

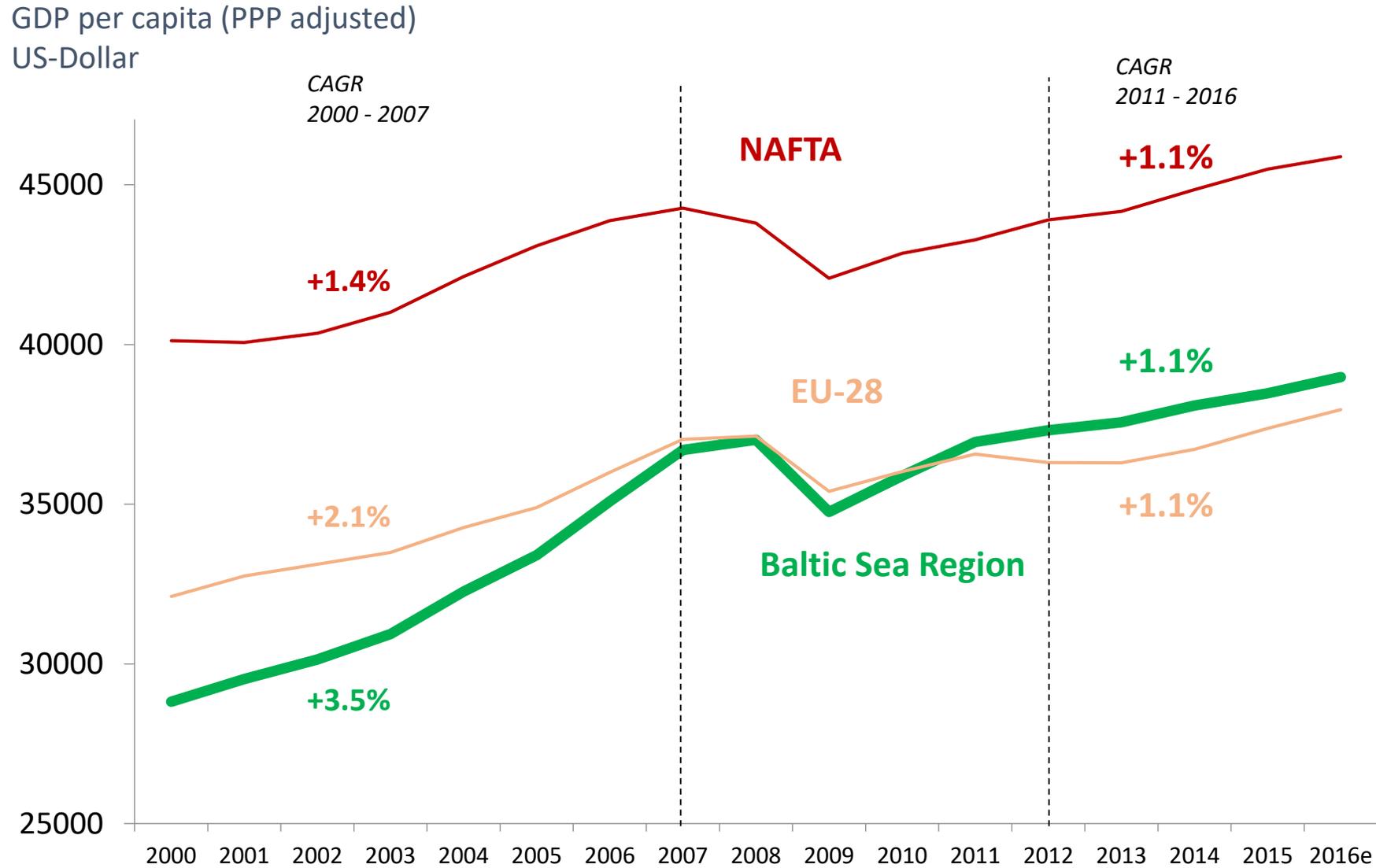
# Doing Well Today, Worried about Tomorrow

