



**Report of the 31<sup>st</sup> Session of the Baltic Assembly,  
18<sup>th</sup> Baltic Council**

9 November 2012, Vilnius, Lithuania

**1. Presiding officers of the Session:**

- **Mr Paulius Saudargas**, President of the Baltic Assembly
- **Mr Raimonds Vējonis**, Vice President of the Baltic Assembly
- **Mrs Laine Randjärv**, Vice President of the Baltic Assembly

**2. Agenda of the Session**

- Opening of the Session
- 18<sup>th</sup> Baltic Council
- Signing of the Joint Statement of the 18<sup>th</sup> Baltic Council
- First Panel on “Actions to ensure regulative and supervisory cooperation mechanisms of the Nordic and Baltic financial markets”
- Second Panel on “Baltic cooperation in developing joint external economic policy and joint investment projects”
- Third panel on “Current and future Baltic health care projects”
- Fourth panel on “Optimizing Baltic interests in the European Union: presidencies of the EU Council”
- Addresses by foreign delegations
- Report of the Presidium of the Baltic Assembly
- Report of the Budget and Audit Committee of the Baltic Assembly
- Adoption of the Final document of the 31<sup>st</sup> Session of the Baltic Assembly
- Election of the President and Vice Presidents of the Baltic Assembly 2013
- Election of the Chairpersons and Vice Chairpersons of the BA Committees
- Speech by the newly elected President of the Baltic Assembly
- Signing of the Final document of the 31<sup>st</sup> Session of the Baltic Assembly

## Opening of the Session

**Paulius Saudargas**, President of the Baltic Assembly, pointed out a number of urgent issues like legislative coordination mechanisms for financial markets, the energy market, joint energy projects, infrastructure, and the Common Agricultural Policy and the Cohesion Policy of the European Union. Each of the Baltic States has its own priorities and domestic cares, its economic imperatives and political concerns, but the Baltic States clearly recognize the common priorities, regional cares, economic imperatives as well as concerns. The goal in the Baltic parliamentary cooperation and in the work of the Baltic Assembly is to build a sustainable, innovative and prosperous region.

Some of the most important issues to discuss are: firstly, joint actions to ensure the regulatory and supervisory cooperation mechanisms of the Baltic and Nordic financial markets; secondly, joint external economic policy and joint investment projects; and thirdly, joint initiatives to fight against VAT and social fraud.

One of the recent achievements of the Baltic cooperation is the partnership in the health-care sector. The practical result of the Baltic parliamentary and governmental cooperation is reflected in the Partnership Agreement between the Baltic States on common procurement of medicinal products and medical devices which was signed on 2 May 2012. Through the joint procurement and increased purchasing volume greater competition among potential suppliers will be created, which will also help to purchase at a lower price for all Baltic countries.

The president of the Baltic Assembly welcomed all participants to the 31<sup>st</sup> Session of the Baltic Assembly, and on behalf of the Baltic Assembly expressed special gratitude to H.E. Mrs. Irena Degutienė, Speaker of the Seimas, H.E. Mrs. Solvita Āboltiņa, Speaker of the Saeima and H.E. Mrs. Ene Ergma, President of the Riigikogu.

*After the welcoming address of the President of the Baltic Assembly, the national anthems of the three Baltic Republics were played.*

**H.E. Mrs. Irena Degutienė**, Speaker of the Seimas, welcomed everyone in the Parliament of Lithuania. Even tough time alone can show whether the decisions made were right, most

of the completed tasks were appropriate and meaningful. The Baltic Assembly still faces the same challenges. One of the key challenges is energy security. There is still a pressing need to find the best and fastest ways to reduce the total dependence on gas imports, promote competition in the gas sector and address the issue of vertical monopolies. The Baltic States are still integrated with the Eastern European networks and not with the EU electric power systems, therefore it is of key importance to reach an agreement between the Baltic States on the strategic goal of reinforcing the independent energy production capacities and joining the synchronous grid of continental Europe.

The efforts of the great powers to reshuffle the European security system raise concerns whether NATO and EU membership is a sufficient guarantee of absolute security. Every effort needs to be put to ensure the membership does not become formal, thus it is needed to reinforce the political and military visibility of NATO in the Baltic States and fully integrate the Baltic States with the EU. Full-fledged integration is of key importance in order to avoid the phenomenon of a two-speed Europe. The Baltic Assembly has raised the issue of safe geopolitical environment for a number of times in reference to its Eastern European neighbors who are still at the crossroads of geopolitical interests. The realities will hardly change in the near future and these countries will remain trapped between the two different political structures and worldviews, namely, the EU on the one hand, and the increasing economic and military integration, on the other. Then the Baltic States will have to withstand and duly continue the competition between the differing value systems, political structures, and concepts of democracy. If the EU and NATO fail to find ways to help their Eastern partners break free from the geopolitical trap, others will complete the creation of the European security system in a way that serves their own interests. Therefore the Baltic States need to be aware of their shared historical past and future prospects. Failure to agree on trivial matters should not overshadow the potential for cooperation. The benefit and progress of one state translates into benefits and progress of the entire region and problems faced by one state create problems for the entire region as well. Estonia – as the leader of the three Baltic States introduced euro, and serves also for Lithuania to make progress in this field. The common Baltic position in the EU on issues like the CAP and the Cohesion Policy should be reinforced. The Seimas has adopted a resolution stating that proposals to decrease the EU budget and, consequently, the Cohesion Fund resources may lead to further long-term negative consequences, including the increasing exclusion between the EU Member States. The resolution stipulates that during the tough negotiations

on the EU Multiannual Financial Framework 2014–2020. A principle agreement should be reached on creating a level playing field for all the EU Member States in terms of the size of direct payments to farmers. This solution will prevent discrimination against the farmers of some individual EU Member States.

During the negotiations on the EU budget all the three Baltic States are treated as a region with shared needs and interests; and this image should be reinforced. A remarkable example of united action is a campaign planned by the farmers of all the three Baltic States aimed at drawing the attention of the EU institutions to the fact that direct payments to farmers of the Baltic States are among the lowest in the Community. While receiving the lowest rates of support per hectare of cultivated land in the EU, the farmers of the Baltic States still need to compete with the farmers in the old EU Member States that receive far greater direct payments.

The future of the Baltic Assembly can be seen as a forum where the parliamentarians of the three Baltic States coordinate their actions and policies on the EU and NATO and stand for the joint Baltic approach to various issues of importance for the development of the said organisations. The Baltic Assembly should follow the Nordic model of close cooperation that has withstood the storms of history, so that the region becomes a community united by a shared view on economy, policy, and security. The Speaker of the Seimas thanked everyone for joint efforts and discussions that have resulted in more unity, openness and trust in the Baltic Assembly and between the states.

**H.E. Mrs. Solvita Āboltiņa**, Speaker of the Saeima, emphasized that the experience the Baltic nations shared at the turn of the century have strengthened them and given the sense of belonging and identity. Coordinated action and mutual support between the Baltics is necessary not only during the times of the barricades and revolutions, but also on a consistent basis when defending common positions within the European Union or implementing important projects.

The interests of the Baltic States lie in the viable European Union. This geo-political region is currently experiencing not only a financial and economic crisis, but also a political one. Therefore it is necessary to find a golden middle way out of the crisis among the cross fire of ideas and visions, and join efforts in order to find a framework for future development perspective. The EU is negotiating on essential issues such as the banking union, recast of

the founding treaties, two-speed Europe and even a federation of sovereign states. Not all the proposals are in line with the Baltic interests, but it is necessary to act jointly in order to make sure that this generation does not lose during a couple of years what the previous generations have carefully created over 60 years.

Negotiations on the EU's next multi-annual budget have come to a close, much has been done to convince EU members that it is not acceptable to have an unfair distribution of direct payments to farmers, and that the cohesion funding is an important tool for growth. Even though the results are not known, it is worth praising that in this regard the Baltic States took coordinated action.

Hopefully the Baltic States will as successfully cooperate in the framework of the upcoming presidencies of the Council of the EU. Lithuania will be the first to assume the task next year, Latvia will follow in 2015 and Estonia – in 2018. In Latvia the national priorities of the presidency are being drafted, public consultations have taken place, where one of the conclusions was that the Baltic States have to ensure a mutual coordination of priorities and the continuity in their monitoring. Experience shows that regional cooperation ensures more efficient ways to achieve progress in areas where interests of the region's countries overlap. For attaining this goal it would be necessary to more actively take the opportunities provided by the Baltic Assembly.

Latvia's presidency priorities in the Baltic Assembly will be the development of a competitive and innovative economy of the Baltic States, coordinated approach to the development cooperation, energy and transport.

The Baltic Assembly has put in much effort to achieve practical results for citizens, and that one of the main achievements recently is the implementation of specific projects in healthcare. As one of the most perspective areas of cooperation between the Baltics, cooperation in science, research, technology and innovations should be singled out. Development of these areas requires major investments which are difficult to secure for each individual country, thus the Baltic Assembly should urge governments to create a task-force on the creation of joint Baltic research, technology and innovation infrastructure in the framework of BIRTI project. The political dimension of the Baltic Assembly does not lose its topicality. It is essential to follow the progress achieved in terms of strategic energy and infrastructure projects of the region. Latvia is interested in the new Lithuanian

government's position on the Visaginas Nuclear Power Plant project, taking into account the recent referendum in the country.

It is also important to continue developing positive initiatives with partners: the Nordic Council, the Benelux Parliament, the GUAM and the Visegrad group. The task is to find the right time and circumstances for boosting this process, e.g. on such issues as the future of Europe, the multi-annual financial framework etc.

In conclusion, the Saeima Speaker thanked the Lithuanian colleagues on a successful presidency of the Baltic Assembly, and wished the newly elected Lithuanian parliament success in its work.

**H.E. Mrs. Ene Ergma**, President of the Riigikogu, noted that a little more than 20 years ago, in May, the 2<sup>nd</sup> Session of the Baltic Assembly took place in Lithuania, Palanga. Besides the documents regulating the work of the new organization, recommendations were adopted on more effective coordination of the cooperation between the three countries in the fields of education, culture and research, improving transport connections, common activities to guarantee energy supply and security, having closer relations between the Baltic Assembly and the Nordic Council. Also a joint appeal on the withdrawal of the armed forces belonging to the Russian Federation from the territories of the Baltic States was signed. Excluding the latter, all other issues discussed at that time are still topical today.

Speaking about education, research, culture, energy security and transport connections, concerns connected with these issues have changed in time, and there is no much time for solving them. The way these issues are solved will influence the region's further competitiveness, energy security and the general capability to control the future development. In the nearest future it is expected that a memorandum on higher education, research and innovation will be concluded between the ministries of education of the Baltic States.

