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**Nordic Trade and Industry Policy Co-operation Programme
2006-2010**

The final draft for approval by the Council of Ministers for Trade and Industry follows:

Nordic Trade and Industry Policy Co-operation Programme 2006-2010

Final draft

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Part I: Background to and visions for Nordic trade and industry policy co-operation

1. Background

Nordic trade and industry policy co-operation focuses on developing the framework conditions for Nordic trade and industry. In recent years co-operation has been particularly concerned with developing the Nordic Region as a single coherent business area without frontiers and collaborating on research, development and innovation.

The relaunch of the Lisbon Objectives means that the Nordic countries will continue to focus strongly on the conditions for research, development and innovation, as well as on business development in general, in the next few years. This will, of course, be reflected in Nordic trade and industry policy co-operation.

EU strategy for growth and job creation (relaunch of the Lisbon Strategy)

Europe must be a more attractive place to invest and work

- The Single Market must be completed.
- Open, competitive markets must be ensured inside and outside Europe: state aid must be redirected, an SME-friendly business environment must be created, access to markets in third countries must be established, and European and national regulation must be simplified.
- Regulation at European and national level must be simplified.
- European infrastructure must be expanded and improved.
- Work must continue on an EU patent and a consolidated corporation tax base.

Knowledge and innovation for growth

- 3% of GDP to be invested in research and development.
- Promote the use of information technology (IT).
- Promote the development of innovation poles.
- Technological initiatives through public-private partnerships.
- Promote ecological innovations.
- Public and private partnerships that can contribute to a strong European business base.
- The Commission proposes a European Institute of Technology with a view to attracting minds, ideas and businesses.

More and better jobs

- More people in employment.
- Employees and businesses must become more adaptable, and the labour markets must be made more flexible.
- There must be more investment in human capital.

Source: Commission press release IP/05/130 02/02/2005

Nordic trade and industry policy co-operation programmes last for several years and make up the framework of trade and industry policy co-operation. The present programme supersedes the Trade and Industry Policy Co-operation Programme 2002-2005. It describes overall action areas and initiatives in the period 2006-10. Within that period, however, there may be a

need to consider new problems, so the programme has been made flexible enough to allow different priorities to be decided within its framework, while the changing presidencies can carry out special initiatives and supplementary activities.

The co-operation programme is based on the principle of Nordic utility, which means that the Nordic countries should achieve more through co-operation than they can achieve on their own. The co-operation programme is also based on the strategy "Sustainable Development – New Bearings for the Nordic Countries 2005-2008", which states that the Nordic countries should promote the transition to more sustainable development in which economic growth is less tied up with environmental strain than is currently the case.

The programme describes a number of action areas (cross-border obstacles in the Nordic Region, innovation, co-operation between national business development players and trade and industry policy co-operation with international organisations in the region). There are also two themes (regional co-operation and co-ordination of Nordic co-operation of significance to trade and industry) that run across the action areas and must therefore be taken into account when implementing initiatives.

2. Vision for Nordic trade and industry policy co-operation

The Nordic Region must maintain and develop its position as a global leader when it comes to competitiveness and economic growth. Nordic trade and industry policy co-operation must create an open Nordic area with internationally attractive framework conditions.

Trade and industry policy co-operation is based on the fact that Nordic businesses see "the Nordic Region as their domestic market". This means that businesses must have easy access to joint utilisation of labour, skills, research resources, innovation, qualified business services and strategic networks. This should be achieved by, among other things, developing the Nordic Region as an area without frontiers and an attractive resource base to be shared by businesses.

Part II: Globalisation and the Nordic response

3. The challenges of globalisation

Globalisation is a great political and economic challenge for the whole Nordic Region, not least the self-governing areas and the West Nordic Region. How can we develop Nordic competitiveness that will create and retain jobs in the Nordic Region? How can we maintain and further develop the position of the Nordic Region as an attractive area in which to set up business and live.

Globalisation is talked about as meaning ever increasing international competition for production factors (capital, labour, raw materials and, not least, knowledge) on the one hand and markets on the other. The international division of labour is constantly changing as a result of this competition. This process is supported by the political efforts to remove obstacles to the free movement of goods and services, labour and capital within the Nordic Region, in the European Single Market and within the framework of the WTO.

Globalisation represents an opportunity and a challenge for the Nordic countries.

Globalisation is opening up new opportunities for trade and industry. Businesses are gaining access to new markets and the opportunity to buy more cheaply from abroad. Globalisation also means opportunities to organise production more rationally, while human resources can be exploited in defiance of time and place.