Observations from the 2016 State of the Region-Report

Christian Ketels, Harvard Business School

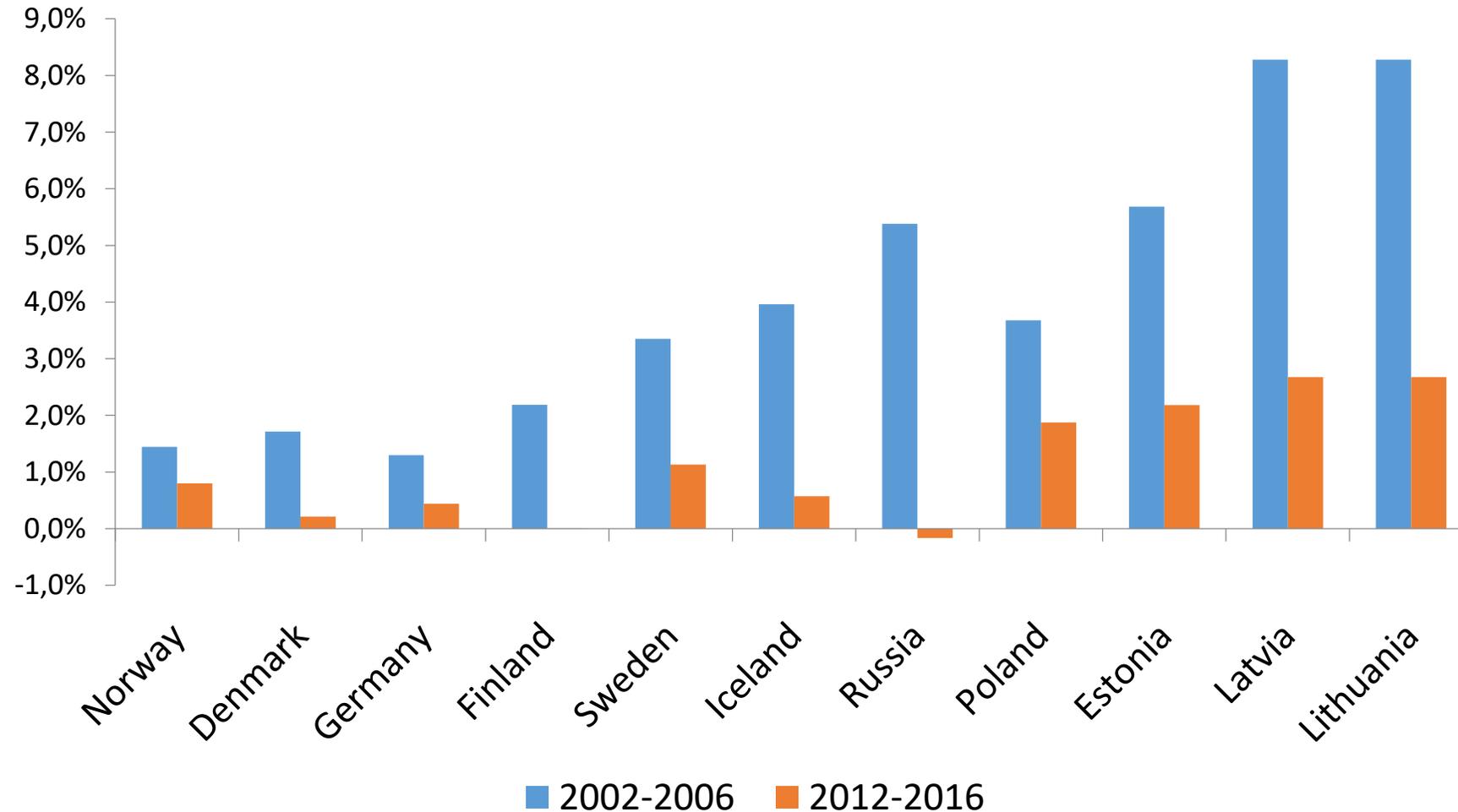
- **Current economic performance**
- **The Baltic Sea Region in the Global Economy**
- **Competitiveness**
- **What lies ahead...**

# Prosperity Performance Pre- and Post Crisis



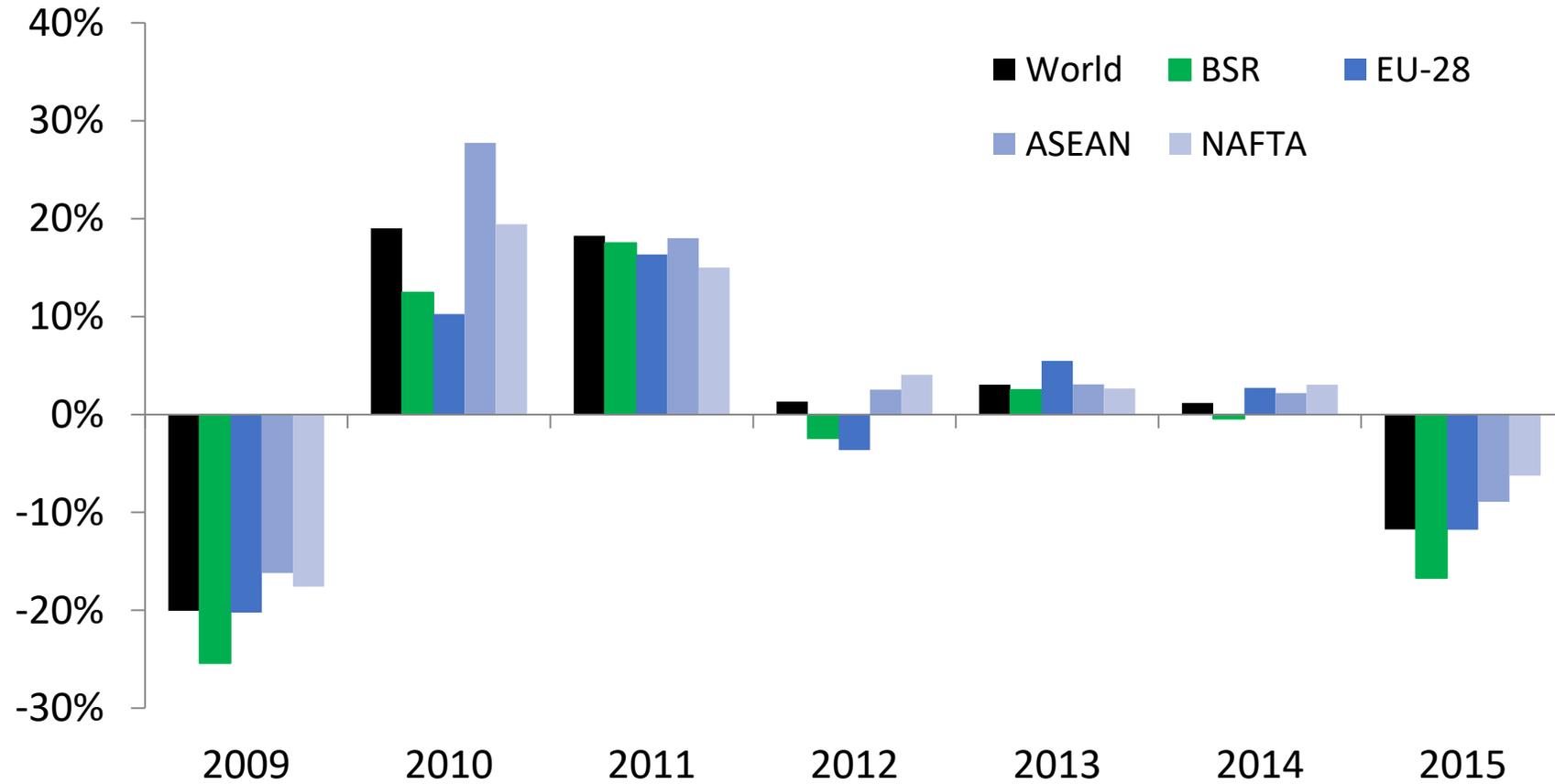
# Labour Productivity Growth across BSR Countries

