

KEYNOTE SPEECHES

Mr Sven-Erik Soder

State Secretary, Ministry of Foreign Affairs of Sweden

Mr Ulf Dienkelspiel

President of the Swedish Trade Council

Mr Jarle Skjorestad

State Secretary, Ministry of Foreign Affairs of Norway

Mr Pierre Schori

Member of the European Parliament, Sweden

Mr Sven-Erik Soder
State Secretary, Ministry of Foreign Affairs of Sweden

Ladies and Gentlemen,

First of all I would like to thank you for your invitation. It is a great pleasure and honour to be here today as a speaker at this conference, and to see so many people gathered from both local government and civil service level. It exemplifies something that I will come back to later in my speech, namely the importance of contacts people-to-people, city-to-city and region-to-region, in the Baltic Sea area.

The potential for growth in the Baltic Sea region is immense. Though this has been said repeatedly in the past, it should nevertheless be emphasised. All of us here belong to a region that without exaggeration can be described as one of our continent's strongest and most dynamic growth areas.

As we stand on the threshold of a new millennium we must grasp and utilise the new challenges in our region. The ground has never been better prepared than at this very moment: we have democracy, we have peace and stability, and finally we have promising economies, despite the Russian crisis.

Looking back over the amazingly dramatic and rapid developments of the last ten years, we can count among its achievements the establishment of democratic governments along the Baltic Seaboard, the vigorous promotion of human rights - and the resulting abolition of the death penalty in all states - and the successful transformation of the former state economies to market economies.

The Baltic countries have exhibited extremely high growth rates. During 1997, Russia, Poland, Estonia, Latvia and Lithuania all had well above normal growth rates. Estonia's GDP reached an astounding 11 per cent. The Russian crisis has naturally affected the growth rate in all ten Baltic countries. From a wider perspective, however, there is no doubt in my mind that the economic downswing following the Russian crisis of last autumn is temporary, and that the economies will come out of it even stronger than before.

Enlargement of the European Union will have a powerful impact on the situation in the Baltic Sea region. The enlargement process will invigorate Baltic Sea co-operation as the European Union focuses increasingly on development in this area.

Enlargement will also serve as a motor for economic growth in our area. The candidate countries have made impressive progress in their efforts to adopt and implement internal market law regulations designed to facilitate trade exchange step and marginalise border and customs problems.

It is Sweden's stated opinion that Latvia and Lithuania should also be invited to initiate negotiations in Helsinki. In our opinion, these countries have shown that they are ready for this step.

It may safely be said that with enlargement, the centre of gravity of the Union will somehow shift slightly in favour of the north. It is in our common interest to make full use of this new situation.

This emphasis on the Nordic region is already apparent with the Finnish initiative, the Northern Dimension. I see the Northern Dimension as a horizontal structure that embraces all policy areas and all countries in the region - both within and outside the boundaries of the European Union.

I believe that one effect of the eastern enlargement of the Union will be the still closer integration of the Baltic Sea area; in fact, we are already seeing a gradual effacement of existing borders. I also think

this includes Russia, gradually developing deeper relations with her neighbouring countries. We are witnessing the emergence of a network of developing contacts in the region at democratic, economic and cultural levels that will tie us closer together.

At the start of my speech, I mentioned the importance of co-operation in our region - co-operation not only at national level but also at regional and local levels.

I believe organisations like the CBSS have an invaluable role to play, in terms of furthering co-operation among states as well as de-centralised co-operation. The Council is a complex network of organisations and structures promoting integration and co-operation. It has a unique task – that of gathering together EU member states, candidate countries and non-EU countries. Especially worth mentioning is the opportunity for the Baltic States to conduct a dialogue with Russia. But whereas nation states have an important role to play in agreeing on the framework, an increasing share of the dynamics of co-operation originates in the growing collaboration between cities and municipalities. The UBC is a key player in supporting and stimulating this co-operation and in channelling the common views and priorities of the cities of the region to the respective governments and to the public.

