The Economies of the Baltic Sea Region: Growth Patterns and Foreign Trade Now and in the Future

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Published online: 14 May 2013.

To cite this article: Alari Purju & Eva Branten (2013): The Economies of the Baltic Sea Region: Growth Patterns and Foreign Trade Now and in the Future, Journal of East-West Business, 19:1-2, 4-15

To link to this article: http://dx.doi.org/10.1080/10669868.2013.779541

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The Economies of the Baltic Sea Region: Growth Patterns and Foreign Trade Now and in the Future

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The article studies the economic growth patterns of the Baltic Sea Region countries, describes their gross domestic product trends, and predicts the future developments. As foreign trade is one characteristic of interrelationships between the countries, the geographical pattern of foreign trade is analyzed, especially emphasizing the linkages between the countries in the Baltic Sea Region. The article pays attention also to the perspectives in the 2025 time framework and ends with some comments regarding the conditions for future development.

KEYWORDS Baltic Sea Region, economic development, EU institutions, foreign trade

INTRODUCTION

The Baltic Sea Region covers four Nordic countries (Finland, Sweden, Denmark, and Norway); Germany and Poland; three Baltic states (Estonia, Latvia, and Lithuania); and Russia. The city of St. Petersburg, the Leningrad region surrounding it, and the Kaliningrad region situated between Lithuania and Poland are covered in this study, when Russia is analyzed.

The countries have had quite different historical developments. The Nordic countries have high living standards and technically advanced industries, and their public service sector is at a high level and expensive in terms of costs and taxes. These countries compete in the global economy in terms of high-level quality of production based on the high cost level of inputs. Foreign investments by these countries are targeting the rational and
competitive cost structure, partly through delocalization of production into lower wage and other costs areas. The Baltic states are relatively new market economies which evolved from the former Soviet Union and went through a very rapid growth period before the economic crises of 2008. The economic growth of the Baltic states, in particular that of Estonia, was strongly supported by foreign investments, mainly from the Nordic countries.

That created a good basis for economic integration of these two groups of countries, boosted also by European Union (EU) membership, first by Nordic countries (Denmark joined the European Economic Community [EEC], predecessor of the EU, already in 1972; Finland and Sweden in 1995); later, three Baltic states and Poland joined the EU in 2004. Norway and Russia are not members of the EU, although the former belongs to the European Free Trade Area, which has a free trade agreement with the EU and forms with it a joint European Economic Area. Some of the countries, namely Germany (Germany is one of the founders of the EEC), Finland, and Estonia, belong to the Euro area. Other countries in the Baltic Sea Region use still their national currencies.

Poland, a country with a large population, was also a rapidly growing economy before the economic crises of 2008. Large domestic market and large population were the main reasons why Poland succeeded as an important host country for foreign investments of major international industrial corporations, for example, in the car industry and consumer electronics. This development was also reflected in the growth patterns of Poland's gross domestic product (GDP) and foreign trade.

Germany is an economic engine for the whole EU, and the economic relationships with the Nordic countries, the Baltic states, and Poland represent a quite small part of its foreign trade relationships. At the same time, Germany is an important foreign trade partner for Nordic companies and Poland.

The Baltic states have been trading more with the Nordic countries, and some of their products have been intermediated to the German market by exports of the Nordic companies. This tendency has been related to the position of Baltic companies in the value chain of Nordic producers as providers of subcontracting and semifinal products.

Russia is an important source of energy resources and raw materials for all countries in the Baltic Sea Region, being the single provider of several resources for the Baltic states and an important trading partner for the other countries in the region. The Baltic states and Finland have been playing an important role in intermediating Russian raw materials to the other regions through their ports on the Baltic Sea. Also, transportation of the consumer products to Russia has been an important and increasing business.

Cooperation between countries in the region created a good basis for mutual benefits, the Baltic states and Poland profiting from access to wealthy markets and Germany and Nordic countries gaining from access to natural resources.
resources and relatively well-qualified labor. Access to markets on the eastern coast of the Baltic Sea also has some significance, though the purchasing power of the population in this area is still relatively low. The integration of these different income-level countries paved a good way to convergence of the living standards and competitiveness of the region in the global economy.