Energy security issues like the project of constructing a joint nuclear power station, development of the new LNG terminal, establishing new gas and electricity links between the Baltic Sea countries, transport connections where the most urgent issues are connected with the preparations for Rail Baltic – all these issues require operative decisions. Both the

national parliaments and the Baltic Assembly have their possibilities and obligations in contributing to these issues and realizing them. There has been remarkably efficient collaboration of the Baltic countries in forming common positions for the negotiations on EU budget framework 2014–2020 of the European Union.

In conclusion the President of Riigikogu expressed her gratitude to the Seimas Speaker, the Lithuanian delegation to the Baltic Assembly for their presidency, and wished success to Latvia for the upcoming presidency in 2013.

### **18<sup>th</sup> Baltic Council**

**Paulius Saudargas**, President of the Baltic Assembly, opened the 18<sup>th</sup> Baltic Council and welcomed the Baltic Ministers of Foreign Affairs Audronius Ažubalis, Edgars Rinkevičs and Urmas Paet. The most significant example of close coordination of activities is the signing of the Partnership Agreement between the Baltic States on common procurements of the medicinal products and medical devices on 2 May 2012. The Baltic Council of Ministers' Task Force on Health has accomplished the work in fulfilling its mandate. The Baltic Assembly will follow how the initiated health care projects are implemented. The Baltic Assembly will also initiate a debate on how the Baltic States could jointly implement the Directive of the European Parliament and of the Council on the Application of Patients' Rights on Cross-border Healthcare.

**H.E. Mr. Audronis Ažubalis**, Minister of Foreign Affairs of Lithuania, noted that economy of the Baltic States experienced the fastest growth in the EU. Responsible fiscal policy jointly implemented with structural reforms has helped to achieve huge increase in exports, lower rates of unemployment, and stable inflation level. It is necessary to ensure that EU multi-annual financial framework takes into consideration the justified interests of the Baltic States. Areas for cooperation between the Baltic States and priorities of the Lithuania's presidency in the BCM: development of the Baltic energy market and its integration with EU energy systems through the implementation of strategic energy projects, cooperation in the implementation of international investment projects – Rail

Baltic and Via Baltica, reinforcement of defence cooperation between the Nordic and Baltic countries, and development of knowledge-based economy.

As regards the issue of energy, energy security, development of energy market and its integration into EU energy systems was the key task. Permanent energy generation sources should be in place. Renewables are important as a part of energy mix, but they do not give stability. Dependence on single provider is a great problem as energy distribution networks of the Baltic States are a part of Russian energy grid. Energy security is not all about fast implementation of infrastructure projects and integration of market. Today Russian and Belorussian nuclear energy projects are being developed without any response to negotiations of security. Lithuania keeps raising the issue of nuclear safety in the region. The nuclear safety centre of excellence has been created in Lithuania with the aim to increase nuclear safety, decrease the threat of nuclear terrorism and increase international cooperation. The centre will organize training and share experience with all the interested parties.

As regards the transport sector, it is important to cooperate in the implementation of international transport projects: *Rail Baltic* and *Via Baltica*. A special working group under the Ministry of Transport is responsible for the implementation of *Rail Baltic* construction works in Lithuania. Agreement between the Baltic Ministers of Transport was signed on 7 December 2011. The aim is to have a single European gauge railway by 2014-2026, which would take four hours to go from Tallinn to Warsaw. The *Rail Baltica* would also have cargo transportation, and successful implementation of *Rail Baltic* would create conditions and contribution to transport policy goals of the EU, which includes transfer of some of cargo and passenger transport from road to railway. As regards *Via Baltica*, this transport corridor will be in line with technical category requirements, which is intended to be ready by 2025.

As concerns knowledge-driven economies, in view of the new EU strategy 2020 the Baltic States should increase investment into research and innovation. Lithuania aims to become the centre of high technologies in the Nordic and Baltic countries. The cooperation with other countries in the region would bring huge benefits. Today 20% of GDP (in comparison - four years ago it was 5%) in Lithuania comes from knowledge-based economy, including biotechnology, nano technology, IT etc. The new Baltic Innovation Fund will invest 100 million euros in private and risk capital funds in the Baltic countries. It will promote risk



capital investment into minor and small companies in the Baltic States. The Baltic States are also supporting the digital internal market development.

The defence cooperation between the Baltic and Nordic countries has been successful. Lithuania supported the initiative by Finland and Sweden for closer cooperation with NATO and Nordic-Baltic region initiative. Under the given financial conditions the Baltic States are intensively cooperating and developing cooperation with the regional partners. The unity was seen as example of smart defence in Chicago at the NATO summit. This year the ministers of the Baltic States will sign a new agreement which changes the cooperation of the Baltic States and will make the cooperation based on the principles of the Nordic countries. The Baltics are also establishing joint military capacities and operational units. The Baltic States are also cooperating with the Baltic Defence College, the profile of which is being praised at international arena. In 2015 the defence solidarity of the Nordic and Baltic States will become even more important, because all Baltic States will take part in the EU-Nordic battle group lead by Sweden.

Cooperation in energy security and cyber security is of importance. There is energy competence centre of NATO established in Lithuania, which will provide practical counseling as for ensuring effectiveness of missions and creating the added value for the entire region. The NATO cyber security centre in Estonia also contributes to the cyber security development in NATO.

Concerning the NB8 cooperation this year it been increased not only in the defence area, but also in the financial area. The signed Memorandum in 2010 on fiscal stability and crisis management by NB8, coordinating the actions to prevent financial crisis and stabilize aftermath through institutional colleges, has provided the basis.

During the presidency of the EU Council in 2013, Lithuania will look into all interests of the Baltic States: ensuring the security of energy supply, creating the internal market to promote competition and energy connections. There will be attempts to see the Eastern neighbours becoming closer to the EU. The discussions in the EU on better defence of external border and improved cooperation of the border guard and customs services will be carried out. Support from all the partners will be of crucial importance. In conclusion the Minister wished the Baltic States to continue forming joint goals and develop unity and shared values.

**H.E. Mr. Edgars Rinkēvičs**, Minister of Foreign Affairs of Latvia, noted that in 2012 the Baltic States continued successful cooperation in various formats, especially consultations on the EU multi-annual budget framework, which allowed to define and express joint opinion of the Baltic States for the cohesion and direct payments to farmers. In 2011 the BCM was active in security cooperation. In NATO summit in Chicago the decision was adopted to continue the air policing mission in the Baltic States. It is also important to strengthen energy security and transport infrastructure, i.e. the regional LNG terminal and *Rail Baltic* infrastructure. It is necessary to raise the competitiveness, security and awareness in the region and overcome the conflicting views.

Latvia's presidency in the BCM in 2013 will ensure continuity of Lithuania's presidency by setting the following priorities: 1) regional competitiveness improvement and improvement of business environment; 2) strengthening cooperation with Nordic countries; 3) development of energy and transport infrastructure on regional level.

Regarding the first priority, it is important to coordinate the taxation system among the Baltic States, which is especially important for the people living in cross-border areas. It is also needed to work on a single digital market and the Baltic innovative research infrastructure BIRTI. Within BIRTI project the Baltic States will sign the memorandum of understanding next week.

Regarding the second priority, the total GDP of the Baltic and Nordic countries makes the region the 5<sup>th</sup> largest economy in Europe. In 2012 a lot has been done in cooperation and coordination of foreign policy with the Nordic partners. Baltic States are interested in strong Europe and Transatlantic link and stable Eastern neighbors. It is necessary to continue this cooperation by strengthening representation with the Nordic countries in international organisations – the UN, the OECD, the Council of Europe etc. So far, the Baltic States have mutually supported the candidacies for various UN special agencies, but this cooperation should be broadened in the Baltic-Nordic format. The Minister expressed gratitude for supporting election of Nils Muižnieks as the Human Rights Commissioner of the Council of Europe.

In 2013 in Afghanistan Latvian, soldiers and experts will work in a joint team with Norway, Finland and Sweden. The priorities defined by the NB8 Wise Men Report are

coming to life. There is also good example of deployment of diplomats in diplomatic representations of other NB8 countries.

There are also additional possibilities for cooperating with the Nordic countries in cooperation with third countries, e.g. via Eastern Partnership member states. It is necessary to strengthen the reform process in these countries, especially in Georgia and Moldova. It is necessary to convince the EU and NATO about Eastern neighbors to support Ukraine's accession to the EU. Cooperation in environmental and cultural area with the Nordic Council of Ministers is also very important.

With regards to the third priority it is necessary to continue working on energy security and energy independence in the region. The priority is to implement the Baltic Energy Market Interconnection Plan (BEMIP) to connect Latvia to the NordPool spot and develop interconnections with the Nordic countries and Poland. Latvia is ready to cooperate in the Visaginas NPP project. It is important to introduce third energy package, which defines liberalization of electricity and gas market in the Baltic States. Latvia will also strengthen the rights of national regulators, and first steps have already been made: in 2013-2014, the work on transposition of the package to the national legislation will continue. Next year Lithuania will preside in the EU. One of the priorities of the presidencies of all three Baltic States will be competitiveness and economic growth in the Baltic Sea Region.

**H.E. Mr. Urmas Paet**, Minister of Foreign Affairs of Estonia, noted that Lithuania has successfully managed to overcome the challenge of connecting the presidency of two regional cooperation formats – the Baltic and NB8 cooperation. The unity of the region is not made smaller by the fact that all countries do not yet belong to the same unions. Estonia, Latvia and Lithuania have cooperated successfully in order to arrive at a solution on the threshold of the negotiations on the new EU budget framework. The requirement of being united also applies to developing energy infrastructure and transport connections, and here the cooperation with NB8 and other countries of the Northern Europe stands as the only possible goal. Stronger Nordic cooperation and integration are of no use if the Baltic States cut themselves away from the rest of Europe and the world. The development of local infrastructure and connections with Western Europe is of key importance. The window of possibilities for using the funds of the European Union for the realisation of *Rail Baltic* has never been so open as it is now. The progress with *Rail Baltic* is guaranteed

by the synchronic development of preparations and similar speed of work in all three countries.

Energy is also the central issue in the cooperation of Estonia, Latvia and Lithuania. For years, Visaginas nuclear power plant project has been in the focus, however now the situation has changed. Further steps will depend on the government and Parliament of Lithuania.

The development of a regional LNG terminal would give the possibility to expand the circle of energy suppliers and sources. Therefore, it is a great step forward that the construction of Estlink-2, the electricity connection between Estonia and Finland started in the middle of October. For even better integration of markets, the NordBalt undersea cable between Lithuania and Sweden and Lit-Pol-Link between Lithuania and Poland are planned. In this way the electricity loop of the Baltic Sea countries is being created. The Lithuanian competence centre of energy security, which Estonia recently joined, will contribute to all that.