These opportunities can be exploited if we understand how to deal with the challenges. Challenges that are perhaps greater in the Nordic countries than in some other countries. Small and medium-sized enterprises (of which the Nordic Region has a relatively large number compared with several other countries) have enjoyed a competitive advantage for many years by being flexible and adaptable. They were – and are – close to their markets and could convert customer needs into new products and processes. This strength is still important and must be developed further, but business size and volume are becoming increasingly important for businesses' own knowledge development and with it their ability to develop new products quickly enough to achieve success on their markets. It is therefore important to ensure that the many small and medium-sized Nordic enterprises have the best possible framework conditions, including in particular the best possible conditions for access to knowledge.

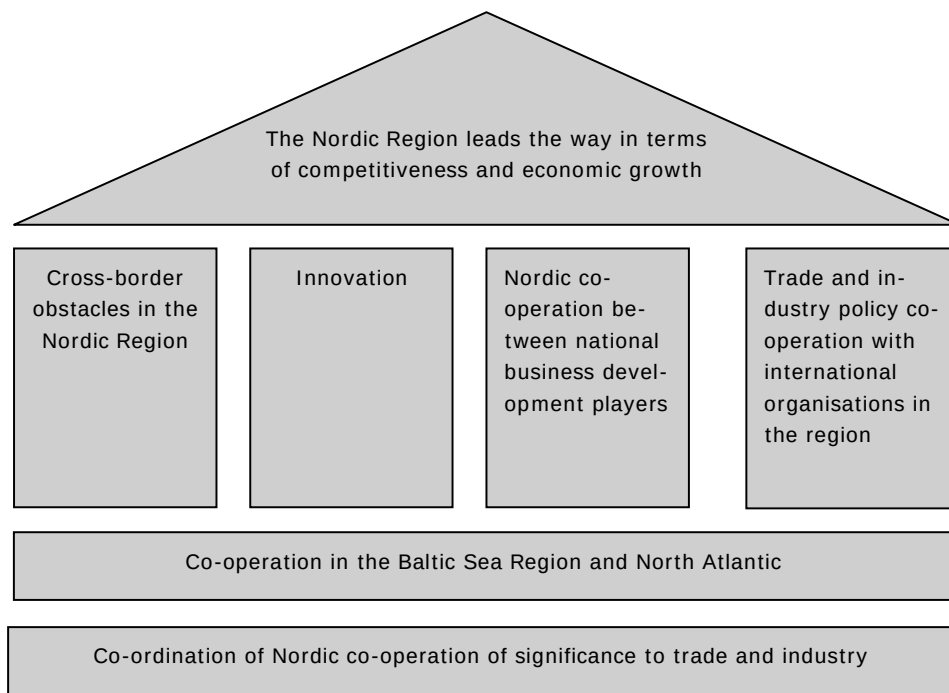
Trade and industry policy is one of the key political areas when societies have to come to terms with globalisation.

4. The response of Nordic trade and industry policy co-operation to globalisation

The Nordic Trade and Industry Policy Co-operation Programme 2006-2010 addresses some of the most important challenges to the competitiveness of the Nordic countries arising from *globalisation*.

The co-operation programme describes a number of action areas that are central to the work of creating optimum framework conditions for Nordic trade and industry. The programme is divided into specific action areas (cross-border obstacles, innovation, co-operation between national business development players and trade and industry policy co-operation with international organisations in the region) and two cross-sectoral themes (regional co-operation and co-ordination of Nordic co-operation of significance to trade and industry) that are to be taken into account when implementing initiatives in the various action areas.

Figure 4.1: Nordic trade and industry policy co-operation 2006-2010



Nordic co-operation covers many matters that are of importance to Nordic trade and industry but extends beyond the field of responsibility of the trade and industry ministers and into the specialist spheres of other ministers. This is because the framework conditions for trade and industry are made up of a large number of circumstances both within and running across many different councils of ministers: research, education, environment, energy, regional, labour market, etc. Consequently, there is a need to contribute – at an overall level – to activities in the spheres of other councils of ministers enhancing the framework conditions for Nordic trade and industry.

The co-operation programme will provide the overall framework and the unifying principle for initiatives up to 2010. It will be supplemented with themes from the annual presidency programmes, and it will be possible to consider other themes of current interest within the framework of the co-operation programme.

Action areas and cross-sectoral themes are described in part III.

Part III: Action areas and cross-sectoral themes in the Trade and Industry Policy Co-operation Programme 2006-2010

5. Action areas

5.1. Cross-border obstacles in the Nordic Region

Nordic trade and industry policy co-operation must help to remove cross-border obstacles and barriers to trade, as an open Nordic area is essential in order to promote economic integration and growth in the Nordic Region.