The economic crises of 2008 created new conditions for the economic integration and in some areas put it under pressure. At the end of 2012, the future path of economic recovery and development patterns is not clear at all. However, the economic logic of production and geographical closeness are the resources that should be exploited even if the institutional framework will undergo smaller or larger changes and future reforms and changes in the EU and Euro area will take place. The EU strategy for the Baltic Sea Region is one guiding tool for this development. The World Trade Organization (WTO) membership of Russia since August 2012 also signals that the important trading partner in the region is ready to take the EU-Russia trade relationships into the similar rule-based global trading system as the EU trade. That increases the economic cooperation possibilities of the Russian regions on the coast of the Baltic Sea.

The article is organized as follows: The first part covers the institutional framework of development; the second section describes the basic trends of GDP growth and particularly focuses on convergence possibilities of income per capita and living standards; the third part discusses the foreign trade relationships between the countries. At the end, the article also pays some attention to perspectives of the Baltic Sea Region in 2025 time framework.

INSTITUTIONAL FRAMEWORK FOR DEVELOPMENT OF THE REGION

The EU strategy for the Baltic Sea Region was adopted by the European Commission and endorsed by the European Parliament in 2009 (Communication from the Commission 2009). The target of this strategy is to develop the Baltic Sea area further and to improve the global competitiveness of the region and therefore the entire EU. The major changes into the existing cooperation patterns have been targeted to introduce a change from only political and administrative leadership involving national and international levels to the involvement of all levels and the sector of public administration and non-governmental organizations. The globalization and access to new technologies have an impact on cooperation in the region and should be taken into account more deeply.

Russia was not included in the process of planning and preparing the Baltic Sea strategy. As Dirk Ahner, former Director General of DG Regio explains, the enlargement of the EU has changed the new members from
a region of peripheral interest to a prime concern. The EU policies and funds covered many areas of activity but especially the environment, transportation, infrastructure, and economic development; it has been natural for the region to discover its own identity. Meanwhile, EU-Russia relations were dominated by other issues on other fronts, and efforts to develop the cross-border partnership were hindered by administrative incompatibilities (Ahner 2011). The EU strategy became afterward a regular item on the agenda of the Northern Dimension and, with active participation of Russia, the overall impact of strategy could be much greater, especially taking into account that one major concern of the area is environment and pollution of the Baltic Sea. All members on the coast of the Baltic Sea should be involved to deal with these problems.

According to EU Trade Commissioner Karel De Gucht, the EU’s longer-term strategic objectives are to encourage the overall economic development of Russia in a direction that would open it up to the global economy and to the EU and to seek eventual closer economic integration on the basis of a mutually agreed set of rules, thereby uncapping the trade potential, enhancing mutual benefits, and preventing Russia from being inward-looking and protectionist (De Gucht 2011).

Russia’s WTO membership was a good and important step toward making the Russian economy more transparent and predictable and should improve the legal framework for all economic operators. Binding multilateral rules would also constrain the capacity of strong protectionist lobbies to seek protection from tariff and non-tariff measures.

The EU and Russia’s relationships have been framed by the Partnership and Cooperation Agreement (PCA) in force from 1997. The negotiation of the new agreement replacing the PCA is on the way in 2012. The Partnership for Modernization in Russia was established in 2010 (EU 2010). The EU and its member states have seen Russia’s modernization has one political goal, which is also important for the future economic development in the Baltic Sea Region. That has been evidenced additionally to the EU-Russia level of cooperation by bilateral modernization partnership with Russia. Germany signed a bilateral modernization partnership agreement with Russia already in 2008; in the Baltic Sea Region, Finland and Sweden also signed a similar agreement with Russia in 2011. At the same time, as Liuhto sums up, the EU targeted with these innovation related agreements a broader societal modernization in Russia, whereas modernization for the conservative elite in Russia means improving the competitiveness of its industries (Liuhto 2011).

**ECONOMIC DEVELOPMENT OF THE REGION**

The Baltic Sea Region consists of countries with a very different number of inhabitants, size of economy, and economic development level in terms
of GDP per capita (table 1). The largest country and the major market for all the other countries in the region is Germany with a population of 81.8 million and GDP of €2,500 billion. Germany’s GDP is more than two times larger than that of Russia. The total GDP of four Nordic countries is approximately equal to the GDP of Russia. Poland’s GDP is approximately equal to the GDP of Sweden, though Poland’s population is four times bigger. The GDP of three Baltic states is equal to a third of the GDP of Finland, the smallest among the four Nordic economies bordering the Baltic Sea. The administrative regions of Russia on the coast of the Baltic Sea (i.e., the city of St. Petersburg, the Leningrad region, and the Kaliningrad region) produced slightly more than the three Baltic states together, the GDP being respectively €72 billion and €65 billion in 2010.

