

ACTION PLAN FOR MARITIME TRANSPORT IN THE BALTIC SEA REGION

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Appendix: Action Plan in brief

Summary

The Baltic Sea area has the potential to become one of Europe's strongest and most dynamic growth regions. After a few years of initial difficulties and adjustment problems following independence, the eastern area of the region, with the new Baltic States and Poland, has displayed favourable economic expansion, with sharply rising growth rates and an expansion in trade that outperform the more mature EU countries in the region. The major question has been – and still is – the direction of developments in Russia.

The positive picture is currently being supported and strengthened by the integration process entailed by EU enlargement. Sweden and other Nordic countries have actively supported and promoted this process from the beginning.

In this report, we conclude that transport issues – and especially shipping and port operations in the case of the Baltic Sea trade – are of key significance and must be developed in a manner that supports rather than restricts the continuing development of trade and contacts within the region. We state that a reasonable objective is that transport systems and solutions in the years ahead should be developed in the east-west axis across the Baltic Sea to the extent that they qualitatively match current conditions in the south-north direction.

The underlying material that we have compiled confirms previous accounts that it is primarily the “soft” issues surrounding the efficiency and organisation of shipping and ports that must be focused on, rather than the “hard” infrastructure in the form of new or extended ports. The same applies to the forwarding of goods. In the case of the ports, this does not apply only to the eastern sections of the Baltic Sea region but also to the region as a whole, while in the case of land transport, issues involving quality and efficiency present most difficulties in the eastern sections. Several studies prior to ours have confirmed that land connections with ports on the eastern and southern side of the Baltic Sea have in many cases been drawn through densely populated city centres and

lack quality. This results in negative environmental consequences and restricts the development of rational inter-modal transport solutions.

Accordingly, the proposals of the action programme presented by us are based on positive developments within the region and underscore the importance of the “soft” questions in stimulating trade and contacts within the Baltic Sea region. It should be noted that deficiencies and shortcomings do not apply solely to the new market economies. There are also plenty of examples of bureaucracy, rigidity and special interpretations among the region’s EU countries, for whom greater transparency would facilitate cross-border co-operation in the Baltic Sea region and within the EU.

Proposals of the action plan

In an effort to promote maritime transport in our vicinity, we present a number of proposals – as shown in Chapter 7 and summarised in table form in an Appendix to this action plan– in the following areas:

Framework conditions for transport policy

- Harmonisation of transport policy rules;
- Fees, customs tariffs and trade barriers;
- Greater transparency in border-passage and customs-clearance procedures, reduction in waiting times.

Inter-modal transport

- Development of rational transit transport solutions;
- Increased utilisation of interior waterways;
- Increased access for foreign tonnage in Russian river/canal system.

Technical co-operation

- International conventions and national implementation;
- Increased coverage of modern navigation systems in the Baltic Sea countries (Differential GPS);
- Greater utilisation of transponder technology for maritime traffic;
- Closer co-operation in the maritime safety area;
- Maritime Search and Rescue co-operation.

Development of know-how and institutional support

- Development of know-how in the forwarding and transport area;
- Implementation and harmonisation of port state control in Estonia, Latvia and Lithuania;
- Increased know-how/awareness in Baltic Sea ports regarding work on the Baltic Strategy;
- Harmonised application of Baltic Sea agreement covering the transport of dangerous goods;
- International conventions and national implementation.

Special environmental programmes

- Development of reception facilities for ship-generated waste;
- Reduction of atmospheric pollutants from shipping;
- Scrapping of tonnage in the Baltic Sea region.

The action programme encompasses contributions within the areas of responsibility of the ministries for Foreign Affairs, Trade, Finance, Defence, Education and Environmental. In addition to involving the Swedish Government Office, the proposals affect a number of players and institutions, such as government authorities, the

Swedish Trade Council, research and educational institutions and industry organisations. The action plan does not focus narrowly on shipping and maritime transport but instead has a broader base as part of Swedish Baltic Sea policy.

From the viewpoint of transport geography, Sweden is an island, but is nevertheless not a sole player. A number of the proposals affect questions that are most appropriately tackled in co-operation with other countries within the framework of regional forums, EU enlargement in the Baltic Sea area, and the IMO (International Maritime Organization), etc. In these respects, the proposals of the action programme should be regarded as an initiative by Sweden aimed at achieving efficient and reliable trade.

1 The assignment and arrangement of work

The assignment, which was announced by the Swedish government in its transport policy bill (1997/98:56), states: “the Swedish Maritime Administration, based on its commenced Baltic Sea co-operation, shall submit a combined report covering the measures for maritime transport which the Administration believes should be undertaken for the purpose of facilitating and promoting maritime transport in our vicinity, primarily in the Baltic Sea region”.

According to the government, the background to the assignment is the new political situation in the Baltic Sea area and the forthcoming enlargement of the EU. This situation underlies the Swedish Maritime Administration’s presentation of a basis for programmes for Swedish involvement with maritime questions in our neighbouring area.

We define the Baltic Sea area as including all of the Swedish coastline, that is, including both the Skagerak and Kattegatt. However, the main focus is on Sweden’s eastern and southern neighbours. The following countries are covered. The EU countries, Finland, Germany and Denmark as well as the EU-candidate countries, Estonia, Latvia, Lithuania and Poland. Russia is also covered, as is Norway to a certain extent.

In accordance with the directive, work was conducted in close co-operation with representatives of business and industry and other organisations. The work was monitored by a reference group with representatives from a large number of organisations.

The present report is based on a large number of studies and publications. Several meetings have been conducted with the particular parties. We have also utilised the viewpoints of external experts in a number of the areas studied.

At the initial stage of the project, we assigned TFK-Hamburg to conduct a charting of some of the studies affecting the Baltic Sea region. Also, the Institute of Shipping Analysis (SAI) provided basic data for the report.

The Swedish Maritime Administration previously commissioned SAI to conduct country analysis for some ten countries in our vicinity in an effort to highlight port and maritime conditions in these countries. This material has also been of use for this report.



1.1 Points of departure

Following the dissolution of the Soviet Union and the establishment of market economies in the East and ahead of the forthcoming enlargement of the EU, the Baltic Sea region has gained new potential for dynamic growth. With the exception of Russia, the new neighbouring market economies show good growth, albeit from an initially low level. The crisis in Russia, however, has slowed economic growth in the region.

The Baltic Sea region offers substantial potential as a growth area. Also, from the Swedish viewpoint, the northern dimension of European integration has been repeatedly emphasised. The northern dimension will be further underscored during Finland's presidency of the EU and, again, during Sweden's presidency during the first half of 2001.

Trade and co-operation among countries around the Baltic Sea represent a priority policy area for Sweden. But foreign trade and co-operation in an east-west axis require institutional reliability and efficient transport. In this sense, institutional factors such as predictable customs and border passage procedures, security of goods and reliability are key preconditions. However, this is not always the case today.

As a party in Baltic and European forums, especially within the EU, Sweden has an interest in working unilaterally and bilaterally for safe, smooth and reliable east-west trade. A reasonable objective should be that trade and passenger transport in an east-west axis should eventually attain approximately the same extent and quality as that which Sweden already has with other neighbours. Among other things, this involves the following:

- integrated range of goods transport throughout Eastern Europe;
- functional ports and goods transit transport facilities;
- predictable border passage procedures, also at second and third border passages;

- satisfactory transport range, both with goods/combined ferries and with increased east-west transit across the Baltic Sea using quality tonnage;
- environmentally sustainable transport systems;
- reliable maritime safety with joint international standards and increased co-operation for winter shipping;
- link-up of the entire region's infrastructure with the EU's TEN-network to facilitate transport.

The action plan has been drawn up on the basis of the general fundamentals for the requisite goods transport facilities offering a high standard, safety, reliability and environmental sustainability.

2 Sweden and the EU in relation to the Baltic Sea region

Sweden's efforts on behalf of the Baltic Sea region – both within the EU and globally – are determined by changes in the conditions underlying foreign policy. Foreign and domestic policy has converged. The relationship between politics and economics is increasingly clear. Foreign policy involves both trade and investment, such as co-operation for development. Sweden's membership of the EU has provided Sweden with a platform for strengthening co-operation for development in our hinterland, in which the Baltic Sea plays a major role.

During the past fifty years, the Baltic Sea has acted as a moat between east and west. The same sea now unites free countries and people through growing trade, cultural exchange, political co-operation and contacts between municipalities, companies and social movements. This is a return to the historical situation. Despite the current crisis in Russia, the Baltic Sea region should in the longer term be one of Europe's most dynamic growth areas.

2.1 Current Baltic Sea policy

In 1998, the Swedish parliament allocated a future SEK 1 billion for a programme entitled "Baltic Sea Billion 2" to be distributed over the next five years to develop business and industry and enhance living condition in the region. The Swedish government has appointed a Baltic Sea Committee to draw up guidelines on how these funds should be used. The allocated funds have a definite business policy objective for Sweden. The idea is that the funds will strengthen the presence of Swedish business and industry primarily in the Baltic States. The Baltic Sea Committee has had two main tasks: firstly, to propose guidelines for the distribution of the funds; and, secondly, to propose a strategy for attaining the desired economic development in the region.

Of the SEK 105 million allocated in the 1999 budget, SEK 43 million has taken the form of a grant to the Swedish Trade Council and its involvement in the what is referred to as "Marketplace Baltic Sea"

programme. Other areas in which the Baltic Sea Billion 2 programme could be applied include its use as risk capital and for network building.

Under the slogan “Sweden - Poland: Baltic Neighbours in the New Europe”, in 1999 the government also conducted a broad-based investment programme in order to increase contacts between Poland and Sweden.

2.2 EU enlargement

The EU faces major changes in the next few years. Sweden is promoting the enlargement of the union, at the same time as co-operation is being deepened and extended. An enlargement contributes to increased security, sounder democratic systems and social and economic development in Sweden's hinterland, as well as throughout Europe. The possibility of membership is a highly important factor in driving reform in East and Central Europe.

One of the key tasks for Sweden in recent years has thus been the preparations for the EU's enlargement, a process that encompasses all candidate countries, including the Baltic Sea countries, namely, Estonia, Latvia, Lithuania, and Poland. Major efforts are being made to adjust legislation as well as administrative structures to meet EU standards. A decisive qualitative step for the integration of the states into the EU was taken when the bilateral Europe agreement came into force on 1 February 1998. As a result of these agreements, contact interfaces between the various national administrations and the EU system were broadened. The possibility of participating in EU programmes in such areas as education, research and environment were opened up. In its review of the regulatory system with candidate countries, the EU Commission examines the legal provisions implied by the combined regulatory system and their importance.

Concrete negotiations in certain areas with six of the candidate countries (including Estonia and Poland) have commenced. In connection with the negotiations, the Commission presented the first of its regularly recurring reports covering the progress made in the candidate countries. The review report on the progress made by

Estonia and Poland in terms of reform and adjustment work confirmed that these countries are advancing rapidly.

The EU Commission also emphasises the progress made in Latvia. It is suggested that the country will very soon be able to fulfil the criteria for a functioning market economy and its ability to withstand competition and market forces within the Union. If the positive development continues, it should be possible to commence membership negotiations soon. Moreover, Lithuania is also regarded as having made considerable progress. However, it is felt that the country needs to make future adjustment towards the regulatory framework in order to fulfil the economic criteria. The EU Commission also states that certain new legislation needs to be tested in practice before it is possible to ascertain the extent to which it functions.

2.3 Relations with Russia

Sweden is playing an active role in the EU's work on a Russian strategy for trade, increased nuclear safety, support for democracy and other aspects. It is important that Russia makes progress in creating a well-functioning civil state and a sustainable market economy. Relations with Russia occupy a central role in the EU's foreign policy co-operation. Another overall objective is to integrate Russia into the European co-operation structure and avoid the creation of new fault lines in Europe. Notable EU instruments for material support for Russia include the Tacis programme for technical aid.

The economic crisis in Russia in autumn 1998 meant that the EU's relations with Russia came under focus. The EU made it clear at an early stage that it was prepared to support Russia throughout the crisis.

The EU Commission has approved a report covering the northern dimension after a decision of the European Council in December 1997. The initiative for the northern dimension comes from Finland. The Commission's report represents a strategy for the EU's policy in north-western Russia and the Baltic States. The report confirms that the EU strongly favours regional co-operation in

northern Europe, primarily through the Baltic Sea Council and Barents Council, in which the EU participates.

2.4 Environmental strategies

Sweden is working actively to reduce water and atmospheric pollutants in the Baltic Sea region. In the environmental area, there is long-established co-operation for the Baltic Sea region within the framework of the Helsinki Commission (HELCOM). Sweden is working in accordance with the agreements concluded within the framework of the HELCOM programme.

One example of this work is the Baltic Strategy for ship-generated waste, which can also be regarded as a predecessor of and driving factor behind the efforts now in progress on the same questions within the EU.

Another example of Sweden's involvement in environmental questions are the environmentally differentiated shipping lane and port fees which Sweden, as the first country world-wide, introduced with effect from 1998. The fee system increased the motivation for shipping lines to reduce atmospheric pollutants from ships. The Swedish Maritime Administration has been commissioned by the government to evaluate the effects of the new fee system in terms of, among other things, environmental differentiation, and will present the report of the commission by the end of 1999.

Efforts to reduce water pollutants from vessels have traditionally been the task of international maritime safety work. What is good for maritime safety is frequently also good for the environment. Sweden has taken a leading role in these efforts and will continue to do so in the future.

Sustainable development and integration of environmental aspects in the EU's policy in various areas has become increasingly important for the Union. In accordance with the Amsterdam Treaty, state and government heads agreed to intensify the EU's efforts on behalf of the environment and sustainable development. Three ministries – energy, transport and agriculture – were invited to commence this work by drawing up strategies to integrate the

environment and sustainable development within their particular policy areas.

Prior to this, Sweden took the initiative in an assignment for the European Commission to develop a strategy for limiting the emission of acidifying substances. The Commission presented its proposals for such a strategy in March 1997. The long-term objective of the Commission's proposal is that emissions of acidifying substances should be reduced so that the critical load limits – meaning the limits that nature can withstand – are not exceeded anywhere in the Union.