For her part, Sweden has witnessed a marked increase in de-centralised co-operation. We are among the word leaders in establishing twin town partnerships. Three out of four municipalities have established partnerships with sister regions on the Baltic Seaboard, and many have entered into more than one. These contacts between local and regional institutions are rooted in a strong sense of involvement in the countries concerned. In Sweden there is a deeply rooted public desire to participate and contribute to the development of our neighbouring countries. This was made manifest not least during the struggles for democracy and independence in Poland and the Baltic States in the 1980s and early 1990s. Today, the political environment has changed. The forms for engagement and co-operation have too. But the commitment remains.

Our Government attaches great importance to supporting this commitment at local and regional level and has set aside considerable sums for this purpose. The funds are channelled mainly through Sida. A special allocation - the so-called Baltic Billion Fund - of one billion Swedish crowns has been made to promote co-operation with the Baltic area. I will not conceal the fact that this was not conceived out of altruism alone; such a measure is also clearly in our own interests. It is a well-known fact that countries enjoy a more favourable exchange with regionally developed and balanced nations than with centralised states.

A strong regional and local democracy, solid institutions and investment-friendly environment are crucial to political and economic prosperity. In order to help develop cities and countries in our neighbouring countries Swedish local government authorities assist in areas such as education, twinning and the exchange of management staff. This has proved of mutual benefit. Co-operation and trade at local level create the best platform for growth.

Co-operation at people-to-people level also plays an important role. Exchanges between schools, churches, associations and sports clubs are frequent and create a network of contacts of immense value for the future. Talking of grass-roots involvement, I also want to take this opportunity to emphasise the importance of non-governmental organisations. NGO's have a great deal to contribute. Examples of fields that can be mentioned are social integration and environmental issues.

Last week the newly appointed head of the Latvian NGO Centre visited Stockholm and spent half a day discussing work in the NGO field with her Swedish counterpart, the head of Forum South. The picture she gave of the development of civil society in Latvia was quite promising, bearing in mind that less than 10 years ago people were expressing strong scepticism towards any kind of voluntary organisation as a result of their previous experience.

I could go on talking for hours about the variety of regional and local co-operation that is taking place around the Baltic Sea. However, I will stop here and hope that I have succeeded in my purpose – to give you a broad outline of the situation. I am sure that you yourselves have many more examples from your own experience that you will be sharing in the days ahead.

In conclusion, I would like to emphasise that integration and co-operation is based on mutual interest. We all stand to gain from what we do together, in whatever context - trade, culture, the environment or other fields.

We are now approaching a phase in which our relations are acquiring the more natural character of contact between neighbours. Direct co-operation between cities and regions that have identified a common agenda creates the real growth sector for commercial, political and cultural co-operation. This is where we will find much of the driving force for the creation of new structures adapted to ongoing globalisation on the one hand and the growing and natural demand for greater influence at grass-roots level on the other. All of us are stakeholders in this process. I am therefore grateful to the organisers for taking this important initiative.

Thank you for your attention.

Mr Ulf Dinkelspiel
President of Swedish Trade Council

Mr President, Ladies and Gentlemen,

Let me first of all express my pleasure for having been invited here. Not only because it is always nice to meet friends surrounding the Baltic and to discuss issues of common interest but more particularly because this gives me an opportunity to discuss with you an issue, which is extremely close to my heart in my present capacity as President of the Swedish Trade Council, but as much as I would say, given my background, having dealt for more than 30 years with issues related to the European Integration.

Trade in the Baltic Sea region. I checked the figures this morning what is actually a topic in the Swedish Trade Council, right at this moment in the Baltic Sea region. And here is the information I got that in the present weeks, ten companies in the health care sector are about to visit Lithuania in order to discuss the development of new business with new business partners. Some five companies in the wood sector are about to leave or have already left for Russia to explore possibilities of closer cooperation with partners in Russia. In the same sector another five companies, might even be some of the same, are going to Estonia for the same purpose and as far as Poland is concerned, I found one group of five subcontractors or potential subcontractors to the automobile industry going over there within short. We also had a number of groups encompassing various sectors of Swedish industry visiting Poland, which is of course an extremely interesting market. This all is to show that we have a vibrant situation, a very dynamic situation in the Baltic Sea region and I will come back to that.