The GDP per capita figures describe very generally the level of economic development and living standards in the respective country. There is a very clear difference between Germany and four Nordic countries, on the one hand, and between the Baltic states, Poland, and Russia, on the other hand. At current prices, the difference was more than three times in 2010. The purchasing power parity (PPP) estimate takes into account also the difference in prices as countries with lower income per capita tend to have lower prices on average. This additional factor makes the purchasing power of incomes more equal. The difference is on average 2.0 to 2.5 times, and the figure depicts real differences in the living standards of the particular countries.

One important reason for the differences of living standards is the fact that the Baltic states, Poland, and Russia were all socialist countries until

### TABLE 1 Baltic Sea Region Countries Population and Gross Domestic Product

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>81.8</td>
<td>2,496</td>
<td>30,515</td>
<td>29,000</td>
</tr>
<tr>
<td>Denmark</td>
<td>5.6</td>
<td>236</td>
<td>42,569</td>
<td>31,000</td>
</tr>
<tr>
<td>Finland</td>
<td>5.4</td>
<td>179</td>
<td>33,411</td>
<td>28,000</td>
</tr>
<tr>
<td>Norway</td>
<td>5.0</td>
<td>318</td>
<td>64,887</td>
<td>44,200</td>
</tr>
<tr>
<td>Sweden</td>
<td>9.5</td>
<td>350</td>
<td>57,465</td>
<td>30,400</td>
</tr>
<tr>
<td>Estonia</td>
<td>1.3</td>
<td>14</td>
<td>10,688</td>
<td>15,700</td>
</tr>
<tr>
<td>Latvia</td>
<td>2.0</td>
<td>18</td>
<td>8,023</td>
<td>12,600</td>
</tr>
<tr>
<td>Lithuania</td>
<td>3.0</td>
<td>28</td>
<td>8,293</td>
<td>14,100</td>
</tr>
<tr>
<td>Poland</td>
<td>38.5</td>
<td>354</td>
<td>9,291</td>
<td>15,300</td>
</tr>
<tr>
<td>Russia</td>
<td>143.0</td>
<td>1141</td>
<td>7,985</td>
<td>12,000</td>
</tr>
<tr>
<td>St. Petersburg</td>
<td>4.6</td>
<td>51</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leningrad region</td>
<td>1.6</td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kaliningrad region</td>
<td>0.9</td>
<td>6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note.* GDP: gross domestic product; PPP: purchasing power parity.

1990. The collapse of the socialist economic system with hyperinflation and very deep structural and institutional changes has had its impact on the economic development. Another aspect of this backwardness is related to the wider historical circumstances. During the last 150 years of capitalist economy in the area, these countries belonged to an economic periphery of capitalist economy and were parts of Russia, except for a short period between the two world wars and then again after 1991. This inherited backwardness has not yet been surpassed.

The Nordic countries at the same time had a quite different economic history. Sweden and Denmark used to be among the wealthy European countries after the Second World War. Norway was relatively poor until the 1970s, when it discovered oil and gas in the North Sea, in its territorial waters, which within 40 years made this country the richest among the Nordic countries. Finland was also a part of Russia before the First World War and had to pay war reparation payments to the Soviet Union after the Second World War. In the 1950s, the Finnish per capita GDP was some 60% of that of Sweden and, in 1970, still only 75% (Gylfason et al. 2010). Finland achieved the GDP per capita level of Sweden in 1990, suffered strongly from the collapse of the Soviet Union, and recovered rapidly starting from the middle of 1990s, partly due to the information and communications technology (ICT) boom and Nokia.

The growth pattern of the Nordic countries could be interesting for the Baltic states because their growth has to be based on foreign markets and integration into a wider economic area due to their tiny domestic market. Poland and Russia are in their own way different from the Baltics because they have large domestic markets. Russia is rich in natural resources, but also more extensive modernization could be a vital factor for the future growth. From the middle of the 1990s until 2008, all the lower per capita income countries in the Baltic Sea Region diminished their income per capita gap with the EU 27 average (table 2). The economic crises years from 2008 onward were especially severe for the Baltic states, but they managed to recover without a major debt burden, which gave for some authors the reason to forecast a bright future for them (Åslund 2010). The Nordic countries at the same time had relatively high living standards, higher than the EU 27 average. Norway’s respective index reflecting the level of per capita GDP PPP in 2010 was on the level of 181, Denmark’s respective figure was 127, Sweden’s 124, and Finland’s 117 of the EU 27 average (taken as 100).

