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Opportunities for Cooperation between Estonia and Finland 2008

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Abstract The administrators appointed by the Estonian and Finnish Prime Ministers have sought new ideas on how Estonia and Finland could meet the challenges presented by globalisation while taking account of the EU's Lisbon Strategy objectives. The report issues 55 recommendations and presents the relevant background analyses. The report focuses on areas relating to education, research, technology and innovation. Other areas discussed include energy, the Gulf of Finland, transportation, internal security, defence, information society, labour, social welfare and health care, tourism, culture, film and radio and television broadcasting. The report also outlines a vision of the Estonian-Finnish relations in 2030.			
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FOREWORD

Estonia and Finland are very close to each other both as states and nations. At almost all levels and sectors of society, the relations between the two countries are exceptionally intense. Very likely, the relations would have evolved to the point at which they are today even without any additional push given by the Estonian and Finnish governments. Even so, in 2002 Prime Ministers Paavo Lipponen and Siim Kallas held that it could be useful to examine the bilateral relations in a less unorthodox manner and explore the potential shared future outlook in view of the time when both countries would be members of the European Union.

As a result, a report named *Estonia and Finland in the European Union* was drafted by Jaak Jõerüüt, a former Estonian Ambassador to Finland and Esko Ollila, a former governor of the Bank of Finland. In the report, both authors presented their own view of the future relations between the two countries and issued over forty proposals for action for the purpose of promoting the relations. Most of the recommendations have already been implemented.

Five years later in June 2007, Prime Ministers Andrus Ansip and Matti Vanhanen decided to launch a project to draft a new report addressing the future relations between Estonia and Finland. Jaakko Blomberg, Finland's former Ambassador to Estonia, and Gunnar Okk, Vice-President of the Nordic Investment Bank, were invited to write the report.

The main aim of this new report is to generate ideas on how Estonia and Finland can respond to the challenges presented by globalization in collaboration rather than individually and how the two countries can support each other in improving their competitiveness. The prime ministers were particularly interested in the potential for cooperation in education, research and innovation, and energy issues. No preconditions were laid down for the report in terms of form, subjects addressed, structure or scope.

Just like the authors of the first report, the undersigned have, over the past few months, talked to a number of experts and people representing a wide range of activities both in Estonia and Finland. Many useful comments were also received in writing. We wish to thank all those who dedicated their time and effort in discussing the issues and those who were involved in preparing the report. The foreign ministries of both countries have supported our work. Credit must also go to Ruta Rannat, who was responsible for most of the translations and language revision. Although the report is not an academic

paper providing a comprehensive presentation of Estonian-Finnish relations, we found it important to list those references that have shaped our thinking in one way or another.

The 2008 report on the future of Estonian-Finnish relations consists mostly of tangible recommendations for developing relations between the two countries. At the same time, the report gives a number of more general recommendations in order to underline the special importance of a specific area of cooperation relative to others; shed new light on some generally known facts; arouse debate; inspire readers to develop the ideas and take action.

The report also outlines our vision of what Estonian-Finnish relations might look like in 2030. It is not a prediction, just the authors' subjective view of the level to which the relations may evolve over the next 22 years – provided, of course, that we are able to develop the mutual cooperation in the best possible manner, respond to global challenges and that no highly serious global threats materialize.

A more detailed discussion on the potential for further cooperation between Estonia and Finland, the competitiveness of the two countries and the related role of innovation is presented in the appendices. The most important areas of cooperation are described to the extent we feel necessary in order to justify the recommendations issued and to provide background data.

All the views, thoughts and recommendations concerning the opportunities for bilateral cooperation between Estonia and Finland presented in this report represent the authors' personal opinions. The idea is not, in any way, to restrict cooperation with third countries either jointly or separately. We believe that Estonia and Finland should cooperate with the other EU Member States and within the Baltic Sea area in all the fields discussed in this report as well as on more international forums in which the two countries are involved.

Helsinki, June 2008

Jaakko Blomberg

Gunnar Okk

RECOMMENDATIONS FOR ENHANCING COOPERATION BETWEEN ESTONIA AND FINLAND

The main recommendations for developing Estonian-Finnish cooperation are listed here. They are based on the challenges that the authors expect Estonia and Finland to face. They are also presented in the appendices.

Research and development

- A joint Estonian-Finnish Science, Technology and Development Council (STDC) should be established. The Council should convene at least once a year, and every second year the council meeting should also be attended by the prime ministers of the two countries.
- A permanent Finnish and Estonian secretariat should be established to prepare the STDC meetings and coordinate the research policies of the two countries between the meetings.
- An independent Estonian-Finnish think-tank should be established to prepare and evaluate the issues to be presented to the STDC meeting. Additionally, it could be tasked to prepare reports and evaluations and conduct surveys concerning the development, consolidation and use of the resources of the two countries.
- A high-level Estonian-Finnish economic summit should be held every two years in connection with the joint meeting of the Science, Technology and Development Council.
- Concrete forms of cooperation should be developed between the Enterprise Estonia (Eesti Ettevõtluse Arendamise Sihtasutuse EAS) and the Finnish Funding Agency for Technology and Innovation Tekes on the one hand, and the Estonian Development Fund (Arengufond) and the Finnish Innovation Fund Sitra on the other.
- A partner relationship should be established between the Aalto University to be established in Helsinki and the Tallinn University of Technology and the Estonian Academy of Arts in order to make efficient use of the resources allocated to research and development, and launch joint projects.
- A permanent cooperation network should be created between Estonian and Finnish design institutes in order to enhance cooperation in the field

of creative work, commercialization and marketing, and to make efficient use of the resources of the various institutes of education.

- Cooperation between Estonian and Finnish technology centres and enterprise incubators should be promoted.
- Estonian Science Days should be held regularly in Finland and Finnish Science Days in Estonia.

Education

- Procedures should be put in place for Estonian and Finnish ministries of education to harmonize the training objectives and the use of resources of the two countries as well as to coordinate teaching programmes and the investments made in education.
- A joint Estonian-Finnish institution named the Cross Gulf University should be established. Initially, it would focus on organizing cooperation in post-graduate education.
- A joint Estonian-Finnish training fund should be established with public and private funds to support students and researchers, particularly those undergoing post-graduate training, with housing allowances and to facilitate exchange of students between Finland and Estonia.
- The possibility of establishing a joint office for Estonian and Finnish universities in China or India should be considered.
- The teaching of Estonian and the provision of basic education in Estonia should be promoted in Finland and the teaching of Finnish and the provision of basic education in Finnish should be promoted in Estonia.

Energy

- A joint Estonian-Finnish study on the security of energy supply should be carried out to analyze the technical and political risks to the security of energy supply of both countries. The findings should be used as a basis for formulating a joint vision of the solutions to potential problems related to the security of energy supply.
- Investments in the Estonian and Finnish energy industries by the two countries should not be regarded as foreign investments. Instead, based

on the principle of reciprocity, they should be deemed to constitute investments in the joint energy production system and be encouraged.

- A joint Estonian-Finnish working group should be established to evaluate the potential for a merger between Fingrid Oyj and OÜ Põhivõrk and its appropriateness.
- A joint Estonian-Finnish working group should be established to evaluate the construction in Estonia of a nuclear power plant as a joint project. The working group would be responsible for project planning and coordinating the required research activity.
- Preparations for the construction of the Baltic Connector subsea gas pipeline should be continued. The pipeline project should be welcomed as it enhances Finland's and Estonia's energy security.
- Estonia and Finland, together with Latvia and Lithuania, should establish an international working group to explore the potential for more extensive use of peat as an energy source in the Baltic Sea Area.
- Estonia and Finland should legislate to ensure that competition on the deregulated electricity markets is not distorted by imported electricity in which the cost price does not include the price of carbon dioxide emission quotas.

Gulf of Finland and the Baltic Sea

- An Estonian-Finnish inter-governmental maritime council should be established to harmonize the maritime policies of the two countries and coordinate the actions taken by ministries and government agencies in the field of maritime safety, environmental protection and security.
- The Estonian and Finnish institutes engaged in marine research should be merged to create a joint co-owned marine research centre. Both countries would own exactly half of the centre.

Traffic and transportation

- A joint Estonian-Finnish working group should be established to improve the safety of navigation on the Gulf of Finland and the Baltic Sea. One of the key tasks would be to promote the creation of a Baltic Sea-wide vessel traffic control system with online monitoring capabilities.

- The potential for starting a continuous helicopter shuttle service between Helsinki-Vantaa Airport and Tallinn should be explored.
- The work to evaluate the potential for a Helsinki–Tallinn train ferry service should be continued.

Internal security

- The need to update the crime prevention agreement between Estonia and Finland should be evaluated.
- An agreement should be reached on the mutual recognition of bans on business operations as it provides an efficient tool for combating economic crime.
- Estonia and Finland should establish a high-level bilateral coordination committee to formulate the principles concerning the use of the resources and databases of both countries; the exchange of criminal intelligence reports and the allocation of costs. The committee would also be tasked to define the joint interests of the Estonian and Finnish security agencies and to coordinate the strategies for rescue and service authorities.
- An agreement should be made on mutual consultations in order to keep up with the technological developments in the field of internal security and to plan potential joint purchases.
- The potential for establishing a joint Estonian-Finnish rapid deployment rescue unit for alleviating the consequences of any accidents on the Gulf of Finland and for quickly addressing any other crises should be evaluated.
- Joint action plans and principles for sharing rescue resources to alleviate the consequences of any accidents on the Gulf of Finland and to quickly manage any other crises should be agreed upon between the Estonian, Finnish, Russian and Swedish authorities.

Defence

- A joint Estonian-Finnish working group on defence cooperation between Estonia and Finland should be established to invite experts to explore the potential for defence cooperation on a broad front.

Information and communications technology

- A joint Estonian-Finnish information society council and a working group working under its auspices should be established to issue recommendations to the governments of the two countries on developing information society policies, and to harmonize the related regulations both between Estonia and Finland and at the European Union level.
- A working group should be established to outline a joint Estonian-Finnish strategy for e-government and electronic services that would be applied by the central government authorities and the capitals.
- The potential for establishing a joint information technology and communications polytechnic by the Baltic and Nordic countries should be explored and its feasibility evaluated.
- The potential for creating a joint Estonian-Finnish language technology programme should be considered.

Labour

- An Estonian-Finnish working group should be established to prepare a joint strategy for solving labour problems and issues related to the ageing of the population. Both governments and the labour market organizations should be represented in the working group.
- An Estonian-Finnish labour market survey should be carried out to determine the need for additional labour and evaluate the potential for importing qualified labour from third countries.

Social welfare and health care

- Cooperation in medical research, the education of health care professionals and specialization should be supported.
- An inter-country panel of experts should be appointed to look into the needs and possibilities for combining Estonian and Finnish social welfare and health care services including the use of technical facilities.
- An expert in social and health care issues should be appointed to the Estonian Embassy in Helsinki and the Finnish Embassy in Tallinn.

Tourism

- A joint marketing strategy for Estonia and Finland in general and Helsinki and Tallinn in particular as a single tourism destination should be drawn up.
- The availability of tourist information on both countries in Estonian, Finnish and Swedish should be improved.
- The Estonia Days in Finland and Finland Days in Estonia should be developed into annual events.
- The timing of principal tourism and culture events in Helsinki and Tallinn should be coordinated to facilitate the marketing of these events as combined packages.

Audiovisual area

- A joint Estonian-Finnish cultural foundation should be established.
- An Estonian Cultural Centre in Helsinki and a Finnish Cultural Centre in Tallinn should be founded.
- The compilation of up-to-date dictionaries should be supported.
- The potential for Estonia and Finland to cooperate in cultural exports towards achieving a joint cultural export programme should be explored.
- The possibility of setting up an Estonian-Finnish film, media and AV centre that would function as a joint film foundation and a Film Commission should be considered.

