

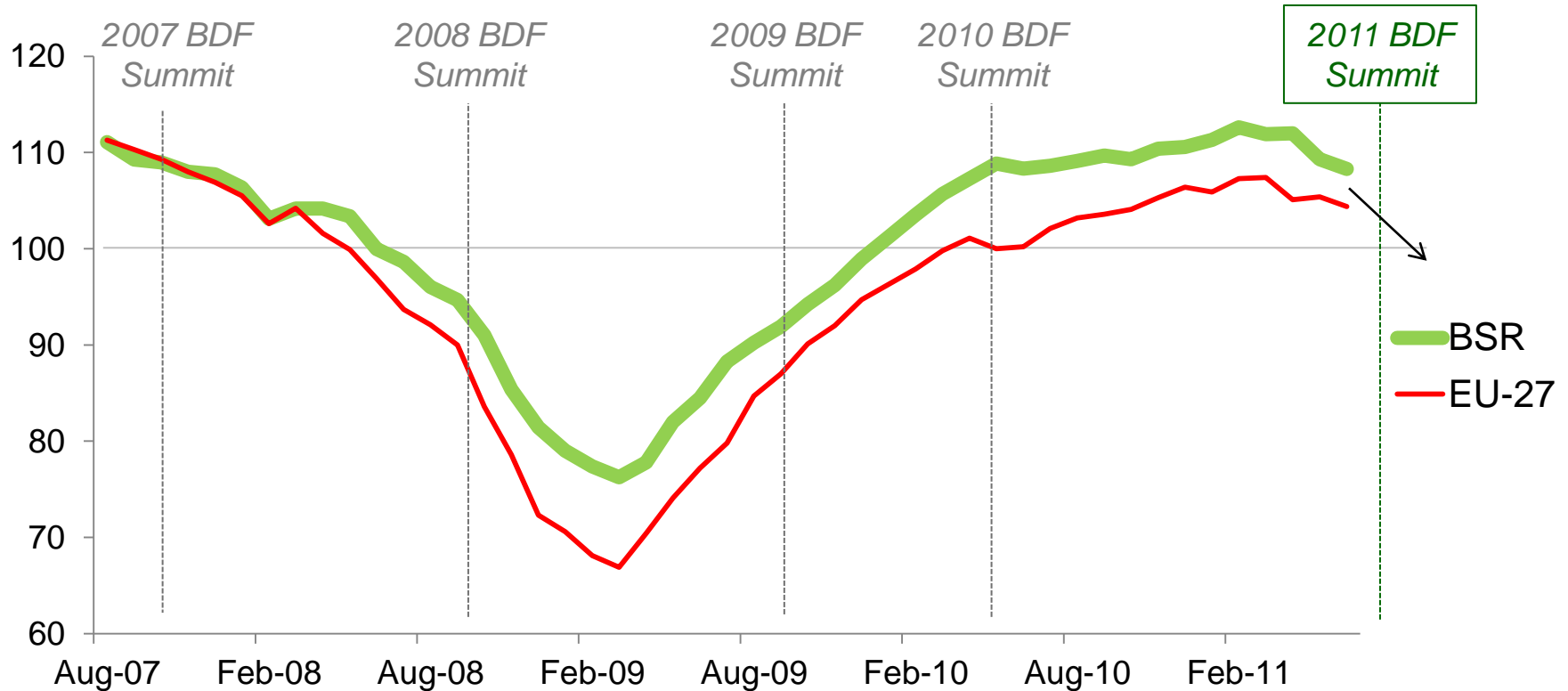
State of the Region-Report 2011

The Top of Europe's Quest for Resilience: A Competitive Region Facing a Fragile Global Economy

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Evolution of Economic Sentiment

Baltic Sea Region and EU-27

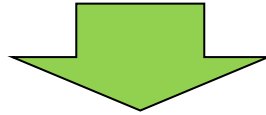


Note: BSR excluding Iceland, Norway, and Russia
Source: EU (2011)