In the period ahead every effort must be made to intensify the work to remove cross-border obstacles to trade and industry in the Nordic Region. Targeted action to remove cross-border obstacles will be vital if the objective of an open Nordic area is to be achieved. Such efforts should be based on the work already in progress.

In 2004 the Nordic trade and industry ministers decided to concentrate the work to remove cross-border obstacles on the venture capital market and construction sector.

Cross-border obstacles on the venture capital market

Based on a report entitled "The Challenges of the Venture Capital Market in the Nordic Region", work for the time being is to concentrate on:

- Legislative or regulatory obstacles to public venture capital players investing outside their own country.
- Double taxation of investments.
- Information and education on venture capital, including information exchange through networks and other forums. Improving the reputation of the industry (venture capital players) with the emphasis on competence.

Cross-border obstacles in the construction sector

The building and housing ministers have started work on "Increased Utility in the Construction Sector between the Nordic Countries and between the Nordic Region, the Baltic countries and Poland". The Council of Ministers for Trade and Industry is going to participate in this work.

The work to remove cross-border obstacles is an ongoing process. Whenever a country draws up a new law or rule, there is a risk of creating a new cross-border obstacle. The work of removing cross-border obstacles therefore also has to include preventing the creation of new cross-border obstacles when new rules, regulatory systems, etc., are drafted. The uniform implementation of EU directives is an important element in this context.

In order to contribute to the removal of cross-border obstacles in the Nordic Region, the trade and industry sector must initiate co-operation with other relevant councils of ministers.

Initiatives in the programme period 2006-2010:

- Continuing the activities aimed at removing cross-border obstacles, including venture capital and the building supplies sector.
- Identifying and initiating work to remove other cross-border obstacles.

- Focusing on not creating new cross-border obstacles in the Nordic Region when drafting new rules, regulatory systems, etc., nationally and internationally.
- Continuing work in progress aimed at encouraging increased co-operation and market integration in the Baltic Sea Region.

5.2. Innovation

Nordic trade and industry policy co-operation must – through systematic and proactive co-operation between the national innovation systems – contribute to the Nordic Region being one of the world's leading innovation environments.

Innovation plays a prominent role in trade and industry policy. The Nordic countries have to live by knowledge development and innovation. It is therefore of great importance that environments are created that promote new thinking, entrepreneurship, product and process innovations, and creative learning processes, and where Nordic strengths in customer-oriented and user-driven innovation are advanced.

In 2004 the Nordic trade and industry ministers adopted the Innovation Policy Co-operation Programme 2005-2010, which presents a number of visions and action areas for Nordic innovation policy. The overall objective is to create a leading innovation environment that can provide the foundation for favourable industrial and social development.

The co-operation programme describes a number of activities aimed at helping to achieve the vision, including appointing working groups, raising venture capital, offering advice for businesspeople, creating networks and clusters, etc.

The Innovation Policy Co-operation Programme

The overall vision is that the Nordic Region should lead the world in growth and innovation. The objectives are set out in three prioritised areas:

- Cross-national co-operation at the strategic level with a view to developing a mutual learning process that promotes a more innovative innovation policy in the Nordic countries.
- Increased cross-border interaction between the operational national innovation systems with a view to creating greater opportunities for businesses and other important “innovation players” to exploit a broader spectrum of financial resources, contact networks and knowledge – irrespective of where in the Nordic region they are based.
- High-profile “flagship commitments” to business networks (based on products, themes, geographical clusters or innovative ideas) with a view to highlighting the positive synergies of result-oriented Nordic co-operation.

In addition to the activities contained in the Innovation Policy Co-operation Programme, special attention must be paid to promoting user-driven innovation in the Nordic Region. User-driven innovation is the manifestation of the innovation work done in businesses in the form of teamwork between businesses, customers, suppliers and the outside world. This sort of innovation

represents a very large part of the development work done by Nordic businesses and there is a need to acquire more knowledge of the best way for businesses to handle user-driven innovation systematically.

Initiatives in the programme period 2006-2010:

- Implementing the Innovation Policy Co-operation Programme.
- Maintaining and further developing user-driven innovation as a Nordic core competence.

5.3 Nordic co-operation between national business development players

Co-operation between national authorities and institutions must be expanded with a view to improving quality and cost effectiveness when it comes to handling national authority tasks and public business services.

The Nordic countries and economies are small compared with many of the countries with which we compete. In this context it may be difficult for each country to support institutions within various business service areas, institutions that can satisfy the requirements resulting from globalisation and technological development.