Broadcasting

- A joint Estonian-Finnish radio and television conference should be organized to explore the potential for broad-based cooperation between companies operating in this field and to address issues related to copyright and technical problems.
- A permanent correspondent position should be created by the Estonian Broadcasting Company (Eesti Rahvusringhääling) in Finland and an equivalent position by the Finnish Broadcasting Company in Estonia.

Helsinki-Tallinn Europe Forum

- An international business and political conference (e.g. Business and Politics in Europe) should be staged by Estonia and Finland every two years.

Development of Estonian-Finnish relations in the future

- Preparation on reports on the relationship between Estonia and Finland should be continued for publication every five years.

ESTONIA AND FINLAND IN 2030: VISION

In many areas, the societies, economies and basic structures of Estonia and Finland have converged. In both countries, global competitiveness is primarily based on education, innovation, development efforts, the mutually adjusted division of labour and the shared use of often limited resources. All the most important development strategies and policies have been harmonized. The public and private sectors of the two countries cooperate in almost all areas.

By international standards, Estonia and Finland are regarded as the most secure countries in Europe. Cooperation between Estonian and Finnish security and law enforcement authorities serves as an example for other countries on how to organize cross-border cooperation. Estonia and Finland operate shared maritime and air space surveillance systems. No serious environmental damage or accidents have happened in the Gulf of Finland. Estonia and Finland were instrumental in creating a joint Baltic Sea-wide shipping control system now used by all the Baltic rim countries. A railway tunnel between Helsinki and Tallinn will open for traffic at the end of the year.

Estonia and Finland have not experienced any serious problems related to energy security. Of the joint energy resources, approximately 50% comprise nuclear energy, 30% renewable sources and 20% fossil fuels. Half of the energy produced in Finland from coal and half in Estonia from oil shales is produced without carbon dioxide emissions.

Broadband services are used all over Estonia and Finland and all citizens in both countries avail themselves of data communications services. Two thirds of Estonians and Finns use digital signatures and electronic authentication with more than 80% using them in their transactions with the authorities and companies. All key official registers in Estonia and Finland have been implemented according to the same criteria thus making it possible to use them cross border.

Estonia and Finland enjoy high esteem in Europe and are known for their indigenous and diversified cultural life. Estonia and Finland constitute a common research and development area and their Cross Gulf University is a cooperation organ of high international standard. Thanks to the top-level business and political forum held in Helsinki and Tallinn in alternating years, the cities are known as the Davos focusing on Europe issues.

APPENDIX 1

COOPERATION AND COMPETITIVENESS

Opportunities for cooperation between Estonia and Finland

The historical ties between Estonia and Finland, the similarity of the languages and culture, and the short distance between the capital cities have created unique opportunities for fruitful cooperation. As inter-country cooperation cannot extend to all areas of life, it is thus necessary to make choices. For objective reasons, the existing conditions and relative size of the two countries, the resources available and the realistic prospects for further development are, in certain areas, completely different.

To a great extent, successful cooperation is determined by social capital that affects mutual trust between people and the willingness to cooperate. From around the world and even Europe, we have numerous examples of how national, historical, chauvinistic or language-related circumstances and associated prejudices often create an invisible barrier to rational cooperation – a cooperation that would have been beneficial to all parties. No such stumbling blocks exist between Estonia and Finland today and we have every chance of avoiding them in the future as well.

Over the past seventeen years, Estonian-Finnish cooperation between citizens, entrepreneurs, authorities and organizations has been allowed to evolve freely. Aside from all the positive elements this type of interaction creates, we sometimes encounter a certain mutual suspicion, favouring of the interests of one party at the expense of the other, or efforts to make use of the other party to pursue one's own goals.

Credit for the varied forms of existing cooperation goes to Finnish estophiles and friends of Finland in Estonia who have been actively involved in creating, nurturing and consolidating these relations. Unfortunately, it is often the same people who are engaged in this work. Far too few young people take an interest in Estonian-Finnish cooperation and fostering the relationship. The main reasons for this waning interest is the wealth of opportunities opening up elsewhere in the world and a poor knowledge of the neighbouring country.

Access to accurate information about the neighbour through the media and other channels is of great importance. While communications is one area of cooperation, it also serves as a sort of infrastructure for all extensive cooperation between the two countries.

One of the biggest surprises during the course of preparing this report was to discover how inadequate and sporadic the exchange of information in many areas is even today. Primarily this applies to information about the background and underlying causes of developments and processes under way in Estonia and Finland; the market conditions in the various branches of industry; the progress made in the neighbouring country and the real opportunities for cooperation.

Of equal importance with the dissemination of views and information is the promotion of an atmosphere favourable to cooperation between Estonia and Finland. A positive atmosphere influences attitudes and expectations which, in turn, tend to generate new ideas. By contrast, biased information, possibly reflecting an air of superiority, is likely to discourage concrete ideas and their implementation. Mutual honesty and trust as well as the understanding of the other party's interests are important. Cooperation can only be successful if its objectives give due consideration to the interests of the two parties and both perceive the cooperation as useful and rewarding.

With regard to global and European developments, all the Baltic and Nordic countries are in a similar position in many respects. If cooperation between Estonia and Finland is raised to a new level, it could give impetus to more intense cooperation between other Baltic Rim countries and ultimately benefit the entire European Union.

Global competitiveness and innovation

The inevitable globalization of the individual sectors of the world economy has intensified competition between companies, branches of industry, geographical areas and companies – and will continue to do so. Global competition is fiercest in resources, markets, better investments, efficiency and productivity. The competition triggered by globalization has accelerated the worldwide mobility of innovations, talented people and cost-efficient qualified labour.

The European Union is a central forum for cooperation between Estonia and Finland. Within the Union, the key objective outlined in the Lisbon strategy is to strengthen competitiveness. The competitiveness of a specific region in the world is the sum total of a range of factors, and the politicians and institutions that determine the level of productivity within that region. The increase in productivity is the precondition for general economic growth which, in turn, provides the basis for rising living standards and affluence.

When the competitiveness of a region is evaluated, the primary points of focus are financial and tax policies, cost factors and the standard of operative performance of various institutions. Of great importance is how the political and economic climate of each country or region affects the creation and maintenance of a company's competitiveness. In order to promote the competitiveness of a company, it is important to create conditions that are conducive to improvements in productivity and strengthen its market position.

From the point of view enhancing the global competitiveness of companies, research, development and innovation efforts play an important role. Aside from the attainment of the direct objectives set by developers and innovators for themselves, their actions may also have far-reaching indirect repercussions from which the company's, host country's or the region's global competitiveness may benefit on a larger scale.

Such indirect repercussions include the following:

- the immediate leakage or transfer of new ideas, technologies, skills, management styles or marketing methods;
- an increase in the importance of a certain market, country or region;
- the creation of new business or social networks;
- the development of regional integration; and
- the evolution of a progressive competition culture.

Innovation is no longer limited to technology and production processes - an innovative approach to the provision of customer-driven services is of equal importance today. Similarly, the development of new management styles or communities departing from traditional organizations are both part of the innovation process.

The mere creation of an invention, innovative product or technology does not alone guarantee success as efforts are also required to market the product, place it in service, manage risks and secure a foothold in the market. This calls for coordinated cooperation on the part of companies, research institutes, financiers, other involved parties and often the government as well.

Global competition will intensify in the future and will never stop. On-going innovation is the best way of responding to the new challenges posed by globalization. Estonia and Finland are not able to compete with price but with quality products and services that are not yet available elsewhere.

Currently, Finland invests 3.5% of its gross domestic product in research and innovation. For years now, Finland has ranked among the top countries in international competitiveness studies; in 2007, for example, Finland finished sixth in a comparative study of 131 countries carried out by the World Economic Forum, and in a 2005 technology index comparison, Finland was ranked second bested only by the United States. However, success in the competitiveness surveys has not attracted major investments to Finland or resulted in the hoped-for increase in living standards and wealth.

Compared with the world at large and the rest of Europe, Estonia and Finland are small states with limited resources. In this respect, the two countries are very much in the same position. We have to choose the sectors we wish to develop and invest our limited resources in areas that offer the highest probability of reaching the top. At times, the lack of resources may be a blessing – it compels us to look for innovative and unorthodox solutions.

Both countries look to the future. The Finnish government is expected to adopt a new national innovation strategy before long. Recently, Estonia launched a programme for strengthening the knowledge base of the economy for 2007–2013.

Estonia and Finland need to acquire new knowledge and skills possessed by talented students, research and top experts from across their borders. We have to struggle to make the countries interesting and attractive to such people. As it is, Estonia and Finland and the conditions here are largely unknown to the world and, to some extent, even Europe.

However, it is important to point out that while intensifying competition, globalization has also opened up new opportunities to small countries like Estonia and Finland. What we have to do is identify them. This and utilizing new opportunities may be tough, calling for a determined and strategic approach. In many cases, it would be advisable for Estonia and Finland to work hand in hand to tackle this undertaking.

The development of information and communications technology has enabled the use of worldwide information sources. In these conditions, the importance of the country of origin of ideas, knowledge or technologies diminishes. What is important is how to absorb new knowledge and make use of it.

The engine of an innovative economy and society is entrepreneurship and cooperation between organizations, entrepreneurs and citizens. Individual countries and nations have different approaches to these issues or different

problems. Of special importance in this context are the prevailing attitudes towards risk-taking, failure and success. Unfortunately, acceptance of failure is far less common in Estonia and Finland than, say, in the United States.

To improve competitiveness through innovation, small countries like Estonia and Finland have to respond to a range of challenges simultaneously. Such challenges may consist of the following:

- The availability of resources. The need to specialize and avoid fragmentation. The resources available to small countries are not enough to raise all areas of research and development to the highest standard. Choices have to be made when investment decisions are made and resources have to be concentrated by merging small units to create larger ones.
- The small size of domestic markets. Sufficient demand is necessary for creating visibility for innovative products. Geographically, Estonia and Finland are located far away from those global markets that are currently growing at the fastest pace.
- Human resources. Making use of the best international research and leading expertise. The current national know-how resources are insufficient.
- Strengthening the service sector and developing public services. Commercializing services, service packages and their exports.
- Caution in risk-taking and the poor availability of venture capital after establishment. Increasing the number of new and newly established companies.

- Continual monitoring of global developments. The capabilities for monitoring global trends and evolution of knowledge with worldwide implications must become more efficient and improved.

APPENDIX 2

RESEARCH AND DEVELOPMENT

The frame of reference for research and development activities within the European Union is provided by the Lisbon strategy and the EU Competitiveness and Innovation Framework Programme. Estonian and Finnish researchers and entrepreneurs have been actively involved in the EU's scientific and technology research programmes.

As a result of the Sixth Framework Programme (FP6, 2002–2006), Estonia has received, or will receive, funding to the amount of EUR 33 million and Finland EUR 365 million. Usually the projects funded by the EU are extensive involving a large number of international partners. To date, nearly 400 Estonians and over 1,400 Finns have participated in projects launched under the Sixth Framework Programme. Current activities are based on the Seventh Framework Programme (FP7) initiated at the beginning of 2007.

Estonia and Finland need to intensify their cooperation in the European Research Council and make efforts to develop the European Institute of Technology (EIT) and the European Research Area (ERA). While Estonia and Finland have supported each other on a reciprocal basis in the context of the EU's research policy, both countries must actively seek to engage in cooperation with other like-minded countries in order to build up the EU's research, development and innovation policies.