Current Economic Climate

Politics Undermining a Fragile Economy

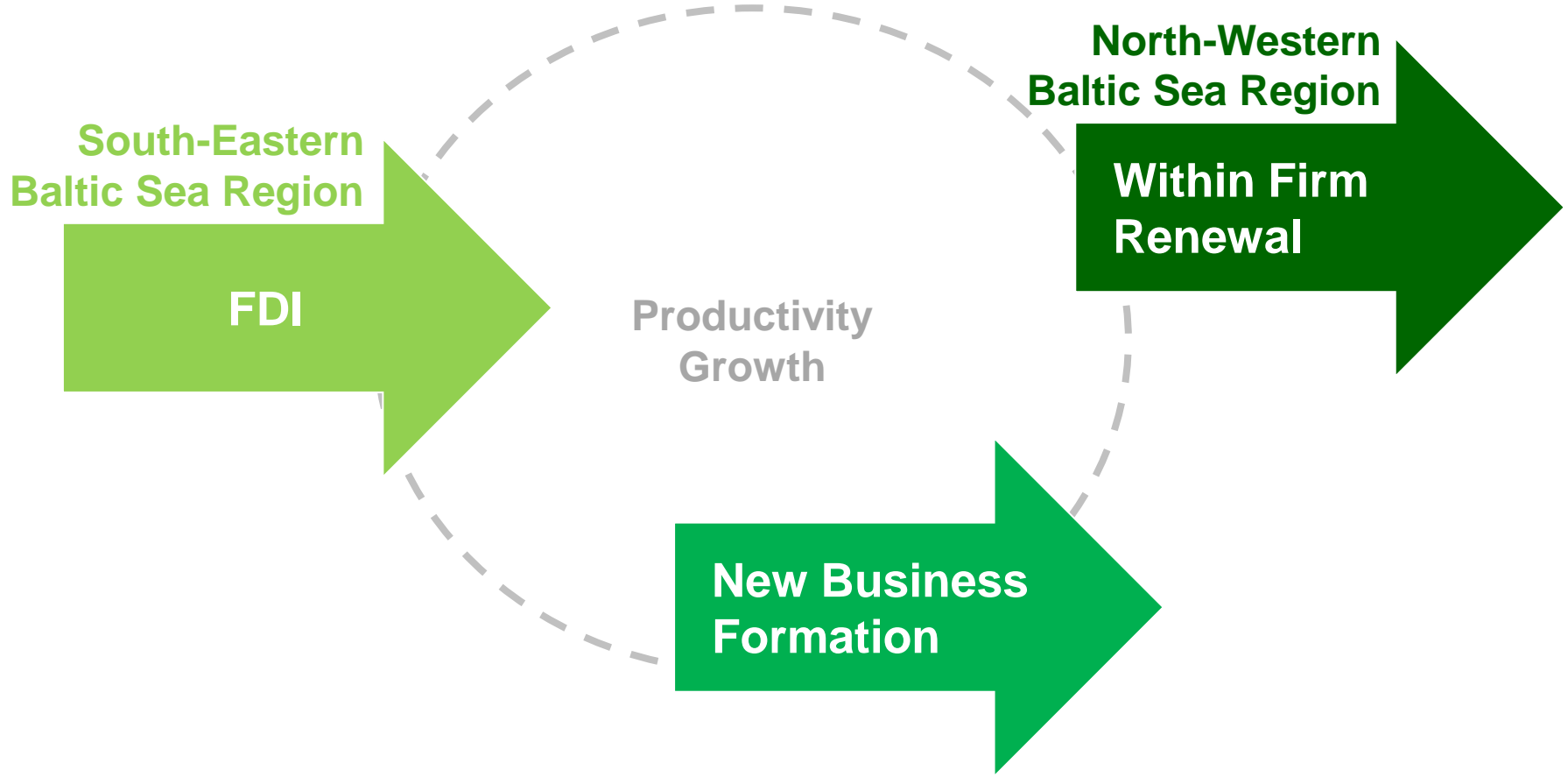
- Severe **economic challenges** in Europe and the US, and emerging economies not (yet) in a position to pick up the slack
- While there are deep-seated economic issues that will take time to address, the real culprit is lack of **political leadership**
 - Too little too late in Europe
 - Ideology trumps pragmatism in the US



