BRE REVIEW

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BALTIC RIM ECONOMIES

BRE REVIEW

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EXPERT ARTICLES

TOMASZ GRODZKI

Baltic Sea Region: Where the international cooperation has started far before European Union was created

Expert article • 2615

Many of us know (but some maybe not) that far before EU the Hansa Treaty connected many Baltic cities as an economic and trading alliance which quickly became fruitful and beneficial for its members. It was one of the most important examples of the role of international cooperation in the medieval Europe. This mighty treaty unfortunately did not survive for centruries nevertheless its spirit remains vivid between citizens of the Baltic Rim therefore here the approval rate for the European Union was usually high and stable.

Right now we are trying to cooperate in many fields through the numerous smaller organisations (for example Union of Baltic Cities) but it is my impression that there is time now to jump on a higher level. I am thoracic surgeon by profession fighting with lung cancer (LC) on a daily basis. This dangerous disease still remains one of the most tragic killer of the human population, killing more people than six next most frequent cancers together. Despite the successes of the antitobacco policy, advances in thoracic surgery and huge progress in modern chemo- immuno- or radiotherapy we are still far from the final victory. One of the goals for our generation of medical professionals and politicians should be establishment of massive programmes of early detection of lung cancer by low dose Computed Tomography (CT) of the chest. Such programme should cover all people being at increased risk of lung cancer (predominantly heavy smokers age 55-75 but also non smokers who smoked before and have a history of so called 20 packyears or more). The low dose CT for today still remains the most effective method of early lung cancer detection and on a basis of long ecaluation and solid scientific background is already approved and covered by social security in US.

Early detection of lung cancer in the most favorable phase (asymptomatic tumor smaller than 3cm without metastases) really saves lives and allows to provide long term survival for more than 80% of patients. From the other side 80% of all lung cancers are detected in inoperable phase when therapeutic options are limited and prognosis is much worse. This fact clearly confirms the importance of early LC detection.

Small efforts of early LC detection were performed in my home city of Szczecin as well in Gdańsk or Denmark (so called Nelson trial). We examined by low dose CT more than 15000 Szczecin citizens (programme was financed by the City Council) and detected more than 130 lung cancer (70% of them were diagnosed in very early, completely asymptomatic phase) as well as few other diseases (metastases, benign tumors, thymic tumors, lymphomas, tuberculosis, aortic aneurysms etc). Majority of our patients with early LC were treated by minimally invasive thoracic surgery with excellent long term survival rate (more than 80% for small tumors without metastases).

Such trials as well as larger American experience confirm that early LC detection should be offered to much larger population. It costs of course but we have to face the fact that treatment of Mr or Mrs Kowalski, Nilsson or Luhti is much cheaper when LC is detected in early phase (less invasive surgery, usually no chemo- or radiotherapy), provides much better prognosis and return to work than treatment of the same Mr or Mrs Kowalski, Nilsson or Luhti detected few months later in symptomatic phase when surgery is more devastating, patients require expensive therapy, usually quit work and – last but not least – prognosis is poor. Decision makers have to understand that early LC detection programme does not detect new LC – it detects the same lung cancer but months earlier! It guarantees safer and cheaper treatment, better prognosis and gives hope to live normal life for long time.

This constatation should lead to to the following question: may be it is time to start early LC programmes in the entire Europe? Or at least in the Baltic Sea region? Let`s become again the pioneers of international cooperation as did our ancestors few centuries ago! ■

TOMASZ GRODZKI
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Senator of the Republic of Poland

PAT COX

Trans-European Transport network: Scandinavia

Expert article • 2616

The EU Trans-European Transport Network (TEN-T) policy is a vital backbone of Europe's economic performance, present and future. Over the years, TEN-T policy has been steadily growing into a genuine European project that increasingly is guiding public and private investments. It aims to achieve long-term benefits for society and economy such as accessibility, connectivity and competitiveness of States and regions as well facilitating sustainable economic growth and development within the internal market and between it and the wider world.

The TEN-T network consists of a dual-layer structure. The comprehensive network represents the basic layer and includes all transport modes – rail, road, inland waterway, air and maritime as well as their connecting nodes and corresponding traffic information and management systems. The core network represents the strategically most important nodes and links of the trans-European transport system focusing on key long distance transport flows and the need, in particular, to enhance and develop vital cross- border links within the Union. There is a strong connection between the "two pillars" of TEN-T policy – network policy and planning, as enshrined in the TEN-T Regulation, and infrastructure finance from national, private and EU sources. This combination is yielding success and is the product of a deep collaborative association between project promoters, the EU and member states. There is a rich level of association of stakeholders with the management and delivery of TEN-T policy which undoubtedly is a large factor in its success. In the ongoing EU financial perspective 2014-2020 the rate and speed of conversion of money "on paper" into real transport projects on the ground has been unprecedented.

Scandinavia is embedded in the TEN-T network. Denmark, Finland, Norway and Sweden are part of the Scandinavian Mediterranean core network corridor. Having regard to their peripherality, large size and relatively low density population spread there are particular challenges in connecting Scandinavia to core continental EU markets. Transport to and from Scandinavia heavily depends on ferries and a number of fixed links whose future evolution needs to take account of the significant projected increases in transport demand linked to national, regional and corporate growth plans and ambitions across this vast region. Together with the member states the EU has been co-investing in this wider macro-regional transport infrastructure and plans to continue to do so, especially as regards critical cross-border connections. The Oresund fixed link for example has been a major success, transforming the Copenhagen/Malmö region and bringing people and businesses in Sweden and Denmark closer together. It is expected that the planned Fehmarnbelt fixed link will have a similar future impact on the wider macro-region stretching over time from Hamburg, through Copenhagen, to Stockholm and Oslo. Further fixed links may be needed if transport demand increases in line with some of the ambitious regional predictions.

The focus of TEN-T policy is now also shifting northwards. The EU has proposed to extend the Scandinavian-Mediterranean corridor along the Bothnian Gulf in Sweden to Oulu in Finland and to add a branch to Narvik in Norway. Furthermore, it is proposed, in an overlapping arc, to extend the North-Sea-Baltic corridor on the Finnish side as far as Lulea in Sweden. This aims to offer better transport solutions for residents in these sparsely populated northern regions of Finland, Sweden and Norway and to better facilitate bulk freight transport flows from there to their markets. Forestry and mining activities in the region are expected to increase. Many of these raw materials are vital for Europe's transition to a net zero carbon future. The region is also anticipating increased freight flows from China by rail and/or by ship via the increasingly ice free Northeast Passage, itself a consequence of the effects of global warming. These developments necessitate not only strengthened and reliable transport corridors throughout Europe to assure the smooth and sustainable flow of goods North-South but also the evolution of a common regional strategy setting out the priorities for transport infrastructure development between the four Scandinavian states themselves.

The general transport system is undergoing a fundamental transformation – driven by decarbonisation, digitalisation, automation, intelligent systems, infrastructure and new mobility services. All this will call for stronger cooperation between Member States and a wide range of other actors, public and private. Efficient transport corridors can act as a testbed and catalyst in this regard. Scandinavia with its innovative capacity, climate change mitigation strategies and commitment to balanced regional and social development is particularly well placed to become a forerunner in this new transport and mobility future, setting the pace and paving the way for others to follow. ■

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CHRISTER MICHELSSON

On the relations between Finland and Belarus

Expert article • 2617

Belarus, which gained independence as the result of the break-up of the Soviet Union, is young as an independent country. Its territory, or parts of it, has been part of the Polish-Lithuanian Commonwealth, the Russian Empire and the Soviet Union. After the First World War there was an independent Belarusian People's Republic for a very short period, but very soon it was incorporated into what was to become the Soviet Union. Belarus suffered greatly during the Second World War, when the war between Nazi Germany and the Soviet Union was fought intensively there. Likewise, the Holocaust took its toll also in Belarus. During the Soviet period, Belarus belonged to the most developed parts of the Soviet Union. Belarus is also the country, which probably suffered the most from the nuclear disaster in Chernobyl in 1986.

Finland established diplomatic relations with Belarus in February 1992. The bilateral political relations are stable and pragmatic. A small but still upward trend can be detected. In the beginning, the Ambassadors resided in Vilnius. In 2010, Finland established a Liaison Office in Minsk, led by a Minister-Counsellor. Until May 2019, the office was co-located with the Embassy of Sweden, but now it has its own premises. - Belarus opened its Embassy in Helsinki in 2012.

Foreign Minister Pekka Haavisto visited Minsk in November 2019 together with his Swedish colleague, before him Minister of Foreign Trade Kai Mykkänen visited Minsk in 2017. From Belarus there have also been Ministerial visits to Finland. Consultations between Foreign Ministries take place yearly.

On the other side of the relations, the human rights situation, especially the use of capital punishment still in 2019 in Belarus – as the only European country - has to be mentioned. In EU contacts, as well as bilaterally, the issue of abolishment or at least a moratorium on the use of the death penalty is always raised.

Bilateral trade is still rather modest - in 2018, the trade turnover was 120 million euros, with focus on machinery and steel products. Every second year an Economic Forum, outside the capitals and with company attendance, is organized. There are two business associations, which work to enhance the trade relations. Regular fact-finding trips to the regions are undertaken.

About 25 companies from Finland are present in Belarus. Areas of cooperation with good potential include cleantech and the forest sector (pulp industry as well as forestry management). Membership of Belarus in the World Trade Organisation would certainly increase the possibilities for cooperation.

As Finland is member of the European Union, bilateral relations are not the whole story. A sizable part of the political relations is handled through the EU, with Finland participating in the formation of the EU position.

Belarus is one of the six Eastern partner countries. It does not aim at EU-membership, but is interested in closer political and economic cooperation in a wide range of sectors. Belarus is also a member of the Eurasian Economic Union (EEAU) and Collective Security Treaty Organization (CSTO). These memberships do not exclude close cooperation with the EU and its member states.

With the EU negotiations on Partnership Priorities are ongoing. Finland hopes that they soon would be brought to a successful end, as it would make bilateral financial support from the EU to Belarus possible.

The relations provide, however, also now possibilities for beneficial cooperation. A first twinning project with participation from Finland has been launched. (Strengthening the Ministry of Emergency Situations of Belarus). Bilaterally smaller scale projects have been implemented, for instance on female entrepreneurship and other gender equality projects.

As the Northern Dimension policy of the European Union is important for Finland, it is very positive that Belarus participates in some of the programmes. In the Environmental Partnership there is potential in eight projects already agreed upon (in the fields of drinking water and energy efficiency). Also the Transport and Logistics Partnership offers possibilities. - In the Council of the Baltic Sea States Belarus is an observer.

People-to-people contacts have been on a steady rise. Cultural contacts, as well as sports tournaments are the reasons. There are several direct flights between Helsinki and Minsk per week. The partial lifting of visa requirements of the Belarusian government boosts tourism.

Finland welcomes the soon to be finalized new visa facilitation agreement between the EU and Belarus - it will make travelling easier for Belarusian citizens and thus increase contacts.

The first Ambassador of Belarus who resided in Finland has written a book with a telling name (in translation) "Just one flight-hour away". For a long time Belarus has been a white spot on the mental map of many Finns. Easier travel can change that, which would be in the interest of both countries. ■

CHRISTER MICHELSSON
Ambassador of Finland to Lithuania and Belarus

ALEKSANDRA DULKIEWICZ

Gdańsk: A good place to live

Expert article • 2618

Gdańsk is a home city for over 460 thousand people and according to the statistics, this number is growing. That makes Gdańsk one of few metropolitan centres in Central Europe to show positive demographic trends. What attracts new inhabitants? Openness, attachment to values, such as freedom, solidarity, diversity, and its solid democratic spirit, are the basic reasons.

The Baltic history

As a port city, a member of the Hanseatic League, Gdańsk has a long tradition in co-operation with multiple and diverse partners. As a result, hospitality, readiness for changes, new challenges and opportunities are part of its nature. The history, culture and economy of Gdańsk are most inseparably related to the Baltic Sea area. Our city benefits from the twinning relations in the region with Bremen (since 1976), Turku (since 1987), Kalmar (1991), Kaliningrad (since 1993), St. Petersburg (since 1997) and Vilnius (since 1998). Moreover, Gdańsk has been a seat of the Union of the Baltic Cities since its foundation in 1991. This organization calls the national and European politics for bottom-up approach in decision-making, and it proves also today how important the city diplomacy is.

Here in Gdańsk, we all know that flow of people and exchange of ideas can inspire and that freedom means a lot to our identity. This is what laid down the foundations for Gdańsk development.

Gdańsk today

On behalf of the city of Gdańsk I have just received the Princess of Asturias Award in the Concord category. It was an honour to hear from the jury that “the past and the present of the city of Gdańsk are an example of sensitivity towards suffering, solidarity, the defence of freedom and human rights and extraordinary generosity”. Thus, to the words of the late Mayor of Gdańsk – Pawel Adamowicz, who used to call Gdańsk “the City of Freedom and Solidarity”, we can add one more significant word: “the City of Freedom, Solidarity and Concord”.

Earlier this year we have celebrated 30th anniversary of the first partially democratic elections in Poland. It was a true holiday of solidarity, freedom and democracy. But it was also an occasion to ask a question: What have we done to make all those catchwords, like freedom and solidarity, be not only the noble ideas on paper, but real actions that transform people’s lives? Have we addressed our policies to all inhabitants?

Gdańsk is today a vibrant city that attracts people from Poland and abroad. It has been growing economically, offering a wide range of employment opportunities. Though being among the priorities, the economic development cannot be the only aim. We have to face a major shift in thinking about what the city is today and put the quality of life, resilience and inclusiveness on the top of the agenda.

According to the survey made in 2018, the quality of life general rate in Gdańsk was 3.7% in the 1 to 6 rating scale. That means we have still quite a lot to do in terms of improving the living conditions. The city development strategy Gdańsk 2030 Plus focuses on an inhabitant, his/ her needs and expectations. According to this document, Gdańsk in 2030 Plus is a city of prospects for people, who are offered here the best conditions for education and personal and professional development. We want the inhabitants of Gdańsk to be active people, integrating with others, taking responsibility for the common good, fulfilling their ambitions and confidently looking to the future.

The role of education in fulfilling the vision of an inclusive and equal city seems to be crucial.

The major development challenges include such social issues as integration of new inhabitants, or improving the level of education and adjusting the school system to the labour market’s needs. Gdańsk worked out the Model of Integration of Immigrants - local urban policies on integration and migration which develops a management system in public institutions and social organizations in the city to facilitate the integration of refugees and immigrants in areas such as education, culture, social care, housing, employment and health. Furthermore, an advisory council was formed, composed of twelve representatives of immigrants and two refugees, which is responsible for transmitting the needs and concerns of this group of people to the local authorities. Moreover, in 2018, Gdańsk approved a “Model for Equal Treatment” to improve the conditions of the most vulnerable social groups. Also, a campaign Gdańsk connects us that is addressed to newcomers has been introduced.

Towards the future

In January 2019 Pawel Adamowicz, the city’s Mayor for more than 20 years, credited for much of the city’s liberal thinking, was stabbed at a charity event in Gdańsk and later died.

Though it cost us all a lot, I truly believe we have managed to transform our pain into the strength. His vision of Gdańsk development as an open and integrating city is continued. Gdańsk is a Baltic Sea city, a hub, a centre of growth and competence, a reliable partner in the regional and the European co-operation. But, first and foremost, it is a good place to live. ■

ALEKSANDRA DULKIEWICZ
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MATEUSZ SIPA

Łódź-Warsaw Duopolis: A vision for the (very near) future

Expert article • 2619

For many years now, Polish cities have been developing dynamically, fitting in this way with the global trend of urbanisation. There are several various possible scenarios of this process. The most common one entails the development of individual metropolitan areas, while according to another – less common but exceptionally interesting – the development is based on the emergence of natural partnership between two complementary urban and business centres. Duopolis, as the concept of the bilateral cooperation of the cities is called, is the development direction envisaged by the Polish cities of Łódź and Warsaw.

Despite to what it might seem, Duopolis is a quite widespread urban development model. Some well-known worldwide examples of this include, among others, two Finnish cities – Helsinki and Tampere – or the capital city with nearly 640 thousand residents and the second largest city in Finland with 235 thousand inhabitants, localized at a distance of approx. 180 kilometres. The same idea is basis of the collaboration of such cities as Bratislava and Vienna, Baltimore and Washington, Birmingham and London, Copenhagen and Malmo, or Glasgow and Edinburg.

In Poland, the development of the residential and office infrastructure, as well as of road and railway connections, has given rise to a new example of the natural collaboration between two large agglomerations, localized at a distance of approx. 120 kilometres: Warsaw and Łódź – or the Polish capital city with almost 1,8 million inhabitants and the third largest city in Poland with 690 thousand inhabitants. It is easy to count that the total number of inhabitants of this Duopolis amounts to almost 2,5 million and considerably exceeds the number of residents of most of other agglomerations in the CEE region.

Until recently, Warsaw was the magnet attracting both skilled employees looking for the most favourable employment conditions and investors seeking for a suitable location for their business in central Poland. However, in recent years, this trend has been changing in favour of Łódź which steadily increases its attractiveness. Every year, driven by the extension and modernisation of the road and railway infrastructure linking the cities and the planned construction of the new Central Polish Airport midway between them, this process becomes more and more dynamic.