Just to give you some evidence of that, let me point out that, at the present juncture, we have more activity in this region than I believe ever before, if we do not go back to historic times, when there were contacts of quite a different nature. And we are in a very fortunate situation in the sense that we

are in a win-win situation, not where one party stands to lose and the other party stands to win but where all parties can gain from closer cooperation. And my message to you today is that the economic cooperation in the Baltic Sea region represents enormous opportunities for all the countries and all the cities concerned. And I will try in the following 15 –20 minutes to substantiate that. In doing so I will of course discuss those issues primarily from a Swedish vantagepoint and you have a possibility to compare notes and to see it from your own vantagepoint, from the point of view of your country, of your city.

First a few facts. Do you know that our trade, Sweden's trade with the three Baltic Republics with its 7 or 8 million inhabitants, is today substantially larger than our total trade with the Soviet Union ten years ago? To put it in other terms, our trade with our neighbours from Central and Eastern Europe has gone up from some 2% of our total external trade to some 5 %. That is quite a rapid increase. But I submit there is still an enormous potential for expanding trade further. Again, using comparisons, our trade with Finland is today pretty much on par with our total trade with our Eastern neighbours across the Baltic Sea. Finland with some 6 or 7 million habitants as compared with a region of - if you draw sort of a narrow circle – 50 million people, and if you draw a larger circle: Baltic Republics, Poland and larger near Russia – some 100 million people. And again a comparison; our trade within the Nordic region with some 20 million habitants represents some 20% of our total foreign trade. Compare that with the 5% with our neighbours across the Baltic Sea and again we recognise that these countries, these neighbours so close to us, our proximity markets, represent an enormous opportunity. So it's up to us, all of us, to exploit these opportunities and to find the ways and means to bring this about.

Now, why can we say that we are faced with an enormous challenge and enormous opportunity? Well precisely because of the subject matter which you are here to discuss in your groups and because of the change of the geopolitical and geoeconomic situation in this region. This is what has changed the whole picture. This is why we are faced with enormous opportunities. Basic, of course, is the tumbling of the Berlin Wall, that was sort of an initiation of the new era or more precisely in this context no longer seeing the Baltic Sea as a divide between the Nordic countries and our neighbours to the East, but rather seeing the Baltic Sea as a bridge between all our countries. What happened in 1989 with the democracies and market economies emerging in our close neighbourhood of course represented a revolutionary change.

But it's not only that and it brings me back to one of my favourite subjects – EU. EU cooperation has of course also changed the picture dramatically. Starting with my own country with a long voyage towards membership, our first application for closer links with EU was submitted in 1960 and we became members on the 1st of January in 1995. The 1st of January 1995 was the first time when Sweden and Finland were able to compete and cooperate and have access to the whole EU market, which at the present juncture represents more than 150 million people. This of course makes Sweden and Finland, as well as Denmark, a much more interesting business partner than it was before. By the same token the Free Trade Agreements, which Sweden and Finland concluded even before accession to the European Union, laid the basis for a closer cooperation between our countries and what is more I thank, served very much as an impetus and as a stimulus to the European Union to conclude similar agreements with all the Baltic Republics, with all the Baltic states as much as with Poland. And so we have states in the northern part of Europe which by virtue of the European cooperation, either by membership or closer cooperation with the EU, have come much closer to each other. And before us we have this prospect of membership, of new members being accepted in the European Union, in the first instance Poland and Estonia, but I submit that nothing can be taken for granted in this context. One thing is when you start negotiating another thing is when you end up. And although it is likely that the European Union would prefer bunching, that is not accepting one country today and another country tomorrow, it is not a foregone conclusion that the six that were on the starting line a year or two years ago are necessarily the first one to make it to membership. But I know and I'm sure Sven-Eric Söder stressed it in his intervention, it is a very strong Swedish desire and Swedish interest that

our neighbours in the East should be members of the European Union, when they wish to do so and as soon as possible.