- The Baltic Sea Region needs to brace itself for a **difficult economic environment**, potentially for a number of years
- The only way to achieve **growth** is to significantly improve the Region's **competitiveness**

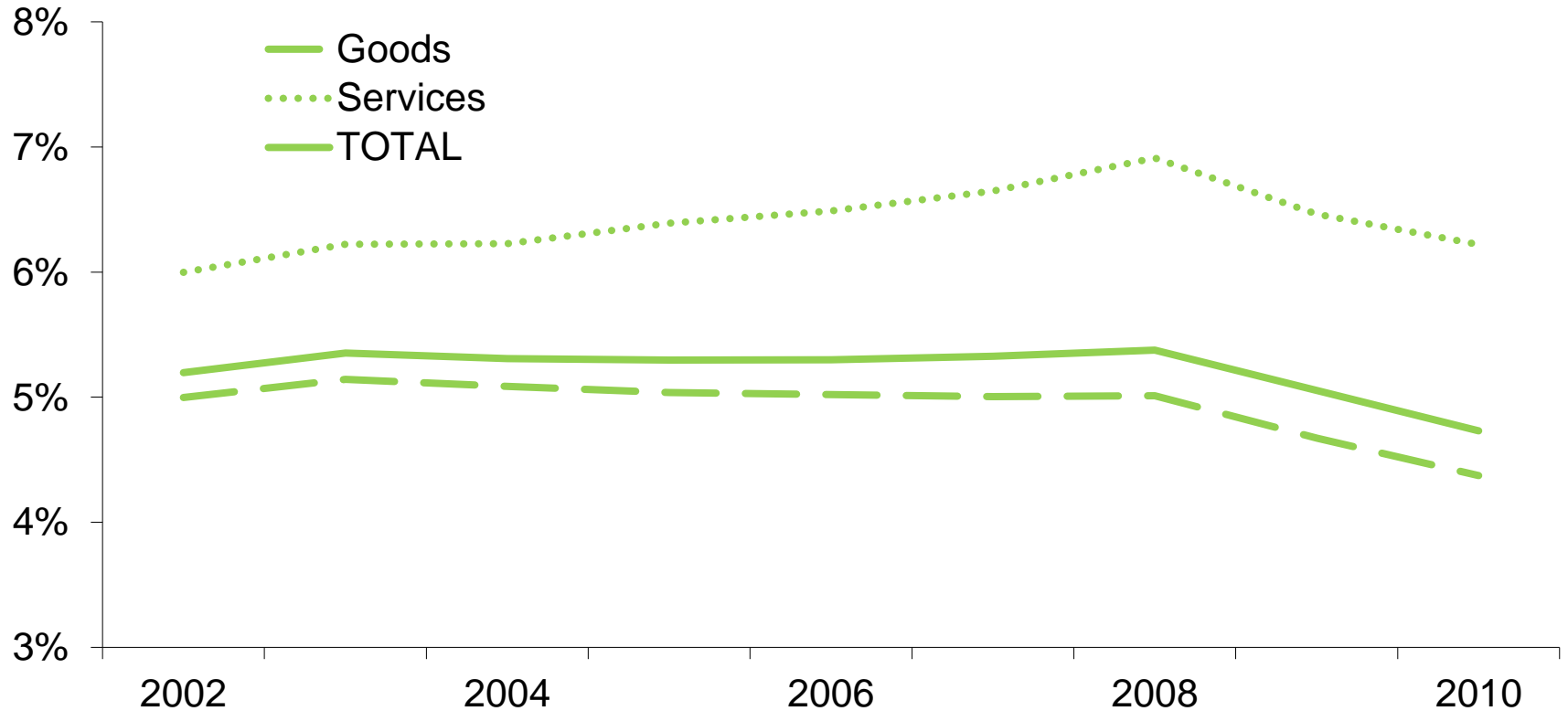
Drivers of Productivity Growth

The Role of Entrepreneurship



