

# I. BALTIC CITIES BUSINESS COOPERATION

## The trade flow within the Baltic Sea Region is increasing by 25 % annually

The Baltic Sea Region is expected to become a major growth region in Europe and indeed in the world in the coming years. The growth rate of trade in the Baltic Sea Region has expanded 25 % annually in the last three years, which is a significant sign that the development is well under way.

The table shows the total exports and imports of the Baltic States and Poland to and from Sweden, Finland and Denmark. The impressive growth rate of trade shown in the table is mainly due to that the countries are each other's neighbours. It is easier to make business with friends close by than with distant countries. Another important factor is of course that the economies are complementary. Industry in the Nordic Countries has found a rich source of highly educated and skilled low-cost workers close by, and the Baltic Countries and Poland have found a market with a high buying power.

As an example, the total Swedish trade with the Baltic States and Poland combined puts the BSR 1997 at the 12<sup>th</sup> position as trading partner, before for example Spain, Switzerland, China, Australia and other large economies in the world. The development has started from a low level. The exports to the Baltic States and Poland still represent only 2,5 % of Swedish total exports, but the speed of the development is very high. The tendencies for Finland and Denmark are similar.

### Machinery and transport equipment are the largest export products

For all three Scandinavian countries, machinery and transport equipment are the largest export products to the BSR. Main imports are more diverse. Semi-manufactured goods are the largest im-

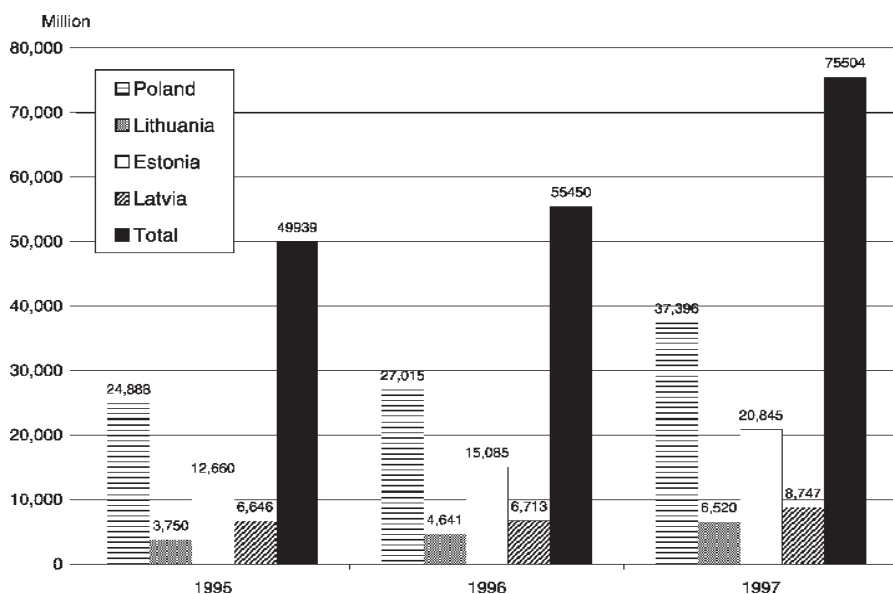
port item with some exceptions. This reflects the growing importance of the industry in BSR countries for the industry in the Nordic countries. Very much of the Nordic Countries imports are used as assembly parts in the industry. There are some exceptions. For example, the largest export item from Latvia to Sweden is fuel, which reflects the importance of transit trade of Russian oil through Latvian ports. Finland imports a lot of coal from Poland.

But things could be even better. Two important factors still hamper the development. One factor is the lack of transport infrastructure. For example, between the Stockholm-Tallinn and the Karlskrona-Gdańsk ferry lines there are practically no passenger ferry lines across the Baltic Sea.

Another important factor is unjustified prejudices from western businessmen perspective. At least in Sweden there still exists a fear of criminals operating in the former socialist countries. Too often I meet people who say they do not dare to travel across the Baltic Sea. Lack of knowledge of the business climate and business opportunities is also a major hindrance.

Maybe the most important mission for the UBC in the field of business development is to build bridges and to increase mutual understanding between the citizens in our cities. From this viewpoint, all contacts in our region are beneficial for business development. So, it might be equally important to exchange children's choirs as it is to create meeting-places for our businessmen to boost business. In any case, the UBC has an important role.

*Export-import data source: Northrup Research, Denmark. Data compiled from Swedish, Finnish and Danish national statistics*



Total exports and imports to and from Poland, Estonia, Latvia, Lithuania, to and from Sweden, Finland and Denmark in million US dollars.

By Juhan Janusson