Although the improvement in logistics and infrastructure are undoubtedly important factors enhancing the development of the Łódź-Warsaw Duopolis concept, it is also worth examining the differences between the cities, determining the complementary nature of this relation.

On the one hand, thanks to their rich cultural and entertainment offer, vast availability of housing as well as increasing attractiveness of labour markets, both cities are great places to live and work in. On the other, although the gaps are narrowing, there are still significant differences in salaries, in particular in the business services sector, and, at the same time, in costs of living between the cities. Thus, the average gross pay in the corporate sector in Łódź is approx. 1,500 PLN lower than in Warsaw, and the average costs of living in Łódź are on average 40 percent lower than in Warsaw.

Apart from that, the main differences lie in renting costs and in the competitiveness of the office market. Thus, in the New Centre of Łódź, in Q2 2019, the rates in the city centre varied from 12 to 14 euro per square meter a month, whereas in Warsaw, in the Central Business District (the city centre), it was 20.5-24 euro per square meter a month. Only outside the city centre, like in Służewiec Przemysłowy district, the average rent in Warsaw approx. 11-15 euro per square meter a month.

Until recently not enough appreciated, Łódź is today an important centre for investment and one of the most attractive markets for all sorts of real estate projects in the region. According to recent data, total investments in Łódź from the beginning of 2017 to August 2019 reached over 625 million euro. The office and industrial sectors account for as much as 37 percent of total investments. In Q1 and Q2 2019, there were nearly 30 thousand square meters of new office space with over 30 thousand more to become available by the end of the year. Furthermore, roughly 70 thousand square meters of office space is to be set to be completed in 2020. This is good news for the city, as it shows a high level of interest from investors.

The Łódź-Warsaw Duopolis, offering a lower cost alternative for investors, excellent logistics, availability of workforce and office space, generates a functional synergy. Due to costs efficiencies, companies are eager to locate their back office functions in Łódź, while the headquarters (front office) remain in the capital.

Given the dynamic development of the office infrastructure in Łodź, the shortening travel time between the Polish capital and Łódź, the proximity of two existing national airports and of the third one to be constructed and launched in a very near future, the Warsaw-Łódź Duopolis is becoming a reality. Together, exploiting the potential of their cooperation on a bilateral basis and of a complementary investment offer, the cities are most likely to create one of the largest, if not the largest Duopolis in the entire Central and Eastern Europe region, fully responding to the needs of international investors. ■

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ANNA GOLEC-MASTROIANNI

Tourism in the Baltic Sea region: Bleisure

Expert article • 2620

For many towns, which have become well-known over a long period of time for offering excellent conditions for tourism, the situation is absolutely clear. These towns are aware that in the summer they can count on being extremely popular and enjoy great success with tourists who are happy to visit them.

Currently there is an increasing number of this type of resort in the Baltic Sea region. This is unquestionably a very favourable phenomenon which must be continually developed so that the majority of this region of Europe will be considered an attractive destination in the future.

There is something for everyone to discover in our beautiful Baltic region, whether you are parents with children, people in retirement, students or someone with a disability. Those who prefer peace and quiet, with the silence only disturbed by the sounds of the sea or the cries of the seabirds, will be attracted by the smaller coastal towns. Alternatively, the larger resorts in the Baltic Sea Region (BSR) guarantee that there is plenty to keep you entertained, whether that might be discos and fun-packed beaches, the smell of smoked and fried fresh fish; delicious and original regional delicacies or a host of other attractions.

Staying in the winter months offers a different destination, quietened by the absence of the hustle and bustle of tourists and the numerous ice cream stands, souvenir stalls or clubs with their summer tunes. At this time of year, time passes in a slower and calmer way. The demand for X3S tourism (sun, sea and sand) is still important. But this type of tourism is only valid when the weather is good. The BSR has a warm, temperate but changeable climate characterised by warm summers and cold frosty, winters. At these times of the year sunseekers prefer to choose warmer destinations.

A good example of the type of town found in the BSR is the seaside town of Parnu, known as the 'Summer Capital of Estonia'. The town's colourful streets and tenement buildings and its sanitoriums attract many visitors, but these mainly come in the warmer months. The town offers wide, sandy beaches and a lot of green areas including a huge park which runs along the seafront. The fact cannot be avoided though that the town only wakes up in May each year.

Another example is Rügen, the large German island in the Baltic Sea which is a popular holiday destination. On most postcard and signs, visitors will see the words 'Ferieninsel Rügen', which roughly translates as 'Vacation Island Rügen'. The resort is famous for the nearby Jasmund National Park with its high, white cliffs which descend sharply into the Baltic Sea. Rügen has tremendous potential and I could mention a lot including its beautiful buildings, palaces, spa complex and castle. Despite its range of attractions Rugia, like many other towns, has gained itself a reputation as a summer resort and it faces challenges in developing other types of tourism.

Compared to other regions of Europe, tourism in the BSR is very focused on summer, typically holidaying tourists. The current tourism market clearly indicates that it is important to have a wider range of goals and to create more options for visitors. As the world develops quickly, we have a lack of time for rest, relaxation and entertainment. Visitors wish to make the most of every moment, even if they are visiting on business. That is the reason the tourist services market offers a new trend in travel – 'bleisure' (business + leisure), which combines business travel with a leisure trip. This is not just a trend but a phenomenon where employees can make optimal use of the time spent away from home.

Using opportunities which 'bleisure' creates, employers can take the opportunity to create an image of being an attractive employer, particularly among younger people. It benefits not just the employee and the employer, but the tourism industry as well. According to statistics, the people of Generation Y, who were born in the 1980s and 1990s and are commonly referred to as Millennials, will soon make up half the global workforce. Due to their approach to life, 'bleisure' is gaining more and more importance. It is believed that the opportunity to combine flexible tourism/business trips is becoming a great incentive in attracting talent to American corporations. Many people are deciding to join a given business based on this opportunity to travel while working. According to the American business magazine, Forbes (article from 25.10.2018) 'bleisure' trips increased by 20% in 2018 over 2017. This estimate has come from the SAP Concur Hipmunk travel and expense management system. For the purpose of the study, a 'bleisure' trip was defined as one including a Saturday overnight stay. From the beginning of the survey in September 2017, Concur Hipmunk showed that 16% of hotel bookings for business trips included a Saturday night stay. This trend is also popular in small businesses too. In summary, the Forbes study estimated that approximately 2.2 million 'bleisure' trips took place in 2017, a figure which equates to about 10% of all business trips. Despite the fact that Milennials are most likely to be 'bleisure' travellers, they are not the only group who like this kind of travel.

Research has shown that destinations all over the world are seeing more of these kinds of trips. Since 2016, 'bleisure' trips to the EMEA zone (Europe, Middle East and Asia) have increased 46% while the Asia-Pacific region has seen a 45% increase. Typical destinations include London, Chicago, New York, Tel Aviv, Paris, Singapore and Shanghai. Most 'bleisure' trips take place in September and October. These two months saw travel growth of 15% and 18%. In addition to increased travel in early autumn, some industries can be seen to be more flexible than others. National Business Travel Monitor data as far back as 2000, indicated that 2/3 of Americans who travelled regularly for business purposes, combined both leisure and business and even made the decision on whether to go on a business trip based upon the possibility of doing so.

Worldwide, the fashion for extending business trips for leisure purposes exceeded 6.7 million trips in 2013. A study by the American Jurys Inn hotel group showed that every fifth traveller i.e. 20% treated

Expert article • 2620

a foreign business trip as an opportunity to combine a leisure trip. In the USA, where paid leave is much shorter than in Europe, employers show a large degree of tolerance in this respect, especially when it comes to extended business stays. However, an accompanying family on a business trip raises concerns, especially when it comes to the rental of a larger room and the cost is invoiced to the employer without the possibility of clearly separating the expenses incurred by the spouse (Pay & Benefits 2013).

With more and more people travelling for business and leisure, some hotels may charge higher rates. As a result, more leisure visitors and tourists are searching for alternative accommodation options. The popular alternative is Airbnb. Research has shown that older travellers still prefer hotel accommodation to Airbnb, while 76% of Millennials would choose Airbnb. The fact is that 'bleisure' trips are taking place in every corner of the world and becoming more and more popular every year.

The city of Sopot wants to make the most of its potential and has chosen to develop the 'bleisure' sector of its market. The requirements of the 'bleisure' trend perfectly match the potential of the city of Sopot and the amenities available in the city, such as its conference facilities (for hosting events) and the potential to grow its hotel and catering base and its small meetings offer are perfectly suited to this sector.

In addition, the city's numerous sports facilities (including among others the Ergo Arena and Aqua Park), the city's attractive architecture dating from the 19th and 20th centuries and its large green areas, which are well-suited for physical activity throughout the year, provide potential guests with ample reasons to extend their stay. The attractiveness of the resort is further enhanced by the rich cultural calendar of the city, which often has an international feel such as during the Sopot Jazz Festival and the Polsat Superhit Festival. Sopot continues to develop dramatically from year to year and is attracting the interest of many investors who want to invest their capital here.

This trend will gain importance in the coming years and it is worth noting its potential today. As one of the most beautiful resorts in northern Europe, a place frequented by visitors from Poland and abroad, the city of Sopot will promote the new 'bleisure' trend as the so-called year-round offer for the industry, with all necessary responsibility. ■

ANNA GOLEC-MASTROIANNI
President,
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TANJA RAUNIO

Finland's former capital Turku is now the culinary capital

Expert article • 2621

The former capital of Finland, Turku, is known in the present for its 800-year old history, and also for its stellar culinary culture. Several of the city's restaurants are located right around the central Aura river. Culinary activities and its restaurants have become one of the city's most famed attractions. The restaurant scene is blooming in Turku, and people now more and more often head over here to eat.

Local travel and locally grown products are now the hot items in the world of travel. The culture of dining out has landed here, and has made going out to eat, even on just a regular Tuesday, a widely embraced concept.

Customers today are interested in the origin of the dish and its ingredients, as well as its ethicality. It's not enough anymore to have delightfully arranged dishes presented to you; customers appreciate knowing the story behind the ingredients - local products are adored in food as well as in drinks.

Ten years back we were looking at another scene – the restaurants in the city center were much alike, regarding both their ownership and business concepts. The places pulled in crowds mainly during weekends. Today, however, small, privately owned businesses in unique and historically significant properties are popular; reservations are made even on weekdays to ensure you get to dine where you would most like to.

The culture capital year of 2011 can very well be thought as the turning point that made the city's foodie scene blossom. Events brought lots of new visitors around the city, and restaurants were starting to get busy. The culture capital year gave the restaurants a massive boost of confidence, and people of Turku learned the art of dining out.

Younger generations are now taking reins in Turku restaurants, bringing along new entrepreneurs who are keen on collaboration and support. Business owners and workers of different places see each others as more than rivals, and actively recommend each others' services.

The increase in culinary interest is also visible in chef Erik Mansikka being chosen the Turku Person of the Year in 2014, having been chosen the Chef of the Year only a year before. The itty-bitty restaurant Kaskis, led by Erik Mansikka, Simo Raisio and Topi Pekkanen was also chosen the Restaurant of the Year by the Finnish Gastronomic Society in 2018.

Erik Mansikka tells us about people having been a bit iffy about Kaskis's ”remote” location; many seemed to think that people wouldn't find the new place it being so far from the central marketplace in the city when they opened back in 2014.

-Yeah, sure, it's very ”remote”, being all the way up Kaskenmäki hill, Mansikka chortles.

- It was a concious risk we took, everybody else thought we were located too far away. It's more of a state of mind than the matter of distance; merely stroll down the hill and you'll find yourself right by the river and the boats, Mansikka notes.

Kaskis by Mansikka, Raisio and Pekkanen has gained a new family member in the restaurant Kakolanruusu, built in the impressive old central jail of Kakola in Turku. This eatery, too, is ”remote”, being located roughly a kilometer from the city centre's marketplace.

Restaurants Kaskis and Kakolanruusu in their part have advanced the expansion of the city's centre further in to the residential areas. Located right by the river, restaurants Mami and Smör in turn are pioneers among restaurants in Turku, being the first ones focusing on locally produced goods. The four aforementioned restaurants have been featured on the list for 50 Best Restaurants in Finland, and since their respective beginnings, are still lauded by the critics and laymen alike.

Erik Mansikka states that the people in Turku no longer think whether to stay in or dine out, but rather where to dine out.

One of the restaurateurs of Smör, Mika Lövgren, mentions that the main issue is getting people on the move, out of their homes.

-Our worst rivals are cozy sofas at home; if you don't get up and get out, it's hard for you to accidentally pop by our restaurant. Or the restaurant next door, for that matter, Lövgren states.

Along with the new generation of entrepreneurs and businesses, a huge thank-you must be addressed to Visit Turku organisation as well. With their perseverance and hard work to forward culinary travel, they have succeeded in gaining visibility for all of the culinary operators in Turku. Along with maritime, history, culture, and sports the gastronomic scene is one of the main reasons to be visiting Turku.

Finally, the most important operators behind all of this are the people of Turku, who by stopping for a coffee or a drink, and dining out also on weekdays, enable the continuity and growth of our beautiful, virile restaurant culture.

And when one's domestic business booms, so does foreign - as the townspeople use their local services actively, we have the resources to offer our very finest for everybody visiting the city. ■

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Food Ambassador
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MAREK GÓRSKI

Hazardous substances on the seabed

Expert article • 2622

In Polish internal law, the issues related to risks and hazards associated with shipwrecks (in particular with respect to the fuel contained therein) as well as with containers containing chemical warfare agents are primarily the responsibility of public administration. Determining the scope of such tasks and the authorities which should perform them requires consideration of many issues, and in particular establishment of the following:

1. the legal status of the substances and objects located on the seabed;
2. the legal basis for the possible obligation to remove the designated substances and objects from the seabed as well as the subjective scope thereof; more broadly, the obligation to monitor the potential consequences of their retention in the sea;
3. the role of individual public administration authorities in the enforcement or possible performance of the designated obligations.

Such an analysis requires that reference be made, first and foremost, to internal law instruments but also to relevant international agreements. It should be noted here, in particular, that, in Polish internal legislation, there is no provision clearly defining the legal status of shipwrecks and containers with warfare agents submerged in the sea, but the matter seems quite obvious - from the point of view of the provisions of the Waste Act of December 2012, these objects and substances inside them should be considered as waste. As a consequence, one should refer to orders and prohibitions related to waste management procedures addressed to entities responsible for waste management and supervisory obligations of relevant administrative authorities, including the duty to take over the obligations not fulfilled by those who should do so; this also applies to a situation in which the obliged entity cannot be established.

It is particularly important in this problem that we are dealing with substances or objects which were transformed into waste in the past, many years ago, described as ‘waste residues’. The waste residues (in German law, the so-called Altlasten) are nuisances for the environment caused by activities carried out many years ago often by an unknown entity and usually in unknown circumstances. The consequence is the inability to apply the “perpetrator’s principle” (the polluter pays rule), which is fundamental for contemporary environmental protection law, to enforce the liability associated with the removal of nuisances. In Polish law, there are no legal regulations directly related to the so-called “waste residues”, except for regulations related to “historical pollution” of the land surface (provisions of the Environmental Protection Law Act of 2001 relating to the protection of the land surface, yet, not applicable in the analysed case). This results in the need to search for specific grounds for determination and enforcement of the obligation to remove waste residues.

The basis should be primarily the provisions of the Water Law Act related to water quality protection and the institution of water quality protection programmes, which is also an element of the maritime strategy (Art. 144 et seq.). Nevertheless, this system requires the identification of potential threats and their monitoring from the point of view of the possibility of influencing the achievement of environmental objectives aimed at maintaining or restoring of the properties typical for the good environmental status of sea waters.

The main authorities responsible for implementation of these tasks are the Environmental Protection Inspectorate within the scope of monitoring activities and directors of maritime offices, who should be considered as the authorities competent to undertake activities with respect to waste accumulated on the seabed in order to eliminate or reduce its negative impact on the possibility of achieving the environmental objectives of water quality protection. The latter assumption results primarily from the general competence of the Director of the Maritime Office in matters “within the scope of government administration related to the use of the sea within the scope regulated by this Act and other acts”, and in particular “the matters related to protection of the marine environment against pollution caused by the use of the sea and by dumping of waste and other substances”. (Art. 42 of the Act on the Maritime Areas of the Republic of Poland of 1991).

The crisis management instruments provided for in the Act of 26 April 2007 on Crisis Management should play a complementary role. It is primarily a preventive function in the context of preparing the system to react in the event of a significant threat from such waste, while the directors of maritime offices cooperate in this respect in the areas of sea waters with the Maritime Search and Rescue Service, which results from the provisions of the Act of 16 March 1995 on the Prevention of Sea Pollution from Ships. ■

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PAULIINA FORSMAN

How to get to the most beautiful archipelago in the world?

Expert article • 2623

Southwest Finland and the City of Turku pamper tourists and visitors with food, culture, and an amazingly beautiful nature. The real crown jewel – the Turku Archipelago – is absolutely worth visiting but getting there can sometimes be rather challenging.