Speaking of security, the keyword is responsibility. In addition to Estonia spending 2% of its GDP on defence, it has been possible to achieve air policing over Estonia, Latvia and Lithuania for an indefinite term.

The strength of the region lies in the relations beyond the region. In the same way as Estonia supports Latvia, Lithuania and Poland in joining euro, Finland and Sweden could be seen in closer cooperation with NATO. Estonia also supports the accession of Latvia and Lithuania to the Organisation of Economic Cooperation and Development, the OECD.

The Minister wished Latvia as the next presiding country of the cooperation format of the three Baltic countries success in continuing with all important issues and with the existing vision.

## Discussion

**Mr. Atis Lejiņš**, Vice Chairman of the BA Economics, Energy and Innovation Committee, drew attention to the question of LNG terminal. As the Baltic States could not agree among

themselves, the decision of where to build the terminal was asked to Brussels. Finland which was not interested earlier is now very much interested in the project. The BA Resolution stated that one regional terminal should be located in the Baltic States, but what happens if Finland gets to build the terminal. What is the position of ministers in regard to the location of the terminal?

**H.E. Mr. Audronis Ažubalis**, Minister of Foreign Affairs of Lithuania, answered that Lithuania is not against a regional LNG terminal, but due to objective reasons Lithuania strives for LNG terminal in Lithuania, because by 2015 the contract with Gazprom will end. The Minister did not want to speculate about the place of where a regional LNG terminal should be built.

**H.E. Mr. Edgars Rinkēvičs**, Minister of Foreign Affairs of Latvia, noted that the original situation with regard to LNG terminal gave us a very good lesson, namely, that it is necessary to coordinate the national and regional interests. The Minister abstained from commenting on any unpublished communication of the European Commission, but when such appears it will be necessary to discuss it among the Baltic States. The main objective is to achieve connections of the Baltic region to the major gas infrastructure of Europe and reduce dependence on single supplier. In this regard, besides a regional LNG terminal, also different other possibilities should be considered, for example looking at the cooperation with Poland.

**H.E. Mr. Urmas Paet**, Minister of Foreign Affairs of Estonia, noted that the Baltic States are awaiting the decision from the European Commission. Estonia welcomes the fact that Finland is interested in the project. LNG terminal as such is very important, but it is also important to get connections from the Baltic region to other parts of Europe. Estonia is open to continue discussions and move forward fast.

**Mr. Dāvis Stalts**, Member of the BA Economics, Energy and Innovation Committee, asked about the Nagorno-Karabakh conflict in Azerbaijan. Is this issue discussed or any further action planned in the BCM in order to solve this issue?

**H.E. Mr. Audronis Ažubalis**, Minister of Foreign Affairs of Lithuania, answered that the Minsk group is working on this issue and has provided the plan. When Lithuania was

presiding over the UN for security cooperation in Europe, it familiarized itself with the plan. Lithuania's position is that it is not worthwhile to interfere in the negotiation process as it is not a direct participant of the negotiation process.

**H.E. Mr. Urmas Paet**, Minister of Foreign Affairs of Estonia, noted that the Minsk group is dealing with the issue. So far no member of the Minsk group – Armenia or Azerbaijan – have said clearly that there is time to find new international formats to deal with the issue. As with any bilateral conflict international community can try to assist and help creating environment, but in result both parts have to find political solution themselves.

**At the end of the 18<sup>th</sup> Baltic Council the Joint Statement was signed by the President of the Baltic Assembly Mr. Paulius Saudargas and Chairman of the Cooperation Council of the Baltic Council of Ministers, Minister of Foreign Affairs of Lithuania H. E. Mr. Audronius Ažubalis (see Annex 1).**

**First Panel on “Actions to Ensure Regulative and Supervisory Cooperation Mechanisms of the Nordic and Baltic Financial Markets”**

**Mr. Aadu Must**, Member of the BA Presidium, noted that the time and transitions during which the Baltic States were undergoing – democracy, market economy and independent statehood, have been very dynamic. In the beginning of the transition period the Baltic nations were grateful for the free movement of capital. Foreign direct investments were very much welcomed, which fostered growth, but eventually created the boom and bust effect, as the Baltic States were not ready for such activities, the supervisory and legal frameworks were not in place to deal with the enormous growth and implement the supervision of the financial market. The global financial crisis sparked the debate over the cause and impact of the crisis, and academics and policymakers were searching for changes in the financial system that can correct any perceived weaknesses in the structure of regulation, the content of regulations, and the coverage of financial instruments and activities. Also the Baltic Assembly was focusing on the discussions of the onset of the crisis, making proposals to reform or amend the current financial system to help restore the economic growth.

**Mr. Sven Sester**, Vice Chairman of the Economics, Energy and Innovations Committee of the Baltic Assembly, pointed out that the financial crisis revealed the need for changes to financial stability arrangements, supervisory and regulatory frameworks as well as to ensure enhanced coordination among national supervisors, central banks and governments in a cross-border crisis situation, and the integrated approach to crisis prevention, management and resolution in order to promote financial stability. The crisis has underscored the fact that national and international financial markets have become highly integrated, and problems in one market can trigger contagion that can spread both among countries and into economic sectors to affect businesses, employment, and household well-being.

Activating the issue about integrated and stable financial markets that can be achieved only through close cooperation among the countries in the region, the Committee after detailed discussions with experts from the parliamentary, executive and international level came up with concrete issues that need meticulous and urgent attention.

By signing the Memorandum of Understanding on 17 August 2010 and establishing the Nordic-Baltic Cross-Border Stability Group, the respective countries seek to implement the provisions of the EU Memorandum of Understanding on cross-border financial stability of June 2008. Despite signing these cooperation agreements there are concrete problems to be solved, namely: diversity or divergence of supervision standards in banking supervision; capacity of national supervision system to exercise control over the banks in foreign ownership operating in the state; and problems related to protecting the deposits of depositors. Moreover, supervision activities should be improved by granting intervention and identification of risks by the supervisors as early as possible, exchanging correct, clear and comprehensive information and coordinating different activities of regulators, which is not a pure supervisory exercise, but a task of the ministries of finance, central banks and state security agencies; assessment methods of banks' shareholders and management need to be improved and strengthened; a well grounded, specific contingency plans for crisis situations of the most important market participants have to be prepared and adjusted on an ongoing basis; the traditional, well-tested tool kit should be supplemented with new tools that allow to better assess the quality of the bank's strategy and compliance of the bank's everyday business with this strategy; active banks have to be supervised in future by a central supervisory authority in e.g. Brussels, Frankfurt, London etc. National banks have

to be supervised by national supervisory institutions; available sanctions have to be used, not waiting until the problems actually arise.

The cooperation of Nordic and Baltic supervision authorities has been set as an example to other EU member states, but at the same time there is certainly room for improving cooperation and making it more efficient. Unification of supervisory practices and creating common notions is important. Another possibility the states can use is collecting reserves or financial means for the prevention of future crisis.

The recent developments in the banking sector, namely the collapse of the Lithuanian *Snoras Bank* and subsequent problems with *Latvijas Krājbanka*, or false alarm and the arising panic in the society about the insolvency of another bank in Latvia clearly revealed the problems related to timely and adequate information exchange among the involved countries and respective authorities. It is also important to provide the right information to the public. There are no guarantees that amending the current system or employing a different regulatory and supervisory structure will preclude a repeat of the most recent financial crisis given that financial markets and institutions are continually growing, innovating, and responding to government- and market-imposed constraints, but it is important to take these steps, be active in experience and opinion sharing.

The BA Economics, Energy and Innovative Committee has carefully studied these issues and drafted concrete recommendations, the implementation of which by the executive level will be followed after during the next year.

**Ms Ingrida Šimonytė**, Minister of Finance of the Republic of Lithuania, noted that the roots of financial crisis were in subprime mortgage crisis in USA in 2007 that caused huge global liquidity crisis. During 2008-2011 the amount of funds that have been mobilized for the resolution of financial issues were in the range of 37% of GDP of the EU. Crisis revealed weaknesses in regulation, supervision and the lack of coordinated actions. To tackle the crisis there were a lot of responses on different levels: globally – within G20, the Group of Twenty Finance Ministers and Central Bank Governors, the Financial Stability Board, on the EU and regional level – covering all sorts of issues, e.g. capital requirement, resolution etc. As the financial market is highly integrated and strongly depends across-country the need for cooperation is understandable. There is a need for joint action: timely information exchange, coordination and joint decisions.



The Nordic-Baltic region has very close integration. There is a very strong dependency among financial groups because what is domestic for Denmark or Sweden is the same what is foreign for Lithuania, Latvia or Estonia since major part of the banking assets within the Baltic States are being owned by the same groups that are domestic to Nordic countries. Most of the banks consider Baltic States to be domestic market of their own. Also on the EU level some financial groups are significant when looking from the EU perspective: Nordea, Svenska Handelsbank, SEB and Swedbank - are important players not only regionally, but also on the European level.

On the European level the cooperation has been significantly strengthened after the financial crisis. On the regional level the Memorandum of Understanding on cooperation in the area of financial stability and crisis management signed among eight ministries of finance and central banks in 2010 is the major source of cooperation. It stipulates provisions for exchanging information, possible cost-sharing of financial problems and timely actions to be taken in order to limit the risk of contagion. At the supervisory level the institutions that are responsible for day-to-day supervision of financial institutions have several layers for cooperation: EU Directive, EU technical standards, supervisory colleges that are binding under Capital Requirements Directive that stems from the European legislation. The EU level of supervisory has been substantially reshuffled from 1 January 2011. Several institutions have been established and strengthened in order to prevent reoccurrence of financial crisis in the future. There was substantial emphasis on macro-prudential supervision setting the European Systemic Risk Board that is responsible for macro-prudential supervision and early alert.

Several institutions of financial supervisory have been set, like EBA, European Banking Authority, that are responsible for preparation of technical standards for supervisory institutions, mediation and coordination in critical situations. They are meant to strengthen supervision on the European level. As they are not sufficient there are issues on legal side that are still pending on the table of ECOFIN Council and the European Parliament. That will also bring important accents to future supervision, e.g. the new proposal of the Capital Directive, which is in the final stage of debate in the Parliament and the Council, issues related to the banking supervision and potential resolution like bank recovery and resolution framework, a new proposal on deposit guarantees scheme etc. Regarding other new developments, the recent proposal of the European Commission on single supervisory

mechanisms, mainly transferring obligations of supervision of Eurozone banking system to the ECB, European Central Bank, is a big step forward. To sum up the whole package of the picture of cooperation, there are different sources and backgrounds why the cooperation among the countries is becoming more and more complicated, but also more professional. Before crisis a lot of cooperation was more formal and reporting-like, now the challenges are solved earlier. It is a new thinking and trend, which will hopefully avoid repetition of similar crisis in the future.