GDP per Hour Worked,  
Rate of annual change



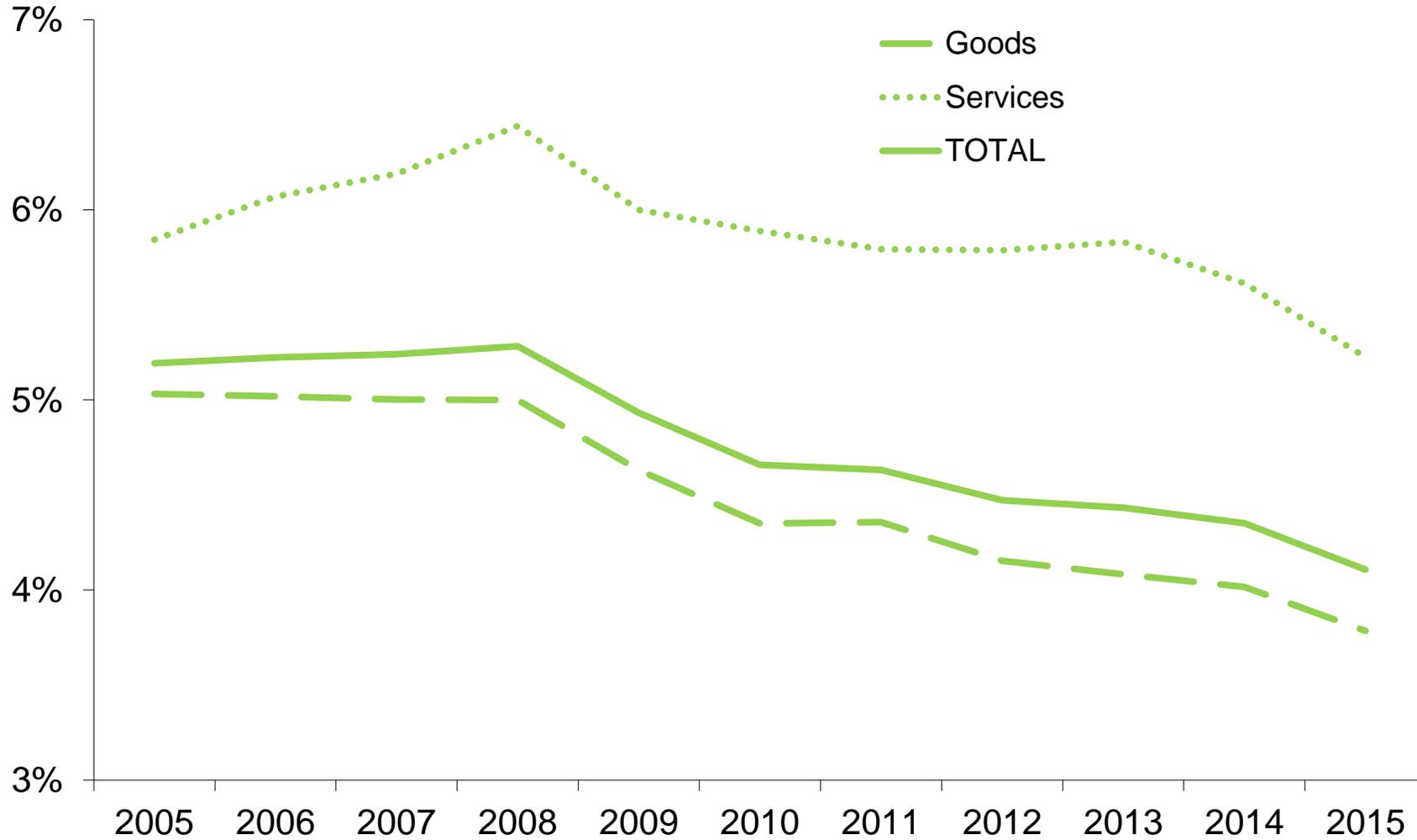
# Trade Dynamics

Annual Change of export value



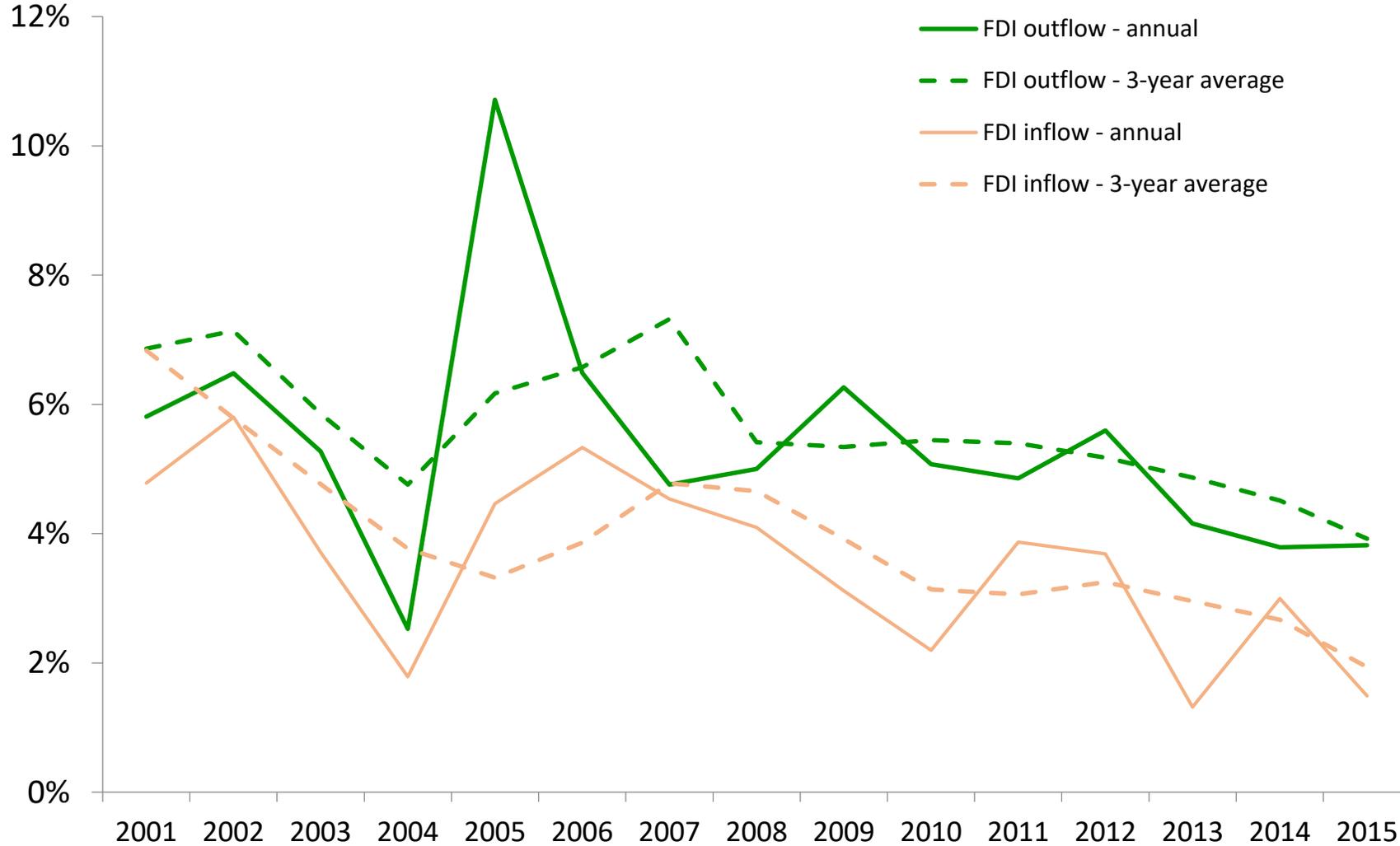