A hidden diamond

The River Aura runs very deep in the identity of the City of Turku. Even the Swedish name of Turku, Åbo, refers to a settlement by a riverside. Nevertheless, it is the Baltic Sea that has brought livelihood to people living in the Turku Region for centuries, from medieval Hansa merchants to modern shipyard operators. Turku is well-known for its significant maritime cluster. However, travel business is equally a very important line of business: it brings annually circa 800 million euros worth of revenue to the Turku region, and creates employment for more than 4 000 man-years worth. And there's a reason for it: Southwest Finland is a gateway to the most beautiful archipelago in the world.

The Turku Archipelago and the Archipelago Sea provide us with peace of nature, versatile experiences and activities, excellent local food, adventures, stunning scenery, and individual accommodations among many other things. Provided that you manage to get there. The Archipelago consists of several autonomous municipalities with their own visit organizations and websites. Some places are accessible with public transport or even by bicycle but occasionally you might need your own car. And where can one find a ferry timetable when the road ends? There are 20 000 islands and finding the right one can be difficult even for locals, let alone tourists. The core of the problem is fragmented information.

Digital solutions for practical problems

Visit Finland, a national expert organization that is responsible for promoting travel from abroad to Finland, launched four digital pilot projects in the end of year 2018. The digital pilots were part of Visit Finland's digital roadmap whose main target is to make Finland an intelligent destination and provide travelers a smooth digital path all the way from dreaming to the actual trip.

Turku was one of the four pilot areas due to the activity and initiatives of Visit Turku and the Tourism Committee of Turku Chamber of Commerce. The objective here was to define a map-based digital solution to make the Archipelago more accessible and to make purchasing different kinds of travel services easier.

There have certainly been earlier attempts to tackle the problem of scattered information but this time a very large group of actors engaged in the common project. With the help of Turku Science Park and Turku Chamber of Commerce the local companies operating in travel industry were widely involved in the pilot. Thanks to several training sessions and workshops organized by Visit Finland, these companies and entrepreneurs gained a large amount of useful digital know-how during the pilot.

The work continues

The pilot was followed by two simultaneous development projects: the improvement of the business model and online store of Visit Turku and, secondly, a project called Archipelago Access. The latter focuses on creating a digital service to make the Archipelago more accessible as the name suggests.

Archipelago Access continues furthering the same objectives as the digital pilot but in cooperation with the Stockholm Archipelago Foundation. The Stockholm Archipelago is a cluster of some 30 000 islands, and the challenges are very similar to us: a large geographic area and information that is scattered to dozens of channels. With the help of digital services and two physical exhibitions - one in Turku and the other in the Stockholm Archipelago – we want travelers to first and foremost to find our beautiful Archipelago and, secondly, find their way to the Archipelago.

The ideal final result is reached when both the locals and tourists find in an easy and quick manner what they are looking for. Some of us want to travel to the most far away and bare islets and feel the roughness of nature and enjoy the isolation. But for a tourist living for example in an Asian metropolis a two-hour trip to the Island of Ruissalo (in Turku) might be the most exotic and marine experience of one´s life. There are countless ways to experience the Archipelago. One thing is for sure: it must always happen in an ecologically and etchically sustainable way. For the unique Archipelago Sea is Finland's most important natural equity. ■

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LEEA OJALA

Circular Economy: A policy block?

Expert article • 2624

Circular economy has quickly become one of the biggest global megatrends of the day. It is said to have a critical role in mitigating climate change and in halting biodiversity loss. For the Baltic Sea alone, circular economy could provide valuable means to tackle eutrophication, through the recycling and reusing of nutrients arising from agriculture.

The ultimate idea in a circular economy is a closed loop: the value of products and materials is maintained for as long as possible. Waste and resource use are minimized, and products are used again at the end of their life to create further value.

Not surprisingly, circular economy has found its way to the core of EU policy. The European Commission adopted an action plan to help accelerate Europe's transition towards a circular economy already in 2015, with the title "Closing the loop – An EU action plan for the Circular Economy". Among other things, legislation resulting from the action plan aims at increasing recycling rates, reducing the amount of landfilled waste and tackling plastic marine litter.

There are, of course, many approaches towards a circular economy. An important aspect is extending the life cycles of products sold, e.g. through repair and maintenance. The usage rates of existing products can be increased through different sharing platforms. By offering a product as a service, there is a strong incentive to amp up resource productivity, by addressing inefficiencies across the whole value chain. A reform in the use of resources might also be realized by switching from unsustainable materials to renewable, bio-based or completely recyclable materials. The so-called ecodesign approach aims at minimizing waste in the first place.

To fully close the loop, however, the end-of-life value of materials needs to be recovered. This means tackling the issue of waste, which is one of the biggest concerns in the current linear economy. Yet, recovering value in waste, either as resource or as energy, is not always easy in terms of the current legislation.

For obvious environmental and health reasons, waste is heavily regulated. Following a precautionary principle, the definition of waste has also been applied very broadly. In accordance with the European Waste Framework Directive, waste means any substance or object which its holder discards, intends to discard, or is required to discard. While a broad definition and heavy regulation might serve as an effective control mechanism, they may unnecessarily hinder the utilization of many materials.

Therefore, to enable efficient recovery of useful resources or energy from waste, it is key that the end products of recovery processes are no longer considered as waste. In essence, it should not be easier to use virgin materials over recovered materials when the environmental impacts and performance according to applicable quality standards are at par.

For many materials, mechanisms to remove their waste status do exist. At EU level, there are clear criteria for Competent Authorities to consider waste either as a by-product or as no longer waste. In the latter case, a so-called End-of-Waste status can be granted. Sadly, the procedures for these are still in their infancy. Only a handful of waste materials are dealt with at EU level. While the EU encourages towards national procedures and case-by-case decisions, Competent Authorities often lack the consistency and courage to grant such statuses.

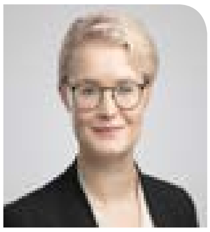
A big part of the problem is that the current legislative system has been designed for a linear economy. Recovery operators have to work at the interface of current chemical, product, waste and environmental legislation, while Competent Authorities still largely work within their specified linear silos.

Where cross-disciplinary expertise and collaboration between the relevant agencies and authorities is lacking, circularly oriented businesses find themselves moving much faster than the legislative processes. This might mean that their visionary concepts never make it through the authority procedures.

Luckily, the EU has awakened to the fact that much more is needed. Stakeholders have been consulted on the difficulties of the interface between chemical, product and waste legislation. Furthermore, efforts are made to clarify and push forward the End-of-Waste procedures.

More importantly, the EU now aims at an even more ambitious 'circular economy 2.0' package. Finland has had a major role in pushing this package forward during its Presidency of the Council of the EU. The question remains, however, whether the legislative process is agile enough to enable a timely transition to a circular economy.

In any case, one thing is certain: a lot of effort is needed to bend the originally linear system into a circular one. ■



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ELISE TARVAINEN & TIINA MALSTE

Novel approaches to learning environment design

Expert article • 2625

Designing learning environments requires balancing in the jungle of preferences; with the curriculum as a map, and the pedagogical know-how of teachers as a compass. Ideal learning environment arrangements are a source of inspiration for all operators in the school community.

Particularly within Early Childhood Education, the learning environment has been recognized as the third teacher, side by side with facilitating adults and peer learners. Why wouldn't we take advantage of this perceptive finding at any level of education?

How can the learning spaces of today enhance the competences of tomorrow?

The competences that we believe are required in order to manage well in the future cannot be achieved in schools that were designed for our parents. A core task of today's formal education is to prepare the learners for life, in environments that are integral parts of the life itself. Following the socio-constructivist conception of learning, we recognize the importance of knowledge and competences acquired in informal learning environments. All spaces are learning spaces!

Modern learning spaces encourage subject integration with active and participatory learning. The environment supports the learners from knowledge assimilators towards community-based knowledge and content creators. Improvements to the learning environment can be developed to classroom projects (e.g. health & safety, well-being, sustainable future), providing the students with most practical opportunities for competence building. Jointly, the school community can create an environment that takes its place in the frontline, shaping the future and showing the way towards social change.

The relationship between the learner and the learning environment can be seen as bi-directional: Student impacts the environment and in turn is impacted by the environment. Successful learning space solutions not only allow but rather attract and help teachers and students to use a variety of teaching and learning methods so as to better facilitate the achievement of future competences.

Can everyone be a learning environment designer?

In easily adjustable spaces, students can become active designers and developers of their own learning environment. The jointly selected solutions create an innovation platform reinforcing students' own initiative and inspiring them to find, try and create novel solutions together. Involvement in the planning and constant re-shaping of their own learning spaces promotes students' sense of agency and gives them the chance to show their strengths through their choices.

Tighter and looser members or the school community, as well as a wide variety of stakeholders should be considered as delightful sources of inspiration for learning design. Teachers, parents, designers, architects, and extra-curricular users are a natural consideration but also such as caterers, janitors, and cleaning staff become precious co-educators through engagement in the design and development process.

At best, the learning environment reflects the curriculum framework in use and is tailored for the respectively operating school community. Insights and ideas can be collected from existing examples through observation but the entity should not be copied.

The four pedagogical cornerstones for learning environment design

1. In all decisions, focus on learning, instead of teaching. Provide the students with an opportunity to be active designers and developers of their own working environment.
2. Create spaces that enhance the joy of learning and collaborative operational culture. Comfortable and functional spaces create peaceful working environments and contribute to the health and well-being of all members of the learning community.
3. Check that the school facilities meet the objectives of the respective curriculum. Focus on objectives and the specific needs of different subjects and multi-disciplinary learning.
4. Prioritize solutions that promote students' own activity and accountability. Ideally, the learning environment allows for a variety of learning styles, enabling individualized learning paths and enhancing students' self-directed learning.

Novel Finnish solution for quality learning

Finland has strong expertise in the design of learning and innovation environments. The school design sector in Finland is strong and advanced. The new flexible school environments support the learning process towards to objectives set in National Core Curriculum.

Finnish Isku Active Learning® solutions were developed to enhance the quality of learning – to improve both academic achievements and the quality of learning experiences. The complementary facility and furniture solutions – Focus, Share, Study & Join – are a source of inspiration, learning and creating something new. First and foremost, Isku Active Learning environments are safe, functional and enjoyable. They provide pedagogically versatile spaces where learning and teaching is a shared joy. ■

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KĘSTUTIS KRISTINAITIS

Property valuation in Lithuania

Expert article • 2626

Before the restoration of independence in 1991, Lithuania had political, economic, and property systems common to other Soviet Republics. As an independent country, Lithuania aimed to strengthen democracy and establish a market economy. This required major transformations to immovable property institutions. Acts in support of reforms were introduced over several years. After 1994 the elements of new legal, economic and institutional structures, accompanied the inception of and organized property market, began to form more clearly. The property valuation profession and business started developing upon the initiative of private enterprises and public professional organizations – Lithuanian Association of Property Valuers and Lithuanian Association of Property and Business Valuation Enterprises, which have been instrumental in drafting and promoting acts, developing training courses, educational materials, professional qualifications, and standards.

The formation of the legal base for property valuation began in 1995. By 1999, the national legislation regulating property valuation activities has been developed, including the following legal acts:

- The General Property Valuation Principles, (Government Resolution,1995);
- Property Valuation Guidance Notes, (Government Resolution, 1996);
- Terms and Conditions of Granting of the Qualification of Valuer, (Government Resolution, 1998);
- The Law on Fundamentals of Valuation of Property and Business, 1999, amended in 2012;
- The Code of Professional Ethics of Valuers (approved by the Board of the Lithuanian Institute for Audit, Accounting and Valuation, Resolution, 2000);

The Law on Fundamentals of Valuation of Property and Business provided for the definitions, valuation procedure (including description of the main approaches and their application), documentation, etc. The adoption of the law and by-laws completed a certain stage in the development of the legal framework, in which professional organizations and their individual members took an active part. Subsequently, the institutional structure of the property valuation system gradually changed: certain functions were taken over by other institutions. Vilnius Gediminas Technical University has become the centre of academic training for valuers, although some disciplines are taught at other universities.

The mandatory certification of valuers has been introduced in 1996. The General Property Valuation Principles that the Government approved in 1995 provided a framework for specifying the skills required of professional (licensed) valuers. Shortly thereafter, the Ministry of Finance began certifying valuers (in 1998 this responsibility was assumed by the Institute of Audit, Accounting and Property Valuation). By 1998, there were up to 200 certified valuers.

The functions of the Institute as supervisory authority has gradually grown and expanding. In 2016 the Institute has been reorganized into the Authority of Audit, Accounting, Property Valuation and Insolvency Management under the Ministry of Finance. The Authority also includes the Court of Honor of Valuers and Examining Boards of Valuers.

A Law provides for three-level scheme for the certification of valuers: a natural person who has passed property or business valuer qualification exam is granted the following qualifications: real property, movable property or business valuer-assistant, valuer or valuer-expert. The qualification scheme is based on two main criteria: education and professional experience. Property or business valuation enterprises or property valuers, acting under the certificate of individual activity, and having civil liability insurance are included in the List of External valuers under decision of the Supervisory Institution.

Currently there are 271 valuers and 170 valuers' assistants in Lithuania. 116 companies are engaged in property valuation activities. For over 20 years in Lithuania property valuation activities can only be performed by suitably qualified property valuers, who comply with the Code of Ethics and have civil liability insurance. Most financial operations in Lithuania that require property valuation are performed only by certified valuers.

The Law states that property or business valuation is performed applying valuation methods defined in the International Valuation Standards and the European Valuation Standards in cases set out in therein. The concepts defining values are also similar to ones used in the international standards. The Lithuanian property valuation institutions cooperate with international organizations such as the European Group of Valuers' Associations (TEGoVA) and the International Valuation Standards Council (IVSC) and publishes international standards in the Lithuanian language.

Lithuania has established a well-thought-out real property cadastre and registration system managed by the state-owned Center of Registers. It also has developed and maintains a successful mass valuation system. A computer-assisted mass valuation has been developed for the whole country, and it is used for land and real property taxes based on market value and other public needs since 2005. ■

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PASI KOSTAMOVAARA

Arctic maritime safety requires cooperation

Expert article • 2627

As the climate change warms the Arctic, its sea ice cover is declining and sea traffic is increasing. The factors influencing this growth also include an increase in tourism and business in the area, and new maritime routes. In addition, the growing geopolitical significance of the Arctic region has drawn more attention to safety in the Arctic.

In terms of search and rescue, the Arctic region is an extremely challenging operating environment. Long distances, difficult weather conditions and inadequate communication connections all effect on safety in the area. The Arctic states are preparing to respond to increased maritime activity in the Arctic. Thus the climate change is one of the major underlying phenomena that influence the need for further improvements in capacities for large scale accidents and mass evacuations.

The Arctic Coast Guard Forum (ACGF) was established to improve maritime safety cooperation, to address the challenges in the Arctic maritime domain and to protect the vulnerable Arctic environment. As an operationally driven organization the ACGF focuses on developing practical level cooperation between the Arctic states coast guard authorities and stakeholders. The added value is that coast guard personnel can jointly exercise operations in the Arctic, and learn from each other's best practices.

Finland was chairing the ACGF and the Arctic Council in 2017−2019. Two legally binding agreements on search and rescue and oil spill preparedness were negotiated under the auspices of the Arctic Council. These agreements show the value of maritime cooperation in the Arctic. As a result of the Finnish ACGF Chairmanship, the forum created an exercise routine to implement these agreements and launched the actual joint exercise operations.

Individually we can secure limited areas but together the whole Arctic

Cooperation is crucial when dealing with emergency preparedness and response. Due to the remoteness of the Arctic areas and a lack of infrastructures no Arctic state is able to react to a larger incident on its own.

The Finnish Chairmanship culminated in spring 2019 with a large international live search and rescue exercise Polaris 2019 Mass Rescue Operations Exercise. The exercise was built largely around mass evacuation. The outcomes of the exercise provided valuable findings for operational cross-organizational cooperation. The Polaris 2019 demonstrated the ACGF members' ability to react to large-scale maritime incidents.

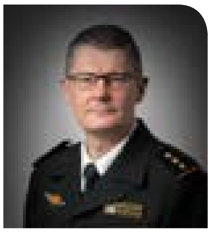
International cooperation is of paramount importance to the activities and duties of Finnish Border Guard. Ensuring continuity of international collaboration and joint exercises is vital in terms of safe maritime activity in the High North. Developing unified international practices is the best way to secure human wellbeing and natural diversity in the Arctic. The scope of the Forum's activities will be extended further to cooperation in maritime environmental response.

Multimodal accident − the worst case scenario

Risk scenarios look into the future and to increasing traffic in the Arctic. However, disasters and accidents can occur any time.

Let´s take a closer look at the Baltic Sea, which is one of the world's busiest seas. The Baltic Sea is not part of the geographical area of the Polar code nor the Arctic Search and Rescue Agreement but typical Arctic weather and ice conditions pose challenges for maritime safety there. The Agreement on Cooperation on Marine Oil Pollution Preparedness and Response in the Arctic covers the northern most part of the Baltic Sea. Even if the maritime safety is at a good level the risk of an incident in which human lives, property or the vulnerable sea environment are in danger is increasing. The increased maritime activity requires greater readiness from the authorities to protect people and the environment.