Also, one should not forget the role being played in the past by GATT and now by the World Trade Organisation, to facilitate trade and economic cooperation in our neighbourhood. And also this cooperation has been facilitated by the important improvements in so far as transport is concerned. We all know how difficult it was even five or ten years ago to go from one side of the Baltic Sea to the other. Now we have much faster, much more rapid and much more frequent transports and direct links than we have had in the past.

All this is to show that the pre-conditions are here, thanks to the change of our common geopolitical and geoeconomic situation for closer bilateral cooperation, and I think the twinning arrangements between various cities can very much serve as an impetus to such a development. Here the individual cities can play a very important role and there is room for even more imagination in this respect. What you can do individually to promote this development, I think is extremely welcome in this respect. More cooperation bilateral, more cooperation within the region. A number of organisations have been set up for this purpose and a number of instruments have been worked out to promote such a development and this conference and this cooperation is of course one of these instruments. There is also room for closer cooperation, joint cooperation with the outside world. And here probably lies the greatest challenge as far as trade is concerned. Because we, the countries surrounding the Baltic Sea, do have comparative advantages and they are not necessarily the same. That is another way of saying that if we join forces using our comparative advantages, we can be extremely competitive in third markets.

Without carrying the analogy too far I would like to point out that there is a somewhat similar situation in Far East Asia, where Japan emerged as an extremely competitive country. But eventually with trade expanding very rapidly in some sectors, Japan was not competitive any more. But there were neighbours that were competitive and by combining Japanese know-how and Japanese access to market and the skills of the adjoining countries, the whole of Eastern Asia became an extremely competitive region in the world at large. And just as people throughout the years, and more and more so, despite the Asian crisis and the ensuing set back, are speaking of the Pacific Rim with esteem, why shouldn't the world at large be talking about the Baltic Rim, about the very expansive situation in the countries of our region?

The Baltic Rim has an enormous opportunity to make an impact on the world at large. Then, where are there obstacles to this? Well, they are many. But if I can again focus on trade, we have in the Swedish Trade Council made a survey among Swedish companies which are interested in dealing more with our neighbours in the East and they have come up with a number of problems, which might be of interest to you.

The first is lack of legal infrastructure or deficient infrastructure. Both physical infrastructure, although it is improving rapidly and legal infrastructure. Uncertainty as to what really applies, differing between different countries; it is not the same in Poland or Estonia, Latvia or in Russia. But it is a problem which Swedish companies encounter in all these countries. Uncertainty as to how things stand and if things do not work out the way that was expected, possibilities to seek justice.

Bureaucracy and red tape; again things are improving but this is a problem which is very often in the minds of the Swedish companies. Lack of financing in the first instance and, of course, lack of local financing, but also lack of external financing. There are a number of sources for providing export credit and export credit guarantees but this is not sufficient and in some countries, such as Russia, the access to export credit guarantees is severely restricted at the present juncture.

Then language and culture, and here we can do a lot. For a Swedish company, even to go abroad to the closest markets, to Norway or Denmark, is quite a step. To go across the Baltic Sea with all what that implies in terms of entirely different language and different culture, unknown territory, represents a very important obstacle. And here again, all of us can serve as bridges, as cultural bridges, by seeing to it that we promote the interchange and contacts and help people understand the culture and the language in other countries.

It may interest you to know that one of the issues, which you always find in the newspapers – crime – is not seen as a severe obstacle. We know there are problems in certain sectors but all in all this is not a major problem, a major obstacle to the expansion of our trade.