Research activities undergo constant change. The requirements imposed by the changes have been evaluated by the Estonian Science and Development Council and the Finnish Science and Technology Policy Council in their joint meetings. In both countries, researchers have engaged in topical public debate and advised their respective governments. A long-term view, which gives due consideration to global developments, is of great importance in the research cooperation between the two countries. The action to develop research activities needs to be based on a thorough assessment while making use of the experiences gained internationally. Neither Estonia nor Finland has an analysis centre for research development that would collect information and prepare independent evaluations and analyses.

A number of processes are under way in Estonia and Finland to promote the competitiveness of the national economies either directly or indirectly.

One of the core duties of innovation activities is to intensify contacts between universities and research institutes. The Gulf of Finland must not be allowed to impede such contacts.

When joint efforts are made to enhance research and development activities in Estonia and Finland, the strengths of both countries must be duly considered. Clearly, further investments need to be made in the educational and research cluster created by Helsinki and Tallinn and steps should be taken to improve its competitiveness.

A major project is under way in the Helsinki area to merge the Helsinki University of Technology, the Helsinki School of Economics and the University of Art and Design to create an innovation centre called the Aalto University. Other similar projects have been launched and cooperation between universities and other institutes of higher education is being intensified.

Most R&D activities are based on independent evaluation and decision making on the part of the institutions and enterprises involved. Therefore, the governments are called upon to augment resources and remove potential restrictions that tend to thwart the attempts to intensify contacts and research cooperation across the Gulf of Finland.

As research draws upon a fairly expensive infrastructure, it would make sense for the two countries to make use of shared resources. A case in point is an institution in Espoo, Finland, that offers super computer services also to Estonian users.

Conversion of research findings into useful commercialized products is an important part of the innovation process. Most universities have innovation centres tasked to provide assistance in the utilization and commercialization of the results of research. Therefore, the innovation centres located on both sides of the Gulf of Finland should intensify their contacts and cooperation.

Design is highly valued in Finland and Estonia with both countries boasting long traditions in the field. Yet even this is facing new challenges - the environment-friendliness of various products, for example, is a powerful sales argument today. At the same time, the importance of design in economic and innovative activities is growing fast. Cooperation in training, joint projects, marketing and commercialization should be encouraged. A permanent Finnish-Estonian network should be established to provide more favourable conditions for creative interaction.

Aside from a range of modern R&D areas (biotechnology, IT, communications, materials, etc.), in which many advanced countries are already engaged, it is important to identify opportunities in new areas that may, until now, have appeared unattainable for small countries.

A promising field of activity with substantial economic potential is space and the commercialization of space technology. Estonia and Finland have long traditions in space research and the scientists have established an extensive contact network.

The European Union is beginning to invest in space technology in close collaboration with the European Space Agency ESA. For the first time in the EU's history, a special mention of space is made in the Lisbon Treaty. A strong signal of the current focus on space is the EU's recent decision to build the positioning and satellite navigation system Galileo over the next few years. A substantial amount of funding is allocated to space in the EU's Seventh Framework Programme.

It is estimated that space technology will have similar repercussions as information and communications technology. Space technology offers indispensable tools for surveillance, communications and the technical management of a wide range of systems. Estonia and Finland should pool their resources and establish contacts with Sweden, a strong player in space research, and the other Nordic countries.

The European Space Agency ESA is currently restructuring its organization, which offers an excellent opportunity to accept new members. Finland has been a full ESA member since 1995. Estonia's membership would be a major step forward and create new opportunities for Estonian-Finnish cooperation in harnessing and developing space technology.

All innovative activities related to climate change and environmental protection have become highly topical throughout the world - many with major economic potential.

One area in which Estonia and Finland could engage in fruitful cooperation – based on the scientific competence available in both countries – is polar research. It is difficult for a small country to develop the expertise and technical infrastructure required in this field on its own. At the beginning of 2008, Finland prepared a research strategy for Antarctica. The Finnish research station, located near the Swedish station, cooperate in this field. Would it be possible

for Estonia and Finland to pool their resources for the purpose of Antarctica research?

Of special importance is to ensure extensive publicity for the present-day research and development areas, particularly among young people. Science days have been organized in Estonia and Finland for the public at large and institutes of education. Last year, the Estonian Society for Physics (Eesti Füüsikute Selts) and the Finnish Physical Society organized a joint physics day in Tallinn. The countries also work together in coaching high-school students for the International Physics Olympics. Similarly, the Ahhaa Science Centre in Tartu and the Heureka Science Centre in Vantaa are engaged in cooperation. This is the type of cooperation that we would like to see more of.

Fierce global competition in the research and development field means that repeated successes call for extensive resources. Moreover, success does not always correlate with the time and effort expended. Estonia and Finland should seek to make as efficient use as possible of their limited human, technical and material resources – and do so together. In particular, efforts should be made to explore the new avenues opening up in the course of research and development activities, provided that the potential for success through joint efforts is great.

Recommendations:

- A joint Estonian-Finnish Science, Technology and Development Council (STDC) should be established. The Council should convene at least once a year, and every second year the council meeting should also be attended by the prime ministers of the two countries.
- A permanent Estonian and Finnish secretariat should be established to prepare the STDC meetings and coordinate the research policies of the two countries between the meetings.
- An independent Estonian-Finnish think-tank should be established to prepare and evaluate the issues to be presented to the STDC meeting. Additionally, it could be tasked to prepare reports and evaluations and conduct surveys concerning the development, consolidation and use of the resources of the two countries.
- A high-level Estonian-Finnish economic summit should be held every two years in connection with the joint meeting of the Science, Technology and Development Council.

- Concrete forms of cooperation should be developed between the Enterprise Estonia (Eesti Ettevõtluse Arendamise Sihtasutuse EAS) and the Finnish Funding Agency for Technology and Innovation Tekes on the one hand, and the Estonian Development Fund (Arengefond) and the Finnish Innovation Fund Sitra on the other.
- A partner relationship should be established between the Aalto University to be established in Helsinki and the Tallinn University of Technology and the Estonian Academy of Arts in order to make efficient use of the resources allocated to research and development, and launch joint projects.
- A permanent cooperation network should be created between Finnish and Estonian design institutes in order to enhance cooperation in the field of creative work, commercialization and marketing, and to make efficient use of the resources of the various institutes of education.
- Cooperation between Estonian and Finnish technology centres and enterprise incubators should be promoted.
- Estonian Science Weeks should be held regularly in Finland and Finnish Science Days in Estonia.

APPENDIX 3

EDUCATION

Globalization moulds the expectations that society, culture, business and industry have as to the significance and content of education. Although the mission of education is always to raise the level of general knowledge, it is also important to focus on the areas with direct links to future development in the economy and society. When the priorities are selected, due consideration must be given to the changes taking place in the research and business environments. An on-going public debate is important to understand these changes.

The resources available to higher education are scant in Estonia and Finland. To improve competitiveness, they need to be expanded. At the same time, serious consideration should be given to the possibility of pooling the resources of the two countries if found to be efficient and appropriate. It would also mean specialization by field of study. It is not advisable to try and achieve the highest level of performance in all scientific work if better resources and conditions in the same field are available across the Gulf of Finland. The Finnish and Estonian ministries of education should create flexible procedures for harmonizing the national goals for education.

The objective should be to create an efficient field of study and research in which Estonia and Finland would have a shared interest. Aside from specialization and division of duties, the system would also promote the free mobility of students and researchers. Such a common area of study and research calls for coordinated investments and efficient networking.

During 2006–2007, a total of 664 Estonians were pursuing university-level studies in Finland and 437 Finnish students in Estonia. The EU's Erasmus Programme is a key tool in the exchange of students across the Gulf of Finland. From the beginning of 2008, all the Baltic countries can participate in an equivalent Nordic programme called Nordplus.

The Bologna Process has harmonized the academic degree standards. While favourable conditions for the exchange of students and teachers across the Gulf of Finland have been created, a number of practical problems have also been encountered that need to be addressed.

To some extent, teaching programmes have already been harmonized to allow students to earn credits in both countries. Inter-government efforts should be continued in degree planning – even some form of joint degrees could be

envisaged. It would be ideal if a student with a lower university degree taken in one country could pursue further studies in the other country without any entry barriers. The Estonian and Finnish education ministries should determine the possibilities for harmonizing teaching programmes. Creation of joint PhD programmes should be encouraged and contacts between institutions providing doctoral training should be intensified.

Useful models for cooperation in education and research is provided by the twin science city project launched by Helsinki and Tallinn and the Helsinki Education and Research Area arrangement involving nine universities and nine polytechnics in the metropolitan area and southern Finland. Naturally, the institutes of education in other regions in both countries should also be involved.

In a globalized world, institutes offering higher education should be able to open their doors to students and scientists from other countries as well. Universities around the world compete for talent. As a result of falling birth rates, the number of students in Estonia is expected to decline sharply within a few years. When approximately 60,000 future university students are currently studying in senior high schools in Estonia, the number of prospective university students, i.e., young people aged 16 to 18, will have fallen to around 30,000 by 2016.

Although people in Estonia and Finland think that their education systems enjoy high international appreciation, the number of foreign students and teachers in the two countries remains modest. For example, in 2006 there were around 5,400 foreign students in Finland while the corresponding figure for Estonia was less than one thousand. Estonian and Finnish universities and the local conditions are little, if at all known, in most parts of the world.

Since 2000, universities operating in the Baltic Rim area have engaged in close cooperation in education and research. It is based on a network named The Baltic Sea Region University Network and administered by the University of Turku.

Cross-Border University, a joint project involving several Finnish universities and managed by the University of Joensuu, offers instruction in English mainly for Russian students. Estonian universities could participate in these activities as well.

Estonian and Finnish universities could pool their resources to establish offices in countries playing a key role in global developments such as China and India.

Nordic universities operate joint centres in China and India. One or more universities from Estonia and Finland and any companies or organizations interested in the scheme could set up a foundation to operate an institute of education e.g. in some Asian country. The institute could provide primary education and offer opportunities for further training in Estonia and Finland.

Basic education is one of the corner stones of integration both in Estonia and Finland, and in the European Union for that matter. Estonia and Finland need to increase cooperation between education authorities and training and research institutes in order to generate the best practices and new ideas for basic education. Such cooperation could give pointers for the whole EU in the joints efforts to develop basic education.

An important aspect of mutual integration is that basic education in Estonian is available in Finland and basic education in Finnish available in Estonia. A Finnish-speaking school, funded by Finland, has been operating in Tallinn for years now. Instruction in Finnish is also available in Tartu. The Roihuvuori School in Helsinki offers bilingual education up to the 6th grade and currently has 59 Estonian children enrolled there. Other primary schools in the Helsinki area have nearly 1,000 Estonians. Demand for bilingual classes and special classes with an Estonian language programme exists in Helsinki and the neighbouring regions. Helsinki City seeks to develop bilingual education in Finnish and Estonian both in terms of quality and quantity. The plan is to extend education at the Latokartano Primary School to provide bilingual education throughout the basic education period.

The availability of qualified labour with adequate schooling is vital for the development of the Estonian and Finnish economies and societies. Close monitoring is required to identify the new requirements arising from societal and economic development. Estonia and Finland could join their forces to raise the appreciation of vocational training in both countries.

Estonia and Finland should develop the education policies in a coordinated manner in accordance with the global trends and the educational cooperation in Europe.

Recommendations:

- Procedures should be put in place for Estonian and Finnish ministries of education to harmonize the training objectives and the use of resources of the two countries as well as to coordinate teaching programmes and the investments made in education.

- A joint Estonian-Finnish institution named the Cross Gulf University should be established. Initially, it would focus on organizing cooperation in post-graduate education.
- A joint Estonian-Finnish training fund should be established with public and private funds to support students and researchers, particularly those undergoing post-graduate training, with housing allowances and to facilitate exchange of students between Estonia and Finland.
- The possibility of establishing a joint office for Estonian and Finnish universities in China or India should be considered.
- The teaching of Estonian and the provision of basic education in Estonian should be promoted in Finland, and the teaching of Finnish and the provision of basic education in Finnish should be promoted in Estonia.

