



EUSBSR
EU STRATEGY
FOR THE BALTIC
SEA REGION

Looking towards 2030:

Preparing the Baltic Sea Region for the future

SUMMARY

Preface

We can't predict the future, but we can prepare for it. The report you are about to read is a contribution to preparations for a future where many of the challenges and opportunities the Baltic Sea Region will meet would be better addressed through deepened cooperation. In a region characterized by sparsely populated areas, limited domestic markets, harsh climate and a shared responsibility for the Baltic Sea the benefits of joining forces should be obvious. Even more so, the global development speaks in favour of more cooperation. Therefore, the long tradition of cooperation and established networks in the Baltic Sea Region is a clear advantage. We need to deepen cooperation within areas that benefit from exchange of knowledge, complementarity and critical mass in order to be more visible and successful in a future global context.



The report has been commissioned by the Swedish Agency for Economic and Regional Growth to give an input to the discussions about what the future might bring - and the added value that could be achieved through Baltic Sea Region cooperation. The EU Strategy for the Baltic Sea Region provides us with a framework and important objectives, but we need to constantly develop how to achieve the objectives in a rapidly changing context.

I am convinced that the region has a number of strongholds that could and should be developed in order to achieve our objectives. We are at the forefront of digitalization and have the potential to become a digital showcase for new solutions within private business as well as the public sector. Further, cooperation in the region will contribute to the internationalization of our small and medium sized companies as well as our regions, which will facilitate further steps into a global context. And not least, the joint challenge to save the Baltic Sea paves the way for new green and blue technology for the benefit of the whole region.

I am certain that the report and the discussions that follow will contribute to new ideas on how to develop and deepen the Baltic Sea Region cooperation and I am looking forward to be a part of that process.

Gunilla Nordlöf

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Swedish Agency for Economic and Regional Growth (Tillväxtverket)

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Challenges and Opportunities for the Baltic Sea Region in a Global Perspective

The world is changing and various developments impact the way we will live, interact and work around. Specific trends concerning markets, technologies and policies concern the Baltic Sea Region. The question we must ask ourselves is whether the Baltic Sea Region will be among those affected by, or among those shaping the future?

Looking at challenges and opportunities arising from major global trends helps in understanding how to position the Baltic Sea Region in a global context. Today the Baltic Sea Region is an attractive location to live and work in. It is a powerful part of Europe and home to many innovative and global players. What is needed to keep it that way and possibly to make the region even more attractive in the light of new and emerging global trends?

This paper provides food for thought to people interested in working with the Baltic Sea Region. The Baltic Sea Region offers a broader and more diverse platform than its individual Member States and has a strong sense of belonging together. This makes the region resilient and suitable for developing new and innovative responses to tomorrow's questions. This paper also provides input for a discussion on how the EU strategy for the Baltic Sea Region (EUSBSR) can help in providing the best responses to new trends in the Baltic Sea Region as well as suggesting areas for further cooperation.

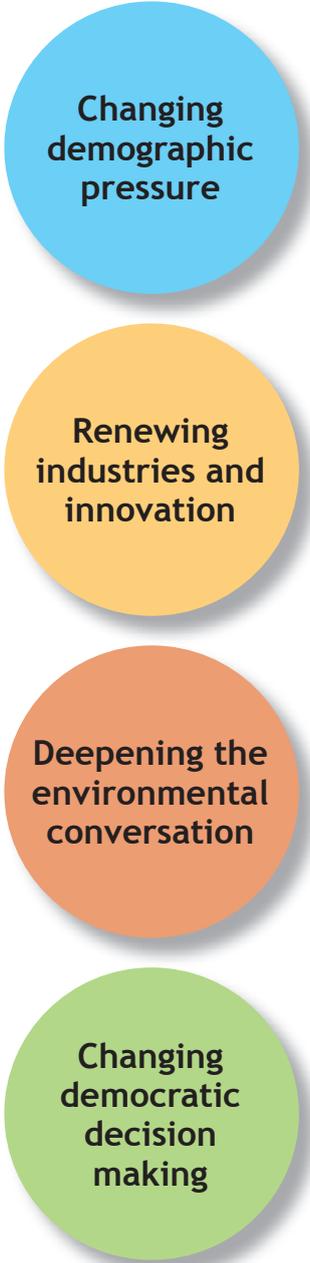
The trends discussed here have no precisely defined timeframe nor do they necessarily cover all policy areas of the EUSBSR. However, the trends concern the coming years to 2030 and hopefully trigger a discussion relevant to all areas and players involved in the development of the region. This period is long enough to envisage changes and at the same time not so far away that predictions become pure speculation. Furthermore, this timeframe allows for links to major international policy debates, such as the debate about the future of EU Cohesion Policy, or UN sustainable development goals and Agenda 2030.