A central proposal in the Commission's report is a national ceiling for the emission of acidifying substances (sulphur dioxides, nitrogen dioxides and ammonia). Other proposals are to ratify the 1994 sulphur protocol directives drawn up to limit the sulphur content in heavy fuel oil, revise the directive governing emission limits from large incineration facilities and to submit proposals for measures that the member countries can take against emissions from shipping. The latter will be undertaken within the framework of the International Maritime Organization (IMO). The document proposes that the Baltic Sea and the whole or parts of the North Sea are areas in which lower sulphur content in marine bunker oil is to be used. According to the MARPOL Convention (Annex VI), as revised by the IMO, the Baltic Sea region is classified as a sulphur-controlled area.

2.5 Organisations and programmes for Baltic Sea co-operation

The European Commission has been a member of the Council of Baltic Sea States (CBSS) since the organisation was established in 1992. Other members include the five Nordic countries, the three Baltic States and Poland, Russia and Germany. CBSS is one of several organs in the network of organisations working towards integration and co-operation in Europe. Russian membership of CBSS makes the organisation particularly interesting. Through membership of CBSS, the Commission works together with member states in order to increase trade and investments, and achieve other objectives. The organisation, which last year opened its secretariat

in Stockholm, is an increasingly important forum for co-operation. A regional Agenda 21 is set to become a reality. Under the presidency of Finland, the EU is expected to develop its northern dimension. This creates the potential for strengthening both the Council of Baltic Sea States as well as the *Arctic Council* and *Barents Council*.

The Commission's involvement in the Baltic Sea region derives from the Baltic Sea initiative which the European Council adapted in 1996 and which was presented at the first meeting of the meeting of heads of governments of the Baltic States in Visby. The Commission was also the initiator of the *Baltic Sea Business Advisory Council*, which is aimed at strengthening economic co-operation. Together with a group of business leaders in the Baltic Sea region, this council put forward proposals for the second summit meeting between the government heads, which was held in Riga in January 1998.

Together with the ten countries in the region, the European Commission signed two co-operation agreements in the port and maritime area. This work led to what is known as the Co-ordinating Committee, with participants from each country and with the Commission as chairman.

The EES agreements represents an important framework for Sweden's links with Norway and Iceland who, combined, account for a considerable share of our external economic links and who, as Nordic countries, are close to us. The EES agreement implies that major parts of the regulatory system for the EU's internal market also apply within and towards these countries.

EU support for regional work around the Baltic Sea takes various forms. For example, the EU supports cross-border regional co-operation in the Baltic Sea region (Cross-Border Co-operation, CBC) within the framework of the EU's Phare-programme.

The Phare programme for support to candidate countries currently works through the EU's special programme for support to candidate countries. The programme is aimed at two main areas: institutional development (about 30%) and investments (about 70%). Support focuses on the requirements imposed ahead of EU membership. The intention is that financing via Phare shall function as a base in

which supplementary efforts and assistance can be provided by other international financial institutions, such as the World Bank and from bilateral donors. Sweden is working in this manner with Phare in the Baltic States and Poland. From 2000 onwards, the Phare programme will be supplemented by two new programmes; firstly, to support structural change in the environmental and transport areas and, secondly, in the form of investments in agricultural and rural areas. Half of the funds will promote co-operation projects between EU states on the Baltic Sea and Estonia, Latvia, Lithuania and Poland. These projects may also be combined with projects within the co-operation programme for Russia and the other CSS countries, Tacis, and with the EU's special programme for regional development, Interreg II C.

Finally, it is worth noting the extensive integration work within the Baltic Sea region conducted by various non-government organisations and associations, or so-called NGOs – ranging from social movements, various cultural and sporting associations, trade union regional co-operation, to twin-town co-operation, and environmental movements, etc.

The Baltic Ports Organization (BPO), with 60 of the largest Baltic Sea ports as members, is an important body in the maritime and ports context. In response to a Swedish initiative, the shipping associations within the region have commenced the development of co-operation and, similarly, there is regional co-operation in the trade union area.

3. Swedish trade with countries in the Baltic Sea region

For obvious reasons, most of the flow of goods around the Baltic Sea is carried by vessels. Maritime traffic accounts for some 90% of Sweden's total foreign trade flows. The trade trend is the most important factor underlying the development of shipping in the region.

The value of Sweden's total exports in 1998 amounted to SEK 673.1 billion (1997: SEK 632.7) and imports totalled SEK 542.2 billion (1997: SEK 501.1 billion). The value of Swedish exports to Europe increased by 10% in 1998. Trade with EU countries has been the primary growth factor. Exports to Europe account for 75% of total Swedish exports. The three largest markets for Swedish exports within the EU are Germany, United Kingdom and Denmark, two of which are within the Baltic Sea area. Among Baltic Sea countries, only exports to Russia declined in 1998 (-13%). Exports to Lithuania and Estonia increased by 35% and 14%, respectively, in terms of value, while other countries showed modest increases.

Of total Swedish imports, 84% derived from European countries in 1998 and the value amounted to about SEK 454 billion. In terms of import shares, the three largest countries of shipment – Germany, United Kingdom and Holland – accounted for 35% of total imports.

The following section deals with the trade between Sweden and the other Baltic Sea countries, while by way of introduction, we present some data relating to the total trade in the region.

Trade across the Baltic Sea is expected to expand by about 20% annually in terms of value. Germany is the predominant trading party and accounts for some 30% of both the total imports and exports in the region. Sweden is involved in about 20% of total trade and is thus ranked second in the region. The other Nordic countries and Poland and Russia account for 5-10% each. Finally, the Baltic States have a share of about 1-2% each.

The most important trading countries for the new market economies are Sweden, Finland and Germany. The table below

shows that Germany accounts for 33% of total export flows within the region (first column) but that this 33% accounts for only 9% of Germany's total exports. The Baltic countries account for only 2% each of total exports, but their exports are mainly within the region (66, 57 and 45%). These countries are still considerably dependent on Russia, although this dependence is expected to decline in the future.

Table 1: Share of export flows within the region and the share of each country's total exports shipped to the region

	Share of export flows within the region deriving from a certain country, %	Share of the country's total exports shipped to the region, %
Germany	33	9
Sweden	16	33
Denmark	12	42
Finland	11	39
Norway	9	31
Russia	9	18
Poland	8	53
Estonia, Latvia, Lithuania	2	66, 67, 45
TOTAL	100	

Source: Processing of data in "Småland and trade flows in the Baltic Sea region" based on figures from the IMF Direction of Trade. Statistics Yearbook 1996

In the report entitled "Småland and trade flows in the Baltic Sea region" a systematic review is made of trade across the Baltic Sea, along with forecasts for future trade. The report analyses trade within the Baltic Sea region, taking into account the current competitive advantages, possible economies of scale and a gradual growth of more differentiated trade throughout the region. Against this background, reports such as "East Route" (TFK-Hamburg) presents a description of how various trade patterns may develop in the region and how rapidly the changes will occur. These analyses and compilation of results from other available studies deal with, for example, aspects of economic development and trade as well as transport and infrastructure in the Baltic Sea region. We present the current situation in the following section. Our assessments are presented in the section entitled "Development and future".

3.1 Trade data

Sweden has advantages in the production of goods and services that require relatively large amounts of capital, advanced manpower skills, R&D resources and strong purchasing power in the domestic market. Russia, Poland, Lithuania, Latvia and Estonia enjoy advantages in production that require a considerable labour input and routine tasks, such as in production based on raw material resources in the region.

This means that Sweden exports products with a high value per unit-weight and imports goods with a considerably lower kilo price. Import prices in Sweden in the mid-1990s were about one-tenth of the average export price in trade with the new market economies. This means that in the foreseeable future, imports will impose demands on port and transport capacity, while exports from Sweden will instead impose quality requirements as regards delivery conditions.

Swedish exports to countries in the Baltic Sea region in the 1990s increased as shown in the following two diagrams.

Figure 1: Swedish exports to EU countries in the Baltic Sea region (Source: Swedish Trade Council)

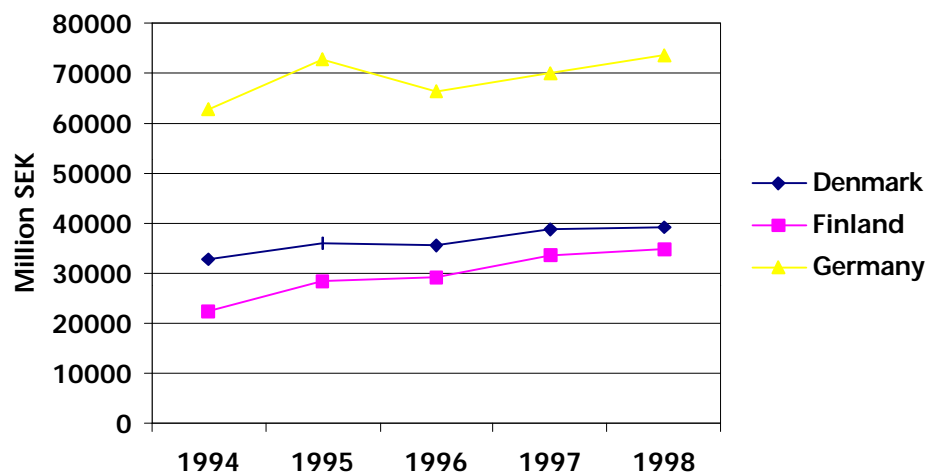
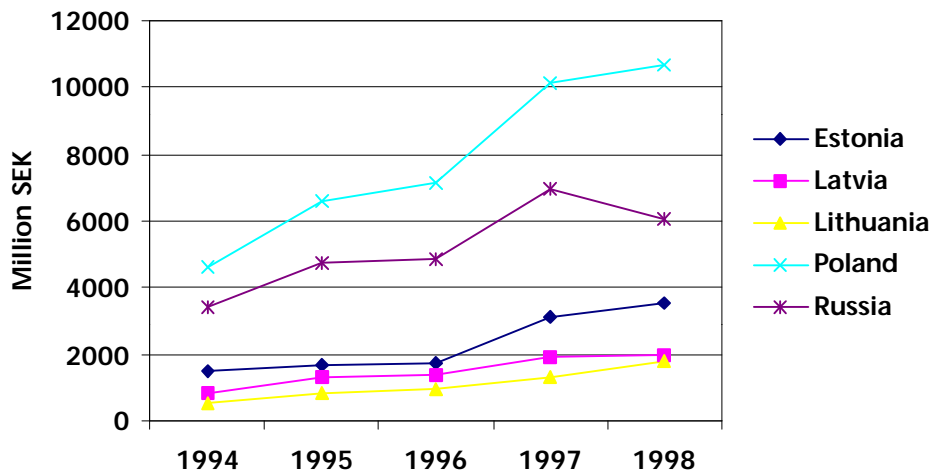


Figure 2: Swedish exports to candidate countries and Russia
(Source: Swedish Trade Council)



The diagram shows that there was a strong percentage increase in exports to candidate countries during the 1990s. However, it is important to note that the absolute figures are as yet at a low level. Also, Swedish imports from countries in the region have increased sharply, but not quite as much, as shown by the next two diagrams.

Figure 3: Swedish imports from EU countries in the Baltic Sea region
(Source: Swedish Trade Council)

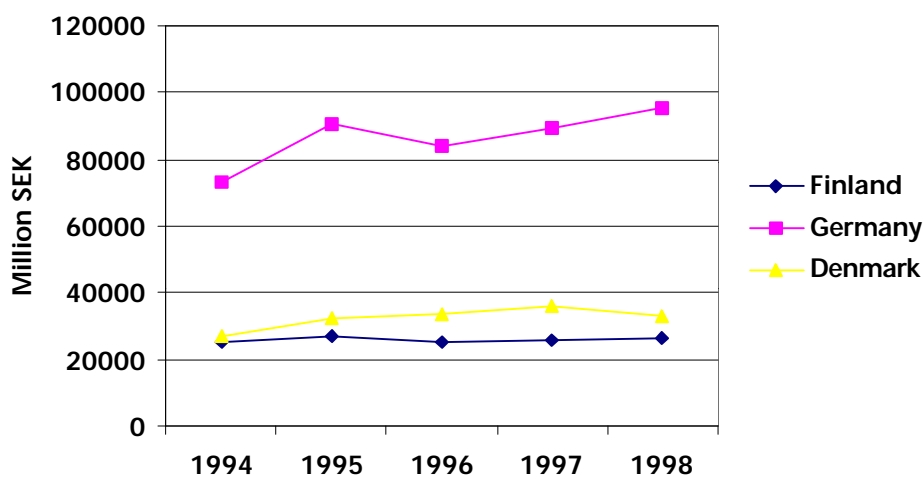
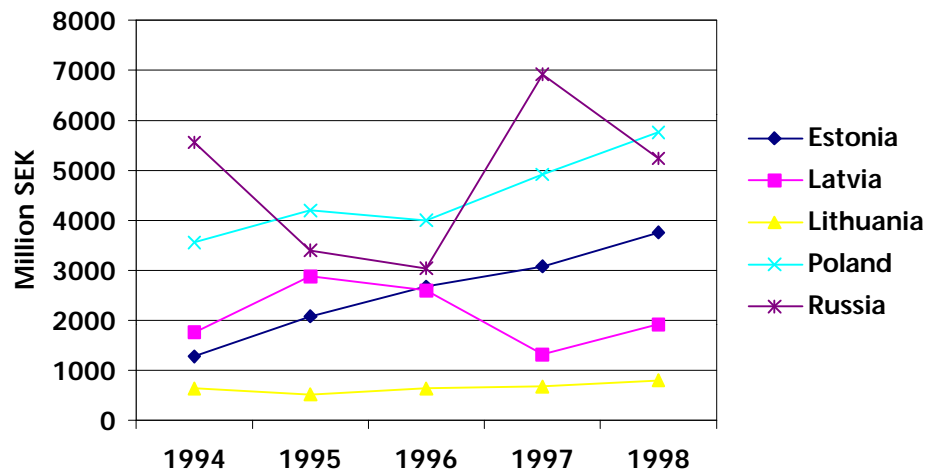


Figure 4: Swedish imports from candidate countries and Russia
(Source: Swedish Trade Council)



Shipments from candidate countries in the Baltic Sea region to Sweden increased considerably faster than from the region's high-income countries. However, these import flows did not increase as fast as the corresponding exports from Sweden. Estonia and Latvia account for the largest increases.