These are some of the issues that I think are worthwhile to discuss, how can we improve the situation in this respect, because this also implies improving the prospect for closer cooperation. This also leads me up to my conclusion that we all have an important role to play in order to bridge the gap and to do so for political reasons, for economic reasons and for social reasons. Because obviously it would be somewhat of a historic loss, if we were not to stand up and accept the challenge that is presented to us when the political divide is not there, that we fail to address the problem of the still existing economic and social divide across the Baltic Sea. Here a lot remains to be done, but this is not a problem, it is a challenge. We all stand to gain by exploiting those opportunities. *The Swedish government* has taken a very bold initiative in promoting a project which goes under the name of Marketplace Baltic Sea region, and where we, the Swedish Trade Council, has a particular role to play in promoting trade between Sweden and the countries concerned, e.i. the Baltic Republics, Poland and Russia. The program is primarily directed to small and medium sized enterprises and the government has set aside some 40 million Swedish crowns this year and will set aside similar amounts or at least substantial amounts in the years to come for this purpose. Here again we have an opportunity to see what more we can do.

So my final word to you is my hope, that, when you address the issues which you are to deal with in the sessions which are following upon this one, you all exchange views and discuss the means that have been used in the past, the good ones and the bad ones, and see what best we can do to promote economic relations and other relations across the Baltic Sea. Because together, all of you represent an enormous force in bringing about that cooperation. And I can assure you, that as far as the Swedish Trade Council is concerned, we stand ready to assist you whenever we can in any efforts that you may make to bring about this cooperation. And I certainly, with all my heart, wish you all the best of luck in that endeavour.

Thank you very much.

Mr Jarle Skjorestad
State Secretary, Ministry of Foreign Affairs of Norway

President, Ladies and Gentlemen, Dear Friends,

It is a great pleasure and honour for me to represent the presidency of the Council of the Baltic Sea States here in Stockholm today at the 5th General Conference of the Union of the Baltic Cities.

The Union of the Baltic Cities is one of the many building blocks in the ever-growing structure of co-operation in the Baltic Sea region. As representatives of cities in the region you have an important role to play in putting forward initiatives for follow-up and implementation at national and regional level. Your efforts also support and supplement council initiatives, such as the fight against organised crime.

The coming year will be an important one for the CBSS, and taking on the presidency is therefore a great challenge for Norway. Several important ministerial conferences are taking place: the CBSS ministers of energy will meet in Helsinki in October, the ministers of trade and industry will meet in Bergen in February to discuss how to remove barriers to trade and investment, and the ministers of culture met in Gdansk this week. The third Prime Ministers' summit will be held in Denmark in April next year and the annual CBSS council meeting will take place in Bergen in June. All these events are important for the further development of our regional co-operation, and for securing economic growth, democratic development and security in the region. During our presidency, we intend to concentrate on achieving practical results for the benefit of the whole region.

The regional network is continuously expanding. However, we lack an overview of all the regional activities that are going on. There is no central co-ordinating body at present, since much of the co-operation takes place outside the CBSS, which is made up of foreign ministers.

At the annual Council meeting in Palanga in June this year, the new President of the CBSS, Norwegian Minister of Foreign Affairs Mr Knut Vollebæk, pointed out that the time has come to take stock. We need to examine the present structure of the CBSS to evaluate whether it is optimal for handling the multitude of issues dealt with at regional level. Are our working methods as efficient as they might be? Should the activities in the region be more closely co-ordinated, and how can this best be achieved? We should get the most out of our joint efforts and our limited resources. During our presidency, we will give priority to the process of stocktaking and in doing this we will draw on the experience we have gained from Nordic co-operation. The existing sub-regional co-operation arrangements, such as the UBC and the Baltic Sea States Subregional Cooperation, will have a natural place in these efforts. Your status as special participants in the CBSS is evidence of the importance attached to your work. We therefore look forward to close co-operation with you during our presidency.

The UBC is an example of the flourishing development of people-to-people co-operation in the region. I think, and I sincerely hope this non-governmental sub-regional co-operation will increase both in volume and in importance in the years to come. Facilitating contacts between people at all levels, between individuals, enterprises, associations, municipalities, counties and national authorities, should be at the heart of our efforts.

