



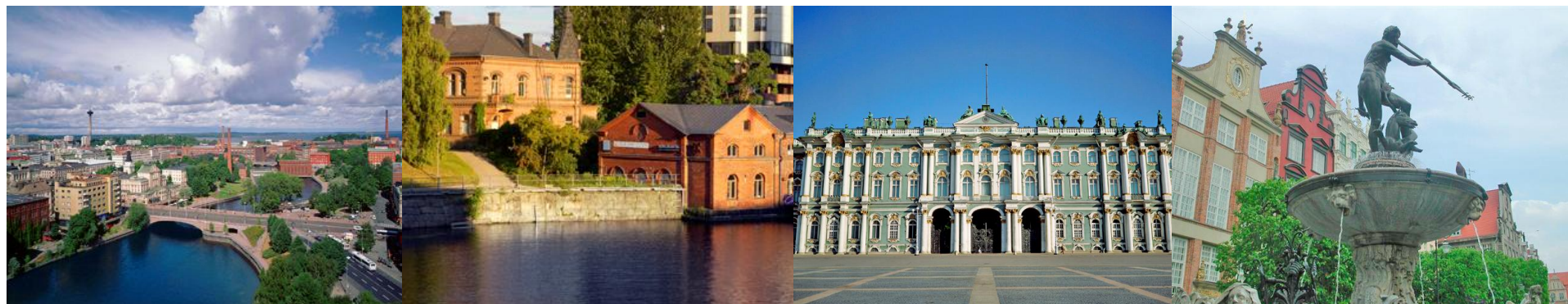
THE BALTIC INSTITUTE OF FINLAND

The Role of Innovation in Regional Development

Riga, 25 October 2007

Perspectives of Baltic Sea Innovation Cooperation at the Local and Regional Level

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Baltic Sea Region

- According to the perhaps most commonly used definition, the Baltic Sea Region includes
 - Baltic states (Estonia, Latvia, and Lithuania)
 - Nordic countries (Denmark, Finland, Iceland, Norway, and Sweden)
 - Northern Germany (Hansestadt Hamburg, states of Mecklenburg-Vorpommern, and Schleswig-Holstein)
 - Northern Poland (Pomorskie, Warminsko-Mazurskie, and Zachodnio-Pomorskie vojvodships)
 - Russia's Northwestern region (Leningrad and Kaliningrad oblasts)
- BSR, as defined above, has only some **64 million inhabitants**, slightly more than only 1% of the world population
- It is a wide and sparsely populated region with low overall population growth





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Baltic Sea Region

- Despite the region's low share of the world population, its share of the world GDP is about three times as high
- As regards the utilization and further development of economic and political potential of the region, the balanced structure of the region is crucial
 - some 50 cities with more than 100 000 inhabitants
 - 76 large harbors (15% of the world's maritime transport takes place on the Baltic Sea)
 - hundreds of universities and technology centers evenly located around the Baltic Sea.





Baltic Sea Region

- 30 % of the European economic activity takes place in the BSR
- Total GDP of the BSR is appr. 1 100 billion EUR (3,5 % of the world GDP)
 - of which Nordic countries' share is 75 % (45 % of the BSR population)
- Strong innovative capacity
 - Strong human capital base, especially in technical and science skills - *How to turn this into economic results?*
 - Gap in innovation performance between old and new EU members and Russia
- BSR Lisbon Agenda performance at the EU top





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Baltic Sea Region

World Economic Forum's Global Competitiveness Index 2006

1. Switzerland
2. *Finland*
3. *Sweden*
4. *Denmark*
5. Singapore
6. United States
7. Japan
8. *Germany*
9. Netherlands
10. United Kingdom
- ... 12. *Norway*
14. *Iceland*
25. *Estonia*
- 36. *Latvia***
40. *Lithuania*
62. *Russia*





Baltic Sea Region

- Most important clusters in the BSR:
 - forest products
 - telecom products
 - oil & gas
 - health care
- Total world export market share 5 %
 - mainly goods exports (services' share only 22 %)
- Strong trade interaction within the BSR
 - e.g. in the case of Estonia, the share of country exports to the BSR is over 50 %





Baltic Sea Region

Strengths

- Strong physical infrastructure
- High skills base
 - well developed education and science systems
- Globally competitive clusters
- Open and effective public administration
- Strong innovation systems (Nordic countries, Germany)
- Rapid economic growth (Baltic states, Russia, Poland)
- Demanding regulatory standards
- Strong information society development
- Heterogeneity of the region
 - potential gains of regional cooperation are bigger





Baltic Sea Region

Weaknesses, challenges

- State of the Baltic Sea
- Uneven regional development
- Social and health related problems
- Significant level of bureaucracy
- High taxes, especially on labor
- Low rivalry on local markets
- Corruption
- Low entrepreneurship
- Transport infrastructure needs further development





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Baltic Sea Cooperation today