**PATTERNS OF FOREIGN TRADE**

Almost all the economies in the Baltic Sea area are relatively open: Their share of exports in GDP was between 30% and 60% in 2010. The exception is Russia, with the respective share of 28%, but the regions on the coast of the
Baltic Sea are as open as the Baltic states on average. In the Kaliningrad region, the volume of exports per capita achieved the respective level of Estonia before the economic crises years (Usanov 2009). Poland and Germany had the exports/GDP ratio of approximately 35%–38%. Sweden has the most open economy among the Nordic economies, with the exports/GDP ratio of 34% in 2010. The small Baltic states are more open than the other countries in the region, Estonia having the highest figure with 61.1%.

An interesting question is how important the Baltic Sea Region is for the countries on the Baltic Sea. Table 3 demonstrates that the share of trade with the other countries in the region is higher for the Baltic states, especially for Estonia (68.9% of Estonia’s exports went to other Baltic Sea Region countries) and Latvia (70.6%); for Lithuania, this figure was on the level of 58.0%. Among the Nordic countries, the lowest proportion of exports went into the Baltic Sea Region from Norway (45.6%) and the highest from Finland (40.5%). Poland exported 39.5% of its outgoing products to this region, but the proportion of Germany was more than half and accounted for 26.1% of Poland’s total exports in 2010. In the case of Germany, the respective figure was only 12.2%, and Poland was the destination county for 3.2% of total German exports and Russia for 2.8%. Russia exported 17.2% of its total exports into the Baltic Sea Region, and Germany was the destination country for 6.5% of Russia’s total exports. These figures demonstrate that the small Baltic states, especially Estonia and Latvia, are highly dependent on foreign trade with the Baltic Sea Region countries. The closeness is caused by foreign direct investments (FDI) from the area (for example, approximately two-thirds of FDI into Estonia came from Sweden and Finland) and extensive integration of the respective companies into the Nordic industrial clusters (especially in ICT and wood processing, but also banking and financial services). Russia’s exports to the Baltic Sea area contain first of all oil products and other raw materials. The Baltic states as well as Finland participated in transit trade from Russia to Western Europe (first of all, oil products) and from Western Europe to Russia (industrial products such as cars).

<table>
<thead>
<tr>
<th>Country</th>
<th>The GDP per capita at PPP from the EU-27 average, %</th>
<th>Reduction of GDP gap from EU-27 average during 1995–2010, percentage points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estonia</td>
<td>36 69 64 28</td>
<td></td>
</tr>
<tr>
<td>Latvia</td>
<td>31 43 56 24</td>
<td></td>
</tr>
<tr>
<td>Lithuania</td>
<td>35 49 57 22</td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>43 49 65 20</td>
<td></td>
</tr>
<tr>
<td>Russia</td>
<td>30 38 53 23</td>
<td></td>
</tr>
</tbody>
</table>

Note. GDP: gross domestic product; EU-27: 27 member states of the European Union.
Source: Eurostat (2012); Rosstat (2011).
Close trade relationships between Germany and Poland also demonstrate the integration of their economies; a relatively large number of international companies from Germany, but also from other Western European countries, have moved their production units into Poland, and quite a big proportion of these products have been exported back to Germany and other European countries (cars, consumer electronics; Kilvits and Purju 2007). The relatively low importance of the Baltic Sea Region for Germany demonstrates indirectly that Germany has considerably a more diversified economy than other countries in the region, and the bulk of its foreign trade relations are really global. Some exports from the Nordic countries also belong to the supply chain of major German international companies and in this way participate in German exports (table 3).

In terms of the GDP size, Russia is after Germany the second largest country in the region. St. Petersburg had 3.2% and the Kaliningrad region 0.7% of Russia’s total population at the beginning of 2011. These regions provided 5.8% of Russia’s GDP in 2010, and their share in Russia’s foreign trade turnover was around 10%. After the city of Moscow and the Moscow region, which provided close to 30% of Russia’s GDP, St. Petersburg and the surrounding region have been the second most important economic area for Russia (Rosstat 2011).