APPENDIX 4

ENERGY

Today, long-term energy security is the key to security and the economic competitiveness of every country or region. A critical issue with regard to competitiveness is the price of the energy source material.

Energy security is ensured if a country or region:

- has access to a range of diverse primary energy sources;
- possesses sufficient production capacity for the generation of secondary energy complete with a reliable back-up system; and
- has energy transmission and distribution systems that operate problem-free without disruptions.

Typical of the energy sector throughout the world is continual consolidation and mutual inter-dependence. Production is affected, most of all, by the increasing demand for energy, the operation of the market mechanisms and the high-level politization of issues related to the environmental effects of energy. The biggest problem with energy supplies in Europe is the increasing dependence on external energy source materials.

In Europe, the overriding concern is clearly the generation of electricity. The energy policy of the European Union rests on three pillars: energy security, sustainable development and economic competitiveness. In the future, electricity generation may reduce dependence on oil and gas while considerably limiting greenhouse gas emissions.

The Estonian and Finnish grids are inter-linked with a subsea 350 MW Estlink DC cable. Plans are now being made for laying an 800 MW Estlink 2 subsea cable that would permit the integration of electricity markets and so stabilize prices on the deregulated market. However, the most important qualitative change brought about by Estlink 2 is that only then can Estonia and Finland be regarded as a single area in terms of energy security.

It is in the best interest of both Estonia and Finland that competition on the energy markets is not distorted by electricity imported from outside the European Union in which the cost price does not include the price of carbon dioxide emission quotas. Such a situation would not be compatible with the purpose of the emission quotas defined by the EU. Moreover, it would place

generators in the Baltic and Nordic countries at a disadvantage and could jeopardize Estonia's energy security.

The possibility of combining the Estonian and Finnish gas pipeline networks has been studied at length. The envisaged two-way subsea Baltic Connector pipeline would improve transmission security, give Finland access to the Latvian gas reserves and permit the creation of a regional gas market. Considering the current stage of the project, the connection is not likely to be constructed until after 2015.

More than anything else, energy production in Estonia and Finland will be affected by the continual increase in consumption and the carbon dioxide emission ceilings imposed by the EU. For the time being, the only known option to produce carbon-free electricity at a competitive cost is nuclear energy. Its long-term energy security is guaranteed by the large number of nuclear fuel suppliers worldwide and the relative simplicity of the fuel transport technology.

Considering the closure of the Ignalina nuclear power station in Lithuania in 2009 and the uncertainty surrounding the construction of a new nuclear power station, the limitations imposed by the EU on the use of oil shale as a raw material in energy production, and the lack of access to a secure long-term supply of energy from abroad, the only realistic option left to Estonia is the construction of a nuclear power station of its own.

As Estonia and Finland, after the laying of the Estlink 2 cable, will be part of the same energy transmission system, a nuclear power station in Estonia should be designed and developed as a joint Estonian-Finnish project. The joint nuclear power station project of high technical standards should be able to reconcile the business interests of the power companies with the long-term energy security needs of the two countries, i.e., the interests of society.

Estonia could participate in the project to build the sixth nuclear reactor (OL4) in Finland on a reciprocal basis, in which case Finnish electricity producers could be given the opportunity to invest in new generation plants to be built in Estonia. Potential projects could include the upgrading of the electricity works in Narva and various projects related to renewable energy sources.

The idea of developing the Narva works is based on Estonia's oil shale reserves, i.e., the existence of a local energy source. With oil shale, one important consideration is that its price is unaffected by world market prices. Aside from the further investments in the new combustion technology developed for oil

shale, there is potential for making use of the Carbon Capture & Storage (CCS) technology, which is completely free of any carbon dioxide emissions. Later, the Narva works could serve as back-up stations for the nuclear power stations in both countries.

The share of peat in energy production can be increased in both Estonia and Finland. Peat is a competitive fuel, primarily when used at co-generation plants generating electricity and district heat. The units at the Narva electricity works can be fired by peat and oil shale simultaneously. Finnish energy producers have extensive experience of using biofuels and peat in energy production and working out various technological solutions. Cooperation between Estonian and Finnish energy producers in the use of peat may be extended internationally to include Latvia and Sweden. Additionally, the experiences gained by the Irish from the use of peat should be studied in detail.

Joint investments in wind farms to be constructed in Estonia should be considered. Another potential area of cooperation is the creation of new technologies for generating energy from wastes. Scientific research and innovation activities related to energy and its production should focus on feasible solutions that are also competitive elsewhere in the world.

When Estonia and Finland form a single energy system region in 2013, it would be appropriate to contemplate the merger of the national grid companies OÜ Põhivõrk and Fingrid Oyj. Estonia's 110–330 kilovolt grid is closely linked with other Baltic countries, and over the past ten years it has been substantially upgraded as far as the technical systems go. Co-management of the two companies would permit a more rational use of the power reserves of the two countries; the creation of a technological base for a single electricity market and purposeful development of the grids with a view to energy security. A joint grid company would make it possible to administer power transmission between Estonia and Finland in the same way as transmission between the Nordic countries.

Estonian-Finnish cooperation in the energy sector will be successful if its objective is to give due consideration to the interests of the parties and achieve mutual benefits. Additionally, each individual joint project must be justifiable in its own right.

Recommendations:

- A joint Estonian-Finnish study on the security of energy supply should be carried out to analyze the technical and political risks to the security of

energy supply of both countries. The findings should be used as a basis for formulating a joint vision of the solutions to potential problems related to the security of energy supply.

- Investments in the Estonian and Finnish energy industries by the two countries should not be regarded as foreign investments. Instead, based on the principle of reciprocity, they should be deemed to constitute investments in the joint energy production system and be encouraged.
- A joint Estonian-Finnish working group should be established to evaluate the potential for a merger between Fingrid Oyj and OÜ Põhivõrk and its appropriateness.
- A joint Estonian-Finnish working group should be established to evaluate the construction in Estonia of a nuclear power plant as a joint project. The working group would be responsible for project planning and coordinating the required research activity.
- Preparations for the construction of the Baltic Connector subsea gas pipeline should be continued. The pipeline project should be welcomed as it enhances Estonia's and Finland's energy security.
- Estonia and Finland, together with Latvia and Lithuania, should establish an international working group to explore the potential for more extensive use of peat as an energy source in the Baltic Sea Area.
- Estonia and Finland should legislate to ensure that competition on the deregulated electricity markets is not distorted by imported electricity in which the cost price does not include the price of carbon dioxide emission quotas.

APPENDIX 5

GULF OF FINLAND AND THE BALTIC SEA

Created approximately 10,000 to 15,000 years ago after the latest Ice Age, the Baltic Sea is one of the youngest seas in the world. At the same time, it is the world's largest brackish water basin inhabited both by sweet-water and salt-water organisms. Being relatively shallow, the Baltic Sea is highly sensitive. In the late 1950s, the state of the sea was still considered good. Subsequent changes have even had economic consequences on fishing, tourism and the provision of recreational services. At the same time, the risk of maritime accidents and the probability of environmental damage have been heightened.

Many scientists have declared that today the Baltic Sea is the world's most polluted sea. The biggest problem is eutrophication due to phosphates and nitric compounds. Dense aquatic vegetation and its degradation processes decrease the oxygen content of sea water and its quality, which, in turn, has an adverse impact on the habitat of fish and other water fauna. According to scientific estimates, the Baltic Sea now contains four times more nitrogen and eight times more phosphorous compared with the situation at the beginning of the 20th century. Additionally, 42,000 km² of the seabed is practically biologically dead because of oxygen depletion. This type of area affects the food chain in the sea and may, according to researchers, even cause the entire ecosystem to collapse. Each summer, we can witness how sizeable portions of the Baltic Sea are unfit for swimming when the toxic blue-green algae form blooms.

Pollution from agriculture, forestry, industry, transport and shipping has pushed the Baltic Sea into a corner. The International Maritime Organisation (IMO) has declared the entire Baltic Sea, except for the Russian territorial waters, a highly sensitive sea area. Today, all the Baltic Rim countries, with the exception of Russia, are members of the European Union.

Aside from the pollutants from land, one of the biggest risks is posed by shipping. Carriage by sea accounts for nearly half of all the goods transported to and from the Baltic Rim countries. Over the past ten years, the volume of shipping in the Baltic has increased 50%. According to 2007 statistics, over 60,000 vessels entered or exited the Baltic Sea during one year. At any given time, over 1,350 freighters are in transit in the Baltic. Simultaneously, there are 150 to 200 oil tankers moored in some 20 ports around the Baltic Sea.

The Gulf of Finland is one area of the Baltic Sea where many changes have taken place over the past few decades. The volume of shipping, particularly container and oil transports, has risen. Compared with the situation in 2000, exports from the EU countries to Russia have tripled and imports doubled. Almost 40% of this trade is carried via the Gulf of Finland. Russia has stopped oil exports via the ports of Ventspils in Latvia and Butingen in Lithuania, meaning that even these transports are moved along the Gulf of Finland.

Of all the Baltic Rim countries, Finland is the most dependant on the sea. Nearly 85% of the country's international goods are carried by sea. Every day, a total of 114 vessels either arrive or sail from Finnish ports. Almost half of this traffic runs through the Gulf of Finland. Passenger numbers have also increased. In Estonia, carriage accounts for approximately 20% of all transports.

It is estimated that the volume of goods transported in the Baltic Sea will grow by an average of 64% by 2020 while oil transports will increase at an even faster rate. Ever-larger freighters and tankers are being built to improve cost-efficiency, which makes it necessary to continuously expand the ports handling international goods transports. According to the Technical Research Centre of Finland VTT, the probability of an oil spill will be doubled by 2015.

The risk is not limited to tankers filled to the brim with oil. All other vessels, such as freighters, ferries and cruisers, carry up to thousands of tons of fuel for their own use. Aside from the increase in the volume of traffic, the poor technical condition of the craft or insufficient crew training may elevate the risk of marine accidents.

Since the 1970s, the Baltic Marine Environment Protection Commission (HELCOM) has been the most important intergovernmental cooperation organ of the Baltic Rim countries. HELCOM brings together all the nine countries bordering on the Baltic Sea as well as the European Union. HELCOM is the governing body of the Convention on the Protection of the Marine Environment of the Baltic Sea and aims to promote a common policy for the protection of the Baltic Sea, disseminate environmental information, issue recommendations for improving the state of the sea and monitor the compliance with environmental standards by the member countries. In Krakow in November 2007, HELCOM adopted the Baltic Sea Action Plan outlining the following concrete objectives for substantially reducing the pollution of the Baltic Sea by 2021 by: preventing further eutrophication; preventing the release of hazardous substances; preserving biodiversity and controlling the environmental impact of maritime activities, and preventing damage.

The European Union has initiated a project to prepare a common maritime policy. It aims at improving the Union's capabilities to respond to the challenges presented by globalization, competitiveness, climate change, pollution of the marine environment, maritime safety, energy security and sustainable development.

At Sweden's initiative, the European Union is currently preparing a Baltic Sea strategy, a process to which Finland and Estonia have made a valuable contribution. One of the aims of the strategy is to define the main priorities of cooperation. Mostly likely, the strategy will be adopted during Sweden's EU presidency in the latter half of 2009.

Several other international organizations, projects and funds are involved, in one way or another, in the efforts to solve the environment problems affecting the Baltic Sea (ICES, EEIG, BONUS, Coalition Clean Baltic, Clean Baltic Sea Fund of John Nurminen Foundation, Baltic Sea Action Group, Baltic 21, etc.).