As from January 2019, Finnish Border Guard is responsible for responding to environmental accidents in the open sea area. In Finland the inter-agency cooperation is working in a practical way. In the event of a major multimodal accident at sea, it is critical to be able to coordinate and deliver the maritime search and rescue services, meaning saving people in distress, and simultaneously, for example, collect as much of the oil from the open sea as possible. That requires efficient inter-agency cooperation and coordination right after the accident has happened. In order to minimize the impact of multimodal accidents, extensive, efficient and timely cooperation is needed among the national and international coast guard authorities and volunteer-based organisations. Being ready for the worst case scenarios in the Baltic Sea and in the Arctic is our responsibility. ■



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Chief of Finnish Border Guard
Lieutenant General
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MARKKU VIITASAARI

Return to Cold War – or not?

Expert article • 2628

It is argued, that the security situation in the Baltic Rim fluctuates in repetitive cycles. A typical argument is that the increased military activity around the Mare Balticum is a return to the Cold War situation. However, to label the development (or deterioration) of the situation within the Baltic as a part of an in-built oscillation, is a simplistic interpretation of the current state of affairs.

During the Cold War era, over one-third of the Baltic coastline was under Warsaw Pact (WP) control. The rest, nearly two-thirds were inside the territorial waters of two non-aligned nations – Finland and Sweden. Only a tiny percentage was controlled by Nato's member-states (Denmark and West Germany). Although adamant in safeguarding the territorial integrity of their waters, Finland and Sweden did not pose a threat to the freedom of maneuver of the combined WP fleet. Soviet Union's land and air forces around the Baltic consisted of troops from two military districts (Leningrad and Baltic), two groups of forces (Poland, East Germany) and WP allies' troops, massing a staggering 150 divisions (1983) and nearly 3000 combat aircraft.

Today the Baltic is almost entirely an inland sea of the European Union. Russia controls only about 7% of the Baltic coastline of which the majority (approx. 800 km) is located in the eastern extremes of the Gulf of Finland. The Kaliningrad exclave remains a logistical headache for Russia. Nato's members make up nearly half of the Baltic coastline and Russia's military footprint within the Baltic Rim is fundamentally different than that of the cold war era.

Ever since 2014 Russia has bolstered its military capabilities in all geographical directions – not the least in the western direction. Kaliningrad, in views of western analysts and possibly some Russians' as well, serves as a strategic bridgehead of the Russian military might. In this thinking Russia would be able to launch surprise operations against the members of Nato and the EU from Kaliningrad -deep inside Nato and EU controlled area. The restoration of the Russian Baltic Fleet has resulted in an impressive capability in the form of one destroyer, two larger and four lighter frigates plus a number of corvettes. In addition to these repaired or refitted vessels, the fleet has received two new Buyan-M corvettes armed with cruise missiles. The fleet's two Kilo-class submarines are also reported to be cruise missile-capable. In the air-defence side, Russia's deployment of new S-400 anti-aircraft systems in Kaliningrad increases the theoretical range of her missiles well inside the airspaces of its neighbors (range 400 km). The most famous addition to Russia's arsenal in Kaliningrad is the recent deployment of nuclear capable SS-26 Iskander-M ground launched ballistic missiles with an officially reported range of 500 km. The deployment was publicized in Russia as a response to Nato's military build-up in the Baltic states. However, Russia has been systematically replacing her old SS-21 brigades with the SS-26 and the move can also be seen merely as a logistical necessity to standardize all artillery-missile brigades' equipment.

So what is missing? Isn't Russia's aggressive push to develop long-range strike capability and massive air-defence coverage a proof of the return of the Cold War situation in the Baltic. Without a doubt, all aforementioned bolster Russia's military power in the Baltic Rim. Combined and even individually, the new Russian capabilities cause sleepless nights to military planners. To compare the current situation to the Cold War, however, would be too simple. In essence the Soviet military build-up around the Baltic Sea was aimed to act as the first echelon and staging area of a strategic offensive towards the west. The land component was designed and equipped as an invading force, supplemented by airborne and amphibious elements, supported by tactical and strategic air forces. The second echelon, the follow-on forces, was on hand and trained accordingly in the military districts close by. The most distinct dissimilarity between the current Russian force posture and that of the Soviet times is the lack of strategic offensive power in the core Baltic area. The troops and systems in Kaliningrad are capable of causing substantial harm to any adversary within the Baltic area but without major reinforcements they lack the offensive invading capability omnipresent in the Cold War times. Instead of gearing up for a massive invasion, Russia seems to develop capabilities which enable it to control or limit adversaries' freedom of action within the Baltic area.

Concerning? – Maybe. Cold War? – Not with these numbers. ■

Disclaimer: All information in the article is derived from publicly available sources. Views, opinions or conclusions present only the views of the author and are not endorsed or sanctioned by the Finnish Defence Forces.

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GLEN GRANT

Interoperability of the Baltic States against Russia

Expert article • 2629

The main challenge within the Baltic Sea region is command and control at the political and political/military level. The reality is that all the governments in the region are inward looking and some would say overly nationalistic given that they have a common enemy and common allies.

The three Baltic states have talking shops, but cooperation has been weak in terms of improving capability especially in procurement. They all have different main weapon and vehicle systems and thus logistics and maintenance. This affects deterrence or what will we do if Russia invades one of the three. Of course there are military plans, but there is little coherence in the political thinking about the problem. Soldiers exercise and train constantly but Presidents and Prime Ministers rarely. Their role is arguably magnitudes more important Hope, and NATO charging to the rescue on a white charger seem to be the main methods of political action.

The biggest challenge that needs to be faced is that of time. Any Russian invasion would be swift and most likely completely unlike the anticipated ground-based invasion that all three countries prepare for. The Head of the Latvian CAA put it very clearly to the Government in 2010 after a Russian aircraft overflew Latvia with its transponder off. He said that Latvia was only ready for “an invasion by turtles”. In this regard Latvia has improved little either at home or in the bilateral and regional cooperation.

The challenge appears to be, how to make governments take crisis management seriously with a degree of strategic military thought. The likelihood is that politicians believe the words they hear from their military officers. This is dangerous because none of the Baltic Countries have experienced officers in how to fight a real multi-dimensional war. Worse than this, Russia is training theirs in Ukraine and Syria and they will be hard and effective when they fight. Other things softening the political three nation consensus include that the politicians simply do not believe that Russia will do anything serious against them. Another is a belief that NATO and US will come immediately perhaps anticipating the conflict or that NATO EfP troops will act as a deterrent on their own. Of course, there is also the real possibility that politicians have been suborned by Russia. This idea should not be taken lightly.

The region is complicated by the two non-NATO countries Finland and Sweden. Both are taking Russia seriously and are likely better prepared politically than their Baltic neighbours. Sweden has shown more than once that she is willing to fight back if Russia meddles. But both countries have serious weaknesses in their land forces. They are too reservist based and lack mobility. But they are willing to spend serious money on their navies and air forces. The big question for any crisis is will they turn inwards towards neutrality, or look outwards for their security? If they are relying on the US, they need to grasp that the US will have other priorities in a crisis and NATO countries will focus on NATO defence before they support their half-hearted and often seemingly indecisive Nordic friends.

The three Baltic states are militarily weak in every way. They could have changed this by using the current crisis to cooperate more politically and consolidate all manner of operational and organisational issues. But have chosen the nationalistic path rather than getting together. The lack of seriousness is evident in the establishment of a half-hearted divisional HQ in Latvia that is not fit for purpose for war. But this appears to be a sop for crisis management structures and there is no clarity how the Baltic countries see this fitting into their own command and control systems if war comes.

NATO should also take some blame in setting up three separate political structures inside the three countries which again act as limiters on better political thinking. When NATO is around there is no need to fix internal legal and structural problems. There is even little or no clarity about the command and control of EfP troops in a crisis. Who owns them and who commands them if Russia attacks with little or no warning; is that the host country, NATO, the home country far away or the Danish Divisional HQ?

In summary, the national tendency for inward thinking has got badly in the way of developing a politically sound regional group for what is a single operational space, especially seen so by Russia. There is little in the way of understanding that time is the key threat and that Baltic constitutions, crisis laws and crisis structures are not designed at all for dealing with a rapid attack. There is a need to give up some sovereignty for this, but Russia will see clearly that deterrence is half hearted if there is no political preparation or will to fight with, and for others immediately. ■

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REINHARD KRUMM & SIMON WEISS

Eastern Policy and beyond: For cooperative security and prosperity in Europe

Expert article • 2630

For the EU, Eastern Europe is important
Looking East today for the European capital Brussels means something different than 30 years ago. At the end of the 1980s the East meant Poland, Hungary, Czechoslovakia and of course the Soviet Union. Today the understanding of East follows the boarders of the countries of the Eastern Partnership (EaP) – Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine – and Russia. These countries are not part of the European Union (EU) or NATO and will not join in the foreseeable future. But the region is important for the EU, with its 217 million people (40% as many as the EU) and its total area of 17.1 million km² (four times the size of the EU).

It is a fact that nearly 30 years after the fall of the Berlin Wall and the adoption of the Paris Charter, both of which symbolized a new era for Europe, the outlook for Europe as a unified and free continent looks grim. Norms for cooperative security, as envisioned by the Organization for Security and Co-operation in Europe, have broken down. Cooperative European security does not work. Europe, even though it does not want to realize it, is in a fierce geopolitical competition. Tensions exist within the EU, within Europe and within the transatlantic alliance. The US is questioning multilateral agreements. The goal is to become stronger, but Fareed Zakaria argues in Foreign Affairs differently: "The Self-Destruction of American Power." And last but not least China is becoming a player in Europe with its 16+1 talks with countries from the EU (11) and the Balkans (5).

Against this background it is hardly surprising that the population in Europe is concerned. According to the "Security Radar 2019" survey[1] by the FES Regional Office for Cooperation and Peace in Europe (ROCPE) 69% of French, Germans, Latvians, Poles, Russians, Serbs and Ukrainians are concerned about wars and conflicts in general and 47% think that wars in Europe are likely because of increasing tensions between Russia and the West. No doubt the risk of a renewed arms race is not something people want to see again after the end of the Cold War.

Furthermore, there is a common and widespread dissatisfaction among citizens with regard to their own country's status, regardless of membership in international organizations and the type of government. In detail this can have different causes, but many respondents see lower status as linked to the foreign policy performance of the state and the policies of other countries[2].

1 Krumm, Reinhard et al., Wake-up Call for Europe. Security Radar 2019, p. 13. https://www.fes-vienna.org/e/new-publication-security-radar-2019-wake-up-call-for-europe/.

2 Ibid., p. 21.

Surviving not by luck or common sense but by norms
One important argument for thinking more about Europe's Eastern region is that it plays a role in stability, prosperity and security not just for Europe, but for the world as a whole. Climate change, migration, food security and of course security in general can no longer be tackled from a mostly regional level but increasingly require a global perspective. In other words, Europe should avoid being divided into the EU and the rest of Europe. The EU should work hard on minimizing disagreements within itself and within Europe and start becoming an actor with a strategy that is based also on the interests of all of Europe. Europe's ability to work together as a whole is important for security, stability and prosperity on the continent, not only for the sake of the EU.

The problem is that well-written papers on finding answers to these questions are on the table and are already familiar. One could even argue that in general an Eastern policy has also been written, though not as a unified whole but in three pillars, which are almost unconnected:

- The Eastern Partnership, with twenty deliverables agreed upon;
- The five guiding principles of the EU's policy towards Russia;
- A new Central Asian Strategy.

It seems that the status quo is not so bad after all. Most governments could argue that the state of affairs could be much worse and that international relations are always messy and difficult. One needs to look for improvement, ease the pain and manage the challenges. If there is a changing of the guard in several governments, new opportunities could present themselves and feasible solutions could be possible.

Steps towards Eastern Europe and beyond
One would have to look for a process to move out of the deadlock we have today concerning security in Europe, with an emphasis on Eastern Europe. The approach would be a two-fold one: not only decision makers would start the process, but also societies. This would encourage a deeper discussion and would involve a larger community than merely decision makers and experts. The public should be more involved because too much is at stake. This step-by-step approach:

1. The first step would be to concentrate on the level of ambition for an initiative on Eastern Policy and beyond: for cooperative security and prosperity in Europe. What is needed? Is the aim to renew or adjust the existing level of security? Or is it less ambitious and the main goal is to manage the status quo? Or is the EU only interested in easing the pain of the most vulnerable, in this case the countries of the Eastern Partnership?

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2. The initiative could come from France or Germany or even better, if possible, from all the countries of the Weimar triangle (France, Germany, Poland). The EU would take the initiative seriously and point out the interests of the EU towards security in general and security in particular concerning the countries of the Eastern Partnership and Russia, based also on the national interests of the member states. In this process it also has to be clearly defined why a cooperative security approach is essential for the EU.
3. The EU would come up with a clear catalogue of interests and norms for a policy in Europe that a majority of states can agree upon. This approach is a prerequisite for an EU that is capable of acting. The goal is not only to live in peace and to guarantee stability in the region, but most importantly to lay out a plan for a prosperous future in a very volatile environment. Europe will have to face unprecedented competition from other states and continents and has to be prepared.
4. The results from steps 1 to 3 will be discussed with decision makers and also with societies of the Eastern Partnership states that are aspiring to get closer to the EU, as well as with other states that are looking for other ways to modernize. Apart from norms and values these countries should also look at their respective interests and should take into consideration the needs of Europe as a whole.
5. The results from steps 1 to 4 provide a foundation for involving Russia. In a state where foreign policy is heavily decided among the elites it could be a challenge to involve the public. But there are competent think tanks that would take up the task.

The goal now is to start a sustainable process for prosperity and security, which is vital for Europe for today and tomorrow. ■

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Restoration of a balanced policy with Europe

Expert article • 2631

Today defence industry sector is characterized by a globalised defence industrial production chain. Weapon systems become more complex. Equipment is purchased in small batches. Technology is now coming not only from the defence sector to the civilian sector, but also from the civilian sector to the defence one. Network of subcontractors become more transnational. It is possible to note a tendency of formation of the security-industrial complex.

EU defence budgets are shrinking. Production capacities are consolidated, and transnational corporations are created in Europe. Civilian production is often the heart of defence industrial base. There is a complex system of relations between civil and military industries.

European defence companies in land and sea sector are nationalized and in aerospace and electronics they are globalized. In land and sea sector consolidation is limited. The aerospace and the electronics sector show consolidation. Some major European defence contractors are already internationalised and less dependent on national orders.

The Russian defence-industrial complex is part of the global defence-industrial sector and, accordingly, is subject to similar trends. Russia is also consolidating production capacities and creating state corporations. Civilian companies form a vital part of the supply chain for defence.

The European Parliament in 2019 adopted the partial agreement on the EU Defence Fund for 2021-2027. The aim is to promote collaborative defence research and technology investment through coordinated projects between the EU Member States. In this regard, it may be useful to refer to the experience of other countries, for example, such as the United States and the USSR. In 1971, the Federal Laboratory Consortium for Technology Transfer (FLC) was formed under the auspices of the U.S. Department of Defense to improve the mechanism of technology exchange among defense laboratories. The FLC collected a huge amount of valuable information and new technologies. The Federal Laboratory Consortium also used defense technology to meet civilian needs.

The State Committee of the Council of Ministers of the USSR on science and technology determined the directions of development of science and technology, planed and organized the development of scientific research, organized the introduction into production of discoveries, inventions and research results. The European Defence Agency could take over the function of collecting all data on existing competencies, ongoing researches, results of intellectual activities and technologies. The creation of such a database, the so-called technology broker, can also exchange technical solutions, both between defence enterprises and between the defence and civilian sectors of industry.

In recent interview with The Economist, French President Emmanuel Macron outlined his views on Russia's development. In his opinion, there are three scenarios. The third option, Russia restores of a balanced policy with Europe. The EU and Russia are geographical neighbors. The EU and Russia are doomed to collaborate. The emerging system of European security and defence cannot be provided by the EU relying only on its own strength.

Taking into account Europe's policy of "strategic autonomy" in the field of defence and security, the European Union needs to fill its technology gap, so there is a potential for mutually profitable cooperation between the EU and Russia. The EU and Russia can organize joint R&T projects or participate in joint defence R&T. Common projects can deter politicians from making abrupt and rash decisions.

In 2010 China imposed restrictions on exports of rare earth materials. The portion of military-specific carbon fibre compared to the overall market is so small, that it is economically unattractive for the producers to deliver to militaries. Semiconductors and advanced radio frequency products play a key role in defence electronics. Europe's monthly production capacity of commercial wafers and integrated circuits was surpassed by China in 2007, making Europe the lowest-producing region in the world. The massive growth of production in China, South Korea, and Taiwan has made East Asia the new manufacturing powerhouse of the commercial market for radio frequency devices and microcomputers. Such a regional concentration of production capability among very few suppliers can itself pose a serious security of supply risk. Natural disasters in 2011 (Japan and Thailand) have almost halted the global production of semi-conductors and hard drives. Gallium nitride (GaN) is the important part of next-generation semiconductors. The challenges of semiconductor supply in Europe also extend further. Most likely, these are the areas where there is also potential for cooperation between the EU and Russia.

Defence cooperation between countries means the highest degree of trust and is able, including in Europe, to ensure our mutual security no worse than other international treaties. ■

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JUSSI ORELL

Baltic Sea Region is an endless source of news

Expert article • 2632

Introduction: Tensions have increased in the Baltic Sea Region. All of us know that because it has been said so many times. But what does it mean in practice? How can we see it in our daily work in media? The question can be viewed from at least three different perspectives. After that at least one remarkable conclusion can be made.