### **Baltic Cooperation in Developing**

#### **Joint External Economic Policy and Joint Investment Projects**

**Mr. Jānis Reirs**, Member of the BA Presidium, remarked that the global economic crisis raised the problem of relevance of international and regional cooperation. Yet the governments of some countries are still attempting to resolve their economic problems by means of protectionism of domestic enterprises or financial aid plans, which does not always reflect the common goals of regional communities. Often it has also been the Baltic case, especially when acting as competitors rather than uniting resources.

Global trade and international investment are among the most important prerequisites for growth, employment and prosperity in the region. Although globalization offers enormous opportunities, at the same time it is also a great challenge, as shown by changes in the international division of labour as well as dramatic shifts in various countries' shares of world trade. Baltic States need to use their creativity, dynamism and efficiency to think and act big.

Cooperation can take place in situations that contain a mixture of conflicting and complementary interests. It does not necessary need to be unanimously in all cooperative arrangements. Cooperation requires that the actions of separate individuals or organizations be brought into conformity with one another through a process of negotiation. There are great examples that can be taken from the Nordic countries – the countries that also compete with each other, but which have based their strengths on the advantages that a united region can bring. In 2006 the Nordic Prime Ministers adopted the Globalisation Initiative, which is based on the concept that by acting together the Nordic countries are

better placed to seize the opportunities and meet the challenges of globalisation than they would be on their own. These initiatives cover all major areas: research and education, health and welfare, green growth as an effective way of meeting climate, environment, energy and economic challenges, technology and innovation etc.

It is necessary to bring together policymakers, academics and civil society representatives to discuss the issue of joint external economic policy and joint investment projects of the Baltic States. While companies are expected first and foremost to develop business opportunities on their own initiative, Baltic governments should support their companies' efforts to open up and secure foreign markets for their goods and services. There should be a wide range of foreign trade promotion instruments to reduce risks and to provide companies with decisions regarding foreign investment, international cooperation and cross-border fusions.

**Mr. Atis Lejiņš**, Vice Chairman of the BA Economics, Energy and Innovation Committee, drew attention to an ancient Roman saying “If we do not hang together, we will hang separately”. The Baltic States have understood this when dealing with security issues, but not when tackling joint external economic policy and joint investment projects. Questions on how to develop a joint economic policy, promote joint investment projects, and jointly attract EU funding for projects had to be resolved at least twenty years ago. While fiercely competing among each other to attract investments, enter major markets and get better ratings in international markets, the Baltic States have lost many golden opportunities during these years.

One of the priorities during the Latvian presidency is cooperation among Estonia, Latvia and Lithuania in developing a joint external economic policy. Not the economic integration of the Baltic States is meant, but joint representation of the economic interests of the Baltic States in the international markets. The individual economies of the Baltic States are very small: no single Latvian dairy farm, Lithuanian meat producer or Estonian clothing manufacturer is capable of producing enough to become a part of a major export market. In order to penetrate emerging and most rapidly developing markets, it is necessary to combine the efforts of the Baltic States. It is particularly important for the Baltic States to think about a proactive policy in the area of joint external trade. The capacity to penetrate new markets will foster economic development and create new jobs. Each of the Baltic

States is actively exploring the Asian market. China, India and Indonesia are potential markets for the Baltic States. It could be jointly done by joint trade offices or joint visits of the ministers and entrepreneurs to these countries. Also Russia is one of the target markets for the Baltic exports. Russia's accession to the World Trade Organisation, WTO, is yet another reason for joining the Baltic efforts because Russia's membership in the WTO will reduce trade barriers and thus open up new opportunities in this large market.

There are several steps needed to be taken in the near future: first, come together with representatives from the executive branch and the business community in order to develop a joint concept of external economic action; second, jointly develop proposals for harmonising the business and investment environment in the Baltic States and to actively work on completion of major infrastructure and transport projects; third, develop the digital market of the Baltic States; fourth, together with representatives from the European Commission, the executive branch and the business community, identify ways for the Baltic States to cooperate in implementing the development cooperation of the European Union; fifth, think of a joint marketing programme for the Baltic States, for example, in the area of tourism.

Reading the Nordic Cooperation Programme for Innovation and Business Policy 2011–2013, the first sentence says: “In the period 2011–2013, the Nordic ministers of trade and innovation will work together to find solutions to the significant challenges that the countries will face over the next few years”. The Nordic countries clearly define their cooperation by developing joint innovation projects, doing joint marketing of products and services, and improving the common business environment. The Nordic countries do not compete among themselves for financing and do not create obstacles for the business environment, but develop joint innovation projects in healthcare, green economy etc. The Baltic States have to take advantage of the experience and knowledge in these areas acquired by the Nordic Council and the Nordic Council of Ministers.

The Estonian and Lithuanian delegations, as well as the Baltic Council of Ministers have to get actively involved in the work of the Committee to develop a joint external economic policy and joint investment projects. Entrepreneurs and business associations from all three Baltic States have already shown interest and have committed themselves to joining the process.

**Mr. Kārlis Engēlis**, Member of the Legal Affairs and Security Committee, Member of the Budget and Audit Committee, noted that joint investment projects and joint economic policy issues are very important for the region and each country, and questions should be prioritized in the agenda of cooperation of the parliaments and executive branches of the Baltic States. The aim is to call on the parliamentarians of the Baltic Assembly to develop Action Plan that could be used for achieving tangible results. When the success story of the Baltic health-care project started it was evaluated with great skepticism, but after careful calculations and in-depth discussions it was found out that all the countries would greatly benefit.

In 2012 the Latvian delegation of the Baltic Assembly has met with the representatives from the Latvian Chamber of Commerce, Latvian Confederation of Employers, Latvian Investment and Development Agency. Entrepreneurs of Latvia proposed to initiate a trilateral Foreign Economic Cooperation Policy Coordination Council of the Baltic States. The Lithuanian Business Confederation also called on the Baltic Assembly to initiate establishment of such a Council. It is necessary to speak about joint tourism development, especially the health-care tourism, work more intensively on the tax policy of the Baltic States, and reduce all the obstacles that prevent the single digital market of the Baltic States from being created. The Baltic States are not rich enough to compete among themselves for investment and exports market, therefore it is necessary to do that together – develop joint investment projects, work together for EU projects, jointly improve the investment environment by developing infrastructure and transport.

**Mr. Jānis Vucāns**, Vice Chairman of the Education, Science and Culture Committee, informed that the Latvian delegation is very seriously preparing for the presidency next year. One of the central issues concerns foreign economic cooperation and attraction of various investment projects. The idea of BIRTI, Baltic Infrastructure for Research, Technology and Innovation project was born in the institutions of higher education in Latvia, which continued with cooperating with entrepreneurs who addressed the government and parliament for the support. The aim of such project is to have possibilities of economies to create innovative products capable of competing with the European and global markets. It is necessary to talk about infrastructure in science and research, human capital and various forms of support for entrepreneurs. None of the three Baltic countries is capable of participating in the major projects of the European institutes. There are good

examples in the Nordic countries, e.g. NordForsk support mechanism. BIRTI project is an attempt to solve the problem of improving competitiveness of enterprises. The agreement on cooperation was reached among the largest universities of the Baltic States as well as some enterprises. Also associations of enterprises have joined this idea. Initiators of the project have met all the relevant committees of the Latvian Parliament and have received support for further implementation of the project. Latvian Parliament has created a special innovation sub-committee, which will monitor and promote the process. The issue has also been discussed on the level of government. Soon the Memorandum of Understanding will be signed among the Ministries of Science and Education of all three Baltic States. This cooperation will require financial resources. The European Bank for Reconstruction and Development has proposed to provide the feasibility study for the project. On behalf of the Latvian delegation, Mr. Vucāns called on other two Baltic BA delegations to support the promotion of the BIRTI project.

**Mr. Jānis Reirs**, Member of the BA Presidium, acknowledged that Latvia will support this project. One of the priorities of the BA will be coordination of the approach of the Baltic States in the area of development cooperation. Latvian delegation has planned to cooperate and meet with the representatives of the European Commission together with the Confederations of Employers of all three Baltic States and the Chambers of Commerce.

### **Current and Future Baltic Health-Care Projects**

**Mrs. Irena Šiaulienė**, Member of the BA Presidium, Vice Chairman of the BA Lithuanian delegation, noted that good ideas can lead to real and practical results, like it was with the initiative born in 2009 within the Social Affairs Committee of the Baltic Assembly. The idea of joint cooperation initiatives in the area of health-care, involving five concrete health-care projects have reached tangible results. This moment should be used to work further, look for possibilities to develop all five initiatives that were proposed for joint cooperation among the Baltic States in the area of health care. The Partnership Agreement on Common Procurements of the Medicinal Products and Medical Devices, which will ensure first joint procurements in the Baltic States, has been signed. Also Bilateral Agreement on Mutual Aid for Providing Ambulance Services in Border Areas between

Estonia and Latvia has been signed; however there is no agreement of this kind between Latvia and Lithuania. The idea to conclude agreement on organ exchange, transplantation information and statistics among the Baltic States has been welcomed.

There is a long way ahead and a lot of work to be done to gain real benefits and advantages for the citizens, and parliamentarians have to think about how best to ensure the parliamentary control of these initiated and future-possible projects, especially when the mandate given to the Baltic Council of Ministers' Task Force for Health has been implemented.

**Mr. Gediminas Navaitis**, Chairman of the BA Welfare Committee, pointed out that across Europe healthcare is barely managing to cover its costs. Not only are the methods for raising funds to cover its costs inadequate, but the costs themselves are set to soar. The overriding concern of Europe's health-care sector is to find ways to balance budgets and restrain spending. The financial meltdown is being caused by such interconnected trends as the aging of the population and the parallel rise in chronic disease, costly technological advances as well as patient demand driven by increased knowledge of options and by less healthy lifestyles. Moreover, legacy priorities and financing structures are ill-suited to today's requirements.

European health-care systems are defying budget cuts and the bite of continent-wide austerity programmes to deliver improving performances. There are few indicators illustrating a possible impact of the economic crisis, despite severe cuts to public health budgets in countries hardest hit by the eurozone's debt challenges. These include a tendency for longer waiting times in hospital and more expensive surgery among countries most affected by the economic downturn, a somewhat increased share of out-of-pocket payment for health-care services, and a lack of improvement or even deterioration in access to new pharmaceuticals. Health and care systems must reaffirm their commitment to address the causes as well as the consequences of poor health and the main determinants of health: poverty, stress, diet and activity, alcohol and drug abuse, smoking, poor social capital and environment protection. Health-care funding are not simply costs – they are investments in the future.