Overall, trade with these countries in 1997 increased to 14.7 million tonnes, which may be compared with Sweden's total foreign trade in the same year, which amounted to 136 million tonnes. Swedish imports accounted for 11.5 million tonnes and exports for 3.2 million tonnes in trade with the candidate countries and Russia. In other words, Sweden imported considerably more tonnage from these countries than it exported.

3.2 Types of goods and goods flows in the region

The goods that currently dominate and are expected to dominate trade between Sweden and the candidate countries and Russia differ in terms of imports and exports.

Imports to Sweden consist primarily of bulk goods, that is, goods transported unpacked in bulk carriers. These imports, which amount annually to about 7-8 million tonnes, consist mainly of oils, wood raw materials, coal, ores, minerals and chemicals. The

remaining goods are transported primarily on truck trailers onboard ferries or as general cargo on vessels.

Wood products are a major import category, especially from Estonia, Poland and Russia. Furniture is imported primarily from Poland and garments from Estonia. Imports of wood products increased sharply in 1997, notably from the Baltic countries. The rise in wood raw material imports from Russia was 16%, which means large volumes since this corresponds to an increase of 193,000 tonnes. Imports from Poland of processed wood products are another group of goods that increased sharply.

Otherwise, we note the following:

- a full 45% of imports from Estonia are raw materials, mineral fuels and other forms of energy;
- 55% of imports from Latvia consisted of fossil fuels and lubricants;
- miscellaneous finished or processed metal goods based on metal, wood, etc., are imported from Lithuania;
- some 70% of imports from Poland consist equally of processed goods, various finished goods and machinery, equipment and means of transport;
- imports from Russia are dominated by raw materials (about 40%) and chemical industry products (about 25%).

Sweden's balance of trade with the above countries is positive, meaning that exports are larger than imports, in terms of value. However, there are considerable imbalances in goods flows. Import tonnage is considerably higher than export tonnage. Consequently, the value of Swedish exports is higher than the value of goods we import from this group of countries. This becomes particularly clear when one views exports distributed by goods category. Processed goods, machinery and engineering products account for a much larger share of total exports in terms of value compared with the volume in tonnes.

The composition of Swedish exports to candidate countries and Russia is much more diversified than imports. Trading volumes are relatively evenly distributed among the various countries. The most important group of goods are machinery, equipment and means of transport. In 1997, this group accounted for between 30% and 50% of Swedish exports to the new market economies.

Another major goods category is paper, paper board and paper goods for which Poland is the largest recipient, followed by Estonia and Russia. Changes in the volume of paper goods during 1997 differed greatly, however, among the countries. Exports to Russia grew 13%, at the same time as exports to Estonia increased by a full 107%.

The export of miscellaneous food products to Russia increased sharply in 1997 (+ 86%) to 53,000 tonnes. Exports of highly processed goods such as industrial plant, vehicles, office machinery, electronics and so forth are substantial and are growing rapidly, although there are not yet particularly large in tonnage terms.

The goods show a number of main flows. Goods flows to and from Russia move either via St. Petersburg, via Finland or via the Baltic States and, to a lesser degree, through Kaliningrad or Poland. A very large share of Russian goods flows are to or from the Moscow area. Containerised transports are largely designed for transoceanic carriers. Goods destined for the Nordic region or northern Europe are containerised only to a very small extent.

East-west roads and railways have their shortcomings. This factor, combined with time-consuming and extensive border procedures, creates scope for ro ro transport also along the coast, such as between Germany and the Baltic States.

Most of the goods transported via south-eastern Sweden have their origin or destination in southern or central Sweden but there are also transit goods from/to Norway and Denmark. Transit goods passing Gdansk/Gdynia in Poland are primarily south or east-bound, while transit goods via Swinoujście are largely south or west-bound. Transit goods via the Baltic ports and Kaliningrad are bound primarily for Russia, although there are also shipments bound for Belarus and the Ukraine.

3.3 Development and future

Trade flows between countries that share similar characteristics in terms of size, income per capita and culture consist very largely of differentiated but similar products that are traded in both directions. In the case of countries that differ greatly in important respects, trade is instead dominated by one-way flows. Looking at the period 2000 to 2015, the picture of the Baltic Sea trade changes gradually among the EU countries and the others from one-way to two-way trade, with the value per unit-weight in trade flows from candidate countries and Russia steadily rising.

Trade between Sweden and countries on the other side of the Baltic Sea is based primarily on Swedish mechanical engineering products, electronics and chemical products being exchanged for raw materials, primarily in the form of pulp wood and oil. Russia has considerable long-term potential but the conditions for positive economic growth and trade are regarded as small in the short term. But even small positive percentage changes quickly become large volume changes in raw materials. So, it should be possible to achieve positive growth in absolute volumes for many goods categories, although the total level for Estonia will remain low. Russia's shortage of foreign currency and the declining value of the rouble may in the short-term lead to rising Russian exports to the most Western countries in the area.

The economies of the Baltic States are developing more positively but have been adversely affected by the Russian crisis. Estonia, Latvia and Lithuania are turning increasingly to the West to find markets for their products. The need to import sophisticated products is also large. Growth in trade is high but the absolute figures are still small.

Russia's economic development has always been the most restrictive factor in the growth of the region. The dependence of the Baltic States on Russia is still substantial and the effect of the Russian crisis on their economies is troublesome in the short term, while in the longer term it is an advantage that the countries are increasingly compelled to direct their efforts towards the West, given the resulting efficiency and quality requirements. This adds to the pace of the reform process.

Several reports indicate that Sweden's trade, in terms of value, with the candidate countries and Russia will increase about 8% annually during the period up to 2015. Trade flows to and from the region's EU countries is expected to increase by 5% annually. During the period 1990-1997, Swedish exports increased by some 9% annually, which provides a perspective on the assumptions. The Baltic Sea region represents a substantial share of Sweden's foreign trade, which makes it reasonable to assume that the trend in import and export flows will be fairly well balanced.

Up until 2015, exports to the candidate countries and Russia are expected to increase by a little more than threefold in terms of value, and slightly less than threefold in terms of weight. Meanwhile, exports to the EU countries are forecast to increase 150% in value terms, while export weight is expected to rise by a little less than 40% – based on descriptions of how weight and value of the goods changed in the 1990.

Imports from the candidate countries and Russia are growing at a similar rate as exports to them, that is, slightly more than 300%, at the same time as the weight of imports has increased by only 50%. This means that the import flow to Sweden from the candidate countries and Russia is gradually rising in value. Imports to Sweden from the region's EU countries is expanding by about 140% in terms of value, while the weight is increasing by slightly more than 40%. Import and export growth vis-à-vis EU countries is thus expected to very similar.

Forecasts imply that total Swedish trade flows to and from the region will rise substantially by – between 160% and 180% – up to 2015. In terms of weight, exports will increase by some 120-130%, with imports rising some 40-60% in terms of weight.

Table 2 : Estimated growth in trade between Sweden and the candidate countries and Russia up to 2015 in quantitative and value terms

	1997		2015	
	Exports	Imports	Exports	Imports
Quantity, mill. tonnes	3,2	11,5	9	18
Value, SEK mill.	23	16	74	50

4 Shipping and ports in the Baltic Sea region

The chapter provides an overview presentation of shipping and port market in the countries of the Baltic Sea region. The fact that we regard this region from a single geographic perspective does not imply that the structure is homogeneous or that it is a closed market.

We present a combined picture of ship traffic based on the processing of data from Lloyd's Voyage Record (LVR). Via Lloyd's agent network, this database registers port calls by vessels, from which port the vessel has immediately arrived and which port is scheduled to call at subsequently, etc. The number of port calls during a year is very large and thus any monitoring must be limited, as has been done up to the second half of 1998.

Since each vessel can be identified by a unique code, technical information regarding the vessel can be received via Lloyd's Register (LR), which covers a large share of the world's merchant fleet. Lloyd's marina databases, however, do not contain information regarding goods or goods flows. The large amount of data, structure of the data and the integration of LVR and LR means that analyses of this character are costly and time-consuming.

In the description of the port structure and the most important ports in the region, the emphasis is on the situation in the four EU-candidate countries (Estonia, Latvia, Lithuania and Poland) as well as Russia.

4.1 The shipping industry in the Baltic Sea region

EU countries

Estimates suggest that the Swedish shipping industry directly employs some 27,000 people. In addition, about another 10,000 are involved in other industries that supply goods and services directly to the industry and an additional 23,000 are involved in other industries, including sectors such as transport, petroleum and engineering. Swedish shipping lines, as well as foreign shipping lines with a Swedish ownership interest, control a fleet of slightly

more than 500 vessels, of which about half carry the Swedish flag. These vessels have a total capacity of about 18 million dead-weight tonnes (dwt), of which 6 million dwt is long-term chartered tonnage. This corresponds to almost 3% of the combined sea freight capacity world-wide. Of the controlled tonnage, about 90% (dwt) is registered outside Sweden. The standard of the controlled tonnage is high and the average age is low by international standards. Of the shipping lines' gross revenues, some two-thirds derive from traffic that does not involve Sweden. In Sweden, the Swedish-flagged fleet has a share of 21% of the seaborne cargo volumes, a share that is on the decline.

The Danish shipping industry plays an important role in the Danish economy and – according to a study done in 1998 by Maersk Broker Research – accounts for about 5% of Danish GDP. About 40,000 Danes are directly or indirectly employed in the shipping industry. The Danish merchant fleet is largely registered in DIS, which is an international register. The fleet consists of 895 vessels with a size exceeding 400 gross tonnes, of which 612 vessels are registered in DIS and in foreign registers. The Danish maritime cluster has decreased significantly in recent years since a number of yards were compelled to close as a result of stiff competition in the world market.

German shipping lines focus largely on third-country traffic. There are a number of large shipping lines with German owners, but only 1,070 of the 2,845 German-owned vessels are registered in the German national register. Germany is the largest nation worldwide in terms of container vessels.

Finnish ownership interests control 214 vessels. Of these, 59 carry foreign flags. Seaborne volumes in Finland amounted to 77 million tonnes in 1998, of which 38 million tonnes were outward bound and 39 million tonnes were inward. Of these volumes, 4 million tonnes were transit goods. Finnish-flagged vessels transported 43% of the volumes, which is quite a substantial share and one that has remained relatively constant over the years.

EU-candidate countries

Shipping in Estonia is of considerable importance in economic terms. The transiting of, in particular, Russian goods plays a major role. Due to this, the development of the shipping industry has high priority for the country. A privatisation process is in progress throughout the economy and this also applies to the shipping industry. Of the total export and import volumes transported, 48% was by sea, 41% by rail and 11% by road. The Estonian ship register contains 87 vessels, of which 65% are older than 20-25 years. Estonian ownership interests also control 36 foreign-registered vessels. Some 60% of passenger traffic to and from Estonia is conducted by Estonian vessels, which is a high share.

The Latvian fleet is made up of 32 vessels, but the shipping lines also control 113 foreign-registered vessels. There are three large shipping lines in Latvia, of which the state-owned Latvian Shipping Company is clearly the largest with 64 vessels, all of which are foreign registered.

In Lithuania there are 113 vessels carrying the national flag. Also here, a wholly state owned shipping line – Lithuanian Shipping Company – is the largest owner. The fleet consists largely of small vessels and only 6 of these are larger than 10,000 gross tonnes. Moreover, the average age of the fleet is as high as 25 years. Some thirty vessels are registered outside the country.

Shipping has traditionally been important for Poland and its role is expected to strengthen further. Transit traffic has declined, but Poland intends to rebuild this activity, particularly in terms of container and ro ro traffic. In July 1998, Polish interests controlled a fleet of 279 vessels, of which 81 were registered in the national register. This number can change rapidly since the number of chartered-in vessels can vary. The state shipping lines have been grappling with major problems. Consequently, the privatisation of shipping line operations is moving slowly.

Russia

The Russian tonnage trafficking the Baltic, largely carries raw materials exported from Russia. The Russian fleet consists of some

2,800 vessels of more than 400 gross tonnes, of which about 490 are registered abroad. In recent years, the percentage of Russian flagged tonnage calling at the Russian Baltic ports has declined sharply from slightly more than 70% in 1995 to little less than 50% in 1998. Since the beginning of the 1990s, Russian tonnage has fallen by some 10% annually. The factors underlying this trend are that older Russian tonnage has been withdrawn from service (70% of Russian tonnage is more than 15 years old) and that Russian shipping lines has become less competitive vis-à-vis foreign competitors, as well as the fact that Russian tonnage has been flagged out in order to avoid high taxes levied on Russian vessels.

A large share of the Russian tonnage is also customised for special types of goods, which makes it less competitive in transporting other goods.

The table below shows the merchant fleets of the Baltic countries, distributed by their own national registers and foreign registers.

Table 3 Shipping fleet of more than 400 GT controlled by Baltic countries, number of ships (Source SAI/Fairplay)

	National register	Foreign register	Total	Percentage	Percentage Foreign register
Russia	2356	486	2842	36%	17%
Germany	1070	1775	2845	36%	62%
Denmark	283	612	895	11%	68%
Sweden	264	247	511	6%	52%
Finland	155	59	214	3%	27%
Poland	181	98	279	3%	35%
Estonia	87	36	123	2%	26%
Latvia	32	113	145	2%	77%
Lithuania	113	30	143	2%	22%
Total	4541	3456	7997	100%	43%

The most notable feature is that even low-cost countries in the region are increasingly using foreign registers. This trend is most likely due to legal and financial factors.

Overall, this means that no less than 43% of the vessels controlled by national interests are outside the jurisdiction of the Baltic countries as flag states.