1. Security policy

It´s evident that the Baltic Sea Region, and naturally Finland also, has become ingreasingly important in international security policy. The Baltic Sea is an important transit route for access to strategically important ports. Although there has been evidence of military force in the region, fortunately no actual conflicts have occurred. The threshold for the use of true military force is high because the consequences could be irreversible.

As we know Finland has with its eastern neighbor Russia a long border which is also the EU´s external border. In the case of Finland the situation is twofold: at the same time it must hold a credible defense and be able to act to reduce the tensions. At least so far this has been a success. However, the tensions in this area are not expected to ease, which also keeps the news alert all the time. Even small movements are important, their importance should not be overstated. Let´s keep the head cold!

2. Economy

The Baltic Sea region is of course important for the Finnish economy. If ships can pass and cargo chains are working, exports and imports can be made. In 2018 four of the ten largest export countries in Finland were from the Baltic Sea region (Germany, Sweden, Russia and Estonia – Source: Customs Finland). As regards imports, Poland may be added to this list.

According to the Foreign Ministry about 90 percent of our foreign trade goes by sea and about 40 percent of export trade is made with the countries of the Baltic Sea region. About half of the tourists coming to Finland come from the Baltic Sea countries. Student and cultural exchanges are also lively. In addition, many workers come to Finland especially from the Baltic countries. The Baltic Sea is also critical for security of supply. In addition to the goods being transported by sea, critical communication cables are transported on the seabed. Finland, which is considered safe, is also of interest to large multinationals companies according to search engine giant Google's investments in Finland.

3. Environment

Last but not least, it is worth highlighting the environment that may be a matter of human destiny. This is, of course, not only question of the Baltic Sea region, but its importance as Finland's closest sea area is of central importance to us.

The changes observed in the Baltic Sea and its vicinity, for good and bad, are easily discernible due to their proximity. The marine ecosystem is vulnerable and the remediation of contaminated sites is a slow process. How you can get around the area has a direct link to the two topics mentioned above. How much environmental resources can be used in the name of the economy?

And, on the other hand, how much environmental innovation can create new business? The state of the environment is also linked to security policy. Tensions will increase if the number of well-performing environments decreases and competition for smaller resources begins.

Conversely, if the tensions are not elevated, it will also be easier to make joint decisions on nature conservation. The co-operation of the Baltic Sea States will be tested in real situations if, for example, a serious oil accident occurs in the region. Unfortunately, this is even likely because tanker traffic on narrow lanes is heavy. We should be ready to act together if the worst happens.

The conclusions

As the above shows, everything is in one way or another related to everything. From the point of view of the news room, this means that readers must be able to inform themselves of changes in the situation in the Baltic Sea region and how these changes are related to each other. If the balance is shaken for one component, it is reflected in the other.

After this a bit theoretical reflection, I´d like finally highlight a concrete, much used example. The controversial Baltic gas pipeline project is all of the above. It combines economic, security and environmental aspects. One country emphasizes one and the other emphasizes something else, depending on what is in its own interest. The role of the media is to make these connections and interests visible. Not only in this case but on everyone else. Everything affects everything. ■

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VLADIMIR ZUEV

RF Trade Policy between protectionism and liberalization

Expert article • 2633

1. Russian trade potential

Russia is the largest country in the world. It occupies more than 17mkm² of land. An estimated 22-25% of the global mineral resources belongs to Russia. Russia has an enormous trade potential, at least in resources needed at the global markets. On top of that, Russia is the second most important country in the world by natural water deposits with the biggest natural water lake Baikal. Russia has the largest surface of the extremely fertile land, where fertilizers are hardly needed to get a good crop. Territory, together with the natural water resources, provides an exceptional opportunity for Russia to become a global food power. However, despite this exceptional nature-based potential, the current Russian share in the total world exports remains quite modest – less than 2%. Thus, the general ambition for the Russian trade policy could consist in developing its trade links on a par, or at least somehow up to a high level of its resources potential.

1. Difficult path to trade liberalization

In 1991, when the Russian Federation was set up, the stance of the reformers, headed by E. Gaydar, was very liberal towards many economic policy issues (privatization, market reforms and trade liberalization). In 1991-1994, while negotiating the Partnership and Cooperation Agreement (PCA) with the EU, Russian side proposed to establish an FTA. This idea was part of the concept advanced by the intra-ministerial Commission to deal with the EU, headed by I. Ivanov[1]. The EU was hesitant to accept this gracious offer as Russia was on its way to a market economy without an appropriate set of institutions. An agreement to sign an FTA was not reached. However, negotiators agreed to come back considering the feasibility of the FTA at a later date. In 1994 the PCA was signed at Corfu. In 1998 the deep economic crisis hit the Russian economy hard and it went from liberalization towards a hard protectionism of the national economy, including by high tariffs. Receipts from import tariffs started to account for 30 to 40% of the state budget revenues. Russian average trade tariff protection started to be three times higher than the EU average. And the Russian government said a long time good-bye to the idea of introduction of the FTA as a mean to liberalize trade with its main trading partner.

3. Russian way to trade liberalization in the long-time romance with the WTO

A milestone change in the Russian trade policies occurred at an entry into the WTO. The Russian Federation became the 156th WTO member in August 2012. That was not an easy decision both for Russia and the WTO members. The fact that negotiations lasted 18 long years is revealing in itself. For Russia that was a hard choice between coming back to trade liberalization as at the start of reforms or continue protectionism as usual. Global financial and economic crisis was another serious test for a Russian move for trade liberalization, as for many other states. Russia was hit hard by the global economic crisis with a GDP loss of 9%. Nevertheless, the choice was made in favor of joining the WTO, aiming to make national companies work harder to lower costs down and upgrade their competitiveness. However, the reaction from the national industries was to seek governmental protection and to look for a compensation from the state for the lost protection of the domestic market. The increase in production efficiency to sustain higher competition was the least thing business community thought of as a measure to adapt their policies to the WTO entry.

4. Trade policy under economic sanctions

Ukrainian crisis and economic sanctions against Russia from the Western states that followed and further counter- sanctions from `Russia were another serious test on the Russian way to trade liberalization. A lot of experts outlined a relatively low efficiency of economic sanctions. However, the effects of sanctions should not be found only as a direct impact on a particular industry. Sanctions change the whole climate for economic relations. Countries stop relying on a partner under sanctions, which prevent them from concluding contracts, investing capital, etc. Intensification of the EU energy security policies to pass on to renewables in a faster way was clearly fostered by deterioration of economic climate between the fossil fuels dependent EU and fossil fuels abundant Russia. Energy prices could have been much higher, energy infrastructure could have been more developed, including a faster approval of the Nord Stream 2nd line, diversification of energy supplies to the EU away from Russian sources would not be that intense. Overall, the greatest loss from sanctions for Russia comes from the lost energy incomes, which are difficult to evaluate. And more effects are yet to be felt. On the Russian side, we witness an increased support for the national industries and bankers under sanctions, import substitution and a growing agricultural production to the joy of agricultural producers, that were not that much favored before the sanctions.

5. Russia in the EAEU

Eurasian Economic Union (EAEU) Treaty, operational since January 2015 was another milestone change in Russian trade policy meaning the transfer of the national sovereigntyt to master the external trade policy to the common EUAE authority level. Setting up the EAEU was both the reflection of the global trend of the new regionalism on the rise and a manifestation of the Russian wish to safeguard former partners and attract the new ones by the solid regional initiative, the way other countries in other regions are doing it. Within the Union the level of trade liberalization started to be much higher than it used to

1 I assisted the work of the Commission from the academic community, representing the major Russian think tank at that time – IMEMO of the Academy of Sciences.

be, irrespective of the persisting problems and frequent exemptions from the established common trade rules. That is already a great achievement. However, at the time of digital transformation and an increased technological competition, Russian partners in the EAEU can not boast to be among the most tech advanced economies of the world. Thus, a digital transformation challenge is standing high on the EAEU agenda, that implies an appropriate liberalization, this time of the e-commerce, assuring free flows of information and tech ideas, safeguarding intellectual property rights, etc. Stakes of not meeting these new challenges are high. To wake up one day among the losers in that battle, behind the line of digital divide will mean putting your economy decades behind the leaders.

6. Russia in the EAEU joining the global FTA trend

Relatively low energy prices (oil at around $60/bl) for a relatively long period of time (last decade) made it more difficult for Russia to ignite growth from the energy exports receipts. It pushed the country searching new growth stimulus. External trade is an important driver of sustainable development in many countries from the EU to South Korea. And FTAs are universally considered as useful tools to foster trade and development. According to the WTO, more than 300 FTAs are in active use around the globe to stimulate trade and investment flows. Until recently, this was not the case for Russia. The situation is undergoing a radical change. FTAs with Vietnam, Iran, Serbia and Singapore are the first ones for Russia in the EAEU. Some 30 (!) new RTAs are under consideration with different countries from Egypt and Israel to India and the New Zeeland. Concluding an FTA is a trend and a fashion. Every country is doing it. Russia in the EAEU is joining the global trend of RTAs multiplication. That is a new form of trade liberalization. How numerous and how deep the new EAEU FTAs will be? A lot will depend on the outcomes of the first RTAs. The one with Vietnam (2015) had a relatively low initial impact on Russian exports. Subsequent developments demonstrated a much faster trade growth both for Russia and Vietnam. Whether this new form (for Russia) of trade liberalization will cover advanced economies is another key challenge for the national trade policies. So far, only minor percentage of Russian external trade falls under the FTAs regime, which means that Russia remains on the test ground for this instrument of trade liberalization. Thus, it is too early to come to a conclusion of a new period of trade policy liberalization, building up in Russia. The preferred scenario for Russia would be definitely on the liberalization track to benefit the national economy and make it work efficiently for sustainable development in the longer term. ■

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The Finnish Institute in St. Petersburg and its role in the Finnish-Russian dialogue

Expert article • 2634

As the main organisation presenting Finnish culture in Russia, The Finnish Institute in St. Petersburg was established in 1992. We are part of 17 independent Finnish academic and cultural Institutes around the world financed by the Ministry of Education and Culture of Finland. In the last few years the Finnish Institute in St. Petersburg went through significant changes. Most of the institutes are run by private foundations, but since June 2017 we have been managed by the Finland-Russia Society.

Another major change was that the House of Finland, which the Institute used to maintain, was acquired by the Finnish government in 2018. At that point our role changed to a tenant, and the Institute claimed a more visible and reachable space on the ground floor. Acting as the "face" of the House of Finland, the Institute welcomes everyone interested in Finnish culture and literature.

Success built on partnerships

The key elements for our successful work are the local Russian partners. To name a few of the most influential, we work with the Hermitage, the Manege Central Exhibition Hall, the Grand Philharmonic Hall, the Alexandrinsky Theatre and the Exhibition Centre ROSPHOTO. More recently we've worked with new clusters for culture, music and gastronomy – The New Holland Island and the Sevcabel Port. Partnerships are mostly based on in-kind resources like providing a venue and giving organisational help. Working with these institutions, we are reaching a much wider and relevant audience and gaining interest from the younger public.

Among important partnerships are also the Nordic diplomatic missions and cultural institutes. Especially close collaboration is done with the Consulate General of Finland. The Finnish Institute in St. Petersburg is also part of the European Union National Institutes for Culture (EUNIC) and works with the EU Delegation to the Russian Federation.

How Russians see Finland

According to a survey commissioned by the Finnish Embassy in Moscow in 2019 and undertaken by Levada, a Russian independent non-governmental polling and sociological research organization, 95 % of residents of North-Western Russia think about Finland in positive way. Key points were clean water and nature, ecological lifestyle, high living standards and quality of goods. This shows how majority of Russian tourists spends their time in Finland – enjoying nature and buying groceries, clothes and other provisions.

However, the myths about Finns and Finnish culture still live strong – Finnish people are considered slow and the country boring. In the Finnish Institute we think carefully what kind of image of Finland we want to communicate. We want to portray Finland's cultural scene as innovative, original and versatile. The Institute is constantly observing what resonates and what is found aspirational among the Russian public.

Resonating with the public

Among a number of well received series of events has been a project called Children's Reading Culture Today – Needs and Challenges. Nordic-Russian Examples and Best Practices, which was generously supported by the Nordic Council of Ministers and was implemented during 2018 and 2019 in St. Petersburg and the Leningrad region. Several conferences were arranged as well as an interactive literature exhibition for children and young people with the participation of authors, specialists and pedagogues from Nordic countries.
Among the topics that are less openly received are gender equality, the subject of LGBTQ and freedom of speech. However, these subjects still raise interest and spark conversation.

Competing for attention in the metropolis

In a city of 5 million people with enormous amount of cultural activities it is vital to be noticed. Every few years the Finnish Institute are presenting more ambitious projects which are aiming for greater visibility. In 2015 this was the Golden Generation. Modernism in Finnish Architecture and Design exhibition at the General Staff Building of the Hermitage. For 2019 and 2020 the Finnish Institute has prepared an art exhibition which has reached international attention even before its opening. The exhibition Albert Edelfelt and the Romanovs will open at the Scientific-research Museum of the Russian Academy of Arts November 2019 and in the Sinebrychoff Art Museum in Helsinki in February 2020. The exhibition is shedding light on Finland and Russia's common art history and presents the lesser known parts of the artist's work. The portraits of the Romanov children are being shown together for the first time in more than a century. Art works are being loaned from the Ateneum, The State Hermitage museum, Serlachius Museum and the museum in Rybinsk. For the Finnish Institute in St. Petersburg this exhibition is an important opportunity to support and further develop the cultural collaboration between our two countries while working together with the leading art museums of Russia and Finland. ■

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VLADIMIR KUZIN

The economic situation of the Kaliningrad region

Expert article • 2635

The Kaliningrad region, the smallest region of Russia separated from the territory of other regions of the country by the territory of the European Union, is characterized by population growth. The population of the region at the beginning of 2019, according to statistics, amounted to about a million people, an increase over the year amounted to 7.6 thousand people. This increase was achieved due to migration, while a natural decrease of 1.9 thousand people was recorded. A high level of inflow of the population of the region, five times higher than its natural decline indicates its attractiveness from the point of view of residents of other regions of the country.

At the same time, real disposable cash incomes have been declining since 2015, and this year in the first two quarters a decrease in wages was recorded, so it is difficult to assume that by the end of this year there will be an increase in real disposable income in the region. Wages are the main source of income for the working-age population, so the number of employers is an important factor. Such employers are organizations, the number of which for the year at the beginning of 2019 decreased by 10%. Without considering the reasons for the liquidation of enterprises, their downward trend is a negative medium-term period.

The volume of investment is a factor determining the long-term development trends of the region. A high level of investment (about 1.8 billion euros) according to statistics was recorded in 2017 and 2018. This level of investment is associated with preparations for the World Cup, several games of which were held in Kaliningrad in 2018. Part of the resources was directed to the formation of infrastructure. However, in 2019, the volume of investments decreased. This became apparent according to the results of the second quarter of the current year, when the investment volume was recorded at 44.3% compared to the second quarter of 2018. A factor that affects the volume of investment should be recognized as a decrease in business interest in the territory.

The key objects that receive investments from the federal budget are the Museum of the World Ocean and the Cancer Center. In addition, as part of federal initiatives, the construction of several objects has begun, including cultural, educational and museum complexes. The construction of a cultural and educational complex as part of the choreographic academy and music school is accompanied by the construction of apartment buildings. The choice of objects, apparently, is intended to strengthen the connection of the region with the main territory of Russia. Despite the fact that the marketing study of the creation of these objects has not been published, any steps aimed at creating jobs should be considered positive.

The industrial production index shows positive trends. According to the results of 2018, it amounted to 103.1%, a year earlier it grew by 1.9%, although a decline was recorded in 2015 and 2016. The data indicates the restoration of production.

Since 2014, the region's agriculture has received excellent market conditions due to the closure of access to the market of its main competitors, which were agricultural producers of Lithuania and Poland. This has led the buyer to become a seller's market. As a result, a high growth in agricultural output was recorded. The exception was 2016 and 2017, due to weather conditions in the fall of 2016. According to current estimates, agricultural production is again expected to increase this year.

The fishing industry has historical significance for the region. It was also influenced by the closing of the market for major foreign suppliers. This increased the role of domestic production and prompted fish processing enterprises to seek new sources of raw materials. Currently, only the Faroe Islands are left from European suppliers of fish, other raw materials come from countries in Asia and America. The volume of processing fish coming from the Far East also increased.

Despite the diversification of the region's economy, two enterprises form the bulk of budget revenues. This is Avtotor car assembly plant and Soyuz soybean oil production company. These enterprises provide orders to other enterprises in the region, which makes them important elements of the economic system of the Kaliningrad region.

In general, we can say that the region's economy is working, but the trends do not allow us to draw conclusions about sustainable economic development. At the same time, regional development trends look no worse than the national average. Obviously, the region's economy is part of the country's economic system, taking into account the characteristics, which include a greater economic distance than for other regions, due to higher tariffs for transportation through Lithuania and Belarus, as well as customs formalities for transportation of goods between the Kaliningrad region and other regions of the country.