- Increasingly based on reciprocity and sustainable and equal partnerships
 - The 1990s one-way approach with the ones who donate and the ones who receive assistance is now gradually disappearing
- Knowledge and good practices are moving in various directions across the Baltic Sea
- The old EU member countries in BSR are benefiting from rapid economic growth and dynamism in the region's new EU members and Northwestern Russia





Baltic Sea Cooperation today

- Still prevailing in BSC: *solving of acute problems and prevention of environmental and other soft security related threats*, as was the case already in the early 1990s

Challenge: How to facilitate the shift from this problem-solving and threat-prevention based approach *towards sustainable and equal partnerships, and towards emerging themes* such as **innovation, competitiveness and information society?**

- In spite of the rise of a new wave of Baltic Sea Cooperation emphasizing more opportunities than problems, *environment* still remains as the most important sector of the Baltic Sea Cooperation for a long time





Baltic Sea Cooperation: innovation, competitiveness

- Innovation among key themes of today's BSR cooperation
 - Financing instruments (EU, Nordic, national)
 - BSR networks and organizations (CBSS, BCCA, BSSSC, UBC, BaltMet)
- Strong integration
 - FDI
 - Trade
 - Cluster development
 - BSR InnoNet, ScanBalt, BaltMet Inno, Maritime cluster
 - BSR Branding (FDI promotion, tourism)
 - Local and regional authorities (UBC, BaltMet, BSSSC)

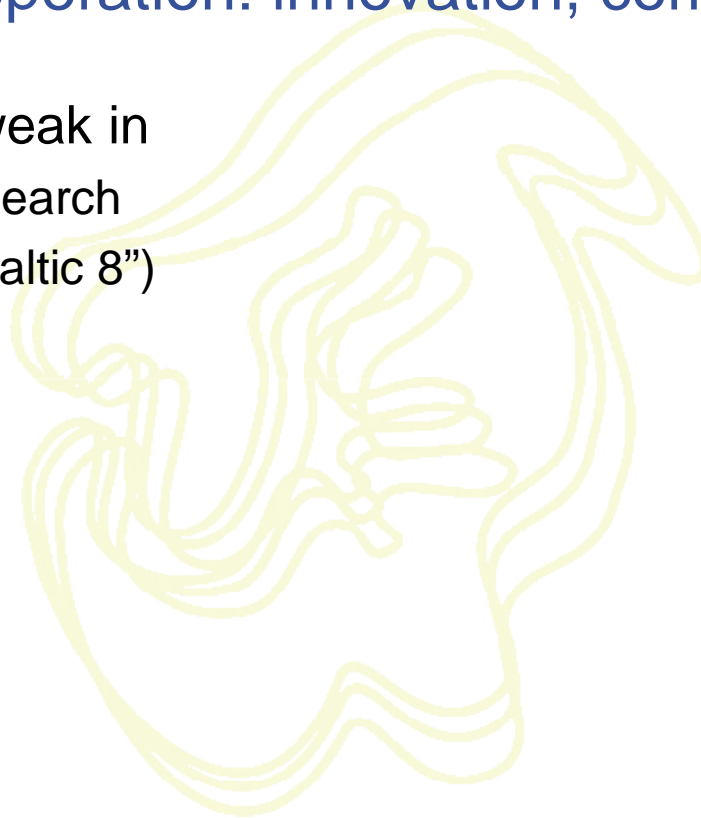




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Baltic Sea Cooperation: innovation, competitiveness

- Integration still weak in
 - Education, research
 - EU politics (“Baltic 8”)





Baltic Sea Innovation Cooperation at the Local and Regional Level

- Innovation as the new “buzz theme” of BSR cooperation
 - this also applies to cooperation between cities and regions
- Favorable conditions through BSR development and its economic and innovative potential
- Local and regional level innovation cooperation supported by various EU regional and innovation policies and funds
 - 7th Framework Programme (IRE-network, Regions of Knowledge, Inno Net projects)
 - Competitiveness and Innovation Programme (CIP)
 - Interreg IIIB/BSR Programme, Interreg IIIC/IVC
 - Structural funds





Baltic Sea Innovation Cooperation at the Local and Regional Level

- In addition to strong innovation potential and capacity in BSR, differences in innovation performance between different BSR subregions emphasize need for cooperation
- Considering its size, rapid economic growth and strong innovative capacity, the involvement and inclusion of NW Russia in Baltic Sea innovation cooperation is still on a surprisingly low level





Baltic Sea Innovation Cooperation at the Local and Regional Level

Case VBN InnoReg:

- Partner regions are on different development levels, still share similar challenges in promotion of innovations
- Small regions with limited resources
→ Need to join forces
- Well-established network between regional and local authorities
- How to move on from policy-making and system level to deeper and more focused cooperation?