Although different by political and historical background, St. Petersburg, the Leningrad region, and the Kaliningrad region can be characterized as Russia’s closest points of contact with European trading partners. Historically,

**TABLE 3** Exports of Goods of the Baltic Sea Region Countries, 2010

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP billion EUR</th>
<th>Exports billion EUR</th>
<th>Exports/GDP, %</th>
<th>Baltic states and Poland</th>
<th>Russia</th>
<th>Exports to Baltic Sea Region, % of total exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>2,496.2</td>
<td>946.6</td>
<td>38.0</td>
<td>—</td>
<td>5.1</td>
<td>4.4</td>
</tr>
<tr>
<td>Denmark</td>
<td>236.5</td>
<td>73.5</td>
<td>31.1</td>
<td>16.9</td>
<td>21.8</td>
<td>3.2</td>
</tr>
<tr>
<td>Finland</td>
<td>178.8</td>
<td>52.9</td>
<td>29.6</td>
<td>10.0</td>
<td>15.9</td>
<td>5.7</td>
</tr>
<tr>
<td>Norway</td>
<td>317.9</td>
<td>55.8</td>
<td>17.6</td>
<td>20.1</td>
<td>20.3</td>
<td>3.7</td>
</tr>
<tr>
<td>Sweden</td>
<td>349.9</td>
<td>119.7</td>
<td>34.2</td>
<td>9.9</td>
<td>22.7</td>
<td>4.0</td>
</tr>
<tr>
<td>Estonia</td>
<td>14.3</td>
<td>8.8</td>
<td>61.5</td>
<td>5.2</td>
<td>38.5</td>
<td>15.5</td>
</tr>
<tr>
<td>Latvia</td>
<td>18.0</td>
<td>7.2</td>
<td>39.9</td>
<td>8.1</td>
<td>14.9</td>
<td>32.3</td>
</tr>
<tr>
<td>Lithuania</td>
<td>27.6</td>
<td>15.7</td>
<td>56.7</td>
<td>9.9</td>
<td>10.3</td>
<td>22.1</td>
</tr>
<tr>
<td>Poland</td>
<td>354.6</td>
<td>120.5</td>
<td>34.0</td>
<td>26.1</td>
<td>7.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Russia</td>
<td>1,141.0</td>
<td>317.7</td>
<td>27.8</td>
<td>6.5</td>
<td>4.6</td>
<td>6.1</td>
</tr>
</tbody>
</table>

*Note.* The national statistics may offer a slightly different picture. According to the national statistics of Finland, the Baltic Sea region covered 40.8% of Finland’s exports in 2010 (Customs Finland 2011). However, in order to maintain the comparability of the data, the Eurostat statistics are used here. GDP: gross domestic product.

St. Petersburg used to be Russia’s window to the Western world. Also nowadays, the EU’s share in its exports and imports is higher than the Russia’s average. Due to the closeness to the Nordic and the Baltic states, this area has been considered for partnerships in education, culture, and tourism. In the 2000s, it started to regain its position as an important industrial city in the region. St. Petersburg plays an important role also in Russia’s foreign trade contacts. Russia has developed ports on the Baltic Sea, particularly in St. Petersburg and in its vicinity. There has been a strong competition between the ports of Baltic states and Russia’s ports for oil cargo from east to west. The market share of Russian ports in St. Petersburg, Primorsk, Vyssotsk, and Ust-Luga increased their share to 53% of total cargo handled by the ports on the eastern coast of the Baltic Sea in 2011 (Tallinn Port 2012).

Kaliningrad is a Russian enclave in the Baltic Sea Region. The Russian federal government established a special economic zone (SEZ) there to provide substantial import tariff exemptions for local companies. That led to a very rapid growth of industrial production. Kaliningrad started to be an assembly location for cars and consumer electronic products where inputs imported from various countries (dominantly for cars and TV sets from China and South Korea and for meat and other agricultural products from Brazil) were used for producing products for Russian domestic market (Usanov 2009). The old SEZ regulations, which provide customs benefits, will expire in 2016. There are still in force new SEZ regulations that are based on tax benefits and will be in force up to 2031. The future of assembly-related business depends on the political will of Russia’s authorities to prolong this favorable treatment of foreign companies in the Kaliningrad region and adjustment of foreign companies to the provided regulations (Kaliningrad 2011).

ECONOMIC DEVELOPMENT IN THE REGION
IN PERSPECTIVE OF 2025

The economic crises, which started in 2008, caused a deep recession in the Baltic Sea Region, especially in the Baltic states but also in Finland and Russia. The analysis of global causes and possible outcomes of the financial crises were given by Reinhart and Rogoff (2009). The recovery in 2011–2012 was not robust, and economic problems for some countries in the Euro area still last and are looking for a solution. There are heavy debates about the future integration patterns of the EU.