It is possible to ensure the growth and development of the region in the long run if equal conditions are created, and this is possible with close cooperation between Russia and the European Union, as well as further diversification of the regional economy, which will reduce the impact of market fluctuation risks. ■

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SVETLANA V. MAREEVA & EKATERINA D. SLOBODENYUK

Inequality in Russia: Challenges for the policy

Expert article • 2636

Inequality represent a highly sensitive issue at the current stage of global development. Concerns about the inequality are not confined to academic circles alone – reducing inequality within and among countries was included in the UN sustainable development goals in 2015. They are also reflected in a number of significant publications on this issue over the last few years (Stiglitz, Atkinson, Piketty, Milanovic etc.); a whole range of international organizations' reports and conferences has also tackled the issue of global inequality in the past few years. Reducing inequality remains one of the commonly acknowledged points of the Russian socio-economic agenda (which often goes along with poverty reduction). However, different types of inequality present different challenges to the state policy and they certainly do not come down just to the problem of poverty. Rethinking and conceptualizing the inequality challenge in New Russia is crucial for its effective management.

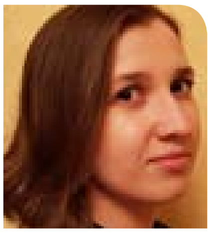
Differences in the approach to inequality measurement, combined with the use of various data sources, lead to different estimates of its degree and depth in Russia. Estimates of income inequality related to the distribution of income among the population as a whole position Russia as a country with high degree of inequality, especially against the background of Western European countries, but not the extreme – as shown, for instance, by the data of the Russian Federal State Statistics Service and the World Bank (e.g. Gini coefficient according to FSSS – 0.411 in 2018). Furthermore, the World Bank data show that inequality in Russia has been decreasing in recent years, as the income of the bottom 40% of the population has been growing faster than average income. However, this trend slowed down under the influence of the crisis of 2015; moreover, other data that cover a longer period of the history of New Russia (since the 1990s) generally indicate an increase in inequality in the country.

On the other hand, measurement of inequality by income concentration provides a different picture. On a global background, Russia is characterized by very high rates of income concentration in the hands of the top 1–10% of the population. Wealth concentration is even higher, as shown by the data from World Inequality Database or Credit Suisse. These estimates position Russia as a world leader of inequality. The extreme concentration of income and wealth in Russia is usually attributed by analysts of international organizations to the chosen path of transition to a market economy and the specifics of the institutional conditions in the country.

Attempts are made to measure inequality of opportunities as well. However, inequality of opportunities is also usually associated with monetary inequality and is estimated through the influence of individual birth circumstances (gender, socioeconomic status of parents, place of birth) on income inequality. According to the available data from EBRD, the Gini index on inequality of opportunities in Russia is quite high on the global background, and more than a third of income inequality in the country is attributed to the ascriptive characteristics associated with the circumstances of the birth.

For the purposes of developing state policy, it should be borne in mind that monetary inequality among the general population and concentration of income / wealth are different phenomena, requiring different mechanisms for managing them. The problem of inequality among mass population can be addressed by redistribution mechanisms as well as by ensuring universal access to education and jobs. Measures against high wealth concentration include imposing taxes on excess profits, wealth, inheritance, and rent and, in the case of Russia, diversifying economy to reduce the role of the rents in natural resources sector. Non-monetary inequalities provide even more challenges for the state policy and cannot be solved only by the means of monetary measures – they are crucially connected with developing efficient institutional framework, especially in the labor market and public healthcare. So far, the state efforts are focused mostly on the first problem.

Therefore, inequality definitely represents one of the key challenges for a new stage in Russia's development, but the possibility of handling it requires a rigorous approach to its definition, measurement and formulation of the goals that need to be achieved, whether it is a reduction of income inequality in the mass population, a decrease in the concentration of wealth, an equalization of inequality in starting opportunities or – which could be the most important aspect – the transformation of the inequality causes and underlying factors into meritocratic. These questions are so far missing from the socio-political agenda; without solving them, however, it is impossible to successfully respond to inequality challenges in the modern Russian society. ■



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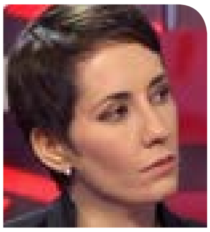

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TIMO JAATINEN

Restricting trade does not generate investments

Expert article • 2637

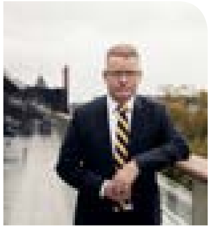
From time to time, some countries in the Baltic Sea economic area have restricted timber exports abroad. Some countries have restricted land and forest ownership by a separate law. In addition, exports of some end products have faced additional tariffs in some countries. At the same time, investments are warmly welcomed, and the flow of raw materials and end products is made more difficult. No country has yet refused to invest in the forest industry. What is this all about?

Countries in the Baltic Sea Region are desperately seeking solutions to enhance the competitiveness of their own forest industries. Too often the choice of instruments involves restricting foreign trade. Frontiers will only open up and barriers will be removed once their own industry is back on its feet. Once the industry has laid the groundwork for these types of shortcuts, it will often remain uncompetitive.

Paradoxically investments are desired, but too often no help is given after the decision is made – except long speeches and reassurances. Investments in the forest industry require, for example, well-functioning raw material markets, good demand for end products, skilled labor, a stable energy policy and, above all, financiers, who have an independent source of picture of the future development of the business environment. Above all, stable and reliable politics are essential because the forest industry investments are done for decades.

A modern bioproduct (pulp) mill costs around EUR 1.5 billion and cannot be built at a much lower cost. Competitiveness requires certain scale in production which means a pulp mill cannot be done in small scale. The competitiveness of a plant usually requires also strict requirements for the technology, which often comes directly from the consumers. The raw material and end-product logistics of the factory must function, and the production must be safe and environmentally friendly. In addition, the factory must convince other contractors and companies around it. The conditions for entrepreneurship must also be in order unless the investing company wants to handle its own harvesting, transportation, maintenance, etc. Even fierce competition does not seem to be a barrier for a new investment when the conditions are right.

It is certain that restricting trade leads to unfavourable investment environment. Free trade is a guarantee of efficient trade and fair competition is the best way to promote an investment climate. Investments always bring wealth across national borders. Therefore, legal cross-border trade in wood should be promoted and the free movement of wood raw material guaranteed. ■



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YURI NAZAROV

Accomplishments and prospects of the woodworking enterprises in the Republic of Belarus

Expert article • 2638

Forest has always been of utmost significance for the life of Belarusian people. It has been providing people with shelter and heat from time immemorial and serving as a source of invaluable gifts of nature and of food. And it still retains these functions. Forest serves not only a guarantee of ecological security of the state, it is also a powerful resource potential for the development of forestry and wood-processing industries.

More than 40 % of the area of Belarus is covered with forest. Standing crop is estimated in the volume of 1.8 billion cubic meters of timber. Annual wood stock increment reaches 31 million cubic meters. The rational utilization of available forest resources along with the development of value added wood processing, aimed at manufacturing products with high added value are defined as key priorities of the sustainable development of forest sector in the independent Belarus.

Resources:

- Forest area - 9.6 million hectares
- The stock of standing timber is 1.8 billion cubic meters
- The annual growth of wood is more than 31 million cubic meters
- Forest cover – 39.8%
- More than 2.5 thousand timber companies

The state, rich in timber resources, is interested in maximizing profit from its processing. This objective can be reached only through introduction of new technologies and creation of highly efficient state-of-the-art production facilities.

The concept of increasing production potential of the country has enjoyed a broad state support.

The decision to modernize and upgrade major wood-processing enterprises, affiliated with Bellesbumprom (Belarusian timber, woodworking, pulp and paper industry concern), to commission new up-to-date production facilities, focusing on the output of innovative and import-substituting products, was adopted by the Head of the State in 2007.

That was a starting point for the renewal of the Belarusian wood-processing industry. More than a dozen of cutting-edge wood-processing, furniture and pulp-and-paper factories, which represent a radically new approach to production, were put into operation by 2015. The total sum of public investment into this sector amounted to 4 billion US Dollars. Expenses related to retrofitting were partially borne by the manufacturers.

Thanks to this large-scale modification, Bellesbumprom enterprises today are equipped with production lines from world renowned manufacturers, which enable value added wood processing and the output of a wide assortment of products which are in demand in the global market.

Practically the whole range of products is both import-substituting and export-oriented. Here belongs an impressive line of wood-based panels (particle boards, fiber boards, MDF/HDF), plywood of different grades, laminated flooring, pulp, a variety of paper and cardboard, wallpaper, furniture, sawn wood, prefab houses, wood fuel, construction elements and many other commodities.

The accomplished modernization of enterprises led to twice as large product range, which now comprises about 80 commodities.

A number of enterprises produce innovative products, such as, for instance, Mozyrsky DOK JSC, which is the only factory in CIS-countries and one of the three factories in Europe, designed for production of insulating fiberboards. Mostovdrev JSC is the only factory in the country to produce large-size and water-resistant plywood. The companies of the Concern in the aggregate are the largest furniture manufacturer in the country. More than 60% of furniture is sold to Italy, Germany, France, Czech Republic, Great Britain, Belgium, Austria and other countries.

It should be mentioned, that the upgrading of the existing factories and launching of new production facilities had a beneficial result by significantly widening of export geography, bringing to 60 the countries, mainly non-CIS states, where more than 50% of goods exported from Belarus are shipped.

The largest share of total exports outside CIS goes to Poland – 32%, which is followed by China (16.8%) and Lithuania (15.5%). Dynamic growth is seen in sales to location-wise distant markets. Here the upward trend is noticed in China, Iran, Egypt, UAE, Kenya and Israel. These are the largest markets for paper, cardboard, plywood, wood-based panels and furniture.

Russia is the leading trade partner among CIS countries with import volume of 61.2 %, the second largest market for Belarusian goods is Ukraine (18.2%), followed by Kazakhstan, where nearly 8% of the goods are sold.

The Bellesbumprom companies are also engaged in the implementation of import substitution programme. Annual increase in the output of import-substituting goods reaches 20-30%. These are pulp, fiberboards and particle boards, plywood, laminated flooring, paper of certain quality grades, cardboard and wallpaper

Export revenues cover the costs of the purchase of new equipment, and are used to finance further development of production activities and raise salaries of the workforce in the industry.

It should be noted that modernization of wood-processing enterprises not only helped to preserve the occupation levels in the industry, but contributed to creation of new jobs. The personnel of wood-processing companies increased by 3 thousand people over the last 5 years. Those, who work in the re-equipped factories in small towns, have better chances to raise their professional expertise and income level.

Expert article • 2638

The renewal of industrial enterprises gave additional impetus to the economic growth of the territories where such enterprises are located.

Many of such factories belong to “town-forming enterprises”, i.e. provide occupation to the most of the local population.

With regard to the economic effect of the accomplished modernization it is worth mentioning that the manufacturing output in the re-equipped factories shows 12.4-fold increase over the period from 2010 to 2018. Wood processing depth in Belarus went up from 38.5% in 2006 to 90% in 2018. This is an example of practically waste-free production process. Upgrading projects, which included creation of own power generation facilities, has allowed to obtain power from boilers, working on local energy resources. This allowed to halve the consumption of imported fuels and energy resources and led to the utilization of wood fuel in the woodworking process to more than 95%.

Currently the Concern considers the prospects of further development of the industry to be mainly connected with furniture manufacture targeted at European markets, pulp-and-paper production, where building of new production facilities is planned, including packaging paper production lines, and the development of bioenergy through building of pellet manufacturing plants. All projects are focused on the comprehensive utilization of available timber resources.

The top priorities of the Belarusian wood-processing industry today are further growth of manufacturing capacities, finding additional stimuli for investments, raising the efficiency of research and development, aimed at the creating of new products, forming of “green” economy, based on energy saving, environmentally friendly technologies, renewable and alternative energy sources and cost-effective technologies.■

CONCERN «BELLESBUMPROM» INVITES ALL INTERESTED PARTIES TO LONG-TERM SUCCESSFUL PARTNERSHIP
Find full information about us at
www.bellesbumprom.by

Bellersbumprom

The Belarusian Production and Trade Concern of timber, woodworking and pulp and paper industry “Bellesbumprom” is a state-owned organization, which is accountable to the Government of Belarus. The main function of the Concern is coordination of the forest complex development and management of the major wood-processing companies of the country. The Concern is an umbrella body for more than 50 production enterprises and organizations.

Development of export potential of the industry is one of the key objectives and it is successfully implemented. More than 72 % of the output is exported to nearly 60 countries.

Volumes of wood harvesting:

- 2010 – 15.5 million cubic meters
- 2017 – 22.5 million cubic meters
- 2018 – 28.5 million cubic meters

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The Chairman of the Concern
Concern Bellesbumprom
Belarus

JUSSI SEPPÄLÄ

On cultural exchange between Finland and Belarus

Expert article • 2639

Culture first – then business. This is a good rule of thumb for making business in Belarus. If you approach business people with the old Finnish direct approach – "we want to have cooperation with you" – then something goes wrong. The Belarusians are like the Finns – peaceful people not wanting to rule the world – but it is better to avoid excessive straightness in the beginning of communication. As the modern DNA tests have confirmed, Belarusians belong genetically to Europe, to the Polish side. Finns are made of different materials, almost from the same as Russians, which also belong to the large Finno-Ugrian family. Finno-Ugrians wanting cooperation with Europeans is an old story. However, before trying to enter into deeper levels of cooperation, some basic cultural exchange is necessary.

The Finland-Belarus Society (NGO) has explored Belarus since 2002, when the association was established. The association has organized many trips to Belarus, including excursions to different kinds of business and cultural organizations. The Belaruskali salt mines in Soligorsk are unforgettable, the Neman glass factory remains in the heart, and the Motovelo factory offered the possibility to buy real Belarusian made bicycles. The association has received kind reception also in other places, like Vitebsk, Orsha, Mogilev, Gomel, Brest, Grodno and Smorgon. The association has been treated as a business delegation, although it has not been such – the main interest has been in culture. Here is the basic question – which comes first, culture or business? For our association it has strangely been business, so for the real business delegations it must be culture.

When you visit Belarus as a business person, you must go to the opera, ballet and circus. Then you should visit the art museums and galleries. You should also go to concerts. It is very easy to buy tickets for various events online. In the good old days you had to have a local acquaintance in Minsk who bought the tickets in advance and then gave them to you. Of the galleries, you should definitely visit the Y gallery, which is located in new premises in an interesting cultural area that is like the Telliskivi area in Tallinn. In Minsk, the area of old industrial space transformed into cultural space is huge. Since private investments in culture are lacking in Belarus, the new cultural space is probably city or state funded. If this is the case, then you can be certain that "culture first, then business".

Minsk is not the only center of culture in Belarus. You should also visit places like Vitebsk, the birthplace of painter Marc Chagall. In Grodno you can meet artists at the old water tower. Grodno is a good example of Belarusian culture, which seems to be a mixture of different kinds of European influences, yet having its own style. The cultural environment has a profound effect in people. Cultural traditions have long roots, going back hundreds and thousands of years. Although people in Finland and Belarus may have a different genetic background, the cultural closeness is considerable. In the good old days, a Belarusian farmer wanted to sit on the edge of the field, looking far into the horizon, drinking a little bit of self-made samogon (moonshine). Just like in Finland. When people are not under artificial rules, life finds its natural foundations, and the basic things tend to be the same everywhere. Culture defines what we are, or what we are supposed to be. Culture brings us together and separates us. Culture can give us clues to the deeper meanings of life. Can business do that?

At the beginning of the 2000s, some called Belarus the black hole of Europe. Times have changed and there are many black holes in the world. Even the whole world seems to be a black hole, if we follow Greta Thunberg. Is there a changing human cultural force that could bring light to a dark world? What would be the role of business in such a project? Business should support human life and culture, by helping to develop the sense and meaning of life in general. In Belarus, there is little private money to support culture. If there are sponsors, they are not on permanent basis. The main source of support for culture is state money. The background to this situation is the old Soviet-era legislation, which is more about control than creating something new. From this basis, business would have plenty of room to support culture financially.

We live in a time of change, as we always have. However, the current change seems to be hard for us to understand, if we think about climate change and its consequences. Culture and business must join forces in front of today's world challenges. It is not enough to say "we want to have cooperation with you" if you just want to make more money. You need to see culture and business together, so that new thinking could emerge. Cultural exchange between different people and countries is more than necessary for the promotion of sustainable goals in the world. ■

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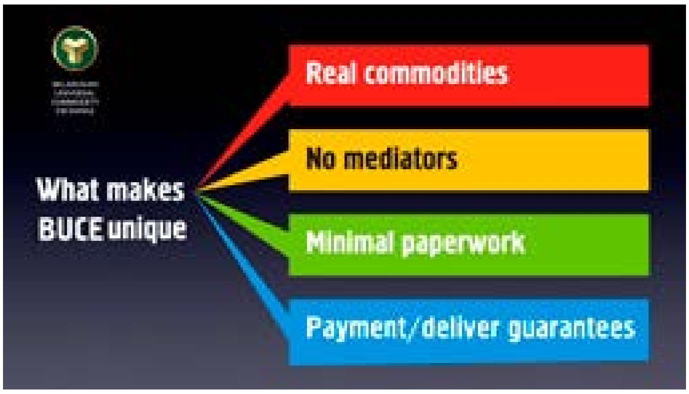
Chairman
Finland-Belarus Society
Finland

RAMAN YANIU

BUCE: Digital bridge between Belarus and BRE

Expert article • 2640

Belarusian Universal Commodity Exchange (BUCE)** is one-of-a-kind in many ways. Not because it wants to but because it has to. Being one of Eastern Europe's largest mercantile exchanges with thousands of clients across the globe is a tough job. BUCE therefore is trying to offer something that none of its competitors do.