Baltic Sea Region Export Position

World market shares



Baltic Sea Region FDI Position

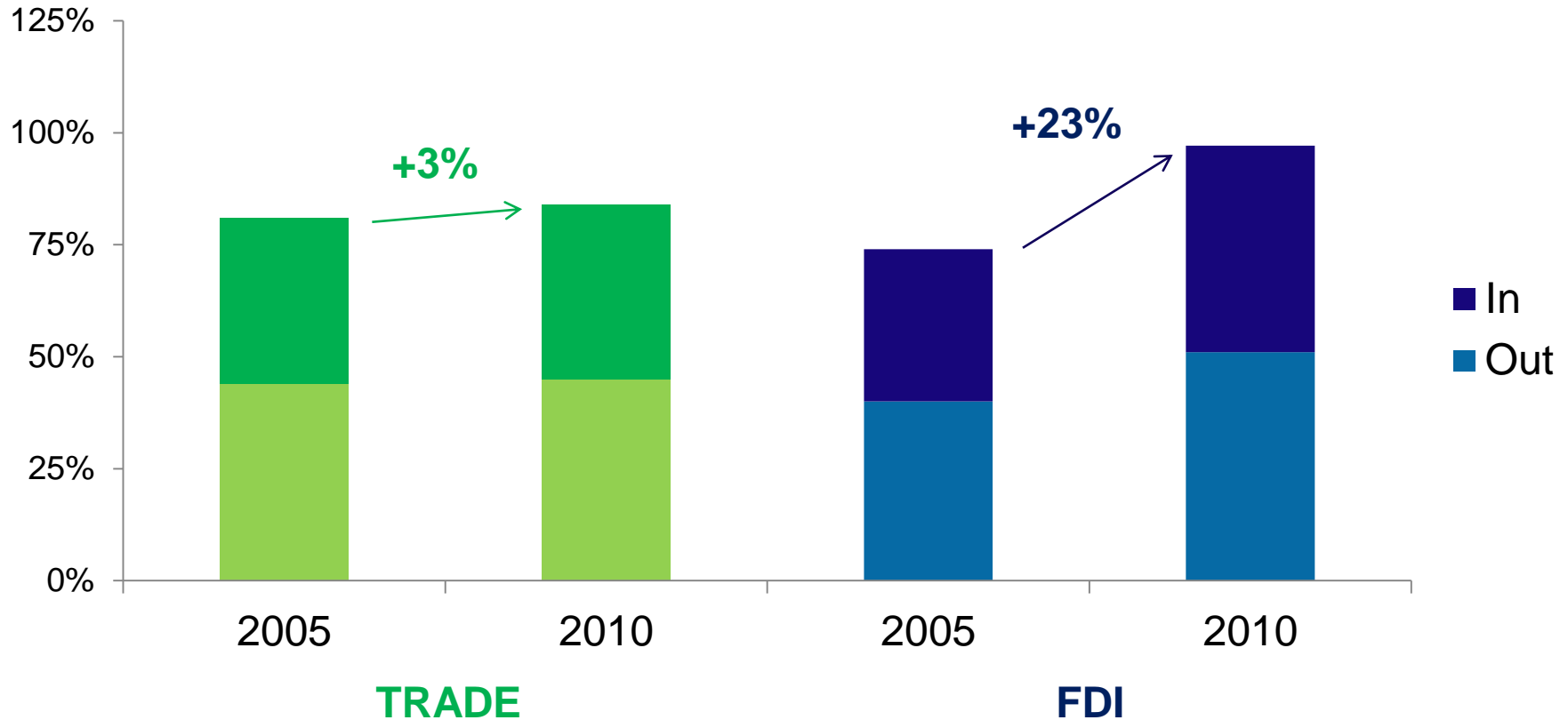
World market share



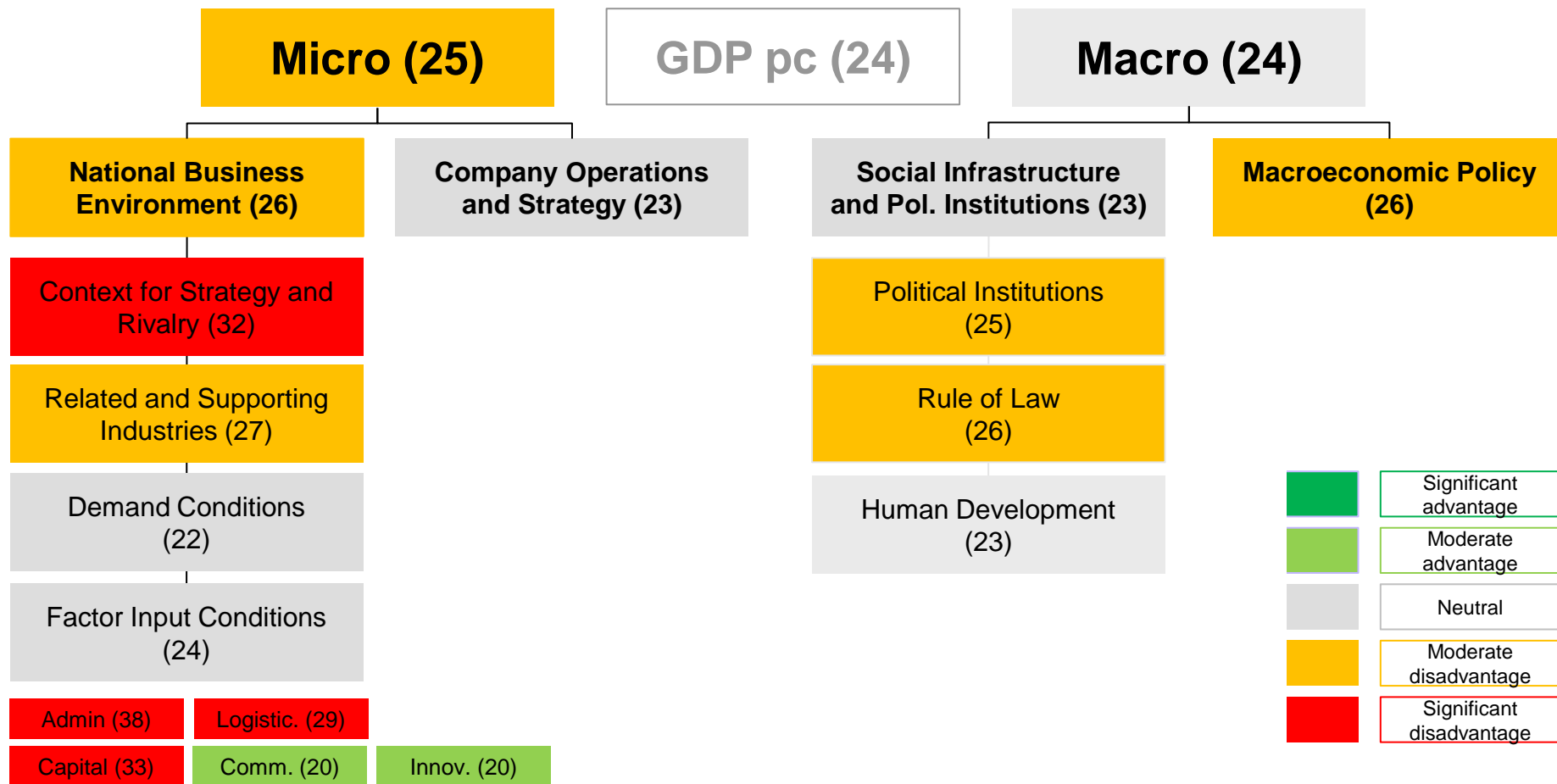