Baltic Sea Innovation Cooperation at the Local and Regional Level

Case VBN InnoReg - challenges:

- Concentration of economic activities in capital regions
- Brain drain
- Provision of skilled workforce
- Ageing of population
- Employment of older people
- Development of life-long learning and vocational education
- Low workforce mobility
- Low entrepreneurship
- University-business interaction
- RIS development





Baltic Sea Innovation Cooperation at the Local and Regional Level

Potential cooperation topics:

- Competence building
 - Entrepreneurship education
 - Vocational education
 - Practical trainings for students in companies abroad
 - Student exchange, mobility of researchers
 - Courses on innovation management and technology governance
 - Joint R&D programmes





Baltic Sea Innovation Cooperation at the Local and Regional Level

Potential cooperation topics:

- Benchmarking of good practices and joint projects on
 - Support organisations (business development agencies, technology parks, incubators)
 - Innovation policy instruments
 - Venture capital
 - Investment promotion
- SME development and internationalization
- Cross-border clustering





Baltic Sea Innovation Cooperation at the Local and Regional Level

Key dimensions/questions:

- **Intensity of cooperation (loose-strategic)**
 - Long-term strategic objectives, or
 - Theme-specific individual projects
- **Scale of cooperation**
 - Large-scale projects favored by the EU, still
 - Small regions and cities in BSR, with limited resources and needs for smaller scale activities





Baltic Sea Innovation Cooperation at the Local and Regional Level

- **Themes of cooperation**
 - General, system-level topics (RIS, education, strategies)
 - Concrete, organisation-level topics (innovation services, technology transfer, financing)
- **Organisation of cooperation**
 - Well-established, long-lasting networks
 - Loose, informal networks
 - Multilateral vs. bilateral cooperation





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New BSR Programme 2007-2013

the key financing instrument for BSR innovation cooperation at
the local and regional level

Strategic objective:

to strengthen the development towards a sustainable, competitive and territorially integrated Baltic Sea region by connecting potentials over the borders

Priority 1. Fostering of innovations across the BSR

1.1 Supporting of the innovation sources

1.2 Facilitating transnational technology transfer and dissemination of knowledge, in particular for SMEs

1.3 Strengthening the societal foundations and public participation in generation and absorption of new knowledge





BSR Programme: Fostering of innovations across the BSR

1.1 Supporting of the innovation sources

- transnational structures providing services to innovation sources in their international activities
- transnational structures for supporting generation of innovations towards the Region's leading technologies and for SMEs
- stimulation of transnational interactions between enterprises, R&D institutions and public authorities towards commercialising inventions and territorial expansion of clusters
- creation and application of good practise in the public support to the innovation sources and their links to SMEs
- marketing of BSR capacities and success stories in international activities of the innovation sources, e.g. in the SMEs support





BSR Programme: Fostering of innovations across the BSR

1.2 Facilitating the technology transfer and diffusion of knowledge across the BSR

- development of financial, organisational and administrative support frameworks at the transnational level for technology transfer institutions
- creation of transnational structures and links for innovation, qualification and transfer of technology, dedicated, in particular, to better access of rural/peripheral areas of the BSR to knowledge-based economy and to better access of SMEs to knowledge and competence available in the BSR
- integration of SMEs into existing transnational co-operation clusters and promotion of specific SME-related co-operation networks in the BSR
- joint pilot implementation of transnationally relevant innovations in the BSR companies, notably in SMEs and craft firms
- harmonisation of national and regional level support schemes to technology transfer and diffusion of knowledge between BSR countries





BSR Programme: Fostering of innovations across the BSR

1.3 Strengthening the social capacity in generation and absorption of new knowledge

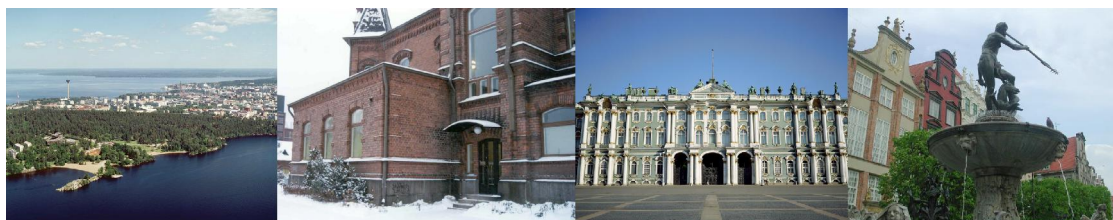
- co-operation of educational facilities and structures in higher and further education or life-long learning for more efficient diffusion of knowledge across the BSR
- networking and exchange of good practices on education and other public policies, which shape the innovation environment
- preparation and implementation of strategies improving communication of various support organisations (e.g. acting for SMEs), social groups etc. for the benefit of diffusion of knowledge in the BSR
- development of good practice and joint creation of pilot solutions on attracting people of different age, gender and profession to innovation issues and on promotion of entrepreneurship and innovation spirit
- provision of transnationally relevant solutions increasing absorption of knowledge among various age groups





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