This paper is based on a review of 35 trends, all of which have implications for the Baltic Sea Region and EUSBSR.

Trends fall under the following themes:

- Changing demographic pressures and flows
- Renewing industries and innovation
- Deepening the environmental conversation
- Changing democratic decision making and governance

The themes, trends and implications for the Baltic Sea Region and the EUSBSR are briefly summarised below. These summaries are illustrated by a dialogue type exchange about two example trends for each theme.



Changing demographic pressure

Renewing industries and innovation

Deepening the environmental conversation

Changing democratic decision making

Changing demographic pressure

Changing demographic pressures and flows

Demographic patterns across the world and in Europe will change, as some areas face an ageing society and demographic decline, while others experience demographic growth with more young people striving to find their place in society.

These trends go hand in hand with further urbanisation, growing middle classes in large parts of the world and increasing economic disparities at all geographical levels.

The results will be increasing migration, brain drain and challenges to adjust economic development and the organisation of society to respond to these changes.

Global demographic growth and a growing middle class on a global level could support EUSBSR sub-objectives to improve global competitiveness and improving transport conditions, but only if players in the Baltic Sea Region can tap into growing international markets.

However, first and foremost these trends point to increasing challenges for the Baltic Sea Region. Demographic change challenges the sub-objective on improved global competitiveness as it implies declining markets at home paired with growing global competition. This concerns goods and services as well as the work force and may lead to brain drain in parts of the Baltic Sea Region.

In the same way, increasing migration could challenge the improvement of transport conditions as it may lead to tighter border controls and disrupted transport flows. In parallel, a continued urbanisation could challenge improvements in transport conditions outside the main hubs as population declines. This poses additional challenges to the

more rural areas of the Baltic Sea Region, widening regional disparities. Improving connectivity might become more important as well as more challenging.

The graphic shows the difference in old age dependency ratio. Darker areas have a lower ratio of working age population to pensioners.



© Spatial Foresight, 2016 based on Eurostat



DEMOGRAPHIC PRESSURE - GLOBAL DEMOGRAPHIC GROWTH

In the next 20 years, the world population will grow to 8.3 billion. In the wake of this, there will be large parts of the world with young and ambitious people, increasing social gaps, and also more conflicts. Migration flows could reach 400 million people by 2050, including an increasing number of climate change refugees.

This will mean that more and more migrants will find their way to Europe. It would be great if the Baltic Sea Region could be part of the solution to the challenges coming with global demographic growth. At least we should be better prepared for what is coming and not taken by surprise as was the case in 2015.

Global demographic growth has implications for many parts of EUSBSR. It will change the context of sub-objectives 'improving transport conditions', 'improving global competitiveness' and 'implementation of Europe 2020'. Migration, as such, is not covered.

Well, in the current setting migration is mainly a subject to be dealt with nationally. But maybe the EUSBSR could provide a platform for exchanging experience and joint learning on integration and 'coordination' of information on migration flows.

DEMOGRAPHIC PRESSURE - AGEING

While migration is one topic, another is that Europe's societies are getting older and older. This will pose challenges to our social systems, to employers looking to fill job openings, and possibly lead to a brain drain away from Europe to vibrant and young urban centres elsewhere in the world.

Europe is the most rapidly ageing society in the world, and within Europe, some countries in the Baltic Sea Region are among those with the highest median age. Can the Baltic Sea Region be a laboratory for how an ageing society is actually a chance for society to develop and change? Why are ageing societies always discussed as dystopias?

At present ageing is not addressed by EUSBSR. It is seen as an individual challenge for the rural regions and countries concerned. However, it is a challenge for all in the long-run, so it makes sense to at least exchange experience. Maybe new solutions are possible when pooling intelligence and resources around the Baltic Sea.

For the sub-objectives 'implementing Europe 2020' and 'improved global competitiveness' we cannot exclude the challenges that ageing will bring.

Renewing industries and innovation

Renewing industries and innovation

Economic patterns across the world and Europe will change as new technologies lead to what is called the 4th industrial revolution of production systems. Revolutionary technological changes will lead to fusions of technologies and blur the lines between physical, digital and biological systems.

Furthermore, standard growth paradigms are increasingly challenged as patterns of economic growth and wealth change.