Nordic trade and industry policy co-operation therefore includes work to increase co-operation between authorities and – not least – business service institutions.

In the area of patents the Nordic trade and industry ministers have decided, for example, to investigate the possibility of setting up a joint Nordic PCT authority.

In the area of standardisation too the initiative has been taken to investigate the possibilities for co-operation between the standardisation bodies in the Nordic countries.

One type of co-operation is increased *knowledge sharing* and the transfer of theorems and experiences between the national public institutions in the area of business that are working to create favourable framework conditions for trade and industry at national level. *Work sharing* is another type of institutional co-operation.

During the programme period work will be done on the development of specialist institutions in the area of business for the Nordic Region as a whole. By promoting specialisation in areas where the individual country has particular strengths, various economies of scale and efficiency savings can be achieved in each of the Nordic countries.

Joint Nordic PCT authority

The patent authorities of the Nordic countries, apart from Finland, have initiated co-operation on the establishment of a joint PCT authority. The co-operation is based on sharing work between the participating countries. The aim is, among other things, to maintain and develop local competence centres for intellectual property rights in the Nordic countries.

A joint PCT authority could ensure an efficient, specialised patent service.

Technological service institutes (GTS, VTT, Sintef, etc.) in the Nordic countries are examples of institutions with overlapping activities and action areas. Under the Nordic Trade and Industry Policy Co-operation Programme encouragement will be given to investigating the possibilities for increased co-operation between them.

This might be done by, for example, setting up a working group with representatives from the technological service system in the Nordic countries. The working group could identify a number of suitable areas for co-operation. Co-operation could take its point of departure in where the Nordic Region's top competences are based so as to make optimum use of leading positions.

Initiatives in the programme period 2006-2010:

- Encouraging the initiation of co-operation (e.g. in the form of a working group) with representatives from the technological service institutes in the Nordic countries. Co-operation could identify a number of suitable areas for co-operation within the technological service system.
- Initiation of co-operation between other business development players – including on the basis of experience from the technological service.

5.4 Trade and industry policy co-operation with international organisations in the region

Trade and industry policy co-operation between the international organisations in the region must be strengthened.

One of the cross-sectoral themes of the co-operation programme is that co-operation and trade with the other countries in the region should be strengthened and expanded. The Nordic Council of Ministers has launched a number of initiatives aimed at strengthening co-operation in the region. These initiatives must be taken further and new ones developed during the programme period.

In this context the initiative must be taken to, among other things, increase work sharing between the Nordic Council of Ministers and the Baltic Sea Council in order to avoid unnecessary duplication.

During the programme period the initiative must also be taken to try and develop trade and industry policy co-operation with relevant players in the North Atlantic area.

Initiatives in the programme period 2006-2010:

- Taking the initiative to draft a proposal for co-operation between the Nordic Council of Ministers and the Baltic Sea Council in the area of trade and industry.
- Taking the initiative to draft a proposal for co-operation with relevant players in the North Atlantic area.
- Investigating the possibilities for obtaining European funding for carrying on projects initiated in the Nordic Region (e.g. ERA-net).

6. Cross-sectoral themes

6.1 Co-operation in the Baltic Sea Region and the North Atlantic

Co-operation and trade between the countries in the Baltic Sea Region and the North Atlantic must be strengthened and expanded.

Studies show that there is great unexploited potential for trade in the *Baltic Sea Region*. This circumstance, combined with the fact that the enlargement of the EU has turned the spotlight on the need for regional co-operation within the Union, is the motivation for trying to expand and intensify trade and industry policy co-operation in the region.

The Nordic Council of Ministers is a central body in Baltic Sea co-operation, with it and the Baltic Sea Council being the primary organisations for regional co-operation in the Baltic Sea Region.

It is of central importance to the trade and industry ministers that Nordic co-operation should bring added value to EU/EEA co-operation. Following the enlargement of the EU, all the countries in the Baltic Sea Region, with the exception of Russia, are integrated in EU/EEA co-operation, and efforts are being directed towards creating a common European economic space (CEES) between the EU and Russia. EU/EEA co-operation, including activities with regard to following up the relaunch of the Lisbon Strategy, offers great opportunities for meta-regional co-operation constellations. This is particularly true of the Northern Dimension area.

It is the ambition of the trade and industry ministers that Nordic trade and industry policy co-operation should in future make a greater contribution to and derive benefit from the opportunities for co-operation offered by EU/EEA/CEES collaboration with a view to enhancing the region's competitiveness and economic growth. This consideration must be taken into account as much as possible in the implementation of Nordic trade and industry policy co-operation.