The Gulf of Finland is one of the most polluted areas of the Baltic Sea. Estonia, Finland and Russia have engaged in research cooperation on the issues related to the Gulf for a long time. Estonia and Finland have played a prominent part in the Bonus+ Baltic Sea Research Programme co-funded by the EU. Russia's involvement in the research is of great importance to the success of the project.

Although it is sometimes said that the Baltic Sea is the world's most thoroughly researched sea, a number of current problems call for concentrated local efforts. The problems encountered on the Gulf of Finland are exactly that. Estonia and Finland shoulder the main responsibility for ensuring that both countries have a comprehensive overview of the state of the Gulf and its evolution. In Estonia and Finland, responsibility for marine research and maritime issues rests with several authorities, institutes and ministries. While ensuring greater coordination of the data, it is also important to make rational use of all the resources required for marine research.

Estonia's and Finland's common interests regarding the Gulf of Finland are multi-faceted ranging from the safety of shipping to environmental protection and security issues. Advocating these shared interests calls for coordinated cooperation and the continuous exchange of information between the competent authorities and institutions of the two countries.

Recommendations:

- A Estonian-Finnish inter-governmental maritime council should be established to harmonize the maritime policies of the two countries and coordinate the actions taken by ministries and government agencies in the field maritime safety, environmental protection and security.
- The Estonian and Finnish institutes engaged in marine research should be merged to create a joint co-owned marine research centre. Both countries would own exactly half of the centre.

APPENDIX 6

TRAFFIC AND TRANSPORTATION

Traffic and logistics represent a strategically central sector for Estonia and Finland. In particular, the services between the two countries across the Gulf of Finland are of special importance. For the transport industries of both countries, transit traffic plays major role. The Estonian and Finnish governments invest heavily in traffic and transport policy both in their bilateral relations and at the Union level. Cooperation between the Baltic Rim countries, including Russia, is also essential. Problems with border-crossings and long queues at Narva and Vaalimaa are real problems shared by Estonia and Finland as they complicate flexible trading with Russia.

Transportation and warehousing constitute an indivisible logistic operation. The further development of logistics systems in Estonia and Finland may be significantly affected by how the Asian economies, and particularly that of China, are integrated with the European economy and how the flows of goods are organized between them. In the future, production processes may be divided between the dispatching and receiving countries in such a way that the final products may be assembled en route or only after they have arrived in the receiving country.

The planned Northern Dimension Partnership in Transport and Logistics may open up new opportunities for Estonia and Finland to pursue their interests and objectives. By means of the new partnership, it may be possible to promote projects related to north-south routes and the Baltic Motorway of the Sea.

Geographic location and growth centres play a central part in the economic developments of the regions. In a networked economy, the critical factors are accessibility, delivery times, the frequency of deliveries, and the cost of transportation. The creation of growth centres and the development of related transport services are influenced by the law of supply and demand.

When calculations are made on the profitability of investments in the traffic infrastructure, an attempt is made to estimate the utilization rate of the infrastructure and the operating cost per single user in order to identify the best and most appropriate solutions for the needs of the transport services in terms of cost efficiency.

Flight connections between Helsinki and Tallinn work smoothly. Unfortunately, the introduction of new services between other Finnish and Estonian towns

is hampered by poor profitability. While the re-opened centre-to-centre helicopter service provides an even closer link between the two capitals, it also contributes to the convergence of the Estonian and Finnish business and industry in an even wider sense. Additionally, a helicopter service between the capitals' airports would be worth considering, as it would reduce travel time for those with connecting flights.

Shipping services on the Gulf of Finland have expanded rapidly over the past few years. Although the route between Helsinki and Tallinn is of primary importance, it would be advantageous to have the service between Kotka and Sillamäe put on a permanent footing. Competition between shipping lines works in the favour of all passengers. It is safe to say that the carriage of people, vehicles and goods between Estonia and Finland by sea is quick and relatively easy. The road connection via Latvia and Lithuania to central Europe (Via Baltica) is the key route for road traffic; major investments are called for to develop its southern sections in particular.

The carriage of goods by sea to Europe and even farther afield is vital for Estonia and Finland. The Baltic Motorway of the Sea supported by the EU is a thus key project for the two countries. As maritime nations, Estonia and Finland need to join forces to develop and implement the Union's maritime policy. In particular, this applies to areas such as vessel traffic control and maritime safety, winter shipping, and preventing oil spills

The vessel traffic service system (Gofrep/VTS) in use on the Gulf of Finland needs to be developed further. Finland and Sweden are working together to maintain an online sea traffic monitoring system. A similar system should be created to cover the whole Baltic Sea. In order to create a comprehensive vessel traffic control system, it is necessary to upgrade the technical capabilities and data exchange systems of the coastal nations.

The growth of shipping and, in particular, oil transports on the Gulf of Finland calls for major efforts by Estonia, Finland and Russia to manage the consequences of potential maritime accidents and improve their preparedness with a view to oil spills. The procedures for exchanging information between Estonian and Finnish authorities need to be perfected on an on-going basis.

Ships must be able to operate in the Gulf of Finland even when the sea is frozen. To guarantee this, the number of ice-breakers should be increased and their operations coordinated through joint action by Estonia, Finland and Russia.

On continental Europe, rail transportation is growing in importance. Rail Baltica is a plan to provide a railway link from Tallinn to central Europe. Even though the plan is still in its infancy, all the potential it offers should be explored. A train ferry service across the Gulf of Finland would be needed simply for transporting goods, particularly timber, between Estonia and Finland. At the same time, it would give Finland access to the anticipated Rail Baltica connection.

Although Helsinki and Tallinn are the most important growth centres in the respective countries, no globally significant growth centres are expected to emerge in the Nordic or Baltic states in the foreseeable future. Consequently, a proposed subsea railway tunnel between Helsinki and Tallinn will not have any global impact on the flow of goods. As it is, most of the regionally significant goods transports are already handled by sea.

In January 2007, the European Commission issued a communication concerning closer integration of EU transport system with the neighbouring countries and guidelines for transport in Europe and the neighbouring regions. In the communication, the Commission proposes the development of five main transport axes for international trade. Of these, the most important to Estonia and Finland is the Northern Axis designed to link the northernmost parts of the EU to Norway in the north and to Belarus and Russia in the east. At the same time, the Northern Axis would guarantee the EU's access to the Barents region.

Even if this scenario were to materialize, a railway tunnel between Helsinki and Tallinn would, at best, only offer an alternative to current shipping services without creating any really new traffic route either within the EU or between the EU and other countries. Once the railway tunnel was in service, it would mostly be of question of how the volume of transports would be divided between the tunnel operator and the shipping lines (as in the case of the Euro Tunnel between Great Britain and France or the Öresund Bridge between Malmö and Copenhagen).

A Helsinki-Tallinn railway tunnel could increase transports between the Black Sea, the Mediterranean and the Baltic Sea ports, especially when goods are carried from the Ukraine, Romania, Bulgaria, Turkey and countries in South Caucasus and central Asia and vice versa. Additionally, the railway tunnel would offer a direct route to Finland for goods shipped via the Suez Canal from Asia and the Pacific (Japan, Korea, China and India). From the point of view of Russia or other CIS countries, the railway tunnel would hardly be competitive.

Even though a railway connection through Finland, the Baltic countries and Poland trafficked by high-speed trains would contribute to the networking of companies, the key issues of cost-efficiency and the importance of time saving to consumers would remain. Considering that boat services are sometimes criticized for being slow and expensive, the tunnel could offer savings in time; however, the price level would most likely be higher than the rates charged for existing services.

The construction of a railway tunnel between Helsinki and Tallinn would contribute to the creation of a twin city comprising two separate cities constituting a single area for commuting, housing and other activities. Usually, the necessary prerequisites for twin cities are thought to include a favourable geographical location, proximity and smooth transport services. Express trains would cut down travel time – an important factor when people consider the practical aspects of living in a twin city.

The panel of experts in charge of planning the railway tunnel has proposed two alternative routes for the line:

- From Masala via Porkkala Point to Rohuneeme. The total length of the line would be 120 km of which 67 would run in the tunnel. This option would require the construction of a railway line from Porkkala Point to Masala train station.
- From Helsinki (Pasila–Ruoholahti) to Rohuneeme. The railway station in Rohuneeme would be built above ground and offer a connecting service via Maardu to Tallinn. In this scenario, the railway line would 105 km long with a tunnel length of 83 km. At the Helsinki end, the tunnel would run at a depth of 55 metres; its lowest point would be 220 metres under the Tallinn Shoal.

Given present-day expertise and technology, the construction of the tunnel would not be much of a challenge geotechnically speaking. It is estimated that it would take approximately ten years to build. In terms of the volume of physical labour, the tunnel construction effort would be equivalent to all the underground construction work carried out by Finnish companies during one year. However, the estimated cost of construction in the region of EUR 3 billion is so high that, according to available information, it cannot be financed by the private sector alone.

Recommendations:

- A joint Estonian-Finnish working group should be established to improve the safety of navigation on the Gulf of Finland and the Baltic Sea. One of the key tasks would be to promote the creation of a Baltic Sea-wide vessel traffic control system with online monitoring capabilities.
- The potential for starting a continuous helicopter shuttle service between Helsinki-Vantaa Airport and Tallinn should be explored.
- The work to evaluate the potential for a Helsinki–Tallinn train ferry service should be continued.

APPENDIX 7

INTERNAL SECURITY

One factor affecting the success of a country or region in global competition is how safe and secure it is to work and live there. Of equal importance with the security situation is how secure the citizens perceive their environment to be and what the projected security image is internationally. By world standards, Estonia and Finland are regarded as relatively safe and secure countries.

To a great extent, the problems of internal security are similar in Estonia and Finland. To manage them properly, cooperation is called for. Over the past 15 years, the police, customs, the border guard and the rescue services of the two countries have considerably intensified their cooperation.

Primarily, the framework for cooperation in the field of internal security is provided by the European Union. Estonia and Finland have worked together to pursue joint objectives that we find important in order to enhance internal security in this region and, subsequently, the whole of the European Union.

One of the cornerstones of police cooperation between Estonia and Finland has been the 1995 bilateral agreement on crime prevention. Compared with 1995, the operating environment has changed so much that the agreement should be updated by placing greater emphasis on the electronic exchange of information and shared access to electronic files. Estonia's accession to the European Union and the Schengen area has decreased border checks between the two countries. In order not to be compelled to compromise on general security, it is necessary to develop the regulatory basis to ensure more flexible cooperation between pre-trial investigators in gathering information.

The joint FINESTO working group of the Estonian and Finnish police, established in 2000, seeks to improve efficiency in the exchange of operative information to combat organized crime. The first joint teams of criminal investigators were appointed by Estonia and Finland in 2007. Joint investigative teams are among the latest instruments of police cooperation within the European Union. Aside from the National Bureaus of Investigations of the two countries, the joint teams have included customs officers, prosecutors and local police departments. The experiences gained by Estonia and Finland from joint investigators' teams have been positive. Additionally, the criminal police of the two countries have carried out several other police operations by employing other forms of cooperation in which confidential relations between the organizations are truly important.

Estonia and Finland have dispatched police liaison officers on a reciprocal basis since the 1990s. As a result of the efforts of the liaison officers, interaction between the judicial authorities of the two countries has evolved in a more transparent and informal direction. Cooperation between the Finnish and Estonian police organizations is so close that the liaison officers have become indispensable. This form of cooperation needs to be developed further.

Although police cooperation on the operative level has been going smoothly, it would be advisable to give more thought to the content of strategic cooperation. Strategic cooperation makes it possible to highlight the most important long-term joint objectives and coordinate activities in order to attain these goals. Additionally, it would help improve efficiency in using the national resources of both countries.