# BSR World Export Market Shares

World market shares



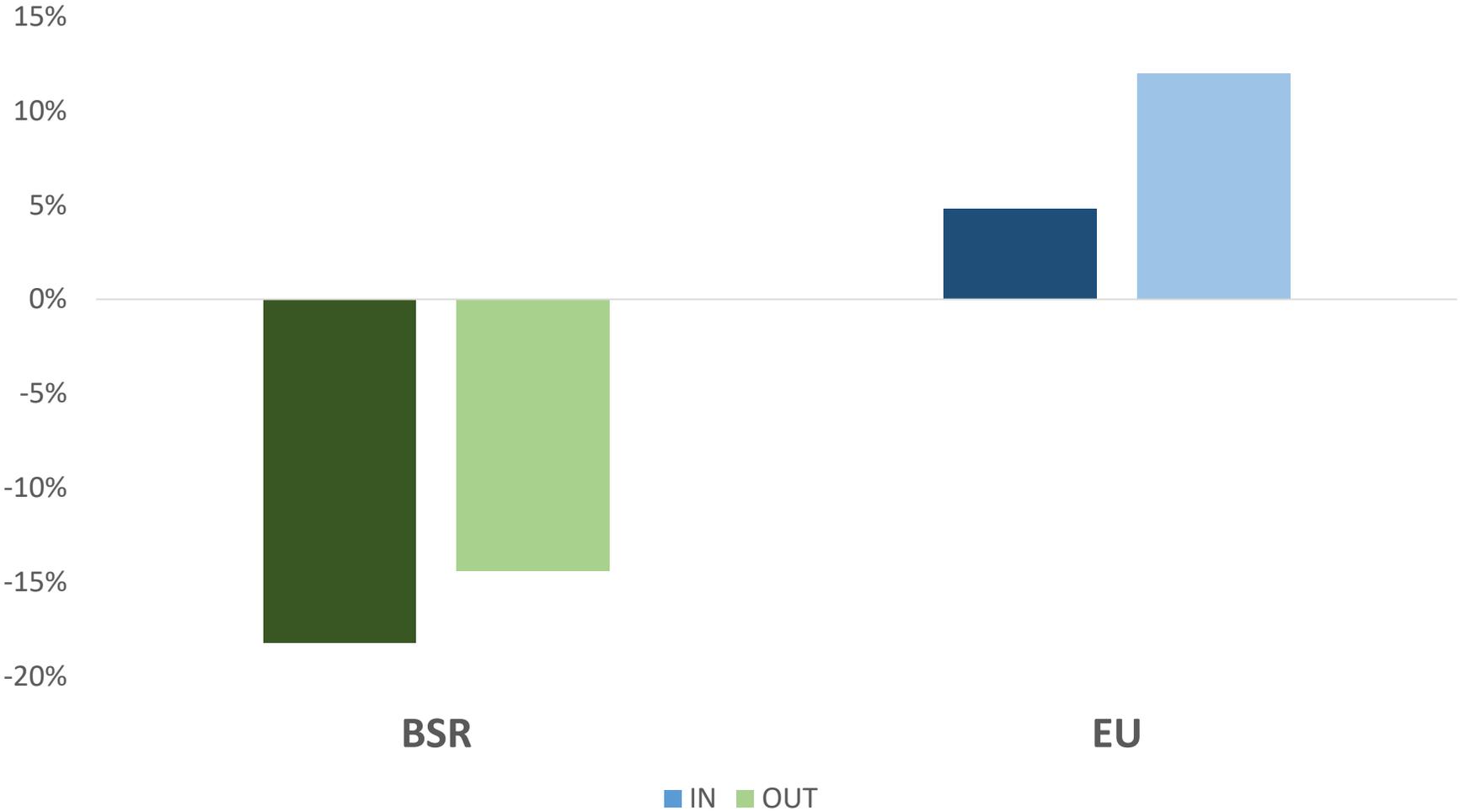
# Baltic Sea Region FDI Flows

World market share

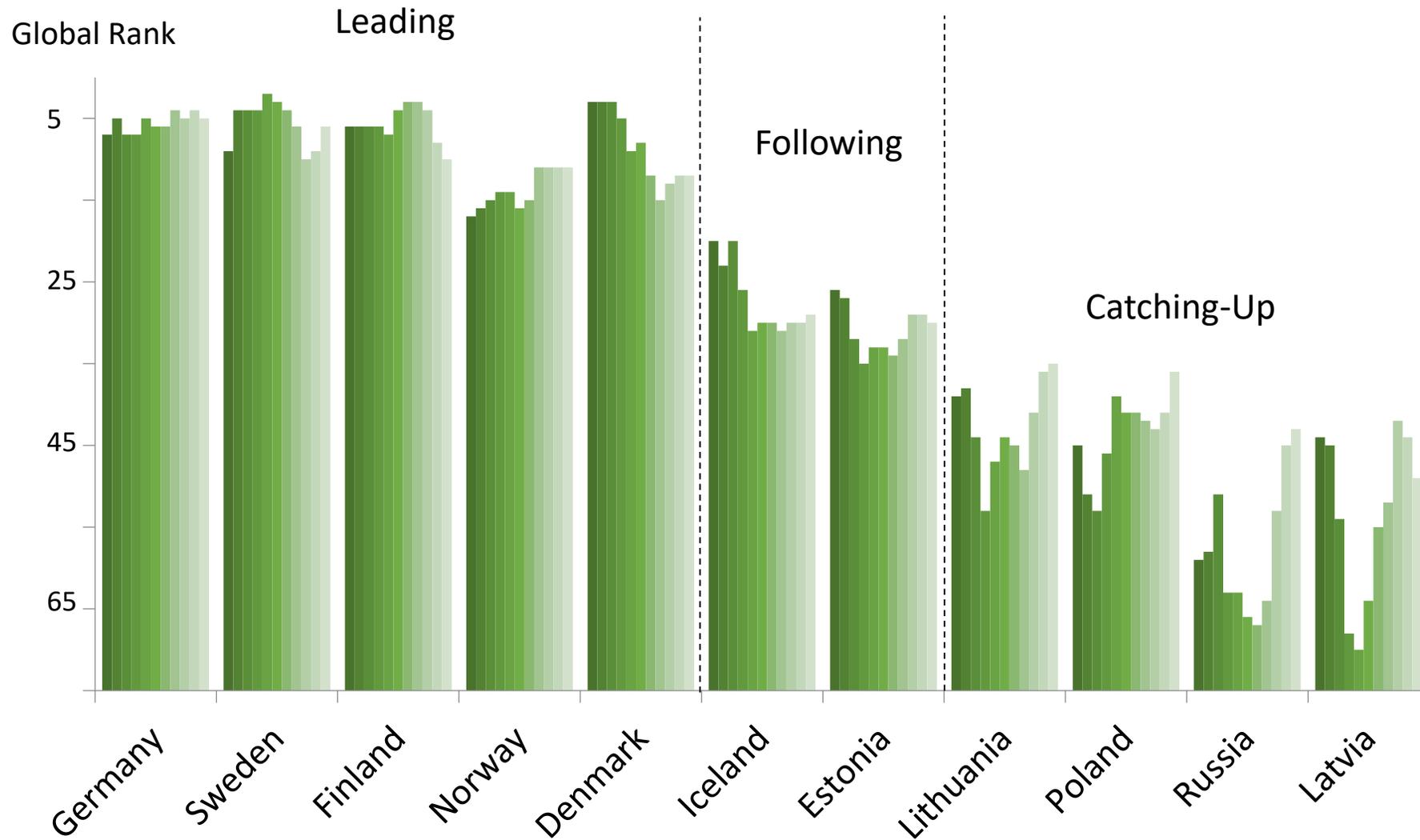