First, unlike most mercantile exchanges, **BUCE is focused on real commodities rather than derivatives**. This gives BUCE its own special niche in this highly competitive market.

Second, **BUCE's clients are free to choose whether to trade on their own or via an exchange broker**. This is a handy option since no one likes intermediaries.

Thirdly, **any foreign company can become an exchange broker and promote BUCE's services in its home country**. Less paperwork and red tape is always good for business.

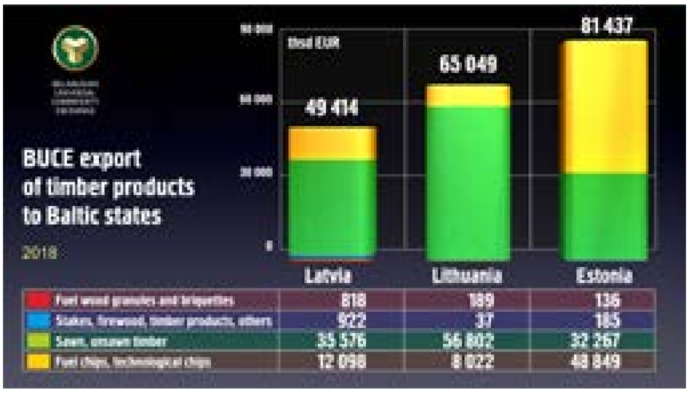
Finally, **BUCE has a special unit that monitors exchange transactions to ensure that both parties fulfill their contractual obligations in full and on time**. People are always eager to do business when risks are minimal.

All these features serve one important goal – **creating a favorable, risk-free environment for domestic and cross-border trade based on fair competition, transparency and efficiency**.

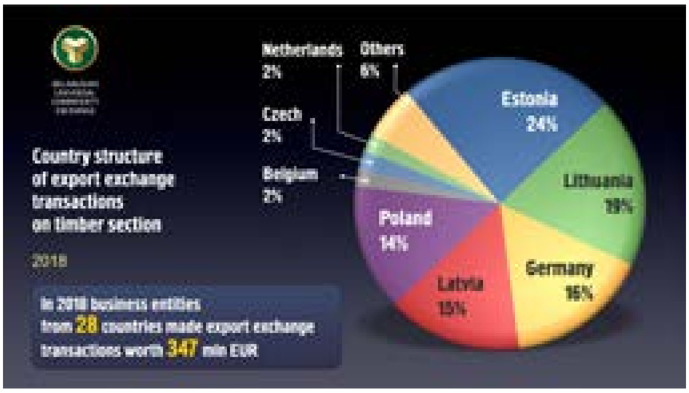
Fancy terminology aside, BUCE is a highly versatile **online platform where buyers and sellers can meet, bargain, negotiate** and ultimately make a business transaction. As simple as that.

Still, BUCE would have never become what it is today had it remained within the tight confines of its home market. Seeking to evolve into something bigger than just another local commodity exchange **BUCE has always aimed for foreign markets where all the global supply and demand are concentrated**. Pursuing an aggressive expansion strategy, BUCE gradually spread its reach to other countries and gained a firm foothold there.

Export makes up around 30% of BUCE's annual turnover. In monetary terms, this is some **477 million USD**. More than **80%** of this figure have been generated by **foreign sales of timber to some 28 countries**. Interestingly, all major buyers of Belarus' strategic commodity are concentrated in the Baltic region.



Geographical proximity, strong business ties, and absence of a language barrier facilitate the development of exchange trade between Belarus and its Baltic neighbors. For example, last year's statistics suggest that companies from **Estonia**, **Poland**, **Latvia**, and **Lithuania** purchased the bulk of **fuel wood listed** for sale at BUCE's timber trading section. The biggest buyers of **sawn timber** also originated from **Lithuania**, **Latvia**, and **Estonia** as well as **Germany** and **Czech Republic**.



According to the **National Statistical Committee of Belarus, 2018 saw a 43% surge in export sales of sawn timber**. Among the most active buyers were the companies from **Belgium**, **Estonia**, **Germany**, **Latvia**, **Lithuania**, the **Netherlands**, and **Poland**. The same upward trend could be observed at BUCE. In particular, **sawn timber sales increased by 30%**, while **wood chips exhibited nearly 4-fold growth**.

Relatively **low prices** coupled with **decent quality** make Belarusian timber products attractive to Baltic woodworkers who often resell what they purchase via BUCE to the UK, Sweden, China, Egypt, and other countries. At a premium, or course.

Other key factors that contribute to increasing volumes of timber flowing through BUCE to Estonia, Latvia, Lithuania, and Poland include:

- **heavy government investments in the timber industry;**
- **high production capacity of Belarusian timber mills;**
- **convenient logistics;**
- **easy access to the Belarusian market;**
- **motivated exchange brokers who promote BUCE's services in Baltic states.**

Today, however, it is **no longer enough to create an electronic marketplace** and hope that clients will line up at your doorstep. To succeed, one needs to come up with a **comprehensive service – the so called "all-in-one solution"**. This is exactly what BUCE has been doing for the past couple of years. Besides its core business area, BUCE has expanded into **e-commerce, logistics, property trading, information services, and software development**. This diversification creates **multiple cash flows** that fuel BUCE's growth and allow investing in R&D, infrastructure, and personnel training, which makes Belarus' only mercantile exchange even more **competitive, flexible, and sustainable**.

As could be expected, all this diversity comes at a cost. When one ventures into so many areas at once, it may be hard to allocate human and financial resources without draining one's coffers dry. However, thanks to **streamlined management practices, a well-balanced budget and an adequate corporate policy** BUCE continues delivering robust performance despite various external and internal factors.

It took BUCE some 15 years to create a perfect alloy of highly qualified professionals and innovative technologies. It may be a long time but overall it seems a fair price to pay for the opportunity **to bring the future a little closer**.

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SERGEY KULIK

Russia: The President's thirst for technologies

Expert article • 2641

What is the most damaging impact of the Western sanctions on Russia? Moscow official statements or dominating experts' comments prefer rather calming reactions or a list, as short as possible, of their victims – from some foods with higher prices to shortages for some manufacturing needs. Without any specifics about the most suffered.

On October 12, 2016 publicly, at a business conference the Russian President V. Putin for the first time provided such specifics by pointing to technological imports[1]. A reader would not find this acknowledgement on the official Kremlin.ru website, but without any replies from the President's team it appeared thanks to AFP and then repeated by the Russian official RT TV channel. It seems that afterwards V. Putin has preferred not to recur to such a sensitive subject.

This statement reflected a very high dependence from Western technologies in a wide spectrum – from hardware to know how. Moreover, from the highest level it gave hard evidence that such a traditional dependence on a number of important (if not vital) technologies did play a trick on Russia. It did not stimuli Russian bureaucracy for strengthening scientific and technological base and for reforms much needed for not being on the sideway of the global technological competitiveness. It's much easier to buy something for money from oil and gas exports than to invent something sophisticated of your own.

The death of the Partnership for Modernization with the European Union during the Presidency of D. Medvedev and before the Ukrainian crisis is one of the key indicators of fantastic inertia in Moscow even on the eve of the new high technological wave. If the EU is mentioned, it should be added that unprecedented positive and deep connections with the EU before 2014 in a number of areas, including important role in technological assistance, provide some arguments about "invisible presence" of the Union with its sanctions in the above statement of the Russian President.

In November 2019 V. Putin joined a discussion about artificial intelligence at the AI Journey conference - the seemingly low-profile event for his presence. But this is just a fresh example: before he showed a frequent involvement in public debates and meetings with his subordinates devoted to technological initiatives. His interest has emerged unprecedented after the first wave of Western sanctions. Along with evident emphasis on growing concerns about Russia's positioning in the rising global competition for rapidly shifting markets. And with seemingly tardy acceptance of new realities: markets' transformations promise drastic changes in energy demand what is fraught with shaking the Russian economy in the near future with its reliance mainly on energy exports. These realities, in turn, dictate emergency for adequate responses.

So far the responses are mainly limited with following a line of "turning to the East", i.e. turn to China (without earlier high expectations of other leaders in East Asia). But this line proves more to be rather "turning from the West".

Another path has been chosen for accelerated national innovation endeavors supported by substantial financial resources. Setting aside previous rather declaratory "strategies" for innovations and technological priorities the first detailed road map – National Technology Initiative (NTI) – was adopted in 2015 after a one-year energetic preparations. Later it has been supported by several other robust documents.

Under the pressuring demands from the Kremlin to urgently find remedies authors of these responses deliberately or not have ignored at least three things. The first is the degree and scale of Russian dependence on Western technologies, best practices and know-how. So far the so-called import-substitution policy to replace Western high-tech products from Russian sources has widely accepted as failed.

The second concerns limits, both current and foreseeable, of the Chinese potential for the Russian needs. After the first energetic hopes of the "turn to the East" in 2014 there is an obvious emergence of sober assessments of Chinese contributions to demands for technologies.

The third addresses rapid changes in the global distribution of labor, emergence of GVCs along with other global transformations due to the new technological high wave. In simpler terms this means that if you "open the door" to the East sooner or later you'll have to "open the door" to the West. Analysis of many projects and tasks in the NTI as well as in some other programs adopted later indicates that without close regional and global cooperation they are hardly feasible.

Russia has to follow more flexible and diversified engagement in international technology and production chains, rather than to stubbornly advertising import-substitution and autocratic approach. This engagement dictates restoration where possible connections with the EU and the Union's leading members in innovations, Nordic countries in particular. But this would demand a number of mutual compromises beyond the technologies' domain. ■

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1 https:inosmi.ru/economic/20161012/238014635.html

ANTTI VASANEN

Big Data is not a free lunch

Expert article • 2642

Regional development has become more and more complex phenomenon. The regions are increasingly interconnected and the development of one region is affected by the development of other regions. Flows and interactions between regions are increasingly important in addition to regions' internal characteristics. This is particularly true in city regions with highly developed urban functions, but similar processes take place in all kinds of regions.

As such, it is also increasingly important to understand the processes that affect the regional development. Traditionally, the indicators of regional development have included parameters such as population growth, employment rate or regional GDP. The emerged complexity in regional development, however, requires new data sources, which determine the level of interaction or flows of people and information between the regions. This kind of data is often not readily available from traditional statistical sources and, therefore, new data sources such as big data are needed to understand regional interactions.

The need for new information sources yielded a recently finished ESPON project (https://www.espon.eu/big-data-corridors), of which goal was to enhance integrated policy development in the European growth corridors by strengthening the knowledge-base of regional development. The aims of the project were to find and evaluate new available data sources for evidence-based policy making and to research the potentials of big data and location-based data mining to better inform comprehensive spatial policy in growth corridors.

In the project, the feasibility of using big data to understand flows and interactions in the context of growth corridors was approached thorough three case studies. First case study used traffic measurement data in order to analyse movement of vehicles and hence people within the E18 transport corridor. Second one utilised EU project databases to analyse inter-regional interactions through project partnerships and the third case study used mobile phone data in order to analyse everyday mobility in Estonia.

The results of the project were controversial. On the one hand, turning traffic measurement data into a feasible origin-destination matrix was not possible at the required detail even though advanced modelling methodologies were used. Although the data included extremely detailed information of bypassing vehicles, it was not possible to extract the origin-destination information on the travel behaviour of people. Similarly, the analysis of project partner network yielded limited results on inter-regional interactions because of limitations in the data, which over-emphasised interactions between certain regions.

On the other hand, third case study resulted in a high-quality origin-destination matrix of the flows of people between Estonian territorial communities. Such data is valuable particularly because it provides precise information on actual movements of people. Other similar data, such as commuting statistics, describe only certain segment of all mobility and may be biased as commuting statistics, for instance in Finland, are based on locations of homes and workplaces of people, not the actual movements of workforce.

From these examples, it become clear that the ability of big data to answer various societal questions is smaller than is often thought. Finding suitable data sources is difficult and once suitable data is found, getting actually hold of the data is usually not the as simple as downloading it from the internet. And if one manages to obtain needed data, the data itself requires tedious work to transfer it into the format suitable for the analysis.

As such, despite the hype around the possibilities of big data to solve the problems which other data sources cannot answer, utilising big data is not a simple task. Although there are huge and ever-increasing amount of data to be utilised, only a tiny fragment of it is useful and freely available for analysing regional development. And even this fragment may require huge effort in data processing and analysis before the actual results are obtained. Indeed, despite not without potential, big data is surely not a free lunch. ■

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Polish programmers among the best: What could Finland learn?

Expert article • 2643

Polish programmers have recently been ranked as one of the best in the world – Poles keep winning programming competitions year after year. For example, HackerRank's 2018 Developer Skills Report placed Poles as third best after China and Russia. HackerRank is an online platform, which publishes a variety of coding challenges covering different programming languages and domains. Developers around the world are ranked on the basis of how fast they can solve these challenges. Apart from pure technical skills and speed, persistence is an essential trait for a programmer – that's why it was also measured by HackerRank. It's worth mentioning here that Poland achieved third place also in the category "Which Country Never Gives Up?".

The reputation of Poland in the field of IT has made Poland an attractive place for software houses but has also made Poles a wanted workforce around Europe. Finland is one of the countries chronically lacking professional developers. However, skilled programmers are highly appreciated also in their home country, Poland, where compensation for an experienced employee is often way higher than the average salary. The average gross income for a seasoned coder is actually only slightly higher in Finland than in Poland. At the same time, living costs are a lot higher in Finland, especially in the capital region. In other words, the purchasing power is stronger in Poland, which makes Poland financially more profitable to live in for a software engineer.

Even though Finland can't beat Poland by offering higher wages, it might have something else to offer. Closeness of nature even in bigger cities, safety, possibility to have a good work-life balance, career possibilities and interesting enterprises have been listed as Finland's strengths by IT specialists from various countries. The wide usage of the most modern technologies was also pointed out as an attractive characteristic of Finland. To fill the shortage of programmers, Finland could try to invite Poles to work here by spreading information about the country among Poles. There seems to be a tendency that the Poles who have some deeper knowledge or experience of Finland, for example due to an exchange student year, are more eager to come and stay in Finland.

Other possibility is to learn from Poles – what is the secret of Poland? How have they succeeded in creating the brand of talented programmers? First of all, the education system plays a key role here. The basics of programming are nowadays taught at elementary schools. This goes hand in hand with the far-reaching development in the Polish school system: the importance of natural sciences, especially mathematics, has been a cornerstone for years. This has created a solid base for teaching and learning programming – both programming and mathematics are by nature problem-solving, where logical thinking is essential.

Also, the institutions of higher education have been adjusted to meet the higher demand of people with programming skills. There are over 500 universities in Poland, and 10,000–15,000 new specialists graduate annually from Polish technical universities. Modern study programs in the field of IT and high level of teaching interest Poles. For those looking for an even more agile solution there are special coding schools. Today, Poles also tend to choose the study field rather on the basis of employment possibilities than out of pure interest. And career possibilities they certainly do have in their home country. It's not only the large number of open positions that attracts them but especially fair chances for career development. Software houses are offering a wide spectrum of possibilities to broaden employees' know-how in different technologies and programming languages. The advancement is also relatively fast: in average, the best programmers get a senior title after four years.

As explained, there isn't only one factor that has led to the favourable situation in Poland. And of course the demography can't be forgotten either: Poland's population, 38 million, is almost 8 times higher than in Finland. Not everybody can become a programmer, but it's at least worth investigating what could be done in order to make programming an attractive study and work field again here. After all, Finland is the home country of Nokia, but currently the amount of IT students and also university places is diminishing. There certainly are lessons to learn from Poland. The country has become a key player in the world of IT – this is no small thing in the era of growing digitalization in almost every area of life. ■

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Tips for founders of born global companies grown out of Poland

Expert article • 2644

The term 'born global' was introduced by researchers in international management and organizational studies in the early 1990's, referring to companies that started exports within the first two years of existence and it constituted more than 25% of the revenues within the three years from founding. As opposed to the traditional theories of internationalisation, that promoted a slower, steadier and more gradual international growth after first successes in the local market, born global companies enter a very rapid international growth path right from the start. Most of these companies operated in the high-tech sector, introduced innovative solutions in product and services they offered and operated in niche markets. In order to succeed, they had to build effective knowledge management and decision-making systems, allowing them to overcome the most common barriers to international growth, such as lack of necessary knowhow, experience, business network and resources.

Historically, the Baltic Rim region, with its rather small internal markets in the Baltic States or in the Nordics has been a great breeding farm of the born global companies. The founders of such companies, along with investors and other stakeholders must have been aware that in order to grow, thrive and deliver expected returns on invested time and money, the companies had to put in place global expansion strategies, aiming much further away from a home market or continent.

Today, in the era of scalable tech businesses offering digital products and services to the audiences across the globe, the growth of companies is even faster. Not only do we observe an increasing number of the so-called "unicorns" – companies that have achieved valuations of over $1bn in private markets, but also "decacorns" – valued at more than $10 billion or even "hectocorns" – with valuations exceeding $100 billion.