Cooperation between the Baltic Sea countries to combat organized crime within the framework of the Baltic Sea Task Force has proved to be useful. A joint interest, shared by the security police of both countries, is to cooperate in fighting international terrorism.

Since 1994, cooperation between the Border Guards of Estonia and Finland has been based on a Protocol on Cooperation drafted annually. Regional border control cooperation is being carried out within the framework of the Baltic Sea Region Border Control Cooperation (BSRBCC). Estonia and Finland have been actively involved in these efforts.

Aside from border control and the prevention of illegal immigration and other crimes, sea rescue is an important area of cooperation between the border authorities. The considerable increase in the volume of north-south and east-west shipping on the Gulf of Finland alone means a heightened risk of maritime accidents simply because of the crossing lines of traffic.

Cooperation between the search and rescue services of the two countries is important. Climate change may give rise to natural catastrophes causing major damage. Managing the consequences of extensive fires, heavy storms, flooding and other catastrophes calls for a carefully thought-out and professional response. The exchange of information and cooperation between the rescue services of the two countries, and a high level of professional training and efficiency of the personnel enhance our capabilities to work together in rescue operations both in our respective home lands and elsewhere in the world when necessary.

Cooperation in the field of internal security requires reciprocal trust between the authorities and the recognition of mutual interests. If we seek to improve

the internal security of the respective countries, we cannot compete with each other; instead, we have to engage in as extensive cooperation as possible. After all, the geographical area involved is such that any flaws in cooperation are quickly recognized and promptly seized upon. Because the problems of internal security are very similar in both countries, we can only solve them together.

In security issues, disseminating correct information in the media is important. Information on internal security that is biased or distorted for one reason or another may have a significant impact on people's perception of security and undo the years of study of actual conditions overnight. Exaggeration of security risks causes uncertainty and may thus thwart new investments and innovative ideas.

Recommendations:

- The need to update the crime prevention agreement between Estonia and Finland should be evaluated.
- An agreement should be reached on the mutual recognition of bans on business operations as it provides an efficient tool for combating economic crime.
- Estonia and Finland should establish a high-level bilateral coordination committee to formulate the principles concerning the use of the resources and databases of both countries; the exchange of criminal intelligence reports and the allocation of costs. The committee would also be tasked to define the joint interests of the Estonian and Finnish security agencies and to coordinate the strategies for rescue and service authorities.
- An agreement should be made on mutual consultations in order to keep up with the technological developments in the field of internal security and to plan potential joint purchases.
- The potential for establishing a joint Estonian-Finnish rapid deployment rescue unit for alleviating the consequences of any accidents on the Gulf of Finland and for quickly addressing any other crises should be evaluated.
- Joint action plans and principles for sharing rescue resources to alleviate the consequences of any accidents on the Baltic Sea and to quickly manage any other crises should be agreed upon between the Estonian, Finnish, Russian and Swedish authorities.

APPENDIX 8

DEFENCE

After Estonia regained its independence, about two-thirds of the Estonian officer corps have received training of different levels and duration in the Finnish Defence Forces. Officials have been exchanged between the Estonian and Finnish defence ministries. From 2004 to 2006, the Estonian Embassy in Helsinki serves as the liaison embassy with NATO. In this role, it was tasked to relay information between NATO and Finland. Considering the frequent reciprocal visits by high-level representatives of the defence ministries and high command, it is justifiable to talk about a special relationship between Estonia and Finland in the field of defence.

Although the Estonian defence forces and officers corps are still in the process of being formed, it is safe to say that defence cooperation between Estonia and Finland has, in recent years, developed towards an equal partnership. Estonia is no longer just the receiving party but is also capable of offering something itself. Estonia has shared its experiences of NATO membership and operations in Iraq and Afghanistan with Finland.

In order to develop cooperation in defence training, it would be necessary to carry out a comprehensive study and analysis of the general training needs and opportunities of the two countries. Because we share a common sea area, it would be advisable to consider systematic training of Estonian naval officers in the Finnish Naval Academy. As it is, it does not make sense to establish a naval college in Estonia considering its needs and resources.

Also provision of PhD- level training for Estonian officers at the Finnish National Defence University would be sensible because no such opportunities exist in Estonia at present. The need for the highest academic defence education is all the more acute simply in order to provide Estonia with its own researchers and teachers.

In the long term, it would be in the best interests of both countries if Finnish top experts could be involved in the activities of NATO's joint cyber defence centre (NATO Kollektiivne Küberkaitse Oivakeskus) scheduled to commence operations in Tallinn towards the end of 2008. Of equal importance is that Finland continues to invest in the Baltic Defence College by dispatching teachers and students. This would guarantee the participation of foreign teaching staff while at the same time offering Finland the opportunity to have its officers trained at a defence college offering the highest level of education in the Baltic region.

Because of the high level of Finnish technology, it is strategically important to identify opportunities for cooperation in the research and development activities carried out by the Estonian and Finnish defence industries.

Additionally, it is advisable to consider joint purchases of armaments. If necessary, this type of cooperation could be extended to other Baltic and Nordic countries. Considering the duties and needs of the Estonian defence forces, the biggest projects undertaken to date have been successful. For example, the delivery of armoured personnel carriers from Finland completed one of the most extensive and important purchasing projects ever launched in Estonia.

A debate has been conducted in Finland as to whether it would be advisable to extend defence cooperation in the surveillance of sea areas primarily to the Baltic countries and, if possible, Russia. This means the extension of the cooperation in the surveillance of sea areas currently being carried out between Finland and Sweden and potential cooperation in air space surveillance as well.

By 2011, Estonia, Latvia and Lithuania are required make a decision as to how their air space surveillance will be organized from 2018. When the various options are weighed, it would be advisable to look into the possibilities of making use of the capabilities and hardware available from NATO's PFP partner Finland.

Estonia and Finland participate, together with Ireland and Norway, in the operations of the EU's Nordic Battlegroup. It has proved to be a useful way of gaining experience in international defence cooperation. Other tasks of growing importance are to enhance civil-military coordination and provide development aid to third countries.

Recommendation:

- A joint Estonian-Finnish working group on defence cooperation between Estonia and Finland should be established to invite experts to explore the potential for defence cooperation on a broad front.

APPENDIX 9

INFORMATION AND COMMUNICATIONS TECHNOLOGY

The Global Information Technology Report by the World Economic Forum ranked Estonia and Finland as the two most advanced countries in Europe in terms of information society policy. According to the UN's annual Digital Governance in Municipalities Worldwide Survey, Helsinki is one of the top ten cities in the world as a provider of high-quality e-government services. Even so, both countries can learn from each other in this, engage in cooperation and share its results with others.

International companies have resorted to joint cross-border solutions in their IT applications ever since the 1980s. At present, routine services in the private sector, such as ticket sales, hotel bookings, receipt of orders for goods or the retaining of services takes place mostly over the Internet. Several states have already prepared information society, e-administration and e-government development plans in order to upgrade the procedures applied in the public sector and central government. The most advanced countries have achieved much in this respect.

According to the European Information Technology Observatory (EITO), central government information technology systems account for more than one third of the European IT market and, together with local government systems, for 40%. Since 2002, public sector investments in information technology have outpaced corresponding investments in other sectors.

As the importance of cross-border cooperation between various authorities within the European Union will only increase, Estonia and Finland could consider the development of a joint e-government. In real terms, it would mean that joint interests of the two countries and the experiences gained by the neighbouring country would be taken into account when developing the national e-government. Standards and technological solutions should, from the outset, be developed with a view to mutual compatibility and shared use.

Aside from the fact that these IT solutions will improve administrative efficiency in Estonia and Finland, local IT companies could perhaps, thanks to first-hand experience from practical cooperation, perform well when participating in Europe-wide projects.

To develop the information society, the provision of diversified and high-standard college-level education in information and communications

technology is required. In addition to scientists engaged in high-level research and development, a wide range of qualified IT professionals are needed in various spheres of daily life.

At the same time as new electronic services are developed, it is also imperative to enhance the user-friendliness of existing e-services. Considering the scope of and prospects for electronic services, access to computers and the Internet by old people and the handicapped should also be improved. It is appropriate, therefore, to organize comprehensive and customized training for individual user groups.

The governments of Estonia and Finland could field a proposal for establishing an inter-Baltic and inter-Nordic information and communications technology institute of education. It would be a polytechnic or university of applied sciences with a syllabus determined jointly by the participating countries. The individual study modules would be implemented in the countries with the best resources for this purpose. The participating country would finance the operation of the foreseen polytechnic in proportion to the reserved student quota.

In an open information society, the availability of electronic services in the mother tongue is vital to linguistic and cultural identity. This pins high hopes on the development of a range of language technology applications.

A more intense cooperation in the context of Estonia's and Finland's national language technology programmes would promote the implementation and development of user-friendly basic applications in Estonian and Finnish. In a globalized world, a native-language information society will give an edge, and by investing in its development we will encourage the creation of applications important to users, thereby contributing to international scientific research.

In the context of the inter-country cooperation related to language technology software, it would be important to increase the number of joint projects being carried out by the current partners, namely the University of Helsinki, Tallinn University of Technology and the University of Tartu. Hopefully, these projects will, in a space of five years, produce tools for a morphological analysis of Estonian and Finnish as well as machine translation technologies and synthesized speech applications.

Recommendations:

- A joint Estonian-Finnish information society council and a working group working under its auspices should be established to issue recommendations

to the governments of the two countries on developing information society policies, and to harmonize the related regulations both between Estonia and Finland and at the European Union level.

- A working group should be established to outline a joint Estonian-Finnish strategy for e-government and electronic services that would be applied by the central government authorities and the capitals.
- The potential for establishing a joint information technology and communications polytechnic by the Baltic and Nordic countries should be explored and its feasibility evaluated.
- The potential for creating a joint Estonian-Finnish language technology programme should be considered.

APPENDIX 10

LABOUR

Estonia's accession to the EU and the extension of the Schengen area did not result in the type of migration of labour between Estonia and Finland as feared. At one time, the Central Organization of Finnish Trade Unions created emotions by suggesting that 400,000 Estonians were waiting to move to Finland to work. Currently there are approximately 25,000 Estonians working in Finland, either living here permanently or shuttling between the two countries regularly. Many a sorely needed worker never turned up in Finland. Recently, there has been a growing need for Russian-speaking personnel in the service sector. Suitable labour to respond to this need could be found in Ida-Virumaa in Estonia.

In many areas of industry, Estonia has imported qualified labour from third countries. According to a survey conducted by the Estonian Labour Market Board (Eesti Tööturuamet) in early 2008, 24% of Estonian employers were interested in hiring foreign workers. Aside from experts, there is currently a growing demand for skilled workers. At the same time, a large number of employers were unaware of the possibilities of recruiting labour from third countries. In this context, concrete opportunities for cooperation – from joint hiring to training programmes and common service networks – sound fairly realistic. The current situation shows that it is advisable to analyze the need for and the availability of labour together.

The ageing of the population is already a fact in Finland. Estonia, too, will soon face the same problem. From 2007 to 2030, the number of 20 to 64-year-olds, i.e., the working age population, will decrease by 420,000 unless foreign labour can be attracted to Finland to make up for the shortage. This means that over the next 20 years, Finland will need at least 100,000 foreign employees while recruiting 300,000 people from its own labour reserves. At present, 11% of people of pensionable age are working in Finland. In the future, the recruitment of retirement-age people as an additional labour reserve will become a highly important area of activity that calls for an innovative approach. Retirees resuming work may also prove to be an important target group as consumers of innovative products and services tailored for their needs.