# FDI Stocks Over Time: Change in Market Shares

Relative change in world market share, 2015 - 2013

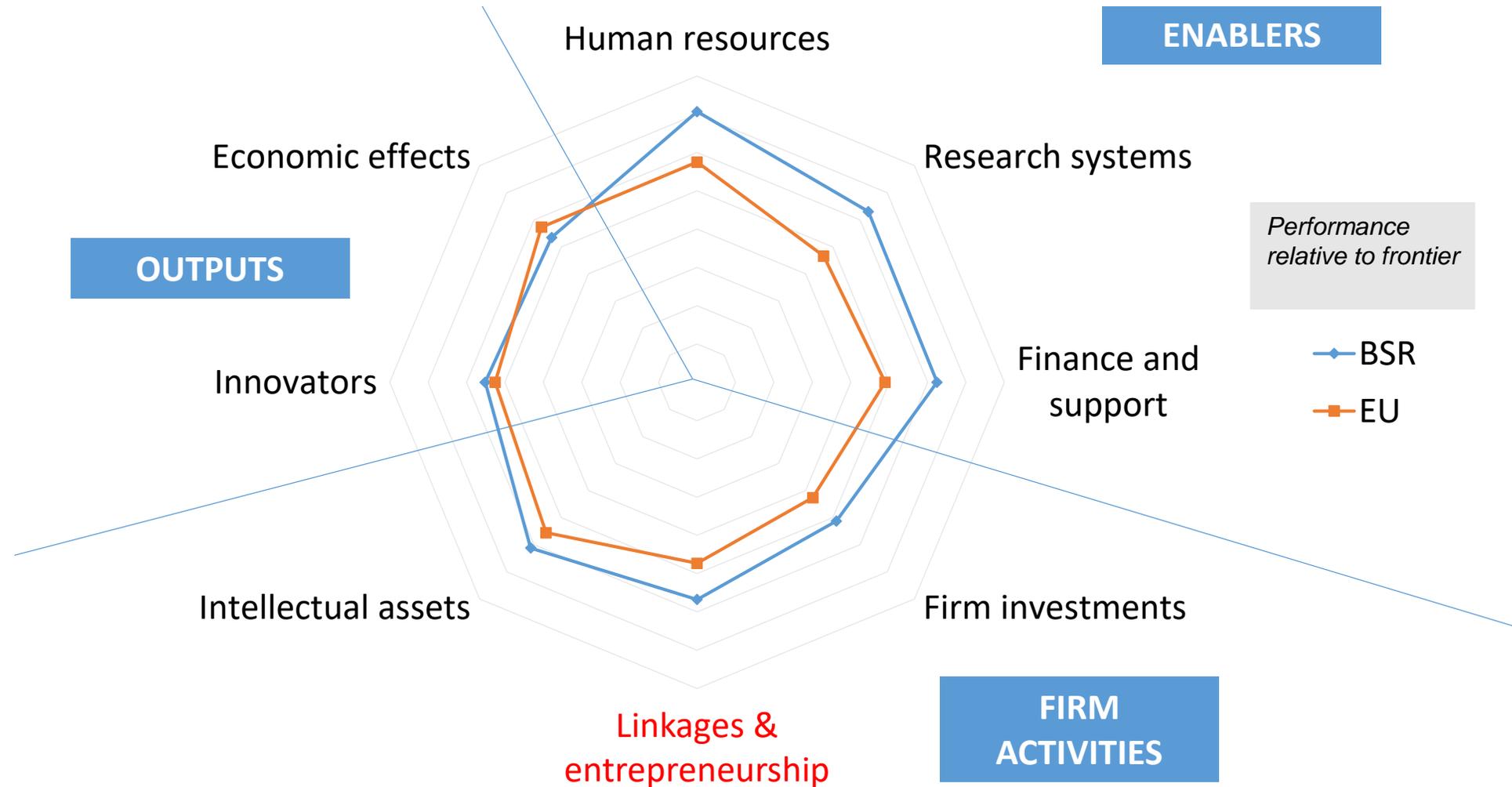


# Global Competitiveness Rankings over Time



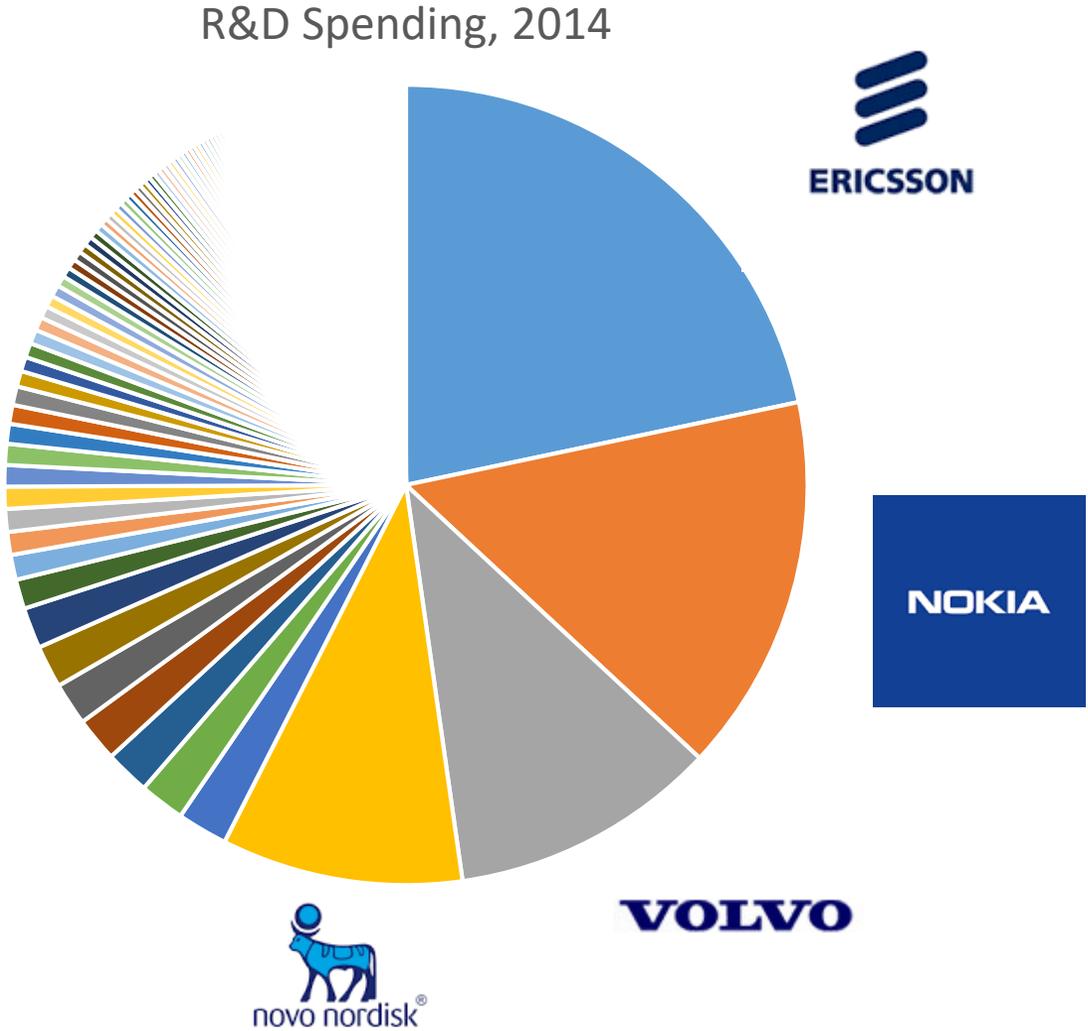