The Baltic States have managed to take steps further when implementing the initiatives proposed by the BA Social Affairs Committee and tasked by the Baltic Council of Ministers in 2009. Not only have the Ministries of Health of the Baltic States analyzed and worked on, firstly, establishment of a common system for state-funded procurement of medicines and medicinal equipment, secondly, establishment of joint specialized medical centres for more efficient use of professional skills in the Baltic States; thirdly, coordination of emergency help in the border towns of the Baltic States; fourthly, establishment of an efficiently functioning human organ transplant system of the Baltic States, and fifthly, establishment of a common sperm bank and treatment of infertility; they have also taken up new areas of cooperation. One of such new areas include discussion on the Directive of the European Parliament and of the Council on the Application of Patients' Rights on Cross-border Healthcare and transposition into national law. Cooperation in the health-care sector is much needed in order to increase competitiveness of the medical staff and the offered products, and to ensure increased efficiency of medical services.

The Baltic States have managed to be a step ahead of the Nordic friends, who can in general boast about their health-care model and their cooperation in the health-care sector. It is necessary to continue current activities and look for new ones, which would help to ensure better health-care for citizens and patients. The role of information management and new technologies has to be taken into account. The Nordic countries have joined their resources to develop different measures tackling problems and challenges for, e.g. the elderly and ill people. They have started to introduce new technologies, e.g. the use of different sensors, smart phones, medical automats with medicaments, GPS systems that track persons in case they are lost, alarm buttons, special robots, medical banks. Welfare technology will not only benefit those in need of the care, health professionals and society at large, but also the business area, providing opportunities to reach new markets.

**Ms. Agnese Raboviča**, Head of Division of European Affairs and International Cooperation from the Ministry of Health of the Republic of Latvia, informed that two major issues will be addressed: the activities of the Task Force for Health and the Cross-border Directive. In May 2012 the Ministries signed the Agreement that will try to procure the medicine and medical equipment that the states were procuring in a centralized manner. There are ideas of not only centralized procurement of medical equipment, but also about the political decision or discussion on what is not being centrally procured now, but what



costs millions of lats and could be procured together in order to reduce costs. This project is in a very first stage of implementation, with the common agreement, but there is a lack experience of the work in this area. The first results of the pilot project are expected next year. The experts of the three countries have agreed on what will be procured. The work is being done on the procurement documentation and technical details in order to avoid any contradictions and misunderstandings in the process of procurement, because each country has different practices and skills on making procurement.

As regards the specialized medical centers, the task was to evaluate the possibility of establishing joint medical centers. As the decision was not to establish new centers, it means that the practice that was in place so far will be continued. The representatives of ministries are asking politicians for support for further solution of the issue, because the Cross-border Directive will make this issue relevant again.

Concerning the issue of emergency medical health in the border regions, Estonia and Latvia have solved this issue by signing the agreement in 2010, which brings tangible benefits to inhabitants. There is also a dictionary for terminology in Latvian, Estonian and English elaborated. It is expected to develop similar cooperation with Lithuania.

Speaking about the issue of organ transplantation system, next year there will be a declaration signed that attains to the cooperation of the Baltic States in order to avoid the situation when suitable organs are lost because the recipient is in irrelevant country. This was a rare case when cooperation among civil servants was also highly appreciated by experts.

The Cross-border Directive will have to be introduced by all EU member states by October 2013. The European Commission has done a lot by establishing a committee for introducing this directive where representatives from all member states are working. Thanks to the Working Group the experts of the Baltic States are now working more actively, identifying joint issues and problems, e.g. application of preliminary authorization and restriction proceedings, establishment of national contact points, creation of modification of professional liability system. As regards the specialized centers or the national reference centers, small countries have difficulties to compete with all Europe. It would be easier to compete if we all Baltic States cooperated.

## Discussion

**Mrs Siv Friðleifsdóttir**, Chair of the Welfare Committee, Iceland, congratulated the Baltic States on the successful cooperation in health-care, which has been very inspiring to the Nordic countries. During the Nordic Council Session in Helsinki last week important policies were adopted, where one was the request to implement the new alcohol and tobacco policy in a public health perspective. The proposal contains 12 recommendations, some of which urge to consider the introduction of a total ban on advertising and marketing of alcohol aimed at young people; introduce alcolocks for commercial drivers; initiate work for a tobacco-free Nordic Region by 2040, more public access to lobbying activities from multinational companies selling tobacco and alcohol, work for a blood alcohol content limit of 0.2 per mille for the operation of all motor vehicles. It was recommended to review these proposals within the Baltic Assembly, the parliaments and among experts.

**Mr. Atis Lejiņš**, Vice Chairman of the Economics, Energy and Innovation Committee, informed that there has recently been discussion on this topic in the Latvian Parliament – aimed at young people up to the age of 25, which will have to show identity card before buying alcohol.

**Mr. Romualds Ražuks**, Member of the Latvian delegation to the Baltic Assembly, noted that joint centers for medical aid in the Baltic States informally exist. It is well known that there are excellent heart surgeons in Vilnius, traumatologic and orthopedic surgeons in Riga, and other great specialists in Tartu. Informally people know and they travel to get these services in these centers. It would be necessary to promote classification or announcement of these centers.

## Optimizing Baltic interests in the European Union: presidencies of the EU Council

**Mr. Paulius Saudargas**, President of the Baltic Assembly, noted that the beginning of the European Union membership for the Baltic States meant the attained strategic goal and finalisation of one stage of development. However, quite a number of new challenges and

questions emerged at that stage. One of the most visible challenges was and still is connected with the issue of equal opportunities for small and big members of the European Union. Small countries have always been confronted with the need to be represented and to be heard on the EU level. Division into big and small countries within the European Union becomes topical when countries have to agree on changes in the voting system and representation or when countries have to coordinate their initiatives within the EU. Small countries are looking for balance because they are afraid of the dominance of the big countries, whereas big countries are frightened by the ambitions of the small countries. The conditions for small countries are even better in terms of representation of their inhabitants than for big countries. It is necessary to think how to represent interests better and how to come up with new initiatives, how to use the forthcoming EU presidencies efficiently and implement the EU Baltic Sea Strategy more effectively. Lithuania will be the first of the Baltic States to hold the EU Presidency in the second half of 2013. Latvia will follow in 2015, and Estonia in 2018. It is a huge challenge for every small country to have a successful presidency. Even if today's priorities are set by the EU presidency trio, regional coordination is instrumental.

**Mr. Jón Baldvin Hannibalsson**, Foreign Affairs Minister of Iceland (1988-1995), noted that the current twin crisis of insolvent banks and unsustainable debt has reminded that banks are inherently dangerous. Banks are in essence a Ponzi-scheme, attracting savings by the lure of interest rates, promising to make money work for people without effort. Since banks only keep small fractional reserves, they cannot pay back on demand. This is the lesson learnt during the Great Depression of unregulated capitalism – in the thirties of the last century – when six thousand banks went bankrupt in the US in the wake of a stock-exchange panic. Since then people should have known that banks are too dangerous to be left alone – unregulated and unsupervised. Too many banks lent too much money they did not own to people they knew that could not pay back. The capitalists themselves expect the state to come to their rescue. The world is living through the greatest rescue operation in history by the state, in order to save capitalism from the capitalists.

A few of the major steps that have brought everything towards the brink of the abyss. Countries tore down the firewall that had been raised, after the Great Depression, between retail-banks, that were supposed to keep the savings deposits safe, and the shadow banking system (investment banks, wealth management funds, hedge funds, etc.) which, let loose

from the restraining hands of the regulators, took every risk to maximize profits. In doing so a Pandora's box of speculative frenzy was opened which in less than thirty years led to the ballooning of the financial sector.

Financial crisis of this type are becoming more and more frequent: Mexico in 1994, South Korea, Thailand, Indonesia and Malaysia in 1997; Russia, Brazil, Ecuador, Pakistan and Ukraine in 1998 and 1999, Turkey and Argentina in 2001. Only the timely interventions of the IMF and World's Central Banks prevented a worldwide economic disaster. Of all the glamorous high-tech financial products generated by the financial sector, an alarmingly high proportion turned out to be fake, based on fraud, and verging on the criminal. This is the age of terrorism and the age of accelerating inequality. Before 1970 the ratio between the salaries of CEOs and average employees in the US was 130:1. In the first decade of the 21<sup>st</sup> century this ratio had reached the scale of 400:1. The compulsive urge to maximize short-term profits of owners of capital has led to decreasing investments, lower rate of growth and higher levels of unemployment and poverty. Out of the total increase in income generated in the US between 1989-2006, 91% of it accrued to 10% of the richest; 60% of the total increase of income went into the pockets of the 1%. Of all income gains since the recession started, 90% has gone to the top 1%. For the 1% there seems to be no crisis. This explains the increasing polarization of society between the so called 1% - who own or control the accumulated wealth of nations, on the one hand, and the so called 99% who, at the same time, are experiencing stagnant or declining living standards, increasing insecurity, unemployment, etc.

The greatest transfer of power from nation states has not been to supranational institutions, such as those within the EU, but to the „markets“, which dictate the yields of the bonds, implode the borrowing costs, insist that the state bail-out private banks, drive up the sovereign debt. And then the rating agencies do the rest. The fact that they derive their revenue from the banks they rate has created a massive conflict of interest. All the Icelandic banks had tripple A-ratings until the night before they fell. The rating agencies sell „consulting“ services on the side to issuers of debt.

Moral hazard is defined as someone's willingness to take excessive risks that would normally be avoided simply because someone else (the tax-payer) will shoulder the negative consequences of failure. This is a bail-out. The money moguls got huge

compensation for peddling their fake financial products to unwary customers all over the world, but they bore no responsibility. Two case studies to illustrate - Ireland vs. Iceland – bail-outs vs. bankruptcy. These countries have both suffered heavily from the financial crisis. They characterize difference between a bail-out and bankruptcy. The Irish government made the fateful mistake of guaranteeing the debt of private Irish banks without even knowing about the toxic loans, hidden in their vaults. Subsequently, the Irish government was forced to accept a bail-out by the ECB and the IMF to the amount of ca. 68 billion euros. Government, household and non-financial company debt add up to 524% of GDP. Funding this debt load at 4.5% rate of interest will take a quarter of Ireland's GDP – the entire industrial output of the nation – for years to come. According to the Basel Bank of international settlements German banks had more than 300 billions of euros of exposure to Spain and Ireland alone by the end of 2011. Who financed the real estate bubbles in those countries and who is being saved from the consequences of their own disastrous decisions – German bankers or Irish taxpayers?

Looking at Iceland, banksters there had turned recently privatized banks into international hedge funds. Within five years they piled up foreign currency debt to the tune of Iceland's GDP ten times. When the British authorities were alarmed, after the fall of Lehmans, that the Icelandic banks, based in London, were not merely illiquid but insolvent, they put not only the banks, but the Icelandic government, along with the Central Bank, on a black list of terrorist organizations alongside with Al-Qaeda. The Central Bank was broke, the country was downgraded to junk and access to financial markets was immediately closed. Under those circumstances there was no way the Icelandic government had the means to bail out the banks. German banks were forced to take heavy losses themselves. The debt was soon written off to clean up the banks' balance sheets. The Icelandic government bought Icelandic assets out of the bankruptcies at a discount.