4.2 Maritime traffic in the Baltic Sea

Maritime traffic in the Baltic Sea region is split up among a number of different transport markets in terms of goods, carriers and handling techniques. Ferries transport passengers, trucks, rail wagons and trailers. Ro ro vessels transport only loads which are rolled onboard on trailers, rail wagons or other types of rolling stock. Other types of vessels transport bulk goods or general cargo that is lifted onboard or transferred by other means. The transport of containers is conducted mainly using ships that specialise in this traffic, but there are also general cargo vessels with container capacity.

During the second half of 1998, merchant traffic in the Baltic Sea was served by almost 2,900 cargo vessels, which made a total of approximately 55,000 calls at ports in the region. In addition to this there was extensive liner ferry traffic carrying both cargo and passengers.

The more modern general cargo vessels have a wide area of application. There is a good supply of these vessels and they represent a relatively low-cost type of ship. These vessels accounted for 56% of traffic or 30,000 port calls in the Baltic Sea region. Tankers accounted for 16% and ro ro vessels for 12%. An rising volume of truck-borne goods and growing frequency requirements indicate that ro ro traffic will continue to expand in the Baltic.

In international traffic in 1998, a little more than 235,000 trips were made by ferries in the region and a total of about 53 million passengers, 7 million cars and 2.4 million truck units were transported across the Baltic Sea.

During 1998, the number of port calls in foreign traffic was estimated at about 345,000 (235,000 + 2 x 55,000), of which regular ferry traffic accounted for about 70% of the calls.

Intra-regional traffic – defined in this context as vessels that have most lately arrived from or were bound for a port within the Baltic Sea region – varied from 56 to 94%, depending on the type of vessel.

Some 94% of non-regular traffic with passenger vessels, that is cruising traffic, sailed within the region, while a slightly larger share of gas and container vessels were bound for or had arrived from a port outside the region.

The figures differ only marginally if one instead looks at the distribution of traffic in the subsequent region.

Table 4: Preceding calls in the Baltic Sea region, second half of 1998 – excluding ferries in liner traffic (Source: SAI/LVR)

Type of ship	Preceding call region					
	Within the region	Outside the region	Total	Within the region	Outside the region	Total
Bulk/comb.vessel	2416	589	3005	80%	20%	100%
Tanker	7572	1303	8875	85%	15%	100%
Gas vessel	340	159	499	68%	32%	100%
General cargo	24084	6889	30973	78%	32%	100%
Container	1226	787	2013	61%	39%	100%
Reefer	496	311	807	61%	39%	100%
Ro ro vessel	5368	1369	6737	80%	20%	100%
Cruising vessel	1658	106	1764	94%	6%	100%
Other	73	58	131	56%	44%	100%
Total	43233	11571	54804	79%	21%	100%

The call frequency per vessel varies highly depending on the type of tonnage. Ro ro and cruising vessels, as well as container ships, are the most frequent types of ships in the region. The frequency requirements are also high in these market segments

Table 5: Number of ships making calls in the Baltic Sea during the second half of 1998, by type of ship (Source: SAI/LVR).

Typ of ship	Number of calls	Number of ships	Average number of calls per ship/six months
Bulk/comb. vessel	3005	651	4,6
Tanker	8875	363	24,4
Gas vessel	499	36	13,9
General cargo	30973	1241	25,0
Container	2013	104	19,4
Reefer	807	242	3,3
Ro ro vessel	6737	190	35,5
Passenger vessel	1764	22	80,2
Other	131	94	1,4
Total	54804	2859	19,2

Vessels belonging to the groups bulk, reefer and others have a substantially lower average call frequency. Reefers operate in global markets, as do some bulk vessels. Consequently, it is only natural these types are less frequent. Other factors that affect the pattern is that the ships have larger cargo capacity and that they are used in tramp traffic.

The Baltic Sea countries control about 3,500 vessels flying foreign flags and thus we can assume that these vessels are heavily engaged in transport in the region. This means that there is a larger national interest in maritime transport in the region than that shown by the flag statistics.

Table 6: Calls by country and type of vessel, second half of 1998 (GC is General Cargo, Con is container) Source: SAI/LVR

	Bulk	Tank	Gas	G C	Con	Reefer	Ro ro	Ferry	Others	Total
Sweden	446	3002	241	8382	648	83	1831	245	45	14923
Finland	362	1128	53	3904	374	10	2086	384	5	8306
Russia	240	411	1	2291	179	267	143	323	17	3872
Estonia	104	531	1	1711	60	34	142	22	0	2605
Latvia	357	490	53	1969	67	58	237	63	3	3297
Lithuania	168	118	0	929	17	86	146	110	1	1575
Poland	478	707	55	2544	168	166	230	48	10	4406
Germany	197	388	10	2601	20	12	955	356	5	4544
Denmark	653	2100	85	6642	480	91	967	213	45	11276
Total	3005	8875	499	30973	2013	807	6737	1764	131	54804

As coastal states, Sweden, Finland and Denmark dominate traffic, accounting for 63% of the calls in the region.

Almost 90 different flag states were represented in the Baltic Sea traffic during the second half of 1998 and almost 50% of the calls in the region were made by vessels flying a non-regional flag.

The Swedish flag is the most common one, while Russia and Norway each account for about 10% of the calls. It is noteworthy that Sweden, with 27% of calls in Swedish ports with Swedish flagged vessels, accounted only for 11% of all calls in the region. Ships registered in Estonia, Latvia and Lithuania and Poland have a very small share of transport in the region, with a mere 5% of calls.

The fact that only 52% of ship calls were made by vessels flying a regional flag means that although trade to a large extent is intra-regional, transport in the Baltic Sea is conducted to a considerable extent by vessels outside the jurisdiction of the individual countries in the region.

Table 7: Distribution of calls by country within the Baltic Sea region and flag

Country	Percentage of calls	Percentage of flag
Sweden	27%	11%
Denmark	21%	7%
Finland	15%	9%
Poland	8%	1%
Germany (Baltic Sea)	8%	9%
Russia (Baltic Sea)	7%	11%
Latvia	6%	0%
Estonia	5%	3%
Lithuania	3%	1%
Norway	-	10%
Others	-	38%
Total	100%	100%

The statistics clearly show that the vessels of the Baltic Sea countries specialise in certain market segments.

- Germany is completely dominant in container traffic, which accounts for accounting for 53% of calls by German-flagged vessels;
- Sweden is prominent in tanker and ro ro traffic, with 30% and 18% of calls;
- The Finnish flag is represented by 34% and 28% in ro ro and general cargo calls, respectively, with 35% of cruising traffic;
- The Russian flag is prominent in general cargo and in the “Other” group, accounting for 17% and 20% of calls, respectively, in the region;
- DIS and NIS registers have 25% and 31%, respectively, of almost 500 gas-vessel calls.

In general, the current structure is a function of the shipping policy pursued in the region. Germany's prominent position is largely a function of the favourable investment opportunities that were available in Germany. The Swedish focus on product tankers is largely due to the growing demand during the post-war period and the energy policy pursued in Sweden. The shipping line industry in Denmark and Norway was able to utilise the policy pursued in these countries of creating an international shipping sector which was considerably involved in third-country traffic. The rapid period of expansion in the post-war period up until 1973 resulted in growth in all countries. The subsequent period of weak growth in demand and increased competition had a greater impact on Finland and Sweden.

The import/export structure and total volumes also affect the development of a country's shipping industry. Finland's specialisation is a function of the integration of industry and shipping.

The international character of shipping has affected the involvement of shipping lines in various sectors in the maritime market in a significant manner in all countries. Sharp changes in demand trends, increased concentration and specialisation, as well as a greater focus on a logistics approach and differentiated requirements, have had a major impact on transoceanic shipping as well as on short-sea shipping, although to a lesser degree to date.

4.3 Goods flows in the Baltic Sea region

The table below shows that export/imports within the Baltic Sea region amounted to 265 million tonnes and that foreign trade in the regions outside the Baltic Sea area amounted to 234 million tonnes. In total, this means about 500 million tons in foreign trade volumes in ports within the region. From the viewpoint of port capacity, these figures give an significant indication of the capacity requirement.

On the other hand, viewed from the transport point of view and for estimating the need for ship capacity within the region, the figure must be reduced. At most, the intra-regional trade amounts to about 133 million tonnes plus 234 million tons of exports and

imports to and from other regions. Consequently, a total of some 370 million tonnes make up the basis for estimating the requirement for cargo capacity in foreign traffic in the region. But even this figure is indicative since it requires more detailed distribution among individual types of goods as well as data on distance, ballast factors, speed, operating days and load factor for vessels in order to estimate capacity requirement.

Table 8: Estimate of foreign, seaborne goods volumes by country, 1997/98, in million tonnes (Source SAI)

Country	Baltic Sea	Other	Total	Baltic Sea, %	Other, %
Sweden ¹	82	48	130	65%	35%
Finland	39	38	77	51%	49%
Russia (Baltic Sea)	9	16	25	36%	64%
Estonia	8	6	14	57%	43%
Latvia	13	35	48	27%	73%
Lithuania	3	11	14	21%	79%
Poland	18	37	55	33%	67%
Germany (Baltic Sea)	56	0	56	100%	0%
Denmark ²	37	43	80	46%	54%
Total	265	234	499	54%	46%

4.4 Ports in the Baltic Sea region

Port services, as well as the view of port functions and their role in the transport chain, are developing. It is well known that a port can have a significant role for business and industry and employment in the local region, and this has contributed to the development of a port structure characterised by a large supply of ports with different conditions and objectives for a larger region.

Many ports in the Baltic Sea region have more or less extensive development plans. In the case of the EU-candidate countries and Russia, this is the result of political and economic changes. The objective is inner and outer reorganisation of the ports structure in an effort to cope with the new trade and new transport requirements that have emerged.

¹ Exclusive ore consignments via Narvik

² The Danish North-Sea coast is included in the statistical base

Ports are focusing on enhancing efficiency in administration, increasing their commercial status through privatisation and decreasing state regulation, adding to operational efficiency and improving capacity. The degree to which these changes are taking place varies from port to port and from country to country.

According to data from Lloyds, 287 ports/terminals in the Baltic Sea region had calls from cargo vessels during the second half of 1998. Of these, 13 ports had more than 1,000 calls. The number of ports in the region with more than 500 calls from cargo vessels amounted to 29, while ports/terminals with more than 100 calls totalled 112.

Data from LVR may differ from those drawn from other sources, as a result of the definition criteria used by a port and other factors. Statistical differences are sometimes considerable and there is also varying information regarding cargo turnover and the number of ports, depending on the source and definition of the concept of a port and terminal.

Despite this, the coverage offered by Lloyds' statistics is regarded as good compared with data that can be checked against national sources.

Table 9 Number of Baltic Sea ports/terminals distributed by various call intervals by cargo vessels (Source: SAI/LVR)

Country	+1000	999-500	499-100	99-12	< 12	Total
Sweden	1	6	32	20	23	82
Finland	1	3	20	14	15	53
Russia (Baltic Sea)	1	1	2	2	5	11
Estonia	1	1	3	4	8	17
Latvia	1	1	1	2	2	7
Lithuania	1	0	0	0	0	1
Poland	3	0	2	3	2	10
Germany (Baltic Sea)	2	1	4	8	10	25
Denmark	2	3	19	31	26	81
Total	13	16	83	84	91	287

Ports registering few calls include what are referred to as dedicated industry terminals and small ports. The table below shows the ports

in each country that have most calls from cargo vessels. Thus, ferry traffic is not included in these figures.

*Table 10: Ports with more than 500 calls, July - Dec. 1998
(Source: SAI/LVR)*

Country	Port/terminal	Number of calls	Port/terminal	Number of calls
Sweden	Göteborg	2565	Helsingborg	705
	Norrköping	777	Halmstad	605
	Brofjorden	725	Malmö	595
	Gävle	580		
Finland	Helsingfors	1288	Hamina	655
	Kotka	969	Rauma	612
Russia	St. Petersburg	2588	Kaliningrad	723
Estonia	Tallinn	1085	Muuga	642
Latvia	Riga	1983	Ventspils	827
Lithuania	Klaipėda	1575		
Poland	Szczecin	1503	Gdynia	1203
	Gdańsk	1101		
Germany	Rostock	1332	Kiel	721
	Lübeck	1299		
Denmark	Copenhagen	1725	Aalborg	859
	Aarhus	1398	Kalundborg	656
	Fredericia	885		

Goods turnover in ports differs from the frequency of calls. The Baltic Sea ports mentioned in the map below have a turnover of at least 1 million tonnes (1997 figures). This volume has been used as a criterion for including ports within the EU in the TEN network (category A ports). Most of the major ports in the region – some 60 – are members of the Baltic Ports Organization (BPO).

Ports in EU countries in the Baltic Sea region

The port sector in the region's EU countries has undergone major structural changes as a result of market-orientation and commercialisation of operations. In Sweden, this has meant that the ports currently compete with each other in a more effective

manner, at the same time as they are increasingly viewing their markets in a European perspective.

There are some 50 general ports in Sweden as well as a number of industrial ports and small terminals/quays. These ports reported a turnover of 125 million tonnes of goods in foreign traffic in 1997. Ferry traffic as well as container handling is concentrated to a few ports. Five ports accounted for 90% of the volumes in ferry traffic. The port of Gothenburg has a turnover of almost 60% of container volume and 65% of mineral oils. Other goods are thus distributed across a relatively large number of ports, but these are more or less specialised in terms of the large goods segment such as forest products, chemicals, metals and ore, etc.

Finland has about 60 commercial ports, including dedicated industrial ports. 75% of goods are handled by the ten largest ports. Most of the ports are owned by the municipality, but have their own budget and in practice are operated as a commercial company.

In Germany, goods handling is heavily concentrated to the North Sea ports of Hamburg and Bremen. Hamburg is the second largest port for containers in Europe and is ranked sixth worldwide. Germany has a number of important ferry ports in the Baltic Sea, as well as special ports for handling Scandinavia forest products exports. The most important are Rostock, Sassnitz/Mulkran, Travemunde/Lubeck, Kiel and Puttgarten.

Denmark has some 60 ports, excluding dedicated industrial ports. In 1997, some 124 million tonnes were shipped through Danish ports, including domestic volumes, of which 31 were on tankers and 40 on ferries. The largest ports in Denmark are Copenhagen, Århus and Fredericia.