At the Council meeting in Palanga the majority of ministers spoke about sub-regional co-operation in their interventions. We will therefore be looking very closely into how the CBSS can co-operate at government level with other actors at the sub-national level. As the former chair of the Barents Euro-Arctic Council, which has a very strong regional component, we are interested in seeing what lessons we can learn from their work. We believe that closer co-operation between the Barents Council and the CBSS may have a synergistic effect. Later this autumn Norway will arrange a meeting between representatives of the Barents Regional Council and of the UBC and the Baltic Sea States Sub-regional Cooperation in order to exchange experience and explore possible avenues of co-operation.

It is encouraging to observe that cross-border co-operation councils have recently been formed in various border regions in the area. We know that a number of countries are engaged in such projects. We should all encourage this, and within the CBSS we will now explore the Danish proposal for a funding facility for sub-regional co-operation that was presented in Palanga.

Ladies and Gentlemen,

The Barents Euro-Arctic Council, the Arctic Council and the CBSS together cover the geographical area of the Northern Dimension. In Palanga the CBSS stated its readiness to play an active role in the implementation of the Northern Dimension and to contribute to the development of practical co-operation in key areas: infrastructure, trade and investment, nuclear safety, energy, environment, cross-border co-operation, democracy and the rule of law, education, human resource development, public health and social administration. The Council also stated its view that the Northern Dimension is a useful framework for promoting synergy between the many relevant EU instruments and programmes and the activities of partner countries.

The Northern Dimension will be high on the political agenda this autumn. The EU and partner countries will meet in Helsinki in November at ministerial level, and the Northern Dimension will also be on the agenda of the European Council meeting in Helsinki in December. I find it significant that our countries have been invited to take part in the planning and implementation of the Northern Dimension. In doing this EU has opened up a new perspective for the CBSS and the Barents Council. During the Norwegian presidency, we wish to look into how the CBSS can help to implement the intentions of the Northern Dimension in a practical way. Certainly, the CBSS could act as a co-ordinating body and facilitate practical implementation of the Northern Dimension.

Ladies and Gentlemen,

I would now like to turn to the Norwegian work programme established for our presidency. The programme shows the directions Norway will follow, based on the map drawn up by previous ministerial meetings and summits, and by the outgoing Lithuanian presidency. The main priorities in the Norwegian work programme will be in the following four areas:

- democratic development, including further development of sub-regional co-operation,
- civil security,
- economic co-operation,
- energy.

We see great potential in stimulating the further development of sub-regional cross-border co-operation. As I have already mentioned, we feel it would be useful to draw on the experience gained from projects under the auspices of the Regional Council in the Barents region. People-to-people contacts, building networks at national and regional levels, economic development, trade and cultural contacts will stimulate co-operation and also lead to confidence building. In these areas, you have an important role to play. Kaliningrad is a case in point. With both Poland and Lithuania as potential members of the European Union, Kaliningrad is faced with difficult challenges, and we should strive to find practical solutions so that close contact across borders can be maintained.

Civil security is a field which is ripe for action. This was also stressed by the council meeting in Palanga. Our aim is to agree on practical measures such as rescue at sea agreements and the establishment of a crisis research and training group. The fight against organised crime will continue within the framework of the task force established for this purpose. The group's work is beginning to show concrete results.

Economic co-operation will remain high on the agenda of the CBSS, with sustainable economic development as the overriding objective. Stable and predictable frameworks must be created to encourage trade and investment. This can be done by creating stable tax regimes and concluding investment protection agreements. Given that the CBSS works on a consensus basis and that it has no budget of its own, the only way of achieving concrete results is through national implementation of decisions made at the CBSS level. This is where you, as representatives of important economic regions, can play a significant role in promoting the CBSS agenda.

In the coming year the CBSS will continue its efforts to remove barriers to trade, for example by reducing waiting time at border crossings. At present, trucks sometimes have to wait more than 24 hours at the borders. This is clearly not conducive to the increase in trade and business contacts which we need to stimulate further economic development.

Another Norwegian priority is the establishment of an information network for small and medium-sized enterprises. This will be useful for exchanging data on co-operation, trade, investment and cross-border establishment. Our aim is to have the network in place before the meeting of trade ministers in Bergen in February next year. We hope that meeting will agree on an action plan to be implemented by concrete decisions in the individual member countries.

