, the Forest Stewardship Council (FSC) certification, and is ahead of many other regions when it comes to bioenergy production. The successful industries in the region have adapted a 'green' thinking to some extent, not the least due to clear competitive advantages at the EU markets. The Sawmill 25, whose management has timely invested in the modernization of the industry, is often brought up as a success story that sets a positive example for other companies in the region and in Russia as a whole. Sawmill 25 is an export-oriented closed cycle production plant that produces sawn timber and wood pellets.

At the same time, the majority of regional companies specialize in the traditional forestry activities and the transition to a bioeconomy is at a rather starting phase. The region holds great potential for bioenergy production given the large volumes of waste generated from timber industry activities (over 5 million m^3 annually). There is an increasing understanding of the potential of using wood waste as a resource among the regional businesses and authorities, which is primarily driven by the economic interests. Bioenergy is seen as a cheap and locally available alternative energy that could substitute the imported fuel that the region is dependent on and save costs.

Moreover, with a gradual improvement of waste management legislation in Russia, landfilling becomes more expensive, which pushes the companies to find alternative ways of getting rid of the waste. Investing in bio-boilers rather than paying for landfilling becomes more attractive in this regard. However, in reality, the high costs of new technologies and lack of investments often results in choosing the less sustainable and cheapest options. Besides bioenergy, wooden housing construction is another promising area in the bioeconomy that has been promoted both at the national and regional level.

The utilisation of biological waste for bioenergy production and increasing the efficiency of timber industries are gaining popularity on the agendas of the Federal and regional governments. In September 2018, the Russian government adopted the *"The Strategy for the Russian Federation forestry development until 2030"* which outlines wooden housing construction and wood waste recycling into bioenergy amongst the highest priority areas.

At the regional level, a conceptual programme "Local heat supply development until 2030" was developed in 2014. The programme promotes local bioenergy production through e.g. converting the municipal boilers to biomass-fuelled. According to the conceptual programme, it is planned to gradually reduce the share of imported fuels and increase the consumption of bioenergy from 14% in 2014 to 44% in 2030. At the same time, the programme does not envisage any direct help to purchasing or converting boilers.

There are ten high-priority large-scale investment projects that are currently being implemented in the region that envisage investment support in processing of the wood-based residues (mainly pellets production) and setting up the facilities for wood waste disposal and management (e.g. bio boilers that provide energy for the needs of the industry and local residents). As an outcome of the investment projects the pellets production capacity in the region is expected to increase by 300 000 tons by 2022.

The main mechanisms to stimulate bioeconomy that are at the disposal of the regional authorities today are low interest loans, tax reductions and favourable lease contracts. The key focus is on attracting investors in the regional companies. The regional government also promotes the development of concession agreements as means to attract investors.

Among the key challenges for bioeconomy development in the region is a lack of federal level support to the bioenergy consumers for the development of the domestic market and a lack of economic incentives for the regional and local authorities to operate and drive the initiatives. Other challenges include shortcomings in the environmental legislation, limited cooperation between business, academia and regional authorities, as well as long distances and infrastructural challenges that limit possibilities for the utilisation of timber and logging wastes. ■

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Resisting Russification in Soviet Latvia

Expert article • 2476

The history of Russification in Soviet Latvia is one of successful cultural and linguistic resistance to the imposition of the Russian language. The bulk of Russian-speaking newcomers arrived between 1946 and 1955, a net migration of 328,400 people. Resistance initially took the form of an armed struggle against Soviet security forces in the wake of the Soviet re-annexation of Latvia in 1944. After major armed resistance ended in the early 1950s, opposition to Stalinist linguistic and demographic Russification manifested in an internal conflict within the Communist Party of Latvia (CPL) between young reformers, the so-called national communists, and the "old guard" Stalinists who had run the Party since 1940.

The struggle for control of the CPL took place under Soviet General Secretary Nikita Khrushchev's "Thaw" and de-Stalinization campaign. In this new climate, the national communists gained control of power in Latvia and attempted a wholesale reversal of Russification policies, all the while without questioning Latvia's place within the Soviet system. The national communists took advantage of Khrushchev's initiatives to expand Latvian autonomy, for example, through the *Sovnarkhoz* (Regional Economic Council) reform, which decentralized economic decision-making power in 1957.

Between 1956 and 1959, the national communists began displacing Russian and Russified Latvians in the top echelon of the CPL. They implemented a radical agenda, including a law requiring mandatory knowledge of Latvian and Russian for Party functionaries and service sector workers; residency restrictions that targeted Russians to prevent them from settling in Riga; the rehabilitation of pre-Soviet Latvian culture; and plans to alter economic priorities by curbing heavy industrial production thus reducing the need for Russian labor migration. These were extraordinary policies with a distinctly nationalist hue. Though not all were fully implemented or successful, there is evidence that these policies impacted Russian migration and halted the Russification of Latvian society to a certain degree.

The Latvian national communists relied upon the CPL for legitimacy and therefore encouraged a rapprochement between Party and people. In October 1957, the national communists created the newspaper *Rigas Balss* (Voice of Riga), to speak more directly to the people. The aim was to increase national communist control by bringing more Latvians into the Party to make the CPL majority ethnic Latvian. Khrushchev's Thaw was erratic, it was not a linear progression of cautious liberalization and de-Stalinization but rather a process that zigzagged. In late 1958, Khrushchev announced a new education law, which caused a backlash in the Republics because the reform permitted parents to choose the languages their children learned in school. This meant that Russian parents could unburden their children from learning the titular language of the Republic where they resided. While the Russian language was unaffected (as the USSR's lingua franca), the reform threatened the status of the Republics' titular languages. The national communists used their popular support to foster a genuine debate about language reform among parents and teachers in Latvia. They brought their concerns to the Supreme Soviet in December 1958, succeeding (albeit only briefly) in derailing the whole education law.

Ultimately, the national communists sought too much autonomy. They misread the unclear signals about how much political and economic power Moscow was willing to cede. Their clash with Stalinists in Riga drew the attention of conservatives in Moscow and in May 1959 the CPL was subject to an investigation by inspectors from the powerful Party Organs Department, controlled by Kremlin conservatives. The national communists were portrayed as anti-Russian nationalists and purged from Latvian politics in July 1959. Latvia then returned to an orthodox leadership and became the most obsequious Baltic Republic. The Russian language was restored to supremacy in all spheres of life. Demographic Russification, interrupted by the national communists between 1953 and 1959, continued until the late 1980s.

The ex-national communists gained some measure of recompense in 1972 when their former leader, Eduards Berklavs, smuggled a letter from Latvia to the West. The letter, which was first published by the Swedish newspaper *Dagens Nyheter*, detailed Soviet Russification efforts and embarrassed Soviet authorities.

It is most remarkable that this anti-Russification program was ever implemented in a Soviet Republic. That it survived in operation for almost three years despite opposition from the military and local Russian politicians but without any decisive interference from Moscow, is even more striking. This suggests that in the mid-1950s the centre-periphery relationship in the USSR, in contrast to the Stalin era of hyper-centralisation, dramatically shifted in favour of the Republics, albeit temporarily. ■

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