# Innovation Scoreboard Profile 2016: Baltic Sea Region



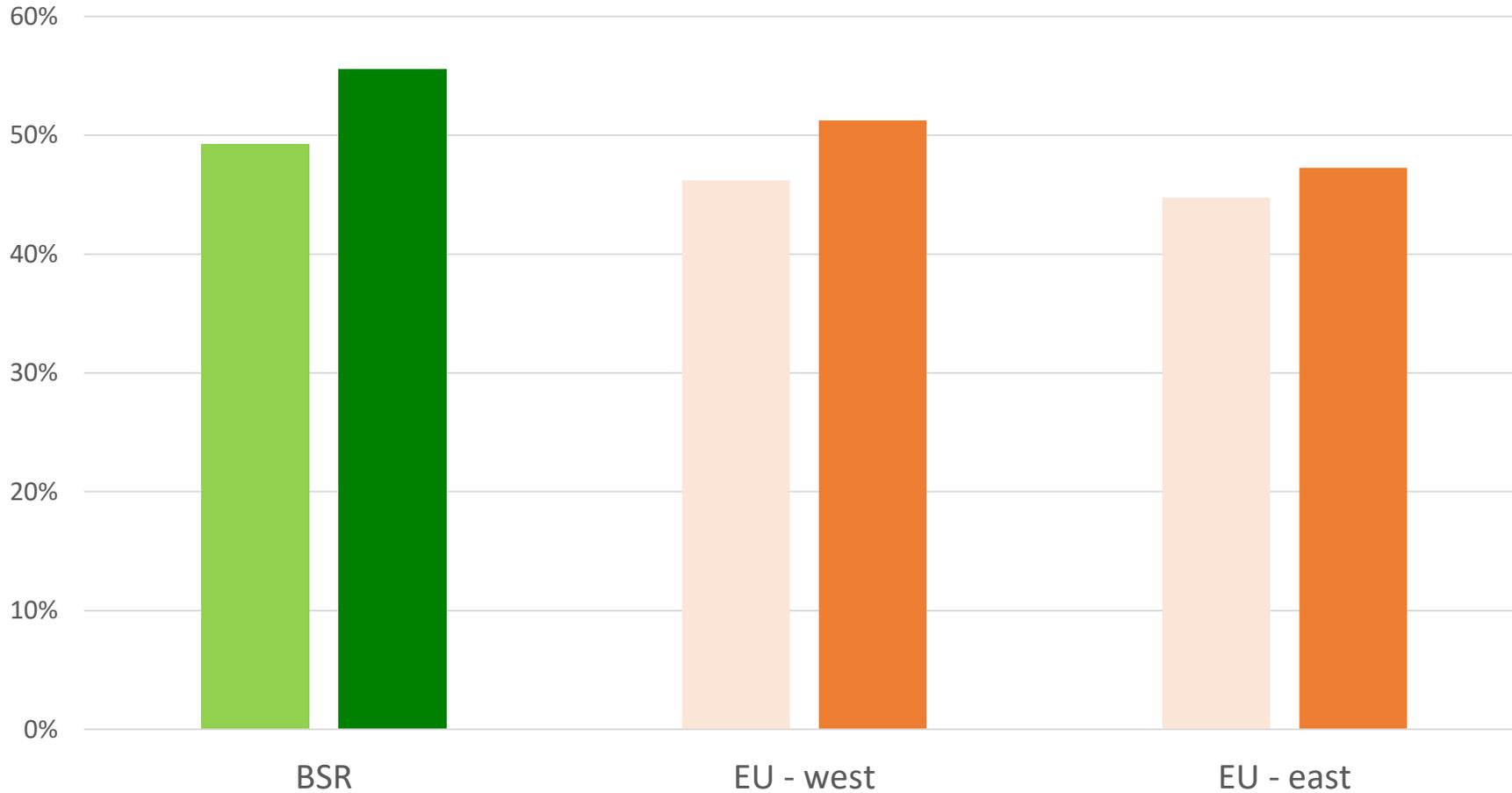
# Private Sector R&D Spending by Top BSR Firms

57% of total spending is done by the top 4 companies