Stable and reliable energy supplies are of fundamental importance for economic growth and long-term regional stability. The initiative taken by the Norwegian Prime Minister in Riga in January last year, to develop the energy co-operation in the Baltic Sea region with a view to achieving sustainable energy supplies, was further developed by meeting of energy ministers in Stavanger in December last year.

The ministers agreed to follow up co-operation in the fields of gas, electricity, climate and energy efficiency. The next meeting of energy ministers, in Helsinki in October, will establish the framework for more concrete co-operation in these fields. To ensure continuity, a secretariat will be established in close co-operation with the CBSS.

I have earlier stressed that people-to-people contacts have high priority. By facilitating contacts at grass-roots level, we can build the necessary trust to secure peace and stability. In this connection I would like to underline the importance of youth exchanges, educational co-operation, co-operation on health and social welfare, and cultural contacts. Because of the focus on a practical approach, these contacts, whether bilateral or multilateral, are bringing real benefit to all partners. Your ten commissions can play an important role here.

Strengthening the link between the local and national level in the Baltic Sea co-operation will be an important part of our future efforts, as I have already pointed out.

As the representative of the presidency of the CBSS, I therefore look forward to welcoming a representative from the UBC to the ministerial meeting of the CBSS which we plan to hold in Bergen in June 2000, and to our future co-operation. I wish you all luck with this General Conference and your important work in the future.

Thank you for your attention.

Mr Pierre Schori
Member of the European Parliament, Sweden

President, Ladies and Gentlemen, Dear Friends,

I'm very pleased to be here and I would like to give you some snap-shots of how the European Parliament and the European Union see the cooperation around the Baltic Sea. But first perhaps, let's pay a tribute to somebody who just died. I want to tell you a story, because we know that many things

happened because of Gorbachev's "perestroika and glasnost" together of course with the singing revolutions and people's resistance in the former Soviet Union. But somebody asked Gorbachev how he came upon these ideas; and of the two perestroika, fundamental shift in the system, and "glasnost" - openness this person who asked Gorbachev thought that "glasnost" was the most important thing, because once you liberate ideas you can not stop a political process of freedom. So, he asked Gorbachev how he came upon the idea of "glasnost", being a Secretary General of the Communist Party, and he said, "It was my wife's idea." So, that's the tribute to Raisa.

After the iron curtain finally went away which divided us here around the Baltic Sea from natural cooperation and contacts, we all had in mind a kind of reconnecting to what we used to have before, in form of people to people's contact and we said, we want to build an area of free peoples around the Baltic Sea, an area of cooperation and security. We know that we started off very well, not least the Union of the Baltic Cities, but we also have received a number of very serious warning signals, alerts that things are not as they should be, that we must be alert to number of issues to deal with. I'm thinking of two recent reports from the United Nations, the United Nations Development Program that came out with a Report for Central-Eastern Europe where they say that there are very severe social problems.

There is a debate, as you may know in the United States and in Europe, in general about what went wrong when the outside came to the support of Central-Eastern Europe in the transition, were really the shock therapies the right method and did not we forget the social dimension. This report shows that there are now very serious social divides and problems in the former Soviet Union. Yesterday, or a day before yesterday UNICEF came with a report about the condition of woman and children in the former Soviet Union which also showed very serious problems. To that, we can add things that worry us, in common of course, that in our area of cooperation in the security we see also a lot of crime and drugs and sex-trade and such things developing. We don't want to be transit areas for such abuse, and we also have problems with nuclear safety.

Having said this and looking those problems seriously into the eyes, we must also see the tremendous progress, which have taken place in former so-called Soviet Republics. We can see now that Estonia, Poland are on the way to the European Union and Latvia and Lithuania will certainly come shortly afterwards. I'm sure, they are on the road to the European Union. On the 13th of October Mr Gunter Verhogen, responsible for enlargement, will deliver his first report on the situation of each candidate country's progress and also what is the strategy for the second wave. The attitude within the European Union right now, I would say is very favourable to accession and new members.