Ports in EU-candidate countries in the region

In this section we deal with some general criteria than can be more or less regarded as encompassing all the particular ports in the candidate countries.

All the ports in the Baltic States were previously part of the Soviet Union's port system. These ports were integrated into the overall

economy and were centrally controlled. All ports had a specific role to play in the system and were rather specialised in their port functions. The pattern has changed in recent years, but certain functions continue and continue to play a significant role in the development of the ports.

Many of the ports were originally constructed as railway ports, which means that quays and piers have rail connections. When the ports were constructed, direct load transfer from ship to railway wagon and vice versa was the dominant technique. This type of handling is time-consuming and labour-intensive, at the same time as it requires considerable co-ordination between the port and railway. The ports have many quay places but a limited number of warehouses and stockpiling areas for cargo on land. There was and is sufficient handling equipment but the quality is not satisfactory. Other disadvantages are that road access to quays and piers is generally very limited, the potential for conducting inter-modal operations is insufficient and the EDI system, that is, the transfer of transport data among players in the transport chain does not function satisfactorily.

The ports have adjusted to the new type of trade resulting from changes in import and export relationships. What were previously export goods are now import goods and vice versa. New types of cargoes have emerged and the imbalance between exports and imports has increased.

Also, the ports have adapted to new handling technology, mainly as a result of unit packaging of cargoes, as well as having to adapt to new types of vessels and new customer procedures. The customs authorities in the ports have changed their attitude and have become more service-oriented, but this still needs to be developed. The need for EDI applications in order to solve communications problems in the transport chain has increased.

Also, relatively “new” ports, such as Gdynia in Poland, designed for container handling and Muuga in Estonia, designed for bulk import handling, have undergone or are undergoing considerable restructuring and privatisation of operational services.

The number registered port calls in Estonia amounted to 7,200 in 1997, of which ferries accounted for 54%. Tallinn's port is the only significant port. It consists of several terminals with the following focus on and scope in goods handling.

In the old city port, to which ferries from Helsinki and Stockholm call, the volume in 1998 was about 5 million passengers. The goods handling in this case involves general cargo and containers as well as goods transported on ro ro vessels.

Muuga is exclusively a goods port. This handles liquid products, general cargo, dry bulk, grain, containers, ro ro and refrigerated goods. All port players are privatised. The port includes a pipeline with an annual capacity of about one million tons of oil annually.

Paldiski is a former Soviet military base, which mainly handles timber, scrap metal and ro ro.

Latvia has three significant commercial ports. These three ports reported a volume of 48 million tonnes in 1997. Of these, 46 million tons were loaded and just 2 million tons unloaded.

Ventspils is primarily a port for liquid goods, with a turnover of 35 million tons. Oil and other oil products accounted for 77% of turnover in 1997. The port mainly handles transit goods from Russia.

Riga had a turnover of almost 9 million tonnes in 1997, of which 70% was general cargo, plus timber and sawn timber products. Containers accounted for 15% of turnover

Liepaja is a diversified port in which the largest category of goods is pulp wood and sawn timber products. Metals and container goods are also significant items for the port.

Lithuania has essentially only one major port, Klaipeda, which had 8,155 calls in 1998. Total turnover was 15 million tonnes, of which 12 million were loaded. Metals, oil products and fertilisers are the most important types of goods for the port.

Poland has three port companies of national importance: Gdansk, Gdynia and Szczecin/Swinoujsce. These ports had a total turnover of

50 million tonnes. Gdynia is the dominant port for container handling, where a little more than 200,000 units are handled annually. The other ports are large bulk ports for coal and oil. Transit traffic has decreased and amounted to just 8% of the total volumes.

Russia's Baltic Sea ports

Following the collapse of the Soviet Union, Russia lost most of its ice-free ports on the Baltic Sea. The Baltic ports now function as transit ports for Russian trade. Port capacity in the Baltic countries is thus far larger than national requirements and the ports serve a source of national income by attracting cargo to/from Russia. In the past decade, the port system in the eastern Baltic Sea has changed for the better.

Russia is planning major port projects aimed at reducing dependence on transit transport through the Baltic States and Finland (including Ust Luuga, Baterinya Bay, Primorsk). These projects are, however, progressing very slowly as a result of financial constraints. In addition, there are projects aimed at restructuring former navy and fishing bases to serve as commercial port facilities.

Important Russian ports on the Baltic Sea are St. Petersburg and Kaliningrad. In 1998, St. Petersburg handled 21.5 million tonnes of goods, of which fertilisers, containers and refrigerated goods accounted for the largest share. The port had 7,500 calls in 1997. St. Petersburg frequently encounters ice problems in winter. The port of Kaliningrad consists of three sections: Sea Commercial Seaport, Fishery Port and River Port. To gain access to the rest of Russia, the goods must be transited through Lithuania or Poland, most of which is conducted by rail. The port is ice-free all year round. The port handles bulk goods (both solid and liquid), general cargo, containers and coal. In 1997, the three sections reported 1,571 calls. The goods volume amounted to 4.1 million tonnes.

5 Development sequence for trade and transport

5.1 Conditions for trade

As shown in the preceding section, there is a strong positive correlation between the development of trade in the Baltic Sea region and the development of shipping in this area. Consequently, when economies strengthen and trade increases, it is important that shipping and the transport system in general are not restricted by various barriers, rigidities and bottlenecks.

There are many barriers to international trade. These include physical, cultural or institutions obstacles, lack of or opaque regulations, etc. In the case of common regions in which no or few obstacles exist, the transaction or contact costs are low. The historical links between Sweden and the Baltic Sea countries were disrupted for about 50 years. However, trade alone is not sufficient for affinity to emerge among countries. Many researchers say that direct investments are a significant factor in creating economic links. To date, however, direct investments by Swedish entities have been modest compared with other EU countries. Besides infrastructure, the major barriers are frequently associated with the national approaches to the market economy, legal systems and other institutional factors.

Accordingly, an important task has been to attempt to identify such rigidities and adjustment barriers and, if possible, to propose measures that may lead to improvement. The various surveys and studies that have dealt with developments in the Baltic Sea area in recent years offer a rather good and reasonably harmonious picture of the situation and also show that major progress has been achieved in the past decade in a number of areas that affect shipping and port activities in the Baltic Sea area. However despite the positive trend, there remain numerous factors that impede development.

In order to highlight and concretise the “problem picture” encountered by trade and shipping in the region, we have turned to the reference group’s members and, among others, the offices of

the Swedish Trade Council in the Baltic States, Russia and Poland with a special questionnaire. The account of the situation and the proposals we have submitted below are thus based on the viewpoints and proposals that we have obtained from the survey, in addition to previously published reports which we have studied.

In this chapter we attempt to provide a more general picture of the development of trade and transport within the Baltic Sea area before detailing these issues in the next section. In order to give a structure to the underlying material and avoid excessive repetition, we deal with the various countries in three groups, namely, the region's EU countries, the regions EU candidate countries and Russia. Interest focuses primarily on the new market economies in the region, meaning the candidate countries and Russia.

5.2 Some general observations

A precondition for a market economy is a functioning legal system with well-developed contract, association, business and trade and competition legislation. Although the legal systems of the candidate countries have been revitalised in many areas, there is still limited experience in administrating these social services. Neither has the privatisation process functioned without disruption in these new economies. The influence of various institutions and organisations with conflicting interests in privatisation have meant that decisions have been delayed or shelved. However, this development differs among countries as well as among the social sectors within the individual countries.

A smoothly functioning price mechanism and competition rules are also required. In these respects, all countries have managed to create functioning markets, with greater scope for the consumer sector and less so for public services. The candidate countries experienced high inflation, banking crises and budget deficits in the early 1990s. An important factor for balanced economic growth is a stable currency. Russia's currency over the past year has weakened considerably vis-à-vis international currencies, while the Baltic currencies and the Polish Zloty have displayed favourable stability. However, practical work experience from a functioning market

economy needs to be developed further in business and administration.

Other factors affecting trade and – thereby affinity – include market access in the form of transport infrastructure and transport systems. The need for a greater supply is evident in all segments of the communications sector and is currently reasonably sufficient only in the telecommunications and aviation sector. In these cases, there have been substantial direct investments from several EU countries.

Today, the Baltic Sea region is readily referred to as a specific region in terms of commerce and trade policy, and one that has major potential to become, eventually, an economically integrated region for growth and affinity. This is the development that Sweden and – in the case of the EU candidate countries – the EU wish to facilitate and support. An important instrument in this work has been the process of EU harmonisation in the Baltic States and Poland.

5.3 The EU countries in the Baltic Sea region

Through EU membership, Sweden, Finland, Denmark and Germany are already subject to the common regulatory system in the EU. The Nordic sense of community, major trade links and close contact with Germany have a long historical background, which has led to considerable common values and co-operation among these countries.

The EU's transport and shipping policy comprises the framework for the regulatory system that controls shipping and ports in these countries. Nonetheless, there are considerable national disparities.

The country reports drawn up by the Swedish Maritime Administration confirm substantial differences in terms of financing and cost responsibility for maritime infrastructure. Accordingly, the “user-pays” principle – which is frequently cited in the EU – is applied differently in different countries. Among these EU countries, Sweden applies this principle to the greatest extent to the state's involvement in shipping lane activities and the municipally owned company ports. Finland is probably next after Sweden in insisting that shipping should pay for its infrastructure, although

substantial items are financed via the national budget, which is even more the case in Denmark and Germany.

There are also considerable differences among the various EU countries in terms of port organisation and financing. These differences have prompted the EU Commission to take up port issues as a priority issue in its transport policy. A few years ago, a Green Paper was presented on the subject and subsequently the Commission has continued to work towards developing common and equal playing rules for member countries as regards port operations and other maritime infrastructure. The Commission is pushing the issue of the user-pays principle and wants to see the drawing-up of similar rules for state support within the Union.

In the area of shipping policy, there is unity within the EU concerning guidelines for state support for the shipping industry in the member states in an effort to meet competition from third-country flagged vessels. The member countries apply these guidelines in slightly different ways. It might be noted that Denmark and Germany have so-called international registers which, among other implications, mean that non-EEA citizens may be employed onboard these vessels on local terms and conditions and that the ferry sector in these countries can be supported. Sweden and Finland have only national registers. Instead, Sweden applies state support for shipping lines corresponding to the income tax for the crew's income, with contributions to social security expenses, in order to offer a level of competitiveness in line with that of other EU fleets.

In this respect it may also be noted that the EU has set – or rather has created the conditions for – a level of competitiveness in the shipping industry which it is up to each member country to utilise.

The EU also underscores the importance of safety and environmental questions for shipping against the background of the international maritime organization's (IMO) work and has long been a driving force in this work. A fundamental aspect of the EU's shipping policy is that shortcomings in fulfilment or the neglect of the set safety and environmental requirements may not be used by any flag state as a means of gaining competitive advantages in international shipping. This is why the EU has been a driving force

in the question of the development of what is referred to as port state control.

Within the EU, one can conclude that Sweden has been in the forefront in promoting safety and environmental questions for shipping. The question of reception facilities for ship-generated waste has been pushed by Sweden for many years and there is now agreement within HELCOM as regards these questions – referred to as the Baltic Strategy. A largely similar proposal is currently being dealt with within the EU in an effort to draw up a binding directive for all EU countries. Another question in which Sweden has been at the forefront involves the economic resources for giving priority to environmental measures in shipping. The environmentally differentiated lane and port dues applying in Sweden from 1998 have attracted attention, and there is a steady growth in interest in similar measures in other countries around the Baltic Sea.

5.4 EU-candidate countries in the Baltic Sea region

Historically, Estonia, Latvia and Lithuania have had a strong shipping sector. During the Soviet era, structures were developed to handle a considerable share of Soviet exports. Following independence, the shipping sector has had a relatively large share of GDP in these countries. The ports and shipping lines have been consolidated while shipbuilding and fishing have declined dramatically.

The Baltic States have retained and even strengthened their role as transit regions for Russia exports and imports. There are two primary reasons for this: first, Russia's – somewhat spectacular – plans of restoring its own export capacity in the Baltic Sea through the construction of Russian ports with a capacity of some 90 million tonnes have not been completed and are unlikely to be so in the foreseeable future. On the contrary, the flow of goods through St. Petersburg and Kaliningrad has declined. Secondly, the Baltic States quickly positioned themselves as transit countries after independence and developed their infrastructure, ferry traffic and peripheral services. They are attempting to protect and develop their maritime cluster even though the base is small by European standards.

As mentioned above, trade is dominated by transit traffic from Russia and beyond. Their own foreign trade has shifted from having previously been totally focused on the Soviet Union to increasingly concentrating on the west. Intra-regional trade among the Baltic countries is relatively modest. Imports from the West have led to a deficit in the balance of trade which, however, is offset to a certain extent by direct investments in these countries.

In contrast to Russia, the privatisation strategy in the Baltic States and Poland has been relatively successful and uninterrupted, beginning at the retail level and small industries. The privatisation process for large companies, including shipping lines, has been more difficult and is not yet complete. Historically, these companies have frequently had a monopoly status and the outstanding question is to open up markets to other players as part of the EU accession process.

The Baltic States have been affected to a certain extent by the reversal in the Russian economy. Given the changes in these countries' trading patterns, the decline in Russian demand does not impact to the same extent as in the past. The quantity of goods for transit through the countries has only been marginally affected and Russian exports have remained unchanged. For example, the goods volume in the port of Tallinn has increased some 20% since 1998.

For several historical reasons, the situation in Poland differs from that of the Baltic States. Poland, which was a sovereign state for a protracted period, initiated its reform process as early as 1981 and has had a longer transition period. Ferry lines and traffic routes have long been established. Poland's development has been characterised by continuity and its progress towards a market economy has been less drastic compared with that of the Baltic States and Russia.

Transport policy rules, institutions and administrative systems

The EU candidate countries have acceded to the most relevant shipping and transport conventions, with a few significant exceptions. There is national legislation governing shipping and maritime safety, although there is a certain need for modernisation. The ports are regulated by special legislation in which port activities

are not equated with conventional business operations, but are instead encompassed by special corporate aspects. As regards goods handling in ports, these operations are being privatised in Estonia, Latvia and Lithuania. Poland's port legislation is under discussion and the aim is to broaden ownership by moving away from state control and including municipal/regional ownership.