Current forecasts range from economic decline and despair to new technological solutions providing plenty of exciting opportunities.

The important question with regard to technological trends is what role Europe and the Baltic Sea Region will play in this. Will the Baltic Sea Region be among those affected by these trends, or among those shaping the future?

Assuming a pro-active role, trends in renewing industries and innovation have considerable potential to support EUSBSR objectives. In particular, the sub-objectives ‘deepening the single market’, ‘implementing Europe 2020’, ‘improved global competitiveness’ and ‘connecting people in the region’ can potentially benefit from many trends in this area.

Our society and economy will change over the next decades. The graphic illustrates that regardless of what the industrial future looks like, everything will be much more integrated than today. This will go beyond administrative and national borders and may even make them irrelevant in many regards.



RENEWING INDUSTRIES - 4TH INDUSTRIAL REVOLUTION

The next technological revolution is about to start. Fusions of technologies will blur the lines between the physical, digital, and the biological systems. It will completely change the way we live, work and interact. In its scale, scope, and complexity, the transformation will be unlike anything humankind has experienced before.

When IT changed the world, the Baltic Sea Region was home to many companies and pioneers leading the way. Imagine, this could even be the place to be for the next technological revolution. A place where:

- new technologies become reality first,
- new innovative services and products are developed,
- new models for society in this new world are explored,
- and so on, and so on.

EUSBSR could help prepare the ground. Bringing together the best brains around the Baltic Sea Region, bringing together researchers, private and public players and civil society. Taken together they can create a critical mass open for new developments and making new solutions viable.

This would fit very well to the EUSBSR sub-objectives 'implementing Europe 2020', 'improved global competitiveness'.

RENEWING INDUSTRIES - BLUE GROWTH, GREEN GROWTH & CLEAN TECH

Blue growth becomes more and more important. We will make more use of material from the ocean floors to create new products and increase maritime activities. Having fully exploited the land, we move on to the sea and its resources.

The Baltic Sea might also become interesting in respect to blue growth. Imagine it would not only be used for transport and waste disposal.

The Baltic Sea is a common resource. So naturally EUSBSR is important to ensure that its resources are managed and used in the interest of all cities, regions and countries around the Baltic Sea.

This would fit very well to EUSBSR sub-objectives 'implementing Europe 2020' and 'improved global competitiveness'. To make use of the resources of the Baltic Sea, we all need to make sure it is clean. So, the sub-objectives 'clear water in the sea' and 'clean and safe shipping' are important as well.

Deepening the environmental conversation

Deepening the environmental conversation

Natural forces cause some of the environmental trends, but most of them are caused or enhanced by human activities. Some environmental trends enhance each other; some are offset by other trends. For example, climate change is partially caused by human actions, but can also be mitigated by policies.

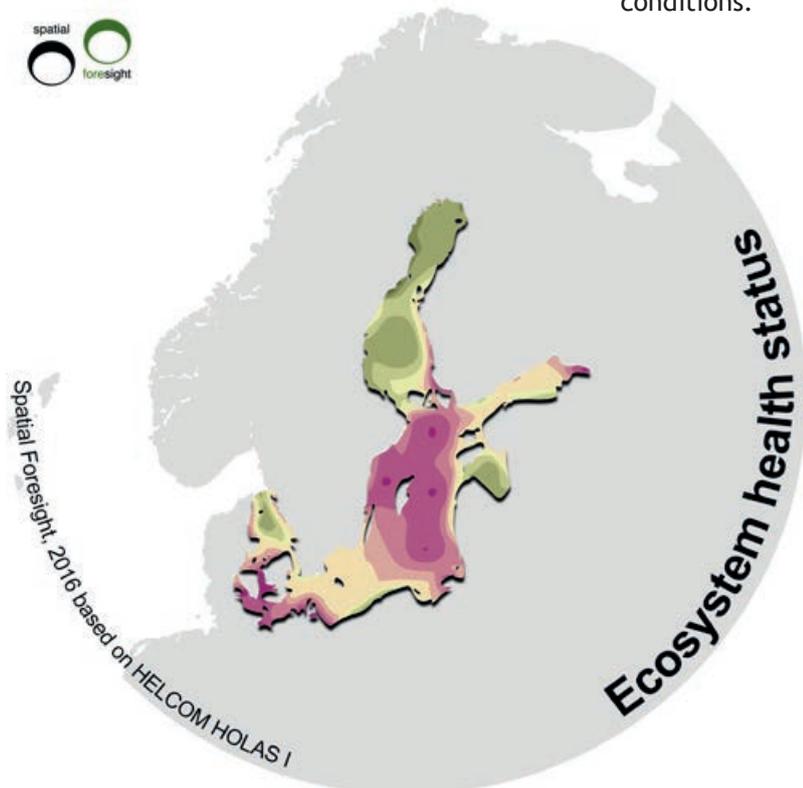
Development patterns and trends in the environmental sector point to a need for corrective policies. Climate change will probably have severe and large-scale effects on different social sectors; the environment, policymaking, and the economy, to mention a few. There will also be a significant rise in energy consumption in non-OECD countries, linked to population growth and rising incomes.