# Clusters across Europe

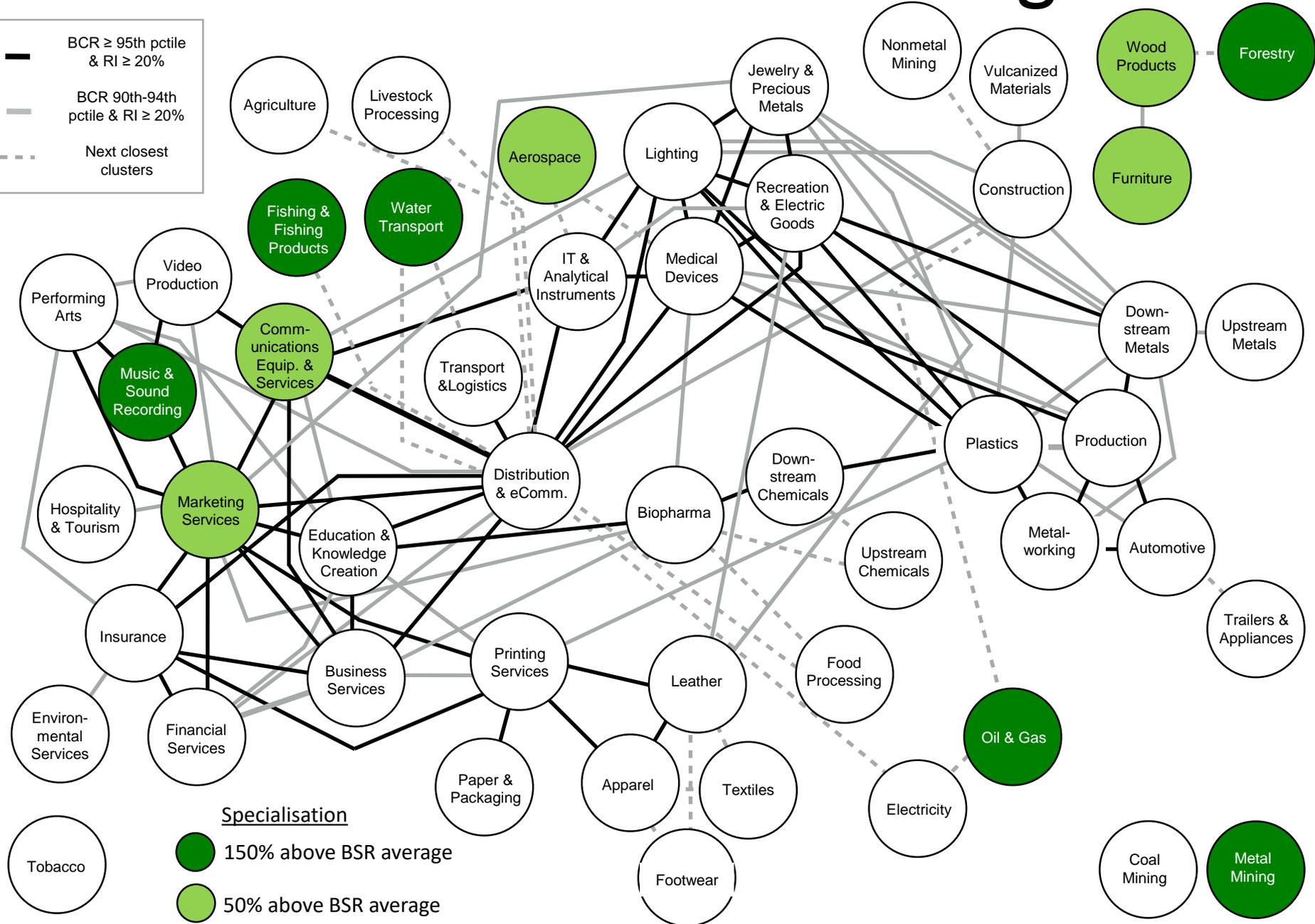
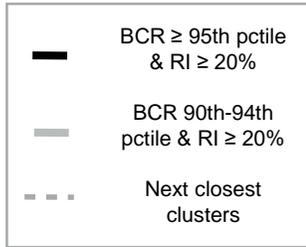
Share of Strong Clusters among all Traded Industries, 2014