The Shifting Face of Globalization

FDI and Trade

Relative
to GDP



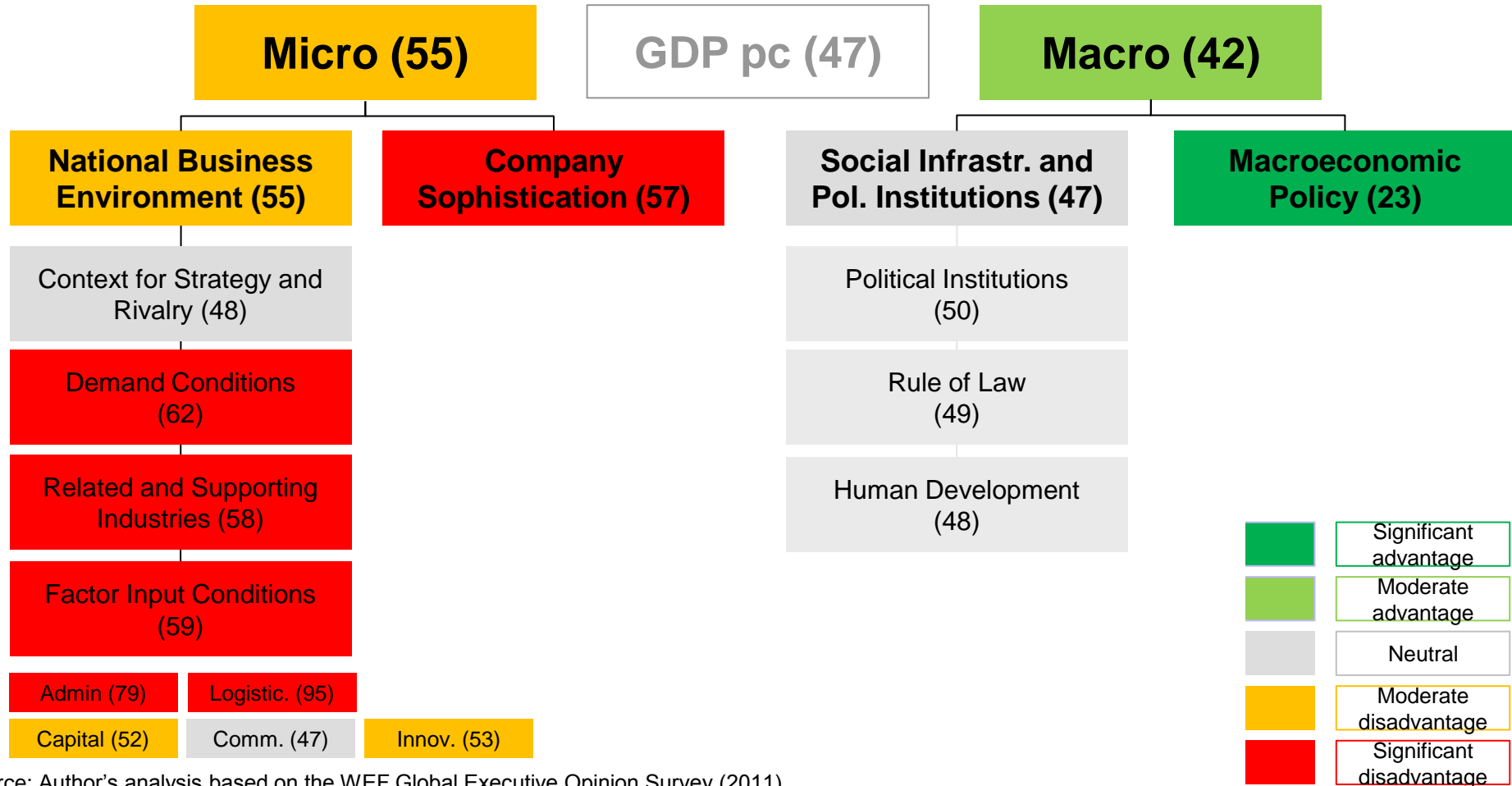
The Baltic Sea Region's Competitiveness Profile 2011