As in the case of the steady progress in the Baltic States during the 1990s, Poland has long since established institutions for ship registration, a seaman register, monitoring of ship safety, environmental protection and Search and Rescue. Some of these institutions do not satisfy international standard requirements or conform with the EU's demands in terms of integrity, training standards, transparency and other aspects.

Infrastructure in ports and shipping lanes

Ports in Estonia, Latvia and Lithuania and Poland have been considerably modernised in the past decade. The expansion in traffic and favourable earnings potential have made it possible to attract financing for major investments, such as from the EBRD (European Bank for Reconstruction and Development) and EIB (European Investment Bank).

Investments have been made in the major transit ports of Tallinn, Riga, Ventspils, Klaipeda and in newly established ports for international traffic such as Pärnu and Paldiski in Estonia, Liepaja in Latvia and Butinge (oil loading/handling) in Lithuania.

The ability to receive larger vessels has been increased through dredging and equipment for container handling is planned for Tallinn, Liepaja and Klaipeda.

A similar, but perhaps less dramatic, adjustment have been made in Polish ports.

As regards ice-breaking, capacity during harsh winters is not sufficient in the inner Gulf of Finland and in the Gulf of Riga.

Upgrading and harmonisation of the maritime safety systems are required in satellite navigation and other areas. However, the

infrastructure in shipping lanes and ports does not essentially represent any bottlenecks in the event of an increase in goods quantities.

Land connections with ports

All major ports in the Baltic States comply with the Russian rail network's track gauge. The Polish railways normally use the European track gauge. Reinvestments in the Soviet rail network declined in the 1980s and the railway system now has large maintenance requirements. A large number of upgrading projects, especially for the replacement of track and signal systems, is planned using credits from EBRD, EIB and others.

Foreign trade during the Soviet era was based on the transfer of large quantities of bulk goods, semi-finished products and general cargo from rail to maritime transport. The picture is now more diversified, with a greater share of short-distance traffic, container and truck trailers. In most ports access problems for road transport have proved to be a bottleneck, such as in St Petersburg, Tallinn and Riga. There are no by-pass facilities and the city layout is difficult to manage.

Similar situations arise in Poland to a certain extent. A World Bank project is financing access roads to the port of Gdansk.

A number of highway projects in the North/South axis have been taken up in the TEN context and others such as Via Baltic, Via Hanseatica. Certain bottlenecks have been identified such as around major cities and built-up areas and bridge-bearing capacity, for which selected measures have been applied. In comparison with border passage problems and throughput, however, the infrastructure problems are less critical.

5.5 Russia

Following the collapse of the Soviet Union, the Russian economy has developed more slowly than what many observers had previously expected. The reform programme that got underway in the early 1990s – in an attempt to reform Russian society and move the Russian economy towards a market economy and greater

freedom for individuals and capital – has so far proved impossible to implement to the extent required. This is due mainly to the indistinct division of political roles and lack of will, in which various political bodies (parliament, government, president and so forth) have been unable to push through the necessary reforms, especially in the tax area, as well as in other significant legislative areas. Shortcomings and uncertainty in these areas have led to an outflow of capital from Russia, unwillingness among foreign and domestic players to invest in Russia as well as a shortage of liquidity among Russian companies and authorities, which has adversely affected economic activity in Russia.

Economic activity in Russia is primarily concentrated to the major cities – Moscow, St. Petersburg and a few others. Economic development in rural areas is largely non-existent. This has resulted in greater segregation, where especially the rural population has been hit hard by unemployment and reduced purchasing power.

The economic and financial crisis in August 1998 further reduced economic activity in Russia and led to a decline in imports. However, exports from Russia were not hit to the same extent. Russian exports are dominated by raw materials and are largely dependent on trends and prices on world commodity markets. The economic crisis in 1998 did not, however, have a major impact on transport flows between Russia and the rest of the world.

Transport policy regulations, institutions and administrative systems

Prompt and easy handling of border passage procedures is of major importance for importers and exporters. Russian procedures and administrative routines for border passage and customs clearance are in practice non-homogenous and differ among the various border passages. Customs tariffs for imports to Russia are relatively high and change frequently. The organisational structure and trade system in ports and customs clearance procedures are not transparent and change frequently, making it difficult for companies to handle their transport problems in trade with Russia. There is thus a need to use experienced forwarding companies. The slow processing of goods during customs clearance in ports not only

delays no the delivery of goods and leads to increased costs for exporters and importers, but also gives rise to a greater need for secure storage facilities and goods security in ports. This current situation in this respect is unsatisfactory.

Infrastructure in ports and shipping lanes

Various studies have identified a number of bottlenecks in the port of St. Petersburg. The port does not have an efficient means of conveying instructions and information to its customers and users. There is faulty nautical equipment (buoys and beacons) on a relatively long and narrow lane from Kronstadt to St. Petersburg. There is also a lack of modern equipment for loading and unloading as well as an inefficient organisation. The port's geographical location also gives rise to ice problems during the winter, resulting in high costs for ice-breaking assistance. This also applies to other Russian ports in the Gulf of Finland.

However, the primary problem in Russian ports is not infrastructural but instead organisational. Capacity utilisation in ports is currently estimated at between 30-50%. This applies to container handling as well as other the handling of goods. Even though the ports are not equipped with the latest technology, loading and unloading functions work and there are warehouse facilities. What is instead required is a more customer-oriented approach and that ports adjust services and fees to market requirements and demands.

The choice of transport mode and transport route is affected primarily by the type of goods and delivery time requirements. The problems described in this chapter have meant that a large share of goods which could move via Russian ports instead move through Finland and the Baltic States, where goods are reloaded onto trucks or rail wagons for further transport to their final Russian destinations.

Russia has a well-developed canal system that links up the Gulf of Finland, with the White Sea and Caspian Sea. The canal system is used to transport a substantial amount of pulp wood and timber exported from northern-western Russia to other Baltic countries in particular.

The canal system and waterways in the Russian interior are not, however, available to Western tonnage. Generally speaking, the canals also require greater depth. If the above problems can be solved, it would mean that a major long-term development potential for shipping in the region. A major problem is the Russian canal system is closed during the winter six months, from mid-November to Mid-May.

An EU-financed Interreg IIC project, called INLATRANS, in which Swedish, Finnish and Russian players are co-operating, is currently in progress in an attempt to stimulate and develop the inland waterway traffic throughout the Baltic Sea region.

Against the background of plans for a port in Lomonosov, the Stockholm County Administration has conducted a survey, together with Swedish parties, that is of interest in this context. The survey covered 50 interviews with various companies. The companies were selected by the County Administration, in consultation with the Stockholm Chamber of Commerce, based on available trade statistics from Statistics Sweden (SCB) for Swedish companies which had the most trade with Russia in 1998. The companies were 75% manufacturing companies and the remainders were forwarding companies/hauliers, of who three were shipping lines.

The manufacturing companies interviewed see transport as a necessary complement to their own production. Since transport is not included in their core activities, most of them use forwarding agents/haulage companies to look after their transport requirements, including the choice of transport mode and transport route. Thus, the haulage companies have a key role in the choice of transport mode and route. A smaller number of manufacturing companies look after their own transport requirements or permit the customer/supplier to handle transport. Most of the companies mention well-functioning transport as important or very important for the development of trade.

The companies surveyed say that the actual physical transport of goods currently functions, usually, without any major problems. The major headache for many companies is the long waiting times and the extensive bureaucracy during border checks and customer clearance (either at land borders or in Russian ports). The most

important measures for ensuring faster, smoother and cheaper transport would therefore be a reform of the Russian border administration and customer clearance routines. Half of the companies polled have been victims of criminality in connection with their consignments.

The criteria for a functioning port is, according to the companies surveyed, good administration, honest management, prompt customers clearance, low charges etc, and the port's physical conditions in terms of location, equipment, sufficient depth, warehouses and safe stockpiling areas, good roads and rail connections as well as functioning ice-breaking.

Table 11: Ranking of criteria for a functioning port, according to a corporate survey (Source: Stockholm County Council)

Administrative criteria	Fysical criteria
<ul style="list-style-type: none">• Good and honest management• Prompt handling of goods• Prompt and honest customer clearance• Security against burglary• Low charges• Functioning ice-breaking• No waiting times for entering port• 24-hour unloading/loading	<ul style="list-style-type: none">• Good road and rail connections• Good equipment (cranes, etc)• Sufficient depth, 6.5 – 8.5 m• Large enclosed areas• Good warehousing facilities• Sufficient pier length, min 160m• Easy and prompt entrance to port• Direct warehouse loading/unloading• Geographically suitable (not in major city)• Good infrastructure• Equipment for container handling

The compilation of the companies' viewpoints shows that questions that affect management, administration, organisation and manning are comparatively the most important. These are regarded as more important than issues involving facilities and equipment. This suggests that the development of an efficient transport function primarily involves the regulatory framework and its application as well as organisation and working methods.

Land connections with ports

In many Russian ports, there is limited road access to quays and port areas, as a result of the fact that the port concept during the

Soviet era was oriented towards rail transport. Rail transport for Russian ports to final destinations is utilised for long-distance transport and to areas in which the road network is not sufficiently developed, or in those cases in which rail transport is a more suitable alternative than road transport. In order to cope with a major increase in goods volumes to Russian ports, investments in infrastructure – mainly road connections between ports and economic centres in Russia – will be required. At the same time, organisational problems with rail traffic require that the rail network be upgraded and modernised. This is already in progress on strategic stretches such as between St. Petersburg and Moscow.

6 General considerations

The Baltic Sea is well on the way to becoming a European inland sea in the true sense, in which almost all coastal countries are already – or can be expected to become – EU members. The political and economic development in this region in the past decade has been remarkable. Shipping and port operations have played central role in the Baltic Sea ever since the Viking and Hansa eras. Following independence at the beginning of the 1990s, trade and travel in the region has accelerated. Ferry traffic between Sweden and Tallinn in Estonia was maintained during a critical period and SAS promptly commenced the development of routes to the Baltic States. Today, there is regular maritime and air links with most of the major ports and cities in what was previously a closed section of the Baltic Sea region. Old seafaring nations and important port cities around the Baltic Sea are beginning to regain their former status.

The brief account presented in previous chapters concerning shipping and ports was aimed at providing a picture of future opportunities rather than difficulties, even though the problems were highlighted most during that review.

Since the beginning of the 1990s, the Swedish Maritime Administration – with aid from the Swedish government and SIDA – has pursued increased co-operation with its sister organisations around the Baltic Sea. From the beginning, this co-operation focused on fundamental institutional and organisational development, but in recent years it has increasingly included technical co-operation. As far as the Administration can see, co-operation has provided good results, as witnessed by the continuing interest in co-operation shown by countries on other side of the Baltic Sea. Consequently, it is of major importance that this co-operation continues to be developed in the future in terms of both increased technical and deeper institutional co-operation, and geographically in order to encompass Russia and Poland to a greater degree.

The action programme for shipping in the Baltic Sea region which the Swedish government commissioned the Swedish Maritime Administration to draw up, can be regarded as a precondition for this work, with the possibility of joint orientation and prioritisation of future co-operation in transport, shipping and environmental work.

6.1 Swedish Baltic Sea policy

Thanks to it having the longest coast on the Baltic Sea, plus other factors, Sweden has a natural role as one of the leading players in Baltic Sea co-operation. Other reasons referred to repeatedly are its sustainable environmental perspective. Sweden's geographical location in the region, and EU enlargement, etc. strengthen the argument for active efforts in co-operation with neighbouring countries around the Black Sea.

The government declaration in 1998 and its latest declaration in September 1999 underscore the intention of strengthening Sweden's active role in enlarging the Baltic Sea region and integrating the Öresund region – along with the development of the young democracies and the EU's enlargement – mean that our part of Europe has the potential to be one of the Continent's most dynamic and strong growth regions. The government emphasised its special interest in utilising the unique possibilities offered by increased co-operation between business and policies.

This picture is little affected by the slowdown in growth that occurred in 1998 and 1999 in certain parts of the region as a result of the Russian crisis. With the exception of certain regions and types of goods, trade has continued to increase and the sustainable potential for trade and investment continues to be high. Political instability and uncertainty regarding the economic reform programme in Russia does, however, raise questions about development there in the next few years.

An important instrument for Sweden's possibility to participate in the integration and harmonisation of the institutional conditions in Estonia, Latvia, Lithuania and Poland is to actively pursue these questions within the framework of EU enlargement. Sweden has adopted a proactive role in this process. It may be emphasised here

that as regards transport, border procedures and third-party co-operation (border security, immigration control, combating of smuggling, etc), Sweden is particularly interested in monitoring developments and will continue to put these questions on the European agenda.

Preparatory work ahead of Sweden's presidency of the EU in the first half of 2001 is in progress and offers the possibility to plan efforts already at this stage.

In this context it is interesting to note that during Finland's presidency of the EU in the second half of 1999, it is planned to deal with the following questions that relate to the Baltic Sea region

- Support for effective integration of various transport modes and environment-friendly types of transport;
- Greater focus on short sea shipping, which should increase for environmental and other reasons;
- In addition, it is planned to work with traffic relations with third countries;
- In the environmental area, it is planned to support regional environmental co-operation and new initiatives will be taken to facilitate support, such as the northern dimension in regional EU co-operation;
- An action programme to strengthen the democratic base, the market economy in Russia and co-operation between Russia and the EU will also be covered.

The objective is to highlight the northern dimension in EU activities, especially as regards Russia in the Baltic Sea region. In November 1999, a conference of foreign ministers will be held in Finland covering the content of the northern dimension in order to make it more concrete and feasible.

6.2 Transport and growth perspective

A classic question is whether transport infrastructure and transport systems are necessary conditions for growth or are a dependent variable. If the goods can carry the transport costs, trade emerges. The goods will always find their way to the customer.