Mr Hannibalsson noted that Europe is a unique experiment in international cooperation - solving conflicts between nation states on the basis of the rule of law and peaceful negotiations. The greatest achievements so far have been the inner market and the euro. Not only have they been good for Germany and Greece, business and ordinary people, who have won the same freedom of movement across borders as capital, the European project has also been a powerful instrument to help the less advanced nations of Europe to catch up with the more advanced. However all is not well with the European project. The European

Monetary Union had from the beginning fatal flaws in design. For a monetary union to succeed, it has, at the minimum, to fulfill three basic preconditions: the Central Bank must have full powers to act as a lender of last resort to member states; it must have full powers to control the money supply, including buying bonds from member states; and a central authority must have the power to enforce at least a minimum of fiscal co-ordination, to supplement and support monetary policy in maintaining the stability of the economic system.

On occasion the Central Bank must have the power to shield weaker member states from the volatility of the market. It must be able to prevent borrowing costs of those states from getting out of control. It must be able to stop market ambushes in their tracks. This is necessary for states in political trouble to gain time for implementing structural reforms, without paralyzing essential services. But the European Central Bank has none of those powers. The EMU is like a half-way-house, incomplete and on shaky foundations. It is highly vulnerable, when the disruptive powers of the elements are blowing at full force.

Example of the USA, which is by now a well established and reasonably functioning monetary union, with no less than 50, enormously different member states. If some US-member state is in trouble, it is not in danger of being ambushed by financial predators, because they have to face the overwhelming power of the Federal Government and the Federal Reserve, who have enough resources to stop any ambush in its tracks. That is what the European Union should have done right at the beginning in the case of Greece. That is what a federal government and a central bank are for. They can legitimately set conditions for support, e.g. that certain structural reforms should be implemented, but a sensible central authority does not insist on an austerity program that kills off any hope of economic growth and deprives the recipient of aid of the means to pay back. It is possible to learn a lot from the Americans – how not to do things and how to do things successfully. There are two choices ahead: either the owners of capital get bailed out by taxpayers for being too big to fail; or the parliamentarians reassert the will of the people and apply the power of the state to stop them. The democratic state does have the legitimacy and the power – legislative, executive and judiciary – to get blackmailing by the markets under control and to put plutocrats in their proper place. Failing to do so, the logic of events will fatally weaken and ultimately break up the euro-zone.

Some of the steps that have to be taken along the way: ensure a fully fledged central bank, i.e. empower the ECB to act as a lender of last resort to member governments, and as an issuer of euro-bonds and buyer of sovereign bonds – as an ally of hard-pressed national governments. Do so on condition that those same governments implement structural reforms, but buy them time to implement these reforms, not forcing the governments to dismember the welfare state of the people when its services are most needed, during a recession, both as an economic stimulus to keep up demand and as an antidote to growth killing-austerity. It is also needed to rebuild the fire-wall between retail banks, guardians of general savings, covered by a state guarantee for minimum deposits – and the shadow banking system (investment banks, money management funds, hedge funds, etc.). They are in the business of maximizing short-term profits for their owners and should themselves alone carry the loss in the case of failure.

Another step is fiscal co-ordination, which should be institutionalized, building on the existing stability pact. Full compliance by member states must be ensured. Serious thought to the proposals should be given, put forward by the Economist Intelligence Unit, that a Central EU Authority overtake all sovereign debt beyond 60% of GDP (the maximum under the Stability Pact), and negotiate their maturities into the future at lower rates. This would force „the markets“ to accept reasonable „haircuts“ as their fair share of responsibility for building up an unsustainable bubble, during the pre-crisis boom.

An all EU-wide Banking Authority should be set up for the purpose of regulating and supervising all banks and financial institutions operating across borders, making sure the deposit-guarantee funds can withstand even *systemic crisis*.

The Tobin Tax on financial transactions should be adopted, both for generating revenue and as an instrument of control. It is a handy instrument for restraining many of the excessive practices that led to the financial system spinning out of control, during the bubble.

It is necessary to reform the rating agencies: apply the power of the law and the regulator in uprooting the massive conflict of interest that was an open invitation for corruption and deception in the operations of the rating agencies.

Of utmost importance is to shut down the tax-havens: democratic governments are obliged to uphold the rule of law. They should faithfully uphold the basic principle of equality before the law. International institutions such as the G-20, The World Bank, The International Monetary Fund and indeed The European Union like to present themselves as guardians of a level playing field in the conduct of international business.

In conclusion Mr Hannibalsson referred to the saying by Theodore Roosevelt - "when the going gets tough, the tough get going". There are tough times ahead, but nothing should hold back; it is necessary to get going.

**Mr. Kimmo Sasi**, President of the Nordic Council, noted that for a small country EU presidency plays a very important and influential role especially in negotiations. During Finland's presidency in 1999 there were issues about enlargement process, questions of whether to accept all applicant countries or only some of them, divide the Baltic States or take them all on board. During the presidency the country can also have a lot of initiatives; Finland initiated the European Union Northern Dimension policy. In that case it is necessary to reason the proposals very well. The political momentum is crucial. At that time many countries were also advocating the Mediterranean policy, so there is always a balance trading. However it should be noted that the situation has changed during the last ten years – there are more members and the Union is not that effective as at that time.

Small countries can make excellent presidencies as they have a great interest to lead the EU, they are neutral, and people will trust during negotiations. It is not possible to achieve real results already during one presidency term, therefore it is crucial to align priorities among the Baltic States (e.g. Lithuania initiates and Latvia finishes).

Rules when preparing for presidency: prepare well to be respected and have a good capacity. When putting forward proposals they have to be well drafted, must have good compromise proposals, and if the quality is high these proposals will be respected. In this process communication is very essential. It is necessary to communicate with all the interested parties and in addition also with other countries, e.g. the Nordic countries and some big players – Germany, France etc. It is crucial to get as much friends on board as possible.



Issues to be included on the presidency agenda: the Baltic Sea and its surroundings, environment, sea roads; energy security; transport; recognition of professional qualifications; competitiveness; digital agenda; foreign policy – Belarus and Russia. The Baltic States have the knowledge of Belarus and Russia and this special knowledge can be very useful. As regards EU institutions, there should be better cooperation between civil servants and with the EU first committees – secretaries and members.

As far as the Nordic-Baltic cooperation is concerned there should be real practical cooperation. Cooperation priorities between the Nordic Council and the Baltic Assembly will be discussed during the summit in January 2013.

**Mr Remigijus Motuzas**, Director of the European Union Presidency Department of the Ministry on Foreign Affairs of the Republic of Lithuania, noted that the Lisbon Treaty foresees the commitment for every EU member state to preside the Council on the principle of rotation. For small countries it is a challenge and opportunity. Preparation needs to be done early. The first documents were adopted in 2009, but more active preparations started in 2011. Parliamentary support is of key importance. In 2011 the political parties in the parliament signed agreement on presidency stipulating the priorities for presidency. The EU matters are coordinated by the Ministry of Foreign Affairs of Lithuania. It is important to cooperate with the society, partners and NGOs. On the basis of formal documents there are permanent meetings with NGOs.

National priorities for Lithuania during presidency are debated in the Parliament: energy security, Baltic Sea Region Strategy, Eastern Partnership and the EU external border reinforcement. Energy security is of key importance. By 2014 Lithuania would like to ensure that every EU member state is not isolated in energy terms. The Baltic Sea Region Strategy is example of regional cooperation in the EU. Eastern Partnership is important where the Baltic States can provide support and experience to such countries as Moldova, Ukraine, Georgia, Armenia, Belarus, and Azerbaijan which are facing numerous challenges in the integration process to the EU.

According to the Lisbon Treaty Lithuania will preside over ten council meetings. The presidency programme has already been drafted for the trio Lithuania, Ireland and Greece. In December this trio presidency programme will be endorsed. Lithuania's national

presidency programme will be provided to the EU bodies immediately prior to the presidency.

It is important to cooperate with the Secretariat and the Council. After the Lisbon Treaty was adopted the role of the Commission and Parliament has increased.

As regards evaluation of presidencies, usually the EU institutions assess presidency on the basis of how many legal acts were adopted during the presidency and how the presidency succeeds in managing the process. 2013 is the last year of the European Parliament in office and the European Commission in office. The European Parliament will end the legislative office in March. In 2013 in autumn Bundestag will have election in Germany. On 1 July 2013 Croatia will join the EU. Lithuania during its presidency is committed to finalize the negotiation and sign accession treaty with Iceland. It will also be the last year of financial framework. These conditions set great difficulties for the upcoming presidency. One of the key meeting will be on 28-29 November 2013 EU and Eastern Partnership summit. Also ICT (Information and communication technologies) conference will be organized. The Baltic States could be united by the conference on internal energy market of the EU to be organized on 23 October 2013, or annual forum of the Baltic Sea Region strategy in November.

It is also important to ensure good communications and connection flights. There is additional allocation from the budget for airport. The construction of VIP lobby in the Vilnius airport is prepared.

It is important to raise the profile of the presidency country, its history and culture. There will be many events in Brussels about Lithuania.

The success of presidency is also heavily dependent on communication. The goal is to consolidate the image of Lithuania as a good partner in EU. It is also important to ensure public support for the presidency, and to reinforce the European identity in Lithuania. More about presidency on [www.eu2013.lt](http://www.eu2013.lt).

**Mr. Marc Hendrickx**, Chairman of the Foreign Affairs Committee, informed that the interstate relations among the Benelux member states during the Belgian presidency in

2010 were established in the framework of the political cooperation among the three countries as well as in the framework of the institutional Benelux cooperation.

As a principal decision maker within the European Union, the Council is a reflection of the “Europe of the States”. During six months, the member state that holds the presidency will guide the legislative work and give impetus to the decision making process among the member states. When holding the presidency, the presiding member state gets the chance to influence the agenda of the Council, to chair its meetings, to represent the Council in the European Parliament and to mediate among the actors in order to provide compromise solutions on sensitive topics and to look for a qualified majority. The Presidency has to act as a broker among member states that often have different opinions on the draft proposals to be discussed.