Competitiveness of the Baltic Sea Region

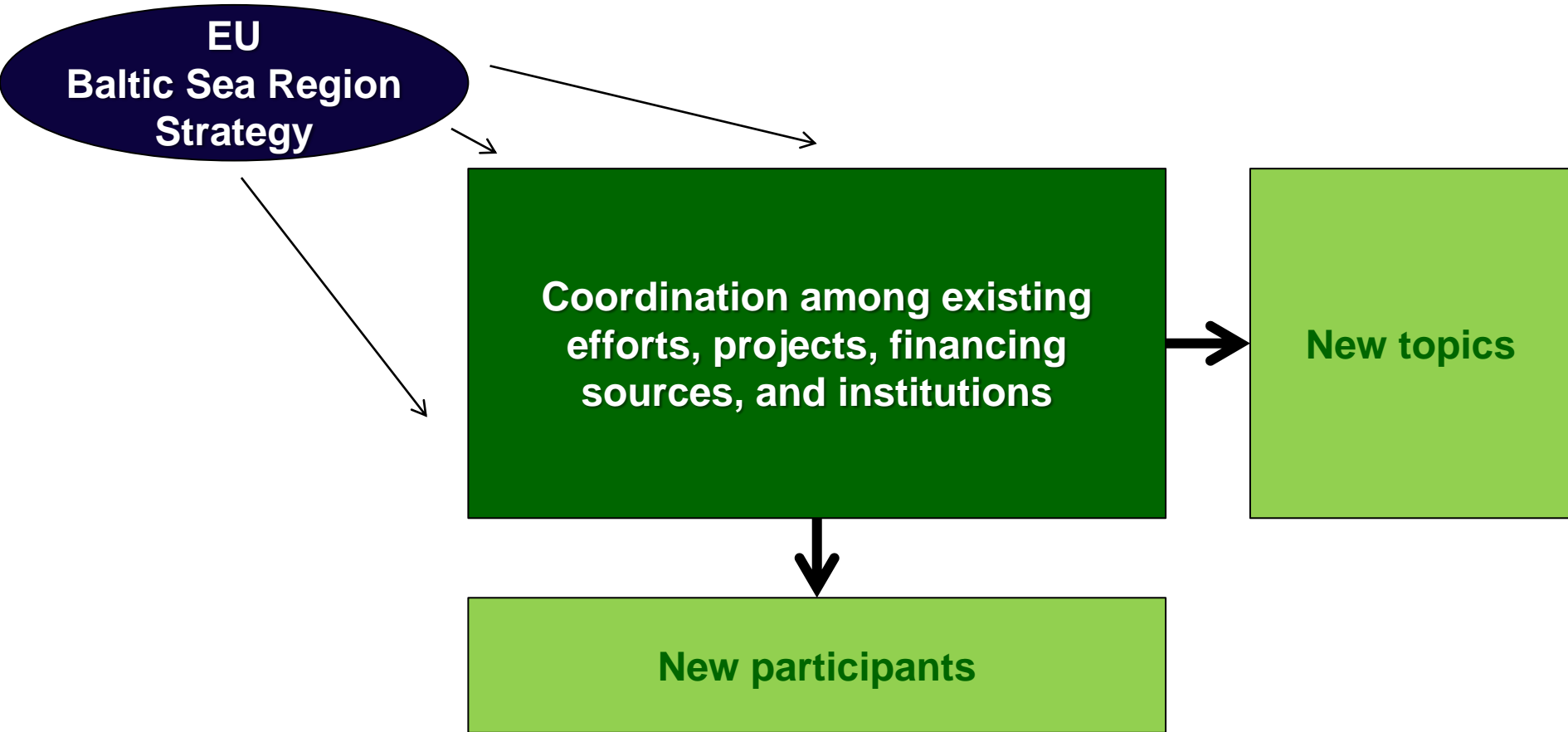
- Remains stable with many countries in the Region **among the world's most competitive locations**
- Much **policy action** across many dimensions of competitiveness
- Countries with a **coherent strategy** driving policy tend to do best
 - E.g. Sweden: classical recipe
 - E.g. Estonia: open market mantra
- But overall **too little strategy**, too much of everything or following generic EU targets