The demand for transport services derives from the need and utility of trade and contacts. On the other hand, it is also a fact that changes in supply in the transport system mean a change in transaction costs for the buyer and seller, which indirectly generates trade which would otherwise not be able to carry the transport cost. We can assume that the routes opened relatively early by SAS for several Eastern European destinations and, for example, Nordström & Thulins early establishment of ferry traffic between Stockholm and Tallinn, generated transport and visitor patterns which would otherwise not have occurred.

However, the situation today is already totally different from what it was just a few years ago. There are a number of alternatives and reasonably frequent transport alternatives in the north/south and east/west axes across the Baltic Sea. The thresholds and bottlenecks identified in the report are largely involve informal or “soft” obstacles, – border passage procedures, time schedules and goods security – rather than the lack of transport infrastructure or transport operators.

6.3 Informal (soft) trade barriers

An overwhelming share of the survey material indicates that there are substantial barriers and opaqueness in delivery reliability, especially in the case of transport involving several border crossings. This involves difficulties not only for small and medium-sized companies in both the dispatch and destination countries. Large companies also have difficulties even though they have much greater potential to establish resources with a presence at important transaction points. The key concept in efforts to facilitate the marketplace for trade and transport in the Baltic Sea is to reduce the barrier threshold.

Hauliers, consignors and recipients in the Baltic Sea region are in many cases faced with the same demands that generally apply to business operations in new markets. These include predictable and reasonable institutional conditions, respect for agreements, dependable forms for legal applications and settlement of disputes, freedom from disruption in manufacturing and transport, etc. These are generally problem areas in new and difficult markets.

More specifically for the Baltic Sea region, the Baltic Sea Trade Committee (SOU 1998:53) has summarised areas in which barriers and problems are noted for trade and investments.

- Legislation;
- Administrative competence;
- Border passage;
- Criminality;
- Technical barriers;
- Information;
- Infrastructure/transport;
- Investments, working capital and customer credit.

As regards cross-border transport in the Baltic Sea region (including Russia, the Ukraine, Belarus and destinations beyond) the factual basis that can now be overviewed further underscores the crucial soft factors

- Homogeneity over time in border passage procedures;
- More stable and, particularly, more predictable tariff structures;
- Skills, educational levels and experience in international forwarding;
- Computerisation and information support for goods documentation;

- Too many intermediaries and functionaries involved in terminal and border passage procedures.

It should be emphasised that these problems exist to a lesser or greater degree in all countries around the eastern Baltic Sea but are significantly more accentuated in border passages to Russia and other eastern destinations. At the same time, as noted above, the development of the Russian market offers the decisive leverage for Baltic Sea transport in the East/West axis. Consequently, it should be emphasised that attempts to achieve modernisation, skills enhancement, internationalisation and the development of confidence for the support system for the transport industry in Russia requires sustained, multi-faceted and extensive technical and educational co-operative efforts. So far, one may conclude that it is not the physical infrastructure that is generally the critical factor in increased trade and transport in the region; rather it is the lack of functionality in other fundamental legal, institutional and administrative systems.

Accordingly, if the problem can be localised to countries from the former Soviet Union, with Russia as the most important entity, this should be viewed as both an opportunity and a challenge, a task in which enduring co-operation should be expected to produce results in the area.

Several EU-financed projects are currently in progress in the transport area in Russia, as well as bilateral financed projects, which also include Swedish participation. Mastering the problems noted above is hardly a “Swedish problem” but instead involves the pace of reform in Russia, using the support that can be mobilised from individual European players, both jointly and individually. None the less, the question is a vital one in terms of the Swedish approach to establishing the Baltic Sea marketplace and adding dynamism to the growth process.

The Swedish Maritime Administration therefore believes that there are convincing arguments for Sweden’s investing in know-how and the development of expertise in international forwarding and transport organisation as a support for development of the transport industry, primarily in Russia.

The next chapter presents a number of proposals based on these main approaches. The proposals also cover questions involving transport policy, international conventions, environmental questions, etc.

6.4 Importance of transit transport

The importance of transit transport for several countries around the Baltic Sea was underscored earlier in this report. Transit goods traffic can also have positive effects for Sweden.

The question then is how transit flows through a port can contribute to development or whether such operations are simply a burden, for example, in the form of negative environmental impact. A number of factors are important in this context:

- Increased transit flows of goods can help to enhance the efficiency of local and regional transport solutions;
- Increased flows of goods and people can lead to the creation of additional work opportunities through the establishment of new companies, increased tourism, sales and so forth;
- The transport system of the Baltic Sea can probably offer greater traffic endurance than the transport system in the already heavily burdened parts of Europe;
- The development of transport routes through potential growth areas can bolster robust and sustainable development in the longer term;
- In certain cases, increased transit flows require major infrastructural investments since access roads in many ports are not satisfactory from the environmental viewpoint.

Our conclusion is that the development of transport routes away from over-established metropolitan areas in Europe can contribute to strengthening these and thus also contribute to robust and sustainable development for all of Europe. Such a direction complies well with European development planning as suggested

in, for example, ESDP (European Special Development Perspective), structural funds programmes, etc.

6.5 Action Forum

Baltic Sea co-operation has a natural support base in Sweden and the Nordic region, and has been developed at the government level without the framework of the Council of Baltic Sea States (CBSS), in which all countries around the Baltic Sea and also the European Commission participate. As noted earlier, there is a lengthy series of various co-operative forums, which handle interesting questions involving the development of the Baltic Sea region. These can also involve non-government co-operative organisations (NGOs) in certain areas.

The extensive co-operation on Baltic Sea development that has flourished in the past decade is a strength and shows the major interest and the dynamism surrounding these issues. At the same time, it requires an overview and co-ordination of various efforts in order to attain the objective of co-operation in an effective manner.

Within the EU

Estonia, Latvia, Lithuania and Poland are EU candidate countries and accession negotiations in certain cases mean an accelerated pace in the harmonisation of the countries' national legislation with EU regulations. The process of accession negotiations involves what is referred to as screenings, which mean that the European Commission examines the national harmonisation work. Examples of implementation directives include the Dangerous Goods and Passenger Vessel Directive. Also, EU integration is a driving force in the gradual work involving Estonia's, Latvia's and Lithuania's accession to various international maritime conventions.

From the Swedish side, these aspects should be monitored actively and, on the basis of Swedish interests, should be a driving force for maritime issues in the accession process.

Another important factor is the co-operation that has developed in recent years and which regularly occurs in the "Co-ordinating Committee on Ports and Waterborne Transport in the Baltic Sea

Region” with representatives of all Baltic Sea governments and maritime administrations as well as the European Commission.

In the Baltic Sea region

In the forums for Baltic Sea co-operation in which active and harmonised efforts are discussed, maritime questions should be kept on the agendas. Firstly, this involves CBSS (Council Of Baltic Sea States) and HELCOM. In the CBSS work, efforts should continue towards increasing transparency in border passage procedures, combating of smuggling and cross-border criminality and goods security will also continue to be monitored by Sweden. It is proposed to continue with technical co-operation.

As regards the Baltic Sea region, HELCOM is an important harmonising body in environmental questions. Harmonised environmental standards for shipping are one factor for similar conditions and standards for transport policy and environmental policies. The avoidance of the environmental provisions recommended for the Baltic Sea shall not provide an advantage. One important measure is to facilitate smooth and non-bureaucratic waste management, good environmental reception facilities in ports, no special waste fees, that is, the implementation of the Baltic Strategy in the environmental area. It should be easy for shipping to comply with the regulations in the waste area (“make it easy to be legal”).

In Sweden

Swedish technical, economic and cultural co-operation was re-established and intensified rapidly in the east after the geopolitical changes in the Baltic Sea from 1991 onwards. In the transport area, a number of companies and industry organisations have established a presence, the institutional network has been developed and co-operation with neighbouring countries in the east now has both range and depth.

Equally, the implementation of the action plan’s programme requires a guideline identification of the Swedish players that can be expected to be involved.

The proposals of the action plan encompass tasks in the areas of responsibility of the Ministries for Foreign Affairs, Education, Commerce, Finance and Environment. The proposals involve a number of responsibilities for sector authorities within whose areas questions of trade promotion, transport systems, customer questions, tariff and traffic fees issues, the traffic's environmental questions, etc., are handled both nationally and in international co-operation. We thus foresee that assignments or initiatives for implementation can be distributed among a number of public players.

These considerations have several times underscored the importance of the continuing enhancement of know-how, exchange of experience, exchange of expertise programmes and so forth. This task should be given to knowledge and competence centres, educational institutions and other suitable bodies. We feel that certain university departments and research institutions will be involved as well as other R&D organs, industry organisations, consulting firms and so on. It is worth noting that Sweden also has a relatively strong resource base in the form of some internationally renowned large consulting firms as well as consulting and knowledge-based companies in the road, rail, air and maritime areas who should be able to participate in various projects.

Sweden's foreign representatives and trade promotion institutions have an extremely important role as catalysts, promoters and, to a certain extent, implementers of the programme. We feel it is extremely important that the Swedish Trade Council's investment in, for example, "Marketplace Baltic Sea", along with the increased focus of the chambers of commerce on east/west corporate activities and trade are supported and that regular foreign representatives through embassies, delegations and consulates are informed of the action plan and are appropriately involved in supporting its implementation.

7 Action programme proposals

In the general deliberations that guided the proposals shown below, we have drawn on what to a large extent are similar conclusions which earlier reports, international studies and our underlying information have provided, namely, that it is mainly the “soft” factors, institutional competence and capacity as well as transparency and reliability of the fundamental support system for the exchange of goods and international traffic that represent the key to growth processes and not primarily shortcomings in the physical transport facilities.

The development of the support processes can be expected to slowly effect, in part, the transition process. The rapid privatisation in Latvia, Lithuania and Poland has meant that a large number of competent resources have moved to the well-paid private sector. For example, the legal safety net that is necessary for the respect for agreements has been given a wide mesh. The lack of an effective legal system, with sanctions and settlement of disputes, increases uncertainty and risks in international trade. Many of the sources indicate that the problem is particularly significant as a result of the slower pace of reform and Russia’s importance as a partner in the entire Baltic Sea region.

It is a gigantic task to support, renovate and transform such fundamental legal and institutional structures under discussion. At the same time, there is a remarkable agreement among most players that there are no shortcuts, instead it is a matter of continuing institutional support, education, specialist exchange and influence that are the most important instruments for the desired development. This development appears to be equally desired by the countries themselves.

However, one cannot avoid the fact that there are also bottlenecks and shortcomings in the transport system, goods handling, warehousing functions, etc. However, we have elected not to propose major investments in infrastructure. The financial potential lies primarily in joint financing bodies such as the EIB, EBRD, NIB and others. Also, major infrastructure investments would be likely

to disguise the true nature of the question. It is not the lack of physical resources, but instead the lack of quality, function and efficiency in the transport sector that impedes the exchange of goods and contacts.

This also involves an important choice of strategy. Swedish development co-operation has a classic profile in terms of its sustained knowledge-transfer, institutional co-operation in social, economic and environmentally sustainable development. Import aid and short “hard” deliveries have not been the Swedish recipe. The development environment described earlier would thus admirably suit the classic Swedish co-operation tradition. Even though the challenge is a major one, it is not insurmountable in terms of method. Instead, it complies with established practice.

7.1 General conditions for transport policy

The transport policy and trade policy conditions outlined here are, of course, not questions in which Sweden has a unique position or can determine alone. The international organisations dealing with these questions, such as the WTO negotiations and EU must also monitor these issues. Business and industry has stated that it is important that Sweden also takes the initiative in skills development, know-how transfer, quality enhancement and the training of port personnel, forwarding agents, customs personnel and other categories involved. Swedish action should be based on previous experience gained through completed programmes.

Harmonisation of traffic policy game rules

The general conditions underlying traffic policy vary among the countries bordering on the Baltic Sea. The same applies to corresponding EU countries. In recent years, the EU has taken note of distortions in competition, regulations governing state-support, and environmental costs, etc., and has argued for increased uniformity in the general conditions governing the transport sector. A White Paper entitled “Fair Payment for Infrastructure Use” and a Green Paper “Ports and Maritime Infrastructure” have been published.

Swedish organisations recommend active compliance with these issues and support adjustment in application and implementation in the EU-candidate countries towards competitively neutral general conditions for transport policy.

Fees, customs tariffs and trade barriers

Attention has been drawn throughout to the fact that complex customs duties structures and regulations, import and export duties and other formal obstacle and procedures impede and deteriorate the functioning and quality in the transport chain. A programme has been in progress covering co-operation between the customs authorities in the Baltic countries and Sweden. A programme is also proposed covering greater exchange and deeper co-operation with Russia in an effort to develop and simplify rules and charges systems for border passage.

Greater transparency in border passage procedures and customs-clearance procedures, reduction in waiting times

Transparency and the practical application of the regulatory system is closely related to the preceding question. In this case, a simplification of practice, improved information, skills development among port personnel and forwarding agents is proposed, as well as increased monitoring of transport question by Sweden.

7.2 Inter-modal transport

Development of rational transit transport solutions

As noted earlier, transit transport for Sweden and the entire Baltic Sea region is of notable significance. Consequently, Sweden ought to promote the development of rational transit transport solutions. The development of transit transport would be favoured by a harmonised and neutral fee setting for transit goods, and thus the Swedish Maritime Administration in the current tariff overview intends to draw attention to tariffs on goods with a destination other than Sweden.

In the current situation, there is some rigidity in the tonnage utilisation in ferry traffic, as a result of the fact that the “subscriber

tariff” is linked to a vessel. More flexible utilisation of existing tonnage would be facilitated by changing the vessel in the same service. The Swedish Maritime Administration will therefore consider a discount policy for tariffs for changes in tonnage.

Increased utilisation of interior waterways

Traffic on interior waterways in Russia and Poland can be enhanced and made offers the potential to become an important traffic system. The system can be linked up with other existing waterway system in the Baltic Sea and with the continental waterways. This traffic alternative has major potential in the offloading road transport. The question should be monitored continually.

Increased access for foreign tonnage in the Russian river/canal system

Russia, in particular, has a large infrastructure resource in its canal system. The traffic is confined to Russian tonnage (with a few exceptions) and the question has been taken up of access for other flags. Questions involving interior waterways is most suitably dealt with in an EU context, where the issue is already on the agenda.