The cost of labour in Estonia and Finland is different. The difference in average income per person is 60%. As of 1991, the main idea of investing in Estonia was the availability of low-cost labour. With the globalization of the world economy, new opportunities have been provided for making use of exceptionally cheap labour in Asia; this means that Estonia's economic growth in recent years no

longer supports the viability of such investments. As a result, many Finnish companies have wound up, or are winding up, their business operations in Estonia.

Although the situation in Estonia has changed in many sectors and income levels have risen, it is still too early to talk about any actual levelling-out of labour costs. During 1995–2006, the Finnish economy grew at an average annual rate of 3.8% and the Estonian at 6.6%. If the same trend continues, wages will increase by 50% in Finland and 100% in Estonia by 2015. It would mean that the ratio of average incomes will stretch to 64%. Even though these average figures are speculative, they suggest that the differences are not levelling out any time soon.

As in the past, the differences in labour costs and wages between Estonia and Finland will boost economic growth and convergence in both countries. The two economies cannot be said to be integrated until incomes and the cost of labour are equalized.

Recommendations:

- An Estonian-Finnish working group should be established to prepare a joint strategy for solving labour problems and issues related to the ageing of the population. Both governments and the labour market organizations should be represented in the working group.
- An Estonian-Finnish labour market survey should be carried out to determine the need for additional labour and evaluate the potential for importing qualified labour from third countries.

APPENDIX 11

COOPERATION IN SOCIAL WELFARE AND HEALTH CARE

In order to respond to the challenges presented by globalization, we need a competitive economy and a healthy and caring society. High-standard social and health care services may well offer a significant regional edge in worldwide competition. The lowering of borders between Estonia and Finland will continue to increase the mobility of labour, migration and other interaction. As the nation state in the strict sense of the word no longer exists, the challenges and problems concern us all.

Cooperation in social and health care services is important to Estonian-Finnish integration. Joint projects to prevent and treat the common national diseases (such as cardiovascular diseases) would benefit both parties. Additionally, specialization in the treatment of rare diseases should be considered. There is a clear need for closer cooperation in the prevention of communicable diseases. Also, cooperation between NGOs across the Gulf of Finland is of great importance.

To respond to the problems caused by alcohol, tobacco and drugs, Estonia and Finland have harmonized their practices and looked for ways of managing the problems together. Positive results have been achieved through these efforts, such as the suppression of the illegal trade in Subutex pills. This area of cooperation is of a permanent nature and needs to be intensified on an on-going basis.

As far as health care training is concerned, Estonia and Finland have relied on each other for a long time. Unharnessed potential most likely exists both in this area and in medical research. Health care personnel should be encouraged to learn the language of the neighbouring country. It would facilitate the mobility of labour and help transfer best practices across the Gulf of Finland.

Problems in the social and health care sectors are increasingly international in nature. Adopting a common policy within the European Union in this area is of great importance. Estonia and Finland could together place greater emphasis on the Northern Dimension Partnership in Social Wellbeing and Health.

A common challenge facing European societies is the ageing of the population due to increased life expectation and low birth rates. The natural increase in Finland's population will come to a halt in the 2020s. The economic dependency ratio has already started deteriorating. The share of people 65 or older, currently

standing at 17%, will rise to around 25% by 2030. The demographic trend in Estonia follows the same pattern.

One of the consequences of the ageing of the population is that societies like Estonia and Finland will have to struggle with a growing deficit in income formation. Estonia and Finland could benefit from cooperation in research and planning for social welfare and health care services. The competent authorities and agencies should intensify their contacts. Support for experts specialized in monitoring the developments in the neighbouring country and exchange of government officials help transfer experiences and best practices across the Gulf of Finland.

By pooling resources and taking into account the needs of both countries, a number of benefits would probably be gained in the provision of social welfare and health care services. To accomplish this, the technical facilities required for cooperation need to be improved, for example, by upgrading e-services. They would make it possible to extend the services created as a result of specialization as remote services across the Gulf of Finland. Other potential areas of cooperation are the care and rehabilitation of the elderly.

Recommendations:

- Cooperation in medical research, the education of health care professionals and specialization should be supported.
- An inter-country panel of experts should be appointed to look into the needs and possibilities for combining Estonian and Finnish social welfare and health care services including the use of technical facilities.
- An expert in social and health care issues should be appointed to the Estonian Embassy in Helsinki and the Finnish Embassy in Tallinn.

APPENDIX 12

TOURISM

Tourism is commonly understood to mean holidaymaking and recreation away from home, but it can sometimes cover business travel too. Tourism consists not only of the actual travel but also the provision and use of various services. Sometimes tourism is simply defined as any trip extending more than 80 km from the traveller's home and involving a stay at the destination of less than one year.

Tourism is not just a developing business sector. It contributes substantially to the international perception and image of travel destinations and areas. Developing tourism between Estonia and Finland is important for the promotion of integration between the two countries.

Tourism is principally of financial importance for Estonia and Finland. In 2007, tourism accounted for about 8% of the Estonian GDP and 2.4% of the Finnish GDP. Last year, tourists logged 5.3 million overnights in Finland and 2.9 million in Estonia. In 2007, a total of 1,656,000 Finns visited Estonia; some 53% of them stayed overnight, the rest were day-trippers.

Although Estonia and Finland are to some extent competitors in the tourism industry, they are perceived as a single destination at least by tourists from outside Europe. Because of this, the public tourism authorities and tourism businesses in Estonia and Finland should find out how they could pool their resources. The aim might be to develop a common marketing strategy and shared procedures. Cooperation between the Estonian Tourist Board (Eesti Turismiarenduskeskus) and the Finnish Tourist Board (MEK) should be considerably enhanced.

Helsinki and Tallinn are already considered twin cities by many tourists, because their sights and services complement one another. This should be seen as an opportunity for the Helsinki City Tourist & Convention Bureau and the Tallinn Tourist Bureau (Tallinna Ettevõtlusameti turismiosakond) to join forces in marketing the twin cities in overseas markets. Many tourists also consider the opportunity of adding St Petersburg or Stockholm to a trip to Helsinki and Tallinn, and this 'triangle concept' should be exploited in developing tourism in Estonia and Finland.

Travel by Estonians and Finns across the Gulf of Finland is important not only for enlivening the tourism sector but also for the integration of the two

societies. Tourism must therefore be supported. It is important that tourist information on both countries, suitable for a variety of purposes, be generously available. Expanding the network of Estonian and Finnish tourist information points in Helsinki and Tallinn should be considered, together with cooperation in the training of tourism professionals and in the production and distribution of marketing materials.

Recommendations:

- A joint marketing strategy for Estonia and Finland in general and Helsinki and Tallinn in particular as a single tourism destination should be drawn up.
- The availability of tourist information on both countries in Estonian, Finnish and Swedish should be improved.
- The Estonia Days in Finland and Finland Days in Estonia should be developed into annual events.
- The timing of principal tourism and culture events in Helsinki and Tallinn should be coordinated to facilitate the marketing of these events as combined packages.

APPENDIX 13

CULTURE

The creative industries are growing in importance in an increasingly international world. Not only companies and national economies but cultures too are involved in global competition. Thanks to rapid advancements in IT and communications technology and new audiovisual systems, both mass culture and elitist culture have attained worldwide proportions. Because culture almost always has material value too, it may be a significant economic competition factor.

The originality and character of each country or region is becoming increasingly important. Standing out globally is a hallmark of competitiveness. A culture which is of high quality and great originality may be an important part of the brand of a country or region and also serve as a successful export.

The growth of the creative industries is a clear worldwide trend. The European Commission has reported that the growth of the market for creative industries is outpacing that of the economy in general; in Europe, for example, it is already twice as large as that of the automobile industry. In Finland, the creative industries will soon overtake the paper industry in terms of market volume. The percentage of the creative industries in the foreign trade of the European Union has increased substantially.

The cultures of Estonia and Finland exist in an open, increasingly integrated and increasingly globalized world, where interaction is intense. Despite this, however, immediate bilateral links between the two countries are important for both. To support these cultural links, thought should be given to setting up a financial support system (foundation) to support the appearances abroad of top names in all branches of Finnish and Estonian culture, interaction between people in the cultural sector, and the activities of young people in creative fields.

Finland and Estonia should set up a joint cultural foundation (modelled on the joint foundations which Finland has with Sweden, Norway, Denmark and Iceland). The purpose of such an Estonian-Finnish cultural foundation would be to promote interaction between our two countries in culture and the arts, as well as to develop social life and commercial activities in these sectors. Grants from this foundation would be available to any private individuals, businesses or organizations whose activities fall within the areas supported.

Venues and accommodation are always needed for cultural events and activities in neighbouring countries. Although practical solutions have so far been efficiently found in both countries, the existence of multi-purpose cultural centres would be a significant improvement. They could function as the focal points for cultural networks, following the example of the Swedish-Finnish Cultural Centre in Hanasaari, the Centre Culturel Français and the Goethe-Institut.

The new cultural centres would be the Eesti Maja in Finland and the Suomi Talo in Estonia. In addition to promoting the culture of their respective countries and promoting cultural ties, they could provide centralized facilities for certain existing organizations and associations and also house information services of their respective embassies. In addition to traditional cultural promotion, these centres could also enable the organizing of lectures, exhibitions, seminars, language courses, discussion groups and translators' clubs.

In Estonia, the Finnish cultural centre could be partnered by the Finnish Embassy; the City of Helsinki; the Finnish Institute in Estonia; the Finnish-Estonian Chamber of Commerce (FECC); the Finnish expatriates' club in Estonia (Soome Ettevõtjate klubi Eestis, SEKE); the Estonia-Finland Society (Eesti-Soome selts); Euregio; the Finnish Schools in Tallinn and Tartu and so on. In Finland, the Estonian cultural centre could be partnered by the Estonian Embassy; the City of Tallinn; the Estonian Tourist Board (EAS); the Tuglas Society; the Estonian Institute in Finland; the Union of Finland-Estonia societies; the Finnish-Estonian Trade Association; Euregio; the Helsinki-Tallinn Society; Eesti Lastering and the Pro Estonia magazine.

Cooperation between arts education institutions, particularly student and teacher exchange, should be supported in every way.

In order to understand the culture of a neighbouring country, one must know its language sufficiently well. National governments should provide more support for the teaching of their languages in neighbouring countries and the training of teachers. Specifically, special schools and the training of teachers of Estonian and Finnish should be supported. Schools should add material on neighbouring countries and their cultures to their curricula, and interaction between twinned schools should be encouraged.

Both countries should support the translating of Estonian literature into Finnish and vice versa, and translator training. High-quality dictionaries are needed both for everyday interaction and for cultural exchange purposes.

In 2003, the Research Institute for the Languages of Finland and the Institute of the Estonian Language completed a major Finnish-Estonian dictionary (with 90,000 entries). Work on the corresponding Estonian-Finnish dictionary has already begun; however, funding is still lacking. The new high-quality dictionary should be available for everyone for free on the internet. Smaller dictionaries also need revising.

The consumption of culture in Finland is high by European standards, which means that there is little scope for growth on the domestic market. However, cultural exports offer new development opportunities for small national cultures. Advancing entrepreneurship in the creative sector is important, as is improving the operating potential of the mediators, producers, facilitators and businesses in cultural fields. An insufficiency or outright lack of such players is the principal obstacle for bringing a high-quality national culture to the international market.

The Ministry of Education, the Ministry of Employment and the Economy and the Ministry for Foreign Affairs of Finland have drawn up a Programme for Cultural Export Promotion for 2007–2011. The Ministry of Education supports viable export projects and contributes to the building of cultural export structures. A similar cultural export development programme is being completed in Estonia under the supervision of the Ministry of Culture.