Effective civil protection around the Baltic Sea Region requires multi-sector cooperation, from spatial and physical planning, preventive solutions and coordination mechanisms to bodies and mutual assistance systems across different countries, ministries and agencies.

Despite slow economic growth and a slowdown in population growth, global competition for natural resources will continue to intensify. This causes instability in markets and geo-political tensions. Without corrective policies in the next 20 years, drastic change will affect the climate, biosphere, continents and oceans.

For the Baltic Sea, the environmental status has not improved sufficiently over the last decade and new trends such as microplastics further challenge the objective of a clean Baltic Sea.

The image shows the HELCOM holistic assessment of the state of the Baltic Sea, 2010. The colour red displays the degree of unhealthy conditions.



ENVIRONMENT - CLIMATE CHANGE

For how long have we been taking about climate change now? Still, the contents of the reports from bodies such as the IPCC become more and more alarming, as if nothing is being done.

Indeed! Increasingly we see extreme weather events and other developments which can be precursors of what climate change might bring.

- In the Baltic Sea Region, we need to
- be better prepared for climate change adaption, but also
 - strengthen our efforts to not accelerate climate change.

The EUSBSR is already working on this, but more needs to be done. It seems a lot is still about meeting and talking, we need to implement climate change related objectives of EUSBSR and other strategies, much faster and stronger.

Yes, more emphasis needs to be on the sub-objective 'climate change adaptation'. Actually why is it only a sub-objective and not the main objective of the strategy?

ENVIRONMENT - POLLUTION OF THE SEA

We are increasingly polluting the seas and the trend will continue. Marine litter, brought into the sea through natural forces and drainage and sewage systems, is a real problem for our eco-systems. For example microplastics cause major damage to sea fauna with a lot of casualties.

This is not only a global issue, indeed the Baltic Sea is known to be one of the dirtiest worldwide and things are not really getting better. This is pretty embarrassing, as we put so much effort in presenting ourselves as an environmentally friendly and clean region. It would be great, if by 2030 the Baltic Sea could be 'cleaned' and pollution of all kinds is down to a level that does not harm the environment.

EUSBSR is already working on that, but more players need to be brought on board to make things happen. Both public and private players around the Baltic Sea need to contribute. Only if everybody joins in can we turn it around.

The Baltic Sea is a common asset. So why not give much more emphasis to the sub-objective 'clear water in the sea' and 'having a rich and healthy wildlife'. Is there anything more hands-on where we all need to work together?

Changing democratic decision making

Changing democratic decision making and governance

Various trends observed are changing governance approaches, democratic decision making and the role of civil society. Examples are the role of networks and collaborative governance in decision making processes, rising global tensions and the changing roles of global players, such as major global corporations, as well as civil society.

We can see an increase in collaborative governance approaches and a diffusion of power to networks and groups. This could support cooperation and implementation of EUSBSR and its sub-objectives.

Furthermore, an increased delegation of power to supranational players may also support EUSBSR sub-objectives, where they seek macro-regional rather than place specific solutions. However, this depends largely on the type of supranational power.

In addition, increasing global tensions, not least between Russia and Europe but also nationalistic trends, are likely to pose growing challenges to most EUSBSR sub-objectives as they potentially make cooperation more difficult.

The graphic illustrates the risk of the Baltic Sea Region drifting apart as a result of these trends growing stronger.



CHANGING GOVERNANCE - INCREASING PERCEPTIONS AND BELIEFS

After times of almost technocratic belief in evidence-informed decision making and experts, the pendulum swings again. Increasingly 'convictions' play a role both for setting value systems and for motivating political action. This is also linked to a 'war of ideas'.

Also in the Baltic Sea Region, differences in value systems and 'convictions' become more pronounced again. This is between countries but increasingly also between different social groups within a country. As for the future, it would be great, if we could at least have a shared 'vision' as a framework for the different 'convictions'.