In the second half of 2010, Belgium held the presidency of the Council of the EU. The question on how the interests of the Benelux or the interests of any other regional cooperation framework can be optimised during the presidency. As the Treaty of Lisbon entered into force Belgium was part of the so-called Trio-Presidency (together with Spain and Hungary). Those three consecutive presidencies had to work together in order to set up a common political programme for an 18 month period between January 2010 and June 2011. As the Trio Presidency Programme is the main reference for the member state that holds the presidency of the Council, it was logical that the Belgian presidency wanted to ensure that as many concrete results as possible were achieved that were consistent with the Trio Presidency Programme and with the legislative agenda of the Council and the European Parliament. Apart from the Trio Presidency Programme, Belgium has formulated common memoranda together with the other Benelux countries, which is in line with the new Benelux Treaty that was signed on 17 June 2008.

During the preparatory process and the presidency Belgium relied on the support of the other two countries. Through the exchange of views between the Benelux partners in the margins of the European councils, the three countries have tried to develop common positions on priority areas such as the Treaty of Lisbon, energy, EU enlargement and the Common Foreign and Security Policy. Thanks to the joint contribution, progress has been made on areas such as the European Semester, the implementation of the Europe 2020 Strategy, the Stockholm Programme with regard to the realization of a space of freedom,

security and justice, the enlargement process and the measures which aim at combating the economic and financial crisis.

As policy makers and diplomats of the three countries exchange views in the European fora, they can examine to which extent positions can be coordinated and how sometimes highly sensitive items may be solved by a compromise. In this context the difficult decision making process of the October 2010 Decision of the Council on the advice of the European Commission regarding the accession talks with Serbia can be mentioned. Belgium and the Netherlands had common viewpoints on this matter and in 2007 both countries opposed the signing of the Stabilisation and Association Agreement as Serbia did not fully cooperate with the International Criminal Tribunal for Former Yugoslavia. This cooperation, which involved the arrest of Mladic, was for the Dutch Parliament a precondition in order to accept Serbia's candidacy. During the Belgian presidency, the Council had to take a decision on the accession talks with Serbia and the Belgian Presidency had to convince the Netherlands to reach a compromise. Finally, as a result of the Belgian and Dutch consultations, the Netherlands agreed to grant the status of candidate under the guarantee of full cooperation with the ICTY.

By joining forces, the Benelux countries give more weight to issues they consider important and contribute to the steering of the EU in their preferred direction. In April 2011 the Benelux countries pleaded for more cooperation among the diplomatic services of the member states of the EU and the European External Action Service.

Among Benelux countries, there was already a basis for military cooperation on several areas. In December 2010 the "Ghent Framework" was adopted, exploring the feasibility of intensified EU cooperation and pooling and sharing regarding military capabilities in areas such as training, logistics, medical, transport and communication.

The Belgian EU Presidency has also paid special attention to regional forms of cooperation in the field of energy, such as the North Seas Countries' Offshore Grid Initiative, and it has encouraged the development of Smart Grids aimed at promoting energy savings and decentralised renewable energy sources.

When running the EU presidency of the Council, the presiding member state often notices that some countries are reluctant to approve a draft regulation or a draft directive, whereas others want to move further on the path of integration. In such a case, member states of regional cooperation forms, such as the Benelux, the Baltic or the Nordic Council, could examine if there is an opportunity for enhanced cooperation, allowing a core of countries to move further on the path of integration in a certain policy.

As regards the internal agreements between the federal Belgian government and its regional governments in order to streamline the guidelines of the Belgian EU presidency, in Belgium a federal law has the same value as a regional law, and the Communities and Regions are responsible for the international relations of those matters in which they exercise exclusive powers. This results into an in-depth coordination between the federal state and the federated entities in order to coordinate their respective positions in the Council of Ministers. During the presidency the external representation of the Communities and Regions in the European fora is fully applied for these matters where the Communities and Regions have exclusive powers. During the Belgian Presidency of the EU, the Flemish Minister for the Environment, for example, was the spokeswoman on behalf of the three regions of Belgium, whereas her colleagues of the other federal entities exercised that role for other competences.

The tasks and responsibilities of the president of the Council are a big challenge, especially for small countries, but the presidency is an excellent opportunity for a state to prove how a small country can be an important player on the European level. Within the European Union the individual members of the Benelux are small players, but when presenting a common front through memoranda and speaking with one voice, more weight to issues that are considered important and contribute to the steering of the EU is given. By joining forces in the framework of the Benelux countries, the Baltic States and the Nordic Council, more influence can be exercised on the EU decision-making.

## Addresses by foreign delegations

**Mr. Jack Biskop**, President of the Benelux Parliament, noted that in the world that seems to become more like a global village each year and with the still growing EU, which brings countries and people from different nationalities together, the question is often put – is there still future for small-scale alliances such as the Benelux or the Baltic Assembly. The answer is yes: especially in a globalizing world and the EU it is of great importance for the neighbouring countries to work together and align policies.

The freedom to travel or to study in another country is a great good and often taken for granted and little appreciated. It took and still takes a lot of work of similar minded people to work together. In spite of the ease with which it is possible to travel across the Benelux borders, it still provides lots of problems for employers and employees. They benefit from extensive information on working across border that is provided on the internet by the Benelux, on the other hand there are also downsides to these developments – there are people who see borders as possibilities for fraud. In the trilateral conference in April in the Hague there was the discussion about tax and social fraud and the way it is handled in different countries. This subject has to remain a topic on which to exchange information, e.g. about administrative processes, prevention and risk management. Sharing information gives countries the possibilities to produce good results at a minimum of costs.

**Mr. Elton Mammadov**, President of the GUAM PA, Chairman of the Azerbaijani delegation to the GUAM PA, informed that the GUAM PA gives special importance to regional and international organizations and their role in expanding inter-regional cooperation. The cooperation agreement was signed with the GUAM PA and the Baltic Assembly. GUAM PA will deepen partnership activities with the Baltic Assembly in future. GUAM PA also intends to closely cooperate with other parliamentary structures including the Benelux Parliament and the Nordic Council. GUAM PA is ready and willing to sign documents on cooperation, which clearly show that there are common views about the future and common priorities on the agenda. GUAM PA is ready for mutually beneficial cooperation and ready to put forward its contribution to the goals of the

organizations and countries. On 19-20 December 2012 in Baku the GUAM PA session will be held.

### **Report of the Presidium of the Baltic Assembly**

**Mr. Paulius Saudargas**, President of the Baltic Assembly, drew attention to the main paradigms which the Baltic States have experienced during the last twenty years. The first paradigm which lasted for several years was about regaining the statehood, cementing the independence and dealing with challenging issues of political, economic and social transformation. This was the time when political systems had to be transformed and economic systems had to be restarted. This was also the time of self-confidence of the Baltic nations.

The second major paradigm shift occurred in 2004 when Baltic States became members of the European Union and NATO. On the way to the European Union and NATO the Baltic States were competitors, as the goal was not only membership but also who will be the first to “open the doors” of the European and transatlantic “house”. This competition helped to develop and transform. But it was also the time when the Baltic States doubted the need of the regional cooperation. But within the European Union it was soon understood that when it is needed to represent your voice you need partners. When coming with initiatives, it is necessary to think about the coalition partners.

The third major paradigm shift occurred in 2009 when the world was overwhelmed by the financial and economic crisis. The financial crisis clearly indicated how mutually interdependent everything is. This was a decisive time to start solid cooperation on development of partnerships in economic, social, financial, research and other fields. Baltic States started with joint projects in the health-care, joint answers to the challenges of the financial markets, the development of serious partnerships in research and innovation. The challenge is to contribute to the development of sustainable, competitive and innovative region that would be able to meet any other global convulsions.

The Lithuanian Parliament took over the Chairmanship in the Baltic Assembly with full political responsibility. Joint energy projects, financial markets, research and innovation, green growth, fight against the VAT fraud were only some of the issues on the agenda of the Baltic Assembly during the Lithuanian presidency. As regards the issue of more efficient coordination of Baltic interests, an inspiring event during which new initiatives were formulated in regard to the Baltic parliamentary and governmental cooperation was held on 11 May in Palanga. This parliamentary forum gathered parliamentarians, governmental representatives, researchers and business representatives and resulted in valuable ideas, for example, the need to strengthen coordination of policies in the fields of research, innovation, EU Eastern partnership, EU Baltic Sea Strategy, tourism, investments, and business environment. It was also stressed to strengthen the Baltic – Nordic cooperation on the regional issues and the EU decision making process. The third conclusion was about the need to plan and have joint actions for the forthcoming EU presidencies of the Baltic States. The fourth conclusion was in regard to the role of the Baltic Assembly in fostering the regional cooperation, which facilitates establishment of the platform for the business representatives of the Baltic States that deals with joint investment projects, coordination of the joint external economic policy and export issues. Another The Baltic Assembly should also initiate debate about the joint regional tourism conception.

As concerns the issue of the Baltic energy market, on 14 September in Vilnius the Baltic Assembly jointly with the European Commission and the Lithuanian government organised a regional energy conference. The Baltic States have to take many decisive joint steps to overcome the challenges in the energy field. The Final Resolution of the Session invited the Baltic governments and the Baltic Council of Ministers to submit a common long-term Baltic energy strategy that focuses on regional approach and interoperability and to submit it to the national parliaments for approval. No such long-term Baltic energy strategy has been elaborated. The Baltic States also have to develop energy interconnections with other energy markets thus ensuring diversification of energy supply. The Baltic Energy Market Interconnection Plan is a practical tool for coping with these challenges. Power bridges are being built, in order to achieve complete integration of the Baltic States into the electricity network of European Union. *LitPolLink 1* and *Nord Balt* power line projects are already under construction. However to interconnect the Baltic system synchronously with the European continental network, additional power line *LitPolLink 2* is of strategic



importance, and the support of European Commission is vital to achieve breakthrough. It is also necessary to implement joint energy projects. It includes paying focus on development of Visaginas nuclear power plant and the necessity to continue constructing new power interconnections with Finland, Sweden and Poland. Baltic States also have to continue working on new projects in gas sector, namely, gas interconnections, new underground gas storage facilities, and regional LNG terminal. Promotion of joint projects involving renewable energy sources are also essential.

Concerning the development of regional cooperation networks with international partners, there is a well established cooperation framework with the Nordic Council, but it should be noted that the potential of the Baltic – Nordic cooperation was not fully exploited. Both regions have to expand comprehensive political collaboration to defend the region's interests, not least in regard to the EU and other international organisations.

Cooperation with the Benelux Parliament has experienced a strong impetus as both organisations have started a joint initiative to elaborate multilateral approach in fight against the VAT and social fraud.

The political cooperation between the Baltic Assembly and the GUAM Parliamentary Assembly should be deepened in concrete areas based on the Eastern Partnership of the European Union.

### **Report of the Budget and Audit Committee of the Baltic Assembly**

**Mr Rytas Kupčinskas**, Chairman of the BA Budget and Audit Committee, informed about the work of the committee during the year. Task of the Budget and Audit Committee is to audit the expenditures of the BA Budget, follow the implementation of the BA Budget and in close co-operation with the Presidium of the Baltic Assembly to prepare the budget for the forthcoming year. Results of the work are draft report on implementation of the Budget of the Baltic Assembly 2011 and draft Budget of the Baltic Assembly 2013 which has been submitted for consideration to all members of the Baltic Assembly.