Potential for cooperation in cultural exports between Estonia and Finland should be explored in order to locate shared benefits and strengths. Cooperation may be engaged in while taking the needs and opportunities of both countries into account. Combining the cultural products and creative forces of Estonia and Finland could boost the international competitiveness of both countries. A joint cultural export programme would be a feasible goal.

Recommendations:

- A joint Estonian-Finnish cultural foundation should be established.
- An Estonian Cultural Centre in Helsinki and a Finnish Cultural Centre in Tallinn should be founded.
- The compilation of up-to-date dictionaries should be supported.
- The potential for Estonia and Finland to cooperate in cultural exports towards achieving a joint cultural export programme should be explored.

APPENDIX 14

AUDIOVISUAL AREA

It is important to keep up with developments in worldwide competition and to recognize one's own potential in the international field. One area with good potential for cooperation between Estonia and Finland is the modern film and audiovisual (AV) industry.

Individually, Estonia and Finland are not large enough to compete with other countries in providing products that cover all parts of the modern AV chain. Estonian-Finnish joint film productions have yielded good experiences. By combining resources, Finland and Estonia could be competitive in a number of specific services, such as the digital editing of films and TV programmes, with the potential for selling these services internationally. Our common neighbour, Russia, has the fastest-growing AV industry market in the world at present and in St Petersburg, for instance, the market is already suffering from a shortage of technical services.

It would be advisable to consider setting up a joint regional film foundation for Helsinki and Tallinn for the purpose of providing post-production services efficiently and thus attracting international film teams to our countries. This foundation would fund film projects that use the services of companies in Estonia and Finland participating in this scheme. There are already some 30 regional film foundations in Europe; successful models may be found at least in Denmark, Finland and Sweden (POEM Foundation, FILM I VÄST, FilmFyn, etc.).

Estonia and Finland could set up a joint Film Commission for mediating local services to international buyers and for finding suitable international film projects to use those services. A model for this concept may be found in the Öresund Film Commission, which is already in place combining the potential of the film industries in Copenhagen and southern Sweden and marketing their services.

Estonia and Finland are already known as innovative countries in several areas of new media and communications. Achieving a joint Estonian-Finnish film and AV cluster would help focus know-how in both countries and better motivate its development. It would also yield new perspectives on the development of local cinema and enable international participation in the creative industries.

Moreover, Estonia and Finland could collaborate on the development and integration of the AV content on digital media servers. The materials and filmographies of film archives in both countries could be made mutually accessible over the Internet.

Recommendation:

- The possibility of setting up an Estonian-Finnish film, media and AV centre that would function as a joint film foundation and a Film Commission should be considered.

APPENDIX 15

BROADCASTING

Estonian-Finnish cooperation in radio and television broadcasting started already 73 years ago. The first foreign correspondent's report for the Estonian Broadcasting Company was transmitted live from Helsinki on 28 February 1935. In April the same year (25–24 April 1935), a joint radio and television broadcasting conference was held.

The first Finnish-language programmes were broadcast from the Estonian Radio (Eesti Raadio) on 14 March 1947 and the Tallinn Television (Tallinna Televisioonistuudio) on 3 October 1956. In the totalitarian climate of the Soviet era, the Communist Party found it important for Estonia to start regular TV programmes in Finnish before the Finnish Broadcasting Company could start broadcasting its own regular TV programmes in Estonian.

For decades, Finnish television served as window to the western world for many Estonians. Aside from news, we should not underrate the importance of entertainment, culture, scientific and children's programmes that for two generations shaped the outlook of Estonian viewers and contributed to their knowledge of languages. The repeated attempts of the Communist Party to ban watching Finnish TV or at least restrict it failed to have the desired effect.

Examples of early Estonian-Finnish cooperation in broadcasting include quiz shows (Naapurivisa) and music programmes (Iltatähti). In the 1990s, cooperation between the Estonian Broadcasting Company ETV (Eesti Televisioon) and its Finnish equivalent YLE took off on a completely new course. Subsequent co-productions include documentaries and films (e.g. a portrait of the composer Arvo Pärt *Siis sai õhtu ja sai hommik*), drama (e.g. *Palav rakkaus* about Aino Kallas and Eino Leino) and music programmes (e.g. *Tormise ring* and *Mozarti Reekviem*). More recently, the two companies co-produced a widely acclaimed music programme *Saaremaa valss* (2004–2007).

Up until 2004, Finnish television channels enjoyed a fairly large audience in Estonia. According to surveys, over 150,000 of the Estonian population watched Finnish channels at least 15 minutes per week. Of the viewer groups, the most involved were Estonians with an academic degree who followed Finnish TV three times more actively than the rest.

In 2005, the number of those watching Finnish TV in Estonia started to fall. The single most important reason for this was probably Estonia's own commercial TV channels – programme choice, films and shows had attained as high a standard and became as popular as their Finnish counterparts while offering the additional advantage of being broadcast in Estonian.

Finland's transition to digital transmissions in September 2007 placed Estonia in a completely new situation in terms of the reception of the digital signal from Finland. Today, Estonia is out of range for the digital transmissions from Finnish television. If the range were to be extended, additional costs would be incurred in the form of royalties. Because of copyright regulations, the talks with Estonian cable operators on re-transmitting Finnish TV programmes in the cable network have been put on hold.

No MTV3 programmes have been available on the Estonian cable network since the beginning of 2008 and the Channel 4 went off the network in April. According to a survey made in March when the YLE1 and YLE2 channels were still available on cable, these channels had 42,000 viewers of whom over 10,000 had a higher university degree.

Compared with earlier times, the situation in Estonia has also changed in a broader sense. Interest in Finland is clearly declining - something that is not only due to the phasing out of Finnish TV channels. The former Finnish window has been replaced by satellite and cable television with their programme offerings, the Internet, freedom of travel and new personal contacts with the rest of the world. Fewer and fewer young people entering the labour market speak Finnish. Most of the people studying Finnish in Estonia do so because of their work while interest in the language itself and Finnish culture is waning. Nowadays, the Estonian media is relatively passive towards its northern neighbours. When reporting on developments in Finland, the media often errs in facts and interpretation, and there is a superficiality manifesting itself in the absence of proper context.

In Finland, there are gaps in the knowledge of Estonian conditions even among people who would be expected to be familiar with its neighbouring country simply because of their job description, for example, business persons and journalists. By familiarity with the affairs of a neighbouring country we do not only mean awareness of what is going on but also deeper understanding of Estonian society, its geography, history, etc., or an objective picture of the Russian minority and of crime in Estonia. Considering the close interaction, knowledge of Estonia in Finland is scant. The opportunities available for ordinary Finns and decision-makers to update their Estonian facts and learn

about developments through the press are limited in that the information is often fragmentary and one-sided.

A new development is that unlike in the past, there are an increasing number of emerging areas in which Estonia can set an example for Finland. It would be in the best interest of both countries to publicly highlight these issues.

Co-productions by Estonian and Finnish broadcasting companies have dwindled to a almost trickle. However, there are historical points of contact and joint cultural events, individuals of interest and significance to both countries (e.g. Hella Wuolijoki, Lydia Koidula) and similar future challenges that could attract listeners and viewers in both countries. Cooperation could be resuscitated by investing in, for example, joint documentaries, drama and mini-serials.

Common TV shows targeting audiences in both countries and the exchange of domestic programmes and serials could be considered. It would be advisable for the broadcasting companies of both countries to explore the possibilities for teaching Estonian or Finnish and discussing the similarities and differences between the two languages.

The broadcasting companies could adopt a more active role in diversifying the perception of Estonia among Finns and that of Finland among Estonians. One of the tasks that the broadcasters could assume is to cherish and develop a common area of knowledge and culture. It would mean greater emphasis on presenting the conditions, developments, politicians and experiences gained in the neighbouring country, and addressing the underlying trends on a daily basis.

The creation and maintenance of the necessary facilities for following the respective public radio and TV channels should be perceived as being in the best interest of both countries. Undoubtedly, the new media will, in a space of a few years, offer improved opportunities for doing so. Until then, however, the viewing patterns of the audience should be maintained during the transition when watching TV via the Internet is still limited.

The digital television is transforming the concept of the telecommunications market. New viewing patterns are emerging (such as watching programmes on the web off-line) and the concept of the audience is changing. Advertisers are learning to work with small and even very small audiences. It would be short-sighted therefore, for a democratic country to relinquish such an important means of communications with its citizens as television represents - one that offers a wide range of channels and diverse content.

The viewing patterns of young people and those with upper secondary education show that commercial channels reach them more effectively than public channels. Yet even private channels often address important social problems and cultural theme albeit within an entertainment framework. Finland is a country with high-standard radio and television services. Commercial TV channels apply high programme standards and discharge important public functions. The question of whether Finnish commercial channels can be received in Estonia is thus significant. Both countries should seek cooperation with the owners of commercial channels as transmission range and programme content are determined by them.

Looking at the present-day situation, there is a clear need to intensify cooperation in radio and TV broadcasting between Estonia and Finland. Strategic cooperation can be carried out in areas such a creative work, and technical and legal (copyright, reception range) issues.

New impetus to such cooperation could be given by a joint conference on radio and television broadcasting – the second since the 1935 conference. The meeting could be attended by the communications ministers of both countries and ministry officials, the senior executive management of radio and television companies, distributors (Levira of Estonia, Digita of Finland, and cable and satellite companies), newsroom managers, pollsters as well as experts in legal and other relevant matters.

Recommendations:

- A joint Estonian-Finnish radio and television conference should be organized to explore the potential for broad-based cooperation between companies operating in this field and to address issues related to copyright and technical problems.
- A permanent correspondent position should be created by the Estonian Broadcasting Company (Eesti Rahvusringhääling) in Finland and an equivalent position by the Finnish Broadcasting Company in Estonia.

APPENDIX 16

HELSINKI-TALLINN EUROPE FORUM

The main elements of Estonia's and Finland's competitiveness are security, prudent political leadership and sustainable development. These three dimensions stand in an interactive relationship but are also closely linked to the global competitiveness of the European Union. In the global context, business and related interests on the one hand, and politics and security policy on the other are intrinsically intertwined and their mutual relations are sensitive.

Awareness of real political and economic challenges and their transparent processing from various angles as well as mutual understanding between key politicians and businessmen are topical issues in Estonia, Finland and the rest of Europe. However, there is no forum in Europe at present for regularly addressing and analyzing the links between business and politics and their mutual implications.

A summit meeting of top executives called European Business Leaders Convention (EBLC) has been held in Finland every two years since 2003. The purpose of this exclusive forum of executives and experts is to carry on forward-looking discussions on Europe's challenges and opportunities. No business forum of a standard equivalent to EBLC has ever been organized in Estonia.

The second Lennart Meri Seminar was held in Estonia last March to address foreign and security policy issues in Europe. The seminar has quickly achieved a unique status because of its high-level participants and profound approach to issues. No similar event is organized in Finland.

Estonia and Finland could field a joint proposal for convening a Europe-wide forum focusing on the links between business and politics, and related challenges. Such a step would certainly increase the visibility of Finnish-Estonian cooperation and give added weight to both countries in addressing topical European issues.

The conference could be held in Estonia and Finland in alternating years. It could be organized jointly by the EBLC Council and the Organizing Committee from Finland, and the International Centre for Defence Studies (Rahvusvaheline Kaitseuringute Keskus) and the Lennart Meri Europe Foundation from Estonia.

Conference participants could include the European heads of state, leading politicians in the European Union, researchers, top executives of national and international corporations, leading experts and representatives of business research institutes. The themes of the first conference could be the connections between business and politics in the energy sector and the reduction of the pace of climate change.

Recommendation:

- An international business and political conference (e.g. Business and Politics in Europe) should be staged by Estonia and Finland every two years.

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