Share of European Traded



# Cluster Portfolios in BSR Regions



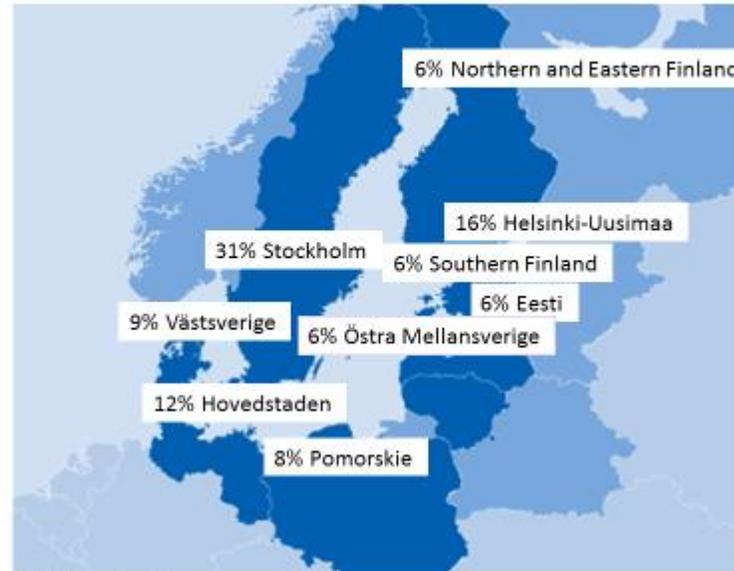
# Cluster Value Chains across the Baltic Sea Region

**Cluster Footprints Across the BSR**  
Furniture



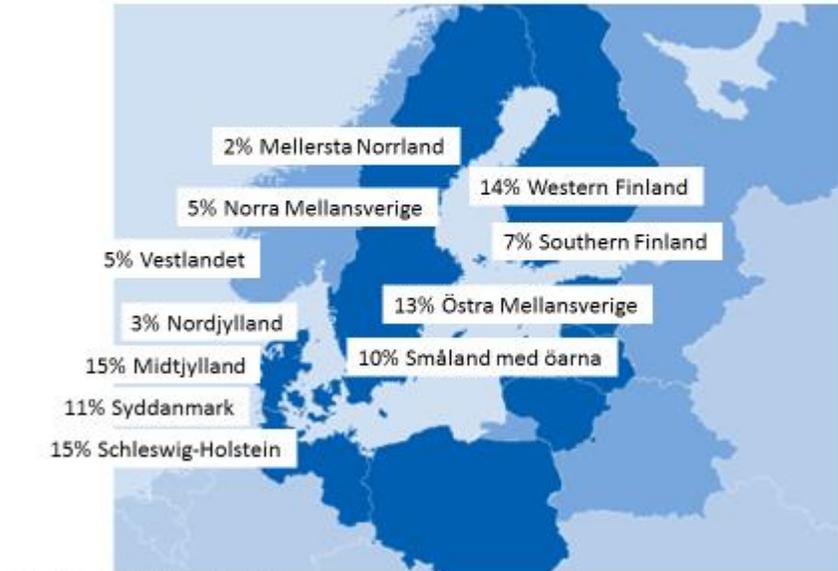
European Cluster Observatory (2016)

**Cluster Footprints Across the BSR**  
Communications Equipment and Services



Source: European Cluster Observatory (2016)

**Cluster Footprints Across the BSR**  
Production Technology



Source: European Cluster Observatory (2016)

# Anxiety

- How can the Region deal with the next macroeconomic downturn?
- Is there a way out of permanently lower productivity growth?
- What is the future of Europe? Of globalization?
- How many more political shocks await us?

- National policy makers need to prepare the Baltic Sea Region's economies for a future that is likely to be fragile; few of them do so today
- The Baltic Sea Region has a big stake in the future of Europe beyond Brexit; it needs to do more than staking out short-term national interests
- The Baltic Sea Region has been a major beneficiary of globalization; it needs a broad dialogue on how the region should position itself in a context of falling trade dynamism and growing economic nationalism
- Macro-regions have the potential to become more important in the global economy; the Baltic Sea Region has much to build on but needs to regain momentum in specific common actions