Northern Dimension Working Group on Innovation

The Northern Dimension Working Group on Innovation aims to improve co-operation between the countries in the Northern Dimension area with regard to innovation policy. This co-operation, which includes experience exchange between innovation policy players, is an example of its being possible to organise initiatives in such a way that both special goals – innovation policy – and cross-sectoral considerations – increased co-operation in the Baltic Sea Region – can be taken into account.

In the same way that a need for increased co-operation in the Baltic Sea Region has been identified, it has also become apparent in recent years greater Nordic efforts are needed in the *West Nordic Region and North Atlantic area*, including the development of co-operation with the Nordic Region's western neighbours. In this context it is relevant to seek co-operation and synergy with the activities conducted under the auspices of NORA, which formulated a new strategy for trade and industry co-operation in the West Nordic Region in 2005.

6.2 Co-ordination of Nordic co-operation of significance to trade and industry

Every branch of Nordic co-operation must help to create a good framework for trade and industry.

The Trade and Industry Policy Co-operation Programme extends beyond the field of responsibility of the trade and industry ministers and into the specialist spheres of other ministers. This is because the framework conditions for trade and industry are dependent on all sorts of circumstances both within and running across many different sectors: research, education, environment, taxation, labour market, etc. It is part of Nordic trade and industry policy co-operation – including as a follow-up to the Lisbon Process – to work towards ensuring that other branches of Nordic co-operation also contribute to the development of good framework conditions for Nordic businesses.

It is a cross-sectoral theme of the co-operation programme that Nordic trade and industry policy co-operation will see to it that the activities of other councils of ministers contribute to enhancing the framework conditions for Nordic trade and industry.

Dialogue forum between research and the business community

In order to enhance relations between research and the business community, the Nordic research and trade and industry ministers have decided that what is called a dialogue forum should be held annually so that the research sector and the trade and industry sector can discuss how they co-operate.

In addition to this, the Council of Ministers for Trade and Industry will contact other councils of ministers – as and when the need arises – with a view to seeking solutions to specific problems. Many cross-border obstacles are rooted in laws and regulations that are not the responsibility of the trade and industry ministers. Examples of this are tax legislation and labour market conditions.

Other councils of ministers must be involved when trade and industry policy questions need to be solved

A catalogue of cross-border obstacles to trade and industry in the Nordic Region (2004) identified both cross-border obstacles that were the responsibility of trade and industry ministers and cross-border obstacles that were the responsibility of other ministers.

The trade and industry ministers decided to send the catalogue to the other councils of ministers so that each council of ministers could deal with the cross-border obstacles for which it was responsible.

The harmonisation of trade and industry policy requires knowledge of the activities of the other councils of ministers. The Council of Ministers for Trade and Industry will discuss in collaboration with the Secretariat how it can be kept better informed of the activities of the other councils of ministers.

Part IV – Implementation of the Trade and Industry Policy Co-operation Programme 2006-2010

7. Programme responsibility and implementation

The Nordic Council of Ministers for Trade and Industry (MR Næring) has overall policy responsibility for the co-operation programme.

The Committee of Senior Officials for Trade and Industry (EK Næring) and the Nordic Innovation Centre (NICE), which is funded through the Nordic Council of Ministers, are responsible for implementation of the co-operation programme.

LOGO

The Nordic Innovation Centre (NICE) is the Nordic Council of Minister's instrument for promoting innovative and knowledge-based Nordic trade and industry.

The Nordic Innovation Centre has two main tasks when it comes to Nordic trade and industry co-operation.

1. To stimulate increased innovation in the Nordic Region through increased co-operation between innovation players in the Nordic countries.
2. To work towards the Nordic Region as a single market and area without frontiers by removing cross-border obstacles and stimulating increased competition.

With its full investment portfolio of around 120 projects and networks in progress (June 2005), NICE is active within virtually every Nordic business development area of strategic importance. It is currently involved in innovation policy, creative industries, biotechnology, food safety and construction.

It is a requirement for NICE participation in projects that at least three Nordic countries are involved and the result will promote Nordic trade and industry.

www.nordicinnovation.net

The co-operation programme sets the direction for Nordic trade and industry policy co-operation up to 2010 and also contains a number of proposals for specific initiatives. Changing presidencies will be responsible for the more detailed planning of implementation, as well as being able to conduct supplementary activities through their annual presidency programmes.

The programme will be implemented within the annual budget framework set for trade and industry policy co-operation by the Nordic Council of Ministers .

At the start of each calendar year the Secretariat will prepare a status report on the implementation of initiatives under the programme. The status report will be discussed by the Committee of Senior Officials for Trade and Industry.