Baltic Rim Economies have brought a number of "unicorns" to the world, and with the majority of such companies coming either from the U.S. or China, the BRE economies also have the largest number of unicorn companies per capita. Here are some examples of tech companies from the Baltic Rim region, that reached a $1bn+ valuation in the last decade:

- Denmark – Tradeshift
- Estonia – Transferwise, Bolt, Taxify, Skype, Playtech
- Finland – Rovio, Supercell
- Lithuania – Vinted
- Sweden – Klarna, Mojang, iZettle, Spotify, Northvolt, King

For the last two decades Poland has struggled to promote new "born global" companies, create businesses and brands recognizable in the markets around the globe. Polish sizable internal market (more than 38 million inhabitants, compared to 10 million in Sweden or 1,3 million in Estonia) allowed many companies not only to test their products and services with the local customers first, but also show significant growth rates and returns on investments before going abroad. Companies could thrive generating business from the local market only and entered neighboring markets first, before turning to other European markets, let alone other continents. However, even the successful strategies geared at achieving success on the local market first, have been an obstacle in rapid international growth, as global success requires a completely different set of competences.

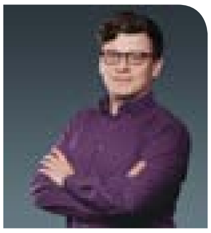
Luckily, the recent business cases of companies such as CD Projekt (video game development studio from Poland, famous for "The Witcher" series, Cyberpunk 2077 or the GOG platform) inspired many founding teams and investors and paved the way for the new generation of successful born global companies coming from Poland.

I collected some lessons and tips for founders willing to establish and successfully grow companies that are global from the start – the co-called "born globals":

1. Have a global vision shared by the founding team members, investors, leaders and all employees at the company.
2. Make sure the words "international", "global" and "growth" are strongly embedded within your company culture, become your mantra, part of your DNA.
3. Acquire, accumulate and disseminate knowledge at speed – by reading, training and hiring seasoned international business experts. Share it with all stakeholders (clients, partners, investors, business network).
4. Develop the skills and competences of your staff and make sure their knowhow as well as the tools they use are up to date and most effective in respective fields.
5. Have an international and diverse leadership team from the start. Different experiences and perspectives usually make it easier and less intimidating to enter international markets, have more understanding and empathy.
6. Build an international business network and encourage international business collaboration.
7. Engage with International mentors, advisors, investors and employees – the more diverse the stakeholder community is, the more opportunities you will get in the future.
8. Build partnerships and engage with local leaders, bloggers and influencers.
9. Use modern marketing tools, growth hacks and the so-called unfair business advantages.
10. Be bold enough to challenge the status quo and compete with big market players.

Achieving success on global markets has never been easy, but it has definitely been very rewarding for all who ever made it. Best of luck in growing the born global companies! ■

Expert article • 2644



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ANITTA KOSKIO

Impact of culture on business

Expert article • 2645

It was some 20 years ago that I became involved in a project in the Baltic countries, which meant travelling to Estonia, Latvia and Lithuania on a monthly basis for over five years. The project was funded by the Nordic Council of Ministers and my role was to be the expert working with local teams and supervising them in each country. What I discovered was that these three neighboring countries are each unique nations with differing mindsets, behavior and communication patterns. Lithuania was even more distinct from the other two due to its Catholic religion. I saw the Baltics as having three faces.

Next south from Lithuania is Poland. The flight from Helsinki to Warsaw takes one and a half hours. The geographical distance is short but the mental distance is much longer than what the geography might suggest.

Anyway Poland is close to Finland and has attracted Finnish SMEs and big corporations to benefit from the country's central location in Europe, educated and skillful workforce, still low labour costs and the Polish economic zone that supports investments.

Implementing the business plan successfully, however, demands international mindset and leadership skills and knowledge of the local business culture and practices. Managing cross-cultural relationships well is crucial for better results, lower costs and improved people satisfaction in the company. Key reasons for delays, high costs and dissatisfaction generally come from poor relationships between the partners. This applies to Finns and Poles too.

National culture has great impact on corporate culture. Big corporations have plenty of coherent practices worldwide. Technology definitely offers great support in this. I'm surprised though how much coherency is thought to be needed in issues that do not necessarily benefit from it. Just think how much time, money and mental effort is put to have it all common. Many have common processes for the sake of consistency rather than competitive advantage. One example; in hierarchical societies like Poland diminishing the power of management drastically may end up to less commitment and respect in the local end and consequently poorer results.

Managing business is very much about having good people skills in whatever context and environment. The Finnish management style is generally honest, goal oriented with good planning. The Polish management style is hierarchical, flexible and bureaucratic but also social and people oriented. Any changes in the local management behavior need time and dedication to first build personal relationships. When this happens chances to create the agreed 'our way' are much better than pushing people to something they do not feel comfortable with.

Control and trust. Here is the controversy. People like control but dislike being controlled. Certain control is for sure ok but excessive control kills enthusiasm and innovation. People like to be involved and have their voice heard. Central control from HQ is becoming more and more the –ism today. Should there not rather be balance with central control and local autonomy? Technology is a tool but also a challenge in building trust. Technology combined with face-to-face contacts is needed. Underestimation here is very common. The proven equation tells us that when the level of trust is low the speed of business gets slower, costs go up and people loose motivation. Obviously when the trust level is high the speed of business accelerates, costs decrease and people feel motivated. Better ROI.

Many times the set business targets do not allow enough time to be achieved and executed properly. Time is money, yes, but why is it then often times so time consuming to convince the counterpart understand the urgency? One reason can be that the local environment and practices have been ignored, another reason that there is not enough commitment in the local management which may be due to the lack of involvement and respect to the local view point. In the Fin-Pol axis it often occurs that when Finns want to go towards the target directly with discipline Poles rather want to be alert on any unexpected outward changes or disturbances on the way that can influence achieving the target. Having clear targets and striving to achieve them in due course is fine but by keeping the antenna sensitive to the outer world new opportunities might be detected.

Fin-Pol Business Club which started six years ago has been a good forum for Finnish and Polish executives to exchange experiences, learn from each other and extend networks. As the founder of the club it is great to see the inspiration among the members and how much confidentiality matters when difficult and sensitive issues are being dealt with. We are looking forward with great enthusiasm and high expectations to the coming year. ■

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Poland's national(ist) exclusions

Expert article • 2646

In October 2019, the right-wing Law and Justice party (PiS) has secured a second term with a majority government in Poland. PiS policies have been widely debated both domestically and internationally. Since 2015, this nationalist-catholic party has pursued an agenda of consolidating political power by curtailing the judiciary, independence of the public administration, environmental standards, civic freedoms, and women's and minority rights.

At the same time, the economic situation in Poland appears enviable. The country has not experienced economic downturn since the 1990s, income levels have been rising, and the official unemployment levels are below the EU28 average. The macroeconomic data, however, masks the reality of a socially unequal state with large income disparities. The average monthly income in Poland is 1200 EUR, though the median is only 810 EUR. A quarter of the country's labour force works on temporary, so-called 'junk', contracts that provide no social security or health insurance. Poland has one of the highest proportions of workers in the European Union employed on fixed-term contracts. The division between large urban centers and the rural areas, as well as between Western and Eastern Poland, is especially acute. There are wide dissimilarities in the access to public transport, health care and public services, and education of comparable quality.

In the last years, the PiS government has been very astute in diagnosing many social ills of post-transformation. PiS is the first political force since 1989 to promise and deliver some form of social welfare. Between 2015 and 2019, the government raised the minimum wage to ca. 520 EUR/month and promised a further raise next year (around 14% of all Polish employees earn the minimum wage, more than half of them are women). PiS has also lowered the retirement age to 65 years for men and 60 for women (from 67, which was legislated by the previous center-right Civic Platform government). Importantly, it has also launched its flagship redistribution program 'Family 500+' that offers cash child benefits to parents of two or more children (extended to every child in 2019) of approx. 120 EUR per child. These cash benefits have increased the purchasing power of many Polish families and decreased the levels of abject poverty.

Previous governments in Poland preached only austerity politics and 'rationalizing' budget expenditures, which meant cuts to public spending. PiS has managed to change this narrative at a very superficial level, yet it was enough to gain popular support. The popularity of PiS' decisions notwithstanding, the government policies are not aiming to build a welfare state that is inclusive and geared towards social justice. Poland has a practically regressive tax system (with a net of loopholes and flat tax rates for 'entrepreneurs'), which PiS has done nothing to remedy. The government initially promised higher taxes on multinational corporations and the banking system, but never delivered. Public services and care work are poorly funded: only about 4% of the budget is devoted to health care. PiS has also had to placate large protests in the health care and following an ill-advised educational reform, which put it on a warring path with the teachers' unions.

Instead of constructing a welfare system, the PiS governments have created a national-chauvinist clientelist state. Deserving beneficiaries are very clearly outlined in PiS discourse: productive, heteronormative, white, and catholic nuclear family units with children are included in the nation or the 'sovereign', as PiS calls it. Individuals and groups who do not fit this restrictively normative nationalist idea are 'lesser sort' or traitors to the healthy national fabric.

PiS has not won the last two elections solely based on its social promises. Before both the 2015 and 2019 elections, the party launched vitriolic campaigns, mobilizing the electorate against 'refugees and migrants' in the first case and against 'LGBT ideology' in the most recent election. In both instances, PiS politicians essentialized, reified, and naturalized cultural characteristics as biological traits. They used hate speech and scaremongering in defense of 'traditional Polish (catholic) values' and the 'normal family'. They also portrayed the 'nation' and the 'family' as being under attack, masquerading racism and homophobia for concerns about 'well-being of children' and 'Polishness' or catholicism.

The government has also mainstreamed anti-gender narratives, vilifying gender equality policies, sexual health education, and women's reproductive rights. PiS has attempted to restrict further abortion legislation (which is already 1 of the 3 most restrictive laws in Europe) several times in the past years. Their attempts, however, were stalled by mass women's protests that gathered intersectional crowds in cities and towns across the whole country. Around 250 000 people demonstrated for 'Black Monday' in October 2016. The extent of women's mobilization was astounding to the ruling party – it was the only case so far when the government backed down from a legislative proposal because of street protests.

Following the election of October 2019, there is little hope of a change in the ruling party line, with the most vulnerable and marginalized groups of society paying the price. Poland since 1989 has been a country made for the strong and PiS has just redefined who is included in that category along their own nationalist-catholic lines. ■

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The concerns of the ageing of Polish society

Expert article • 2647

With an attractive sales market in the centre of Europe, a well-educated and relatively in-expensive workforce, Poland is one of the most dynamic economies in the European Union (EU). Stable growth, not shaken by the recent crisis, highlights the economic potential of Poland and its further participation in the socio-economic development of the EU.

Similar to other Central and Eastern European transition economies, Poland is going through social changes that have their roots in the last decade of the twentieth century. Low fertility rates, a higher age of women giving birth and growing divorce and migration rates can be seen as the negative consequences of the pursuit of prosperity, individual autonomy and independence. The opportunities arising from a market economy, globalization and membership of the EU have intensified demographic changes, which are observed across all developed economies.

According to the Polish Bureau of Statistics, the average lifespan of a newborn in Poland is increasing significantly. Over the past five years, this indicator has been at 13 months for males, while for females it has been about eight months longer. Moreover, Polish society is experiencing a dynamic ageing process. Currently, every fifth Pole is aged 60 or over, and this old-age ratio is predicted to exceed 40% by 2050. The elderly in Poland are predominately female. For every 100 men aged 60 or over, there are 142 women (compared to 107 in the total population). In addition, the feminisation rate is increasing with the transition to older groups (among persons age 85 or over, there are 267 women per 100 men).

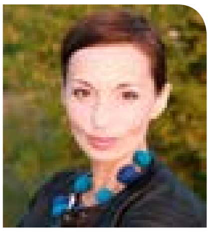
The consequences of ageing for the Polish economy are expected to be considerable and compounded by low productivity rates and innovation expenses that are below the EU average. Indeed, the Polish economy needs significant labour resources for further development. However, the ageing of Poland's human capital and the lack of new employees will likely impede economic development.

The decline in the workforce can be altered by a pre-employment policy, which could engage additional workers in the following decades. Based on the McKinsey report "Poland 2025…" the problem can be generally addressed in three ways. First, by increasing participation rates in the labour market of women, youth and seniors. Currently, those measures for Poland are behind the EU average. Second, by reducing the unemployment rate, which in Poland's case is already at its lowest historical levels. Third, policymakers can foster immigration and re-emigration of Poles, which is still relatively low.

The demographic changes, specifically the ageing process, raise additional questions on how to meet the needs of a growing number of people at retirement age. Despite the heterogeneity in needs, generally, as people get older, they require more financial support (e.g., pensions, benefits) and costly medical care. It should be noted that the growing age dependency ratio corresponds with a lack of infrastructure for the living and caring of seniors. Both of these in turn will put public finances under pressure.

The latest World Bank report "Lessons from Poland, Insights for Poland…" indicates that Poland's ageing society should be treated as one of the key challenges in building prosperity in Poland. Economic development in Poland is based primarily on private consumption, which is supported by raising wages and generous social transfers supplied from the state budget. The so-called thirteenth retirement pay out, additional benefits for children and significant support from EU funds has helped in achieving satisfactory growth rates. This policy is to be continued by the PiS (Law and Justice party) after winning the elections in October 2019. In the long run, this type of growth will not be possible without a significant burden on public finances – inevitable because of very low levels of private investment in the Polish economy.

Poland's economic and social situation will inevitably change, while the prospects of further dynamic economic development, compared to the EU average, are less obvious. From the perspective of an ageing society, policymakers should implement intensive actions that focus on the social and economic inclusion of older people and the promotion of innovative sectors in response to the growing needs of an ageing society. Without them, Poland will not be an engine driving the European economy but could significantly inhibit it. ■



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Changing landscape of retailing

Expert article • 2648

Retailing has developed from independent merchants from the pre-industrial times to multinational giants operating through global value chains. This development brought more goods available to larger part of populations and has been one of the key characteristics of the consumption driven Western economies. The peak of this development has been the spread of fast consumption concept from fashion to food and furniture. The globally well-known retailers of H&M, McDonald's and Ikea are good examples of this phenomenon. These large retail chains challenged the local small retailers and changed the rules of competition within the industry highlighting agility of supply chain and global sourcing.

Next, the development of online shopping and payment methods opened new opportunities creating another generation of retailers operating without brick and mortal shops, such as Amazon, Zalando, and Aliexpress. These new online retailers have yet again challenged the more traditional retail formats like department stores such as Macy's in US, Kaufhof in Germany, and Stockmann in Finland. The traditional department store format has not been able to keep up with the changing market, and chains have been closing stores and cutting staff. The well-known toy giant ToyR'Us went under in 2018.

These industry-changing developments are enabled by multiple connected changes. Change in one industry can result from external pressures stemming from developments on wider structures and policies or from changes within related industries. These bring new demands and opportunities for the companies in that one industry. In the case of retailing on a higher-level, the trade policy developments of opening up new markets and removing tariffs brought opportunities for developing global value chains and operating in retailing in a different way. In addition, the process of industrialization of production made it possible to produce large amounts of goods and increased productivity, decreasing costs of production making and consolidating production to cost efficient locations. The independent merchants were not any more an efficient way of delivering the increased range of products from various locations around the world. Thus, there were new opportunities for retailers.

At the same time, welfare in the Western societies grew and the middle class got relatively wealthier creating demand for a set of new products related to housing, leisure, and personal wellbeing. The development of consumer demand evolved together with the advancements in retailing making it self-evident to have fruits and vegetables in offer throughout the year irrespective of the local season, and have four fashion seasons and new arrivals non-stop in shops. This all was enabled with the development of globally operating retail chains with highly efficient sourcing and supply chains.

The next step was the blooming of on-line retailing. These now global giants created a new way of operating retailing seemingly whipping the geographical distance of the map. These players increased the assortment available and increased price competition. The traditional players had hard time keeping up with the change. This change was forecasted to change the consumer behaviour for good, and to make majority of the brick and mortal shops to cease to exist. The change has not yet developed to that extreme, and many of the on-line retailers have established brick and mortal shops to support their on-line presence. Thus, consumers do not only adapt to the retail industry developments, but they are also an important actor influencing this development.

Within the last ten years, conscious and sustainable consumption have increased. This is evident both in the products available as well as in the retailers' practices. To return to the few examples from the beginning: H&M has their own recycling program as well as conscious product line, McDonald's aims for using 100 % recycled package materials by 2025, and Ikea focuses also on recycled and sustainability of their raw materials as well as products sold. The challenged departments stores are restructuring their operations to find new ways to be profitable.

What is evident is that the changing of the retail landscape will continue. The climate crisis and developments in artificial intelligence and digitalization will shake many industries including retailing. The sustainability of consumption as source for economic and welfare growth has been questioned as well as the environmental and social sustainability of global value chains. Thus, values and beliefs that the industry was built on are changing, and therefore pressuring change on multiple levels of the industry from regulations, practices to values. To further understand the complexity and mechanisms of these changes, we have a research project initiative at Turku School of Economics focusing on the many faces of the changing landscape of retailing.

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BALTIC RIM ECONOMIES

BRE REVIEW

Pan-European Institute

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