The EUSBSR is to some degree an embryo for a shared vision. It could be used for a large process involving many parts of our societies - public, private, NGOs, citizens - to debate and elaborate a shared vision of a desirable future.

Well, why not start with the 7th Strategy Forum of the EUSBSR? Asking all the people here, in the light of the state of the region and the developments ahead. What vision of the future could we all agree on?

CHANGING GOVERNANCE - NATIONALISM

Politics and policies in large parts of the world put national interests before joint solutions to development challenges. Twisting this differently The Economist talks about 'drawbridge uppers' and 'drawbridge downers'. At the same time, there is a need for further strengthening network-based cooperation.

This is also visible in Europe and the Baltic Sea Region. Rising tensions with Russia are just one example. However, in an increasingly interconnected world, there is a need to cooperate. Can the Baltic Sea Region be the place to show that cooperation is key and goes beyond nice speeches. The Baltic Sea Region was a trendsetter on territorial cooperation in Europe back in the 1990's. Why not get that spirit back?

EUSBSR offers a suitable platform for this. The point is to get the necessary players on board. Go beyond the usual suspects in cooperation and move from words to actions.

If the nationalistic trend becomes mainstream, it will impact daily cooperation for all EUSBSR objectives. So, there is a joint interest to change this trend. Maybe it is easiest with areas where there are common interests which cannot be solved without cooperation.

EUSBSR needs to respond to changing contexts

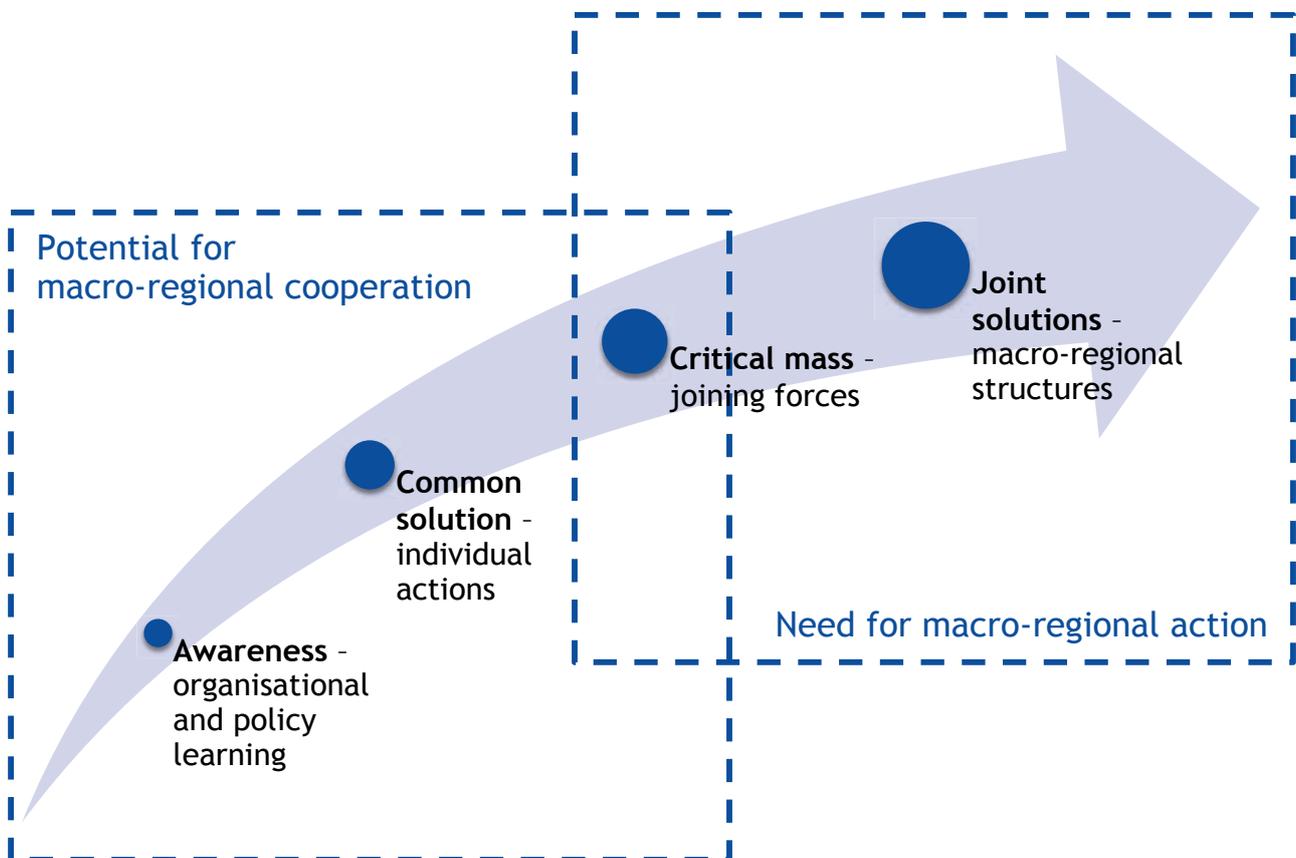
The key question is, which issues need to be solved at macro-regional level and which are better dealt with at lower or higher governance levels.