Polish Competitiveness Profile 2010

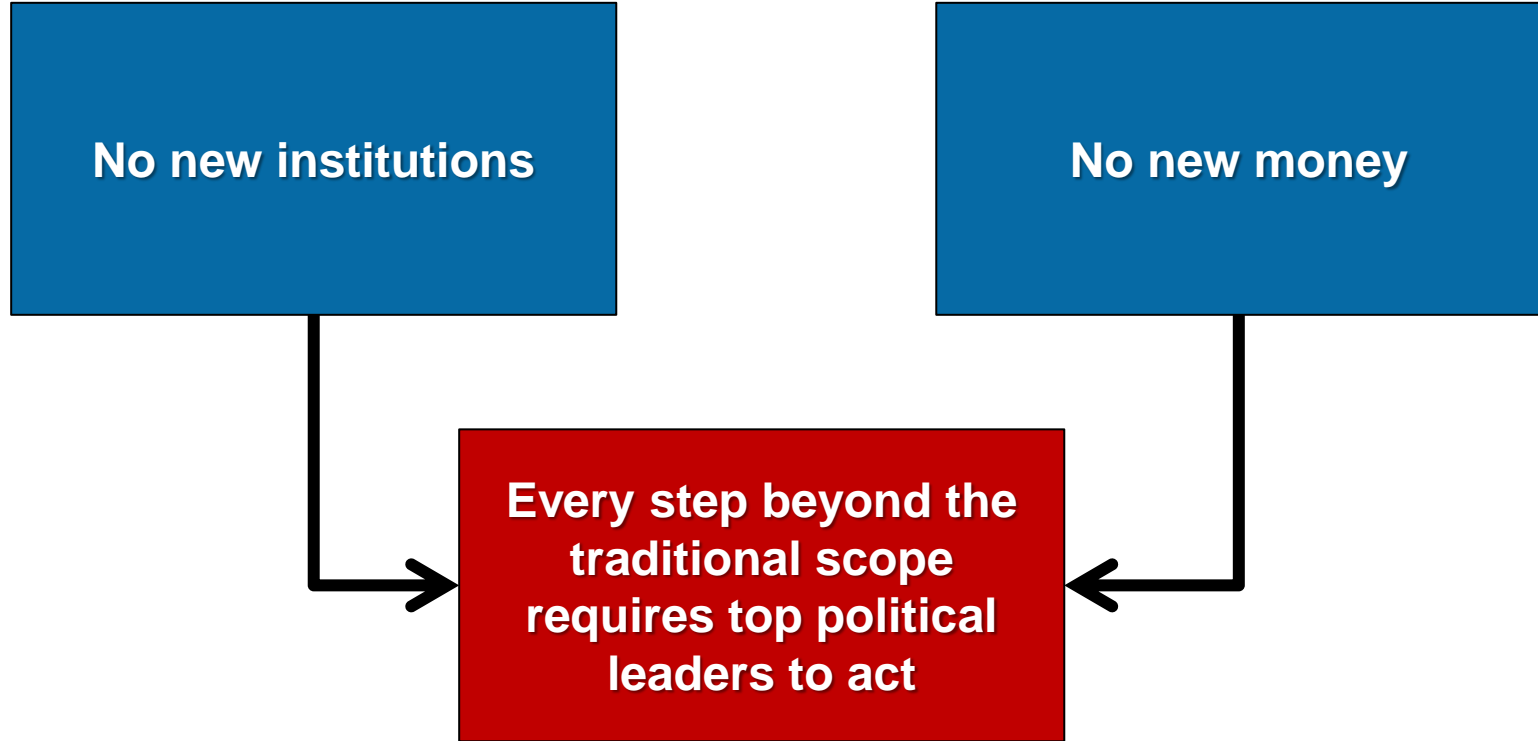


Collaboration in the Baltic Sea Region

The Role of the EU Baltic Sea Region Strategy



The EU Baltic Sea Region Strategy: Challenges



Collaboration in the Baltic Sea Region: Ideas

Baltic Sea Regional Competitiveness Council

- Involve the private sector
- Engage political leaders in a more efficient way

Regional reform program in the context of Europe 2020

- Link regional collaboration with other key policy areas
- Integrate the regional strategy with national actions and resources

Baltic Sea Region innovation fund

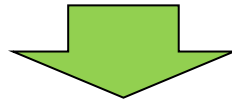
- Integrate the knowledge assets across the Region
- Model for additional financial tools in other competitiveness areas

Baltic Sea Region Collaboration: A Model for Europe?

- Macroregional cooperation on microeconomic reforms is a **successful new approach**

BUT

- The **density of regional networks and organizations** in the Baltic Sea Region is unique
- The Region's **macroeconomic policy model** runs contrary to current trends within the EU



- The EU should include a **variety of macroregional approaches** that match the needs of different parts of the European Union in its overall policy toolkit

The Top of Europe in 2011: What's Ahead for the Baltic Sea Region

- The next few years will be **difficult**
- The Region needs to **rely on itself** in creating the drivers for sustainable growth and higher prosperity
- The Region has the **potential to do so** – economically as well as institutionally