As concerns the draft report of the Budget of the Baltic Assembly 2011, the source of the Baltic Assembly budget in 2011 were the membership fees from the national parliaments of Estonia, Latvia and Lithuania in the amount of 274,140 EUR. In the Budget of the Baltic Assembly for 2011 there was also the Anniversary Fund for celebration of the 20<sup>th</sup> Anniversary of EUR 34,463. According to the report, 288,910 EUR have been used for activities of the Baltic Assembly in 2011 as well for the celebrations of the 20<sup>th</sup> anniversary of the Baltic Assembly. As some of the planned events have been postponed to 2012 the residual part of the budget in amount of 19,693 EUR has been included in the Budget of 2012. Budget of the Baltic Assembly has been used to ensure the following activities of the Baltic Assembly: firstly, international parliamentary seminars of the Presidium and Committees; secondly, cooperation with the Nordic Council, the Benelux Parliament, the GUAM Parliamentary Assembly as well as participation in the work of the Standing Committee of the Baltic Sea Parliamentary Conference; thirdly, organisation of the Session and the Baltic Council; fourthly, Baltic Assembly Prizes in Literature, the Arts and Science; fifthly, for the Secretariat.

Regarding the draft budget of the Baltic Assembly for the next year it should be noted that since the beginning of the financial crisis expenses were decreased for more than 20%. The membership payment of the national parliaments of the Baltic States will remain on the same level as since 2009 and will amount to EUR 91,380. The total of the BA Budget for 2013 is EUR 274, 140 and the main budgetary positions are the following: the 32<sup>nd</sup> Session of the Baltic Assembly and the 19<sup>th</sup> Baltic Council, expenses of which have been calculated EUR 38,000; meetings of the BA Presidium – EUR 14,550; international cooperation – EUR 83,670; medals of the Baltic Assembly, BA basketball tournament and the website – EUR 7,785; the Baltic Assembly Prizes in Literature, the Arts and Science and the Baltic Innovation prize – EUR 47,527; allocation for the BA Secretariat – EUR 73, 208; working groups meetings and internal meetings of the committees – EUR 8,000.

**Adoption of the Final document of the 31<sup>st</sup> Session of the Baltic Assembly**

**Mr. Paulius Saudargas**, President of the Baltic Assembly, informed about the Final Resolution of the Baltic Assembly, which contains recommendations concerning the regulative and supervisory cooperation mechanisms of the Baltic financial markets,

multilateral approach to VAT fraud, combating the spread of drugs and the joint energy projects as well as the cooperation project BIRTI.

**Resolution of the 31<sup>st</sup> Session of the Baltic Assembly was unanimously adopted by the national delegations of the Baltic Assembly.**

**Mr. Paulius Saudargas**, President of the Baltic Assembly, informed about the **Statement on the Baltic States' Forthcoming Presidencies of the Council of the European Union**, which comprises the standpoint towards the forthcoming presidencies and coordination of presidency programmes. In connection with the necessity to adapt the Regulations on the BA Prize, there is **the Decision on Amending the Statutes of the Baltic Assembly Prize for Literature, the Arts and Science**. There is also Draft Final Document of the 31<sup>st</sup> Session of the Baltic Assembly in which the priorities for the next year under the presidency of Latvia are defined. There is also **the Decision on the implementation of the Report of the Budget of the Baltic Assembly for 2011** and the **Decision on the Budget of the Baltic Assembly for 2013**.

**The Final Document of the 31<sup>st</sup> Session of the Baltic Assembly, the Statement on the Baltic States' Forthcoming Presidencies of the Council of the European Union, Decision on Amendments to the Statutes of the Baltic Assembly Prize for Literature, the Arts and Science; Decision on the Baltic Assembly Budget Report for 2011 and the Decision on the Baltic Assembly Budget Report for 2013 were unanimously adopted by the national delegations of the Baltic Assembly (See Annex 2).**

### **Election of the President and Vice Presidents of the Baltic Assembly for 2013**

President – Raimonds Vējonis, Latvia; Vice Presidents – Laine Randjärv, Estonia, and Paulius Saudargas, Lithuania.

## **Election of the Chairpersons and Vice Chairpersons of the BA Committees**

Chairman of the BA Economics, Energy and Innovation Committee – Atis Lejiņš, Latvia, Vice Chairmen - Sven Sester, Estonia and Bronius Pauža, Lithuania.

Chairman of the BA Education, Science and Culture Committee - Jānis Vucāns, Latvia; Vice Chairmen – Aivar Kokk, Estonia and Valerijus Simulik, Lithuania.

Chairman of the BA Natural Resources and Environment Committee – Romualds Ražuks, Latvia; Vice Chairmen – Jaanus Tamkivi, Estonia and Jonas Stanevičius, Lithuania.

Chairman of the BA Legal Affairs and Security Committee - Jānis Ādamsons, Latvia; Vice Chairmen – Väino Linde, Estonia and Ludvikas Sabutis, Lithuania.

Chairman of the BA Welfare Committee - Vitālijs Orlovs, Latvia, Vice Chairmen – Ūlo Tulik, Estonia and Gediminas Navaitis, Lithuania.

Chairman of the BA Budget and Audit Committee - Ivans Ribakovs, Latvia; Vice Chairmen – Sven Sester, Estonia and Rytas Kupčinskas, Lithuania.

## **Speech of the Newly Elected President of the Baltic Assembly**

**Mr Raimonds Vējonis**, Vice President of the Baltic Assembly, expressed his pleasure and honour to address the session and assume the duties of the President of the Baltic Assembly. In 2009 the Baltic States took a new and crucial step forward in trilateral cooperation by committing themselves to solidarity in order to seek joint solutions to various possible problems. Despite all these new initiatives and decisive actions, some major questions remain unanswered with regard to the model of cooperation between the Baltic Assembly and the Baltic Council of Ministers.

The Baltic Assembly quickly reoriented to develop practical partnerships: jumpstarted cooperation in the health-care area, proposed new initiatives for combating VAT fraud on the European level, began work that will result in removing flaws in legislation regulating

financial market supervision mechanisms. Nevertheless, in order not to go beyond mere recommendations or declarations, vigorous action by the executive branch is needed. For the sake of Baltic cooperation the problem of insufficiently close cooperation between the governments should be solved. The cooperation potential is far from being used to the full extent. Cooperation among line ministries should be strengthened. The Baltic Council of Ministers has five committees composed of high-ranking officials, namely, committees on energy, transport and communications, defence, environment, and the interior. The Baltic Council of Ministers has to form at least task forces in areas such as research and innovation, foreign economic policy and investments, financial markets, and regional competitiveness. The aim of the Latvian presidency is further strengthening of cooperation between the Baltic Assembly and the Baltic Council of Ministers. We will do our best to solve current problems with the available resources. The basic cooperation principle is simple – a close coordination mechanism of the legislative and executive branch as the only way to make the Baltic region competitive.

The main cooperation priorities during the Latvian presidency for the next year: development of a competitive and innovative economy of the Baltic States. It is an ambitious goal, which might not be achieved completely within 12 months, therefore support from all national delegations, national parliaments and the Baltic Council of Ministers is very important. Together with representatives from business associations it is intended to begin developing a joint Baltic foreign economic policy. Answers have to be sought on the following questions: what joint actions need to be taken in order to attract investments to the region; what joint investment projects can we develop; how can Baltic entrepreneurs jointly showcase their produce in the global markets; how can the Baltic States jointly attract EU funding for development cooperation? This initiative was supported by entrepreneurs and employers, and during the Latvian presidency special focus will be put on development cooperation policy and Baltic collaboration in this area. In this connection meeting with Andris Piebalgs, EU Development Commissioner, and organization of a theme conference on development cooperation issues in May is planned. Latvian presidency is also committed to develop Baltic cooperation in research and innovation. It is important that views coincide with those of the Baltic Council of Ministers because the Baltic prime ministers have supported the formation of a joint Baltic research, technology and innovation infrastructure within the framework of the BIRTI in order to implement the Europe 2020 strategy in the Baltic States by attracting as successfully as

possible funds from various EU programmes and national budgets of the Baltic States. The Baltic Council of Ministers will be urged to establish a special working group to conduct a feasibility study of the BIRTI project, together with the European Commission and JASPERS office of the EBRD, to implement the project in order to promote the competitiveness of the Baltic States' economies and to declare that the main goal of the project is to create a common research, technology and innovation infrastructure based on the feasibility study and coordinated among the governments of the Baltic States. Establishing such a working group would be a positive sign that the three countries agree on the need to implement the BIRTI project, thus overcoming the fragmentation and creating a single strategic framework for supporting research and innovation.

In developing the competitiveness of economies, it is extremely important to focus on establishing a single Baltic energy market and integrating it into single Nordic and European energy markets. Governments have to actively work at developing a harmonised green energy support scheme of the Baltic States and the Nordic countries.

The presidency agenda will also include the following issues: joint concept of regional tourism, joint health-care projects, rural development, infrastructure and energy projects as well as the Eastern Partnership of the European Union. The events hosted by the presidency will actively involve the Nordic Council, the Benelux Parliament and the GUAM Parliamentary Assembly.

With regard to Latvia's presidency agenda, there are the following issues to be initiated: a Baltic research and innovation centre where the Baltic States could pool financial resources necessary for joint research and innovation projects; joint Baltic infrastructure projects such as roads, railways and joint airline; a strong community of the Baltic States and the Nordic countries; joint procurement of military equipment, especially with regard to Baltic air policing; and a joint attraction of investments, penetration of foreign markets and the use of EU funds.

## Signing of the Final document of the 31<sup>st</sup> Session of the Baltic Assembly

**Ms. Paulius Saudargas**, President of the Baltic Assembly, announced that the 31<sup>st</sup> Session of the Baltic Assembly is closed. National delegations were invited for signing the Final Document of the 31<sup>st</sup> Session of the Baltic Assembly. Gratitude was expressed to all who have been involved in organizing the Session of the Baltic Assembly: the national delegations of the Baltic Assembly, experts and international partners, colleagues in the Lithuanian delegation, all employees of the office, the Secretariat of the Baltic Assembly as well as interpreters.

President of the Baltic  
Assembly

Vice President of the Baltic  
Assembly

Vice President of the Baltic  
Assembly

**Paulius Saudargas**  
Republic of Lithuania

**Raimonds Vējonis**  
Republic of Latvia

**Laine Randjärv**  
Republic of Estonia

Secretary General of the Baltic Assembly  
**Marika LAIZĀNE-JURKĀNE**

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