EUSBSR seeks synergies and cross-strategic links with other macro-regional strategies. As a rule of thumb, cooperation can be beneficial when it contributes to organisational and policy learning and where different players face similar challenges or opportunities to which common solutions can help to improve individual responses.

In many cases this type of cooperation is linked to an exchange of experience. In addition, macro-regional cooperation can also help to achieve the critical mass needed for an action or to ensure economic viability. In this case there is a need to cooperate.

There is an even more imperative need for cooperation when joint solutions or macro-regional structures are required to accomplish the task. In these cases, individual responses from each country will not solve the issue at stake, e.g. improving the environmental situation of the Baltic Sea.

NEED FOR MACRO-REGIONAL COOPERATION



The figure above provides a quick overview of points to consider when identifying areas needing increased macro-regional cooperation.

Altogether EUSBSR objectives are still valid and there is no need for new objectives to address trends which require action at macro-regional level. Continuing the efforts and increasing awareness of changing cooperation attitudes around the Baltic Sea are the main messages.

Areas where cooperation MUST be intensified are:

- Increased focus on environmental and climate challenges, as these can only be mastered jointly and current efforts are not sufficient to meet EUSBSR objectives.
- Strengthened joint civil protection as effective civil protection around the Baltic Sea requires multi-sector cooperation across countries. Crises and threats do not stop at borders.
- Blue growth concerns common resources of the Baltic Sea with important implications for economic and environmental EUSBSR objectives.
- Increased oversight of shipping transport to ensure that increasing transport volumes do not counteract the objectives on clean and safe shipping and that they contribute to competitiveness.
- Safeguard long-term cooperation cultures, since recent trends may obstruct the operational cooperation that is key to the success of the EUSBSR.

Areas where cooperation SHOULD be intensified are:

- Coordinated response to increasing demographic pressures, although implications range from ageing and brain drain to immigration, the developments are interlinked and will benefit from a better coordinated response.
- Approaches to the 4th industrial revolution can benefit from cooperation focusing on creating critical mass for players in the Baltic Sea Region to lead digitisation.
- Joint strategy for improving connectivity at macro-regional level as well as within the countries to combat increasing regional disparities.
- EUSBSR communication road map could help raise awareness about development challenges and potential, with the corresponding actions at the level of the EUSBSR.

Areas where cooperation COULD be intensified are:

Joint responses may help to more effectively or more efficiently respond to trends. A joint vision as a framework for 'concerted' individual actions might be a way to ensure that the Baltic Sea Region as a whole - as well as all parts of it - are best prepared to capture positive impacts of the trends and mitigate the negative impacts. This would take some of the areas addressed under the 'musts' and the 'shoulds' one step forward and develop a coherent framework.

- Ensuring global competitiveness in the 4th industrial revolution;
- Preparing for changing global economic perspectives;
- Mitigating demographic pressures in the Baltic Sea Region.

All EUSBR objectives and policy areas can be affected by the trends and their impacts. There is a need to stay alert and monitor developments in each thematic field. This will increase general preparedness for dealing with impacts early on.

To increase preparedness

- Further support cooperation attitudes around the Baltic Sea Region - especially going beyond the usual suspects for territorial cooperation.
- Do not let (geo-)political tensions and diverging views among members affect the work on furthering the EUSBSR.
- Further streamline concerns and efforts to improve the (maritime) environment, also with respect to new industries and transport.
- Develop a shared approach for dealing with increasing maritime transport in the Baltic Sea Region, ensuring that the objectives for clear water can be met.
- Pay particular attention to blue growth development, making use of common resources.
- Increase preparedness for new technologies (4th industrial revolution) and support players in the Baltic Sea Region to be world leaders.
- Use the EUSBSR to develop a joint vision as a framework for 'concerted' individual actions which concern large parts of the region but do not require joint responses, such as migration.



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