You know that Prodi has set up new Directory General, especially for enlargement. It is not called DG-10 or DG-11 but DG-Enlargement, and that is very important. It shows that the focus is there very clearly. Also we had these very interesting auditions with different Commissioners where in the Parliament we had the Commissioners for three hours and we put them through a real interrogation about their intentions, the policies and so on. Mr Gunter Verhogen said that he thinks that enlargement and integration are the two basic factors for peace and prosperity in Europe. And that Kosovo must not mean that we will delay the enlargement process. Quite contrary, one would say, it should be instead speeded up because it shows that enlargement is a factor for security. So, this is a general mood in the Commission, also in the Council and in the European Parliament – enlarge. As you know there are those against enlargement; they want to see how the economy develops in general, in terms of reform that is on. But on the whole there is a strong move, despite the tremendous efforts put into the Balkan Area right now, to see that enlargement will proceed on track and perhaps even to be speeded up. I want to underline this because a lot of focus is now on this stability pact for the Balkans, extremely important of course for our future security; and how to integrate these countries, including Serbia at one point, democratic Serbia, into the European Structures.

Although much of the focus is there now, many resources go there, the enlargement process is on track and will continue, but of course the Copenhagen's criteria are there, they can not be changed, there will be no rebates. Also in our opinion, which has been the Swedish opinion all along, all countries should have the opportunity to start negotiations at the same time and then each and every one will develop its pace according to its own conditions and criteria; so we would rather see 'the regatta' where all the ships are on the same line and then you sail ahead towards membership.

This I think is a good process, and I can also say than in the audition with Mr Barnier who is the Commissioner responsible for regional funds, he said that there are as much as 21 billion EUROS set aside for pre-accession strategies and support for the years 2000 – 2006. So, a lot of money is set aside to support the candidate membership in pre-accession programme strategies.

Now, I wouldn't like to end this without telling you that the situation in Russia is of major concern to us all, and it will influence in one way or another also our cooperation around the Baltic Sea and also your daily work. I think it is not completely recognised that Russia is becoming more and more dependent on the West in general and on the EU in particular. With the enlargement of the European Union, about half of Russia's trade will go to Europe and I think that Moscow urgently should put EU on top of its agenda. About thirty to forty percent of Russian trade is with EU, and more than half of international venture capital in Russia is European, this will of course grow even more after enlargement. On the European side only 3% of the EU imports come from Russia. So, in some Russia's economy is very dependent on the West and very much so on the Baltic Sea Region. This I think we can use in a constructive and positive way, but it has not been fully recognised in Moscow yet and we should encourage them. We have also problems with drugs, crime and mafia which we have to deal with and support each other, by border control and police and other areas, and also support the Russians as we do in St. Petersburg and else where with these matters. There is also the problem of the decommissioned nuclear submarines in the Russia's North, and in the Far East, they together represent about a hundred floating potential Chernobyls.

Regional cooperation has shown over the years that is a fundamental building block for peace, stability and progress. We have seen it in Southern Africa, ASEAN, Central America, the Caribbean, South America and one day we will see it also in the Balkans and in the Middle East. Of course, the clearest example of this regional cooperation is the European Union. But around the Baltic Sea Region, that is the area that has been identified as the area with the strongest potential for development, that we have now not fully used at all, the potential there, for cooperation and progress. I would say that your work, representing seventy cities and more regional cooperation is of extreme importance for the stability and welfare for our peoples around the Baltic Sea. And I would say that this kind of civilian cooperation is also much more important for sustainable security than military cooperation. I would rather follow the Monnet line than the Maginot line in developing peace and stability in the world. I have just come from the meeting in Sweden House in Brussels. And I found out then that Sweden has ten different regional offices represented there in Brussels, and some of them from the South cooperate with Kaliningrad and with several Baltic Cities. And there is a special regional office in Brussels for seven islands in the Baltic Sea, the B7, which I found very interesting.

Good luck to you in your work, which is to the benefit of us all, to our peoples and peace and stability in the entire world.

Thank you very much.