In addition, the question of winter shipping is related to traffic in Russian Baltic Sea ports where, most notably, St. Petersburg has ice problems. Russia does not currently participate in the joint efforts to keep the entire Baltic Sea open for shipping even during harsh winters. The current., regular discussions on co-operation in the ice-breaking area among the parties involved should continue.

7.3 Technical co-operation

It follows from the above that there are overwhelming reasons for Sweden monitoring, stimulating and actively participating in trade and transport technology questions in the Baltic Sea region. The proposals suggested are aimed at three different problem areas.

- International conventions and standards;
- Efforts in joint projects in an EU regional perspective in which Sweden is a co-operation partner;

- Programmes in which Sweden has leading-edge expertise or other special attributes.

International conventions and national implementation

The international community has adopted a number of transport, maritime safety and environmental conventions for national enforcement. Sweden has actively promoted these instruments in various UN bodies in an effort to attain a joint improvements in standards. The formal adoption of these conventions by the independent Baltic States of Estonia, Latvia and Lithuania has occurred relatively rapidly after independence. In practice, continuing work is required to complete the necessary changes. However, certain countries in the region have not acceded to some important conventions such as the Civil Liability Convention of 1992, the Search and Rescue Convention of 1979, etc. From the viewpoint of general harmonisation, it is important that the Baltic countries in these respects adopt a coastal responsibility to the level required by these conventions.

In international forums and in direct technical contacts, Sweden should thus stimulate and promote the accession of these countries to the conventions. As regards the national implementation in these countries, Sweden should display an amicable approach in order to implement specifically technical measures in each country.

Increased coverage of modern navigation systems in the Baltic Sea countries (Differential GPS)

Comparable and developed technical security standards in the Baltic Sea area are of vital and fundamental importance for navigation safety, transport efficiency, ice-breaking, etc. In several respects, most of the important traffic areas in the Baltic Sea have modern and reliable systems.

Complete duplication is not yet available in the Baltic Sea in order to offer precise navigational security systems with the correct distribution to satellite navigation (Differential GPS).

Increased utilisation of transponder technology for maritime traffic

The increased utilisation of transponder technology in maritime traffic on the Baltic Sea should be prepared. This technology is being increasingly standardised for maritime applications. This type of technical adjustment offers significant common advantages and promotes efficiency.

Deeper co-operation in the maritime safety area

Institutional co-operation among the Baltic Sea countries is in progress in various maritime area. HELCOM is working on environmental questions, BBRC (Baltic and Barents Sea Regional Co-operation) handles questions involving radio communication, sea rescue, etc. BOPCom (Baltic Open Port Communication) is working towards co-operation between the major ports in the Baltic Sea, BSHC (Baltic Sea Hydrographic Co-operation) deals with hydrographic questions and BPAC (Baltic Pilot Authorities Commission) is working with issues involving piloting. Also, there are regular meetings between the Nordic maritime safety directors for the exchange of experience and discussions on joint questions.

A joint approach to maritime safety questions in the Baltic Sea region is a cornerstone in creating a safer shipping in the Baltic Sea. To increase co-operation and contacts between the Baltic Sea countries and to create a forum for the discussion of various questions in the area of maritime safety, an EU-financed study in which the Swedish Maritime Administration is involved, has proposed that a regional Baltic Sea Safety Forum be established. This forum will be open to maritime administrations in all Baltic Sea countries and will cover questions not taken up by other technical organisations.

Increased institutional co-operation in the maritime safety area is of major importance, and thus Sweden should support and promote such initiatives and activities.

Moreover, in the case of the Baltic Sea, certain specific IT questions are being discussed, such as the introduction of an IT-based reporting system for passengers and hazardous goods in an effort to efficiently implement the EU Directives in the area. Co-operation in

this area has commenced on a Nordic basis. There is good reason for Sweden to support these measures, too.

Maritime Search and Rescue co-operation

To ensure common safety in the Baltic Sea for passenger transport and combined ferries, as well as for coastal fishing and recreational boating, it is important to have functioning Search and Rescue organisations. Measures involving the resources of several nations need to be trained and developed. Measures undertaken should be maintained and extended. A programme for the Baltic Sea countries is now to be prepared. The programme is also designed to stimulate practical initiatives for further sea rescue agreements within the Baltic Sea region.

As regards Search and Rescue (SAR), Sweden does not have agreements with Estonia and Lithuania. An agreement with Latvia has been negotiated and the formal ratification is awaited. The previous SAR agreement with the Soviet Union has in practice been taken over by Russia. The initiative has been taken for internal agreements between Lithuania and Estonia. This development, which is of major significance for mutual exchange and security in combined transports and passenger traffic on Baltic Sea, is proposed to offer technical support for the implementation of agreements and the required training programmes.

7.4 Development of know-how and institutional support

Development of know-how in the forwarding and transport area

Broader and deeper know-how in the area of international forwarding and transport organisation has been mentioned throughout this report. This type of training has not been conducted on a joint basis in the Baltic Sea countries. It is proposed that such training be organised in Sweden for all target countries, in which the participant quota for Russia should be offered generously on account of its major requirement. The participation of suitable training institutions in co-operation with industry companies is required. Swedish expertise should be linked up in the development of practical and international standards in the

particular countries. It is proposed that the training programme recur in Sweden with national training efforts in the countries involved.

Implementation and harmonisation of port state control in Estonia, Latvia and Lithuania

The coastal states' responsibility for the monitoring of safety onboard foreign ships has gained greater attention in recent years. One instrument is port state control, in which the controlling document – Memorandum on Port State Control – has also been adopted by an EU Directive. In order that Estonia, Lithuania and Latvia can accede to the memorandum and later implement the EU directive, continuing training programmes and on-the-job-training are required. Sweden proposes a training initiative in this respect.

Increased know-how/awareness in Baltic Sea ports regarding work on the Baltic Strategy

Further training initiatives are proposed for the implementation of the Baltic Strategy covering preventive measures for the Baltic Sea environment.

Harmonised application of Baltic Sea agreement covering the transport of dangerous goods

The transport of dangerous goods is another area in which training should be conducted continually. The Swedish Rescue Services Agency has conducted a programme in the Baltic States and this should be deepened to also include the IMDG-code (Maritime Convention and International Maritime Transport of Dangerous Goods) and the so-called Baltic Sea Agreement on ferry traffic and dangerous goods on trucks and rail wagons.

International conventions and national implementation

The countries in the south-east of the Baltic Sea region are putting a great deal of work into adopting and implementing a series of different conventions in the maritime area, both within the scope of the EU adjustment work and within the framework of the international co-operation in the IMO.

7.5 Special environmental programmes

Development of reception facilities for ship-generated waste

Sweden is actively promoting the question of implementing the HELCOM recommendation concerning the Baltic Strategy and has involved itself in training and knowledge-transfer surrounding these questions. This is also proposed to be continued. Several technical questions concerning the development of recipient facilities for ship-generated waste have been completed in countries around the Baltic Sea. In several cases, the shortage of finance for such facilities represents an obstacle. Consequently, Sweden should take up the question of finance in the appropriate manner and consider some form of investment contribution to conducting its implementation.

Reduction of atmospheric pollutants from shipping

Sweden is working on several fronts to spread the application of some form of environmental differentiation of infrastructure fees in maritime traffic to stimulate the use of more environmentally friendly bunker fuel and cleaning technology onboard. Among other things, the Swedish Maritime Administration is co-operating with the international environmental movement in this question. Additional measures are needed for lobbying and training concerning the polluting aspect of shipping.

Scrapping of tonnage in the Baltic Sea region

A question of great importance from the environmental point of view, which has been discussed in the last few years is resources for scrapping/recycling of vessels. This relatively new question needs to be scrutinised from different aspects and a mapping of existing shipyards and other resources that might be used for this purpose needs to be carried out.

Action plan in brief

7.1 General conditions for transport policy

Area of development	Proposal	International co-ordinator	What Sweden can do
Harmonisation of transport policy game rules	<ul style="list-style-type: none"> • EU's white paper "Fair payment for infrastructure use". • EU's green paper "Ports and Maritime Infrastructure". 	EU	<ul style="list-style-type: none"> • Follow up and actively support future implementation in candidate countries
Fees, customs tariffs, trade barriers	<ul style="list-style-type: none"> • Development of a customs-tariff structure that is WTO-compatible. • Harmonisation of tariff rates, regulations, procedures and practice in the Baltic Sea area and the removal of trade-restriction measures. 	WTO, EU	<ul style="list-style-type: none"> • Promote increased exchange between customs authorities within the Baltic Sea area
Greater transparency in border-passage procedures and customs clearance, reduction in waiting times	<ul style="list-style-type: none"> • Simplification of customs procedures in candidate countries and Russia. In the case of many border passages and certain ports, time expenditure is unacceptably large. • Improved information regarding regulations, procedures, practice and charges. • Increased exchange among customs authorities within the Baltic Sea area • Greater development of know-how among port personnel and forwarding agents. • Increased focus on transport questions among Swedish foreign representatives 	EU, WTO, BPO	<ul style="list-style-type: none"> • Promote the development of customs service and border control in the Baltic States and Russia. • Development of know-how and exchange among port personnel and forwarding agents. • Development of channels to the responsible bodies.

7.2 Inter-modal transport

Area of development	Proposal	International co-ordinator	What Sweden can do
Development of rational transit-transport solutions	<ul style="list-style-type: none"> • Neutral charges for transit goods • Harmonisation of charges for transit goods transport • Review of charges on goods with a final destination other than Sweden • Flexible utilisation of tonnage in ferry traffic and other regular liner traffic 	EU	<ul style="list-style-type: none"> • Review of charges to be presented by the Swedish Maritime Administration before year-end
Increased utilisation of interior waterways	<ul style="list-style-type: none"> • Support for studies and market programmes 	EU, BPO	<ul style="list-style-type: none"> • Develop inter-modality and transport alternatives
Increased access for foreign tonnage in Russian river/canal system	<ul style="list-style-type: none"> • Continuing EU negotiations on access for other flags 	EU	<ul style="list-style-type: none"> • Support EU action

7.3 Technical co-operation

Area of development	Proposal	International co-ordinator	What Sweden can do
International conventions and national implementation	<ul style="list-style-type: none"> Support the particular countries' association through training and technical and institutional support 	IMO, EU	<ul style="list-style-type: none"> Institutional change Influence the particular countries through technical co-operation with sister organisations
Increased coverage of modern navigation systems in the Baltic Sea countries (Differential GPS)	<ul style="list-style-type: none"> Stimulate implementation in the Baltic Sea countries that lack complete coverage (Latvia, Lithuania) 	ITU (International Tele Union) EU	<ul style="list-style-type: none"> Technical support for the particular countries
Increased utilisation of transponder technology for maritime traffic	<ul style="list-style-type: none"> Stimulate implementation 	IALA, IMO, ITU, EU	<ul style="list-style-type: none"> Technical support
Closer co-operation in the area of maritime safety area	<ul style="list-style-type: none"> Increased access to information on hazardous goods and passengers through the implementation of the EU's HAZMAT directive and others in Estonia, Latvia, Lithuania and Poland Harmonisation with Russia 	IMO, EU	<ul style="list-style-type: none"> Support the implementation of a Baltic Sea Safety Forum
Maritime Search and Rescue co-operation	<ul style="list-style-type: none"> Bilateral co-operation in technology Stimulate and initiate discussions between countries lacking Search and Rescue agreements 	Bilateral contacts, PFP (Partnership for Peace)	<ul style="list-style-type: none"> Technical support offered in line with needs Negotiations to be initiated by Sweden in the remaining countries

7.4 Development of know-how and institutional support

Area of development	Proposal	International co-ordinator	What Sweden can do
Development of know-how in the forwarding and transport area	<ul style="list-style-type: none"> • Increase the quality of port organisations in Estonia, Latvia, Lithuania, Poland and Russia • Training in international forwarding and transport organisation 	BPO	<ul style="list-style-type: none"> • Development of know-how • Institutional support • Exchange of expertise • Support for BPO
Implementation and harmonisation of port state control in Estonia, Latvia and Lithuania	<ul style="list-style-type: none"> • Support the particular countries' association to the Paris Memorandum of Understanding (MoU) through training and technical and institutional support 	EU, Paris MoU	<ul style="list-style-type: none"> • Development of know-how • Institutional support
Increased know-how/awareness in Baltic Sea ports regarding work on the Baltic Sea strategy	<ul style="list-style-type: none"> • Port Environment Management training for port functionaries, primarily in Estonia, Latvia, Lithuania, Poland and Russia. 	HELCOM	<ul style="list-style-type: none"> • Development of know-how
Harmonised application of Baltic Sea agreement covering the transport of dangerous goods	<ul style="list-style-type: none"> • Institutional support • Follow-up programmes 	BPO, HELCOM	<ul style="list-style-type: none"> • Initiate follow-up transfer of expertise
International conventions and national implementation	<ul style="list-style-type: none"> • Support the particular countries' association through training and technical and institutional support 	EU, IMO, HELCOM	<ul style="list-style-type: none"> • Development of know-how • Institutional support

7.5 Special environmental programmes

Area of development	Proposal	International co-ordinator	What Sweden can do
Development of reception facilities for ship-generated waste	<ul style="list-style-type: none"> • Investment studies • Technical and institutional support • Investment support 	HELCOM, EBRD, EIB, NIB	<ul style="list-style-type: none"> • Development of know-how • Institutional and technical support • Involvement in financing
Reduction of atmospheric pollutants from shipping	<ul style="list-style-type: none"> • Support the introduction of environmentally differentiated maritime charges 	HELCOM, EU	<ul style="list-style-type: none"> • Arrangement of seminars on economic, technical and environmental experience. • Swedish support for Baltic Sea conferences, special initiative in autumn 1999.
Scrapping of tonnage in the Baltic Sea region	<ul style="list-style-type: none"> • Support programmes for the scrapping of vessels in, for example, unutilised shipyards (Investment study) 	IMO, HELCOM	<ul style="list-style-type: none"> • Initiate investment studies covering recycling requirements and possible corporate co-operation in the area.