This turbulent period of time after the fast growth in the 1990s and a big part of the 2000s also has left the perspectives of cooperation and possible development in the Baltic Sea Region quite open. Historical experiences of the region have demonstrated, however, that when there are periods of crucial changes and deep crises, new economic structures and growth possibilities
have been created. The liberalization of the financial sector and the subsequent crises in Finland and Sweden caused quite major financial losses, but after that, the recovery was fast. Finland made a qualitative leap from an economic structure dominated by mostly resource-based heavy industries to that with knowledge-based, mostly ICT, industries as the leading sector (Jonung, Kiander, and Vartia 2009). In Sweden, the change was not so dramatic, but the structure of economy there also adjusted rapidly to the new conditions. The Baltic States and Poland still have to take a major strategic leap ahead to change from the low value added and income countries to developed economies with the advanced level of production and services. Russia’s development depends on the capacity to diversify away from just oil and raw materials-based economy and exports to the economy with a much wider and modern industrial base (Hanson 2011). For these lower income countries on the eastern coast of the Baltic Sea, still further convergence possibilities apply due to their lower production costs and composition of production factors.

Various public documents and forecasts have been produced although there are several serious economic and financial problems to deal with. The EU has adopted the Europe 2020 Strategy with an emphasis on development of new services, education, social protection and realizing of Europe’s growth potential. It says that with respect to Russia, the EU’s interest lies in anchoring Russia in the global economic system and in a potential Free Trade Agreement with the EU (The Progress Report on the Europe 2020 Strategy 2011). The Baltic Sea Region countries envisage fast development opportunities in integrating all countries on the Baltic Sea into economically fruitful and socially and politically acceptable cooperation.

The good intentions depend on real political developments in different global areas which are hard to forecast. The scenario approach has been used by a group of researchers at the World Bank (Djankov et al. 2009). Four scenarios are described in their report. The continuing catching-up is possible according to the scenario which is based on the assumption that open trade and regulation will remain in place during the period covered in the scenarios. If the basic assumptions of this scenario would remain true in future, the average long-run 2% GDP growth is forecasted for the wealthy part of the EU and the 5% annual average growth for Eastern Europe. That means that the convergence factor for the period 2013–2025 will be 1.46 meaning that the GDP per capita of these countries which had the level of 60% to 65% of the 27 member states of the European Union (EU-27) average will, in 2025, have it on the level of 87% to 95% of the same EU 27 average. The Nordic countries have had higher GDP per capita level in comparison with the EU 27 average and, if these countries will manage to keep this positive income gap also in future, the catching-up countries would be with the GDP per capita on the level of approximately 80% of the Nordic countries in 2025.
CONCLUSIONS

The Baltic Sea region consists of countries with a very different resource base, industrial structure and economic and social development level. This creates an opportunity for future economic integration and mutually beneficial cooperation of different economies. The vicinity to the sea has been seen as an important factor supporting trade and spreading of good experiences and best practices. The economic development pattern at the same time depends heavily on the institutions that play an important role in framing the business environment. The issues of global governance, cooperation of big economic actors, such as the EU, the Russian Federation, China, and the United States, are crucial for this purpose. The Baltic Sea Region has been historically a battlefield of different arms and ideologies. For successful future, the joint framework for business could be the basis for prosperity of the region.

This positive framework means possibility for mutually beneficial foreign trade and closer integration of business clusters on the both coasts of the Baltic Sea. Cooperation between countries in the region would create a good basis for mutual benefits, the Baltic countries and Poland profiting from access to wealthy markets and Germany and Nordic countries gaining from access to natural resources and relatively well-qualified labor. The integration of these different economies would increase competitiveness of the region in the global economy.

NOTES

1. The EU-27 average is an artificial figure in this sense that during the recorded period 1995–2010, the EU had a very different number of member states: from 1995 to 2003, there were 15 member states; from 2004, 10 new members entered the EU; the total number increased to 25 and, from 2007 to 27. The average figures of EU-27 cover the respective indicators of some countries from the years they were not yet members of the EU. The EU-15 comprised Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxemburg, Portugal, Spain, Sweden, The Netherlands, and the United Kingdom. The 10 new members joining the EU in 2004 were the Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. In 2007, Bulgaria and Romania joined the EU. These countries altogether form the EU-27.

2. The four scenarios are the following: (1) Stuck in the Rut: restricted trade and heavy regulation; (2) Dirigiste Capitalism: open trade but heavy regulation and increased state ownership of the economy, particularly in financial sector; (3) Capitalist blocks: initially restricted trade but markets with flexible regulation; and (4) Bounce-back: open trade and regulation similar to pre-2008 levels. Only the last scenario forecasts fast growth, particularly for the East Europe—5% annually.

REFERENCES


