Competitiveness of Small & Medium-Sized Cities in the Baltic Sea Region

4 JUNE | RIGA, LATVIA
Europe in Global Perspective: Trends and Priorities

Paweł Świeboda,
Deputy Head, European Political Strategy Centre, European Commission
Global Megatrends

1. Digitalisation & Technology

2. Climate Change & Environment

3. Demography & Society

4. An Increasingly Multipolar World
1. Digitalisation & Technology: We stand at the cusp of a new era

Exponential technological advancement since the Industrial Revolution

Source: adapted from Atlantic Council, 2017
Convergence of technologies

Digitalisation enables disruptive transformation in a wide range of fields

Source: DG RTD, European Commission
What this means for Europe: Fierce global competition

The platform economy is increasingly binary, with Europe a distant third

Source: Dr Holger Schmidt (TU Darmstadt/Netzoekonom.de)
What this means for Europe: Industrial transformation – can Europe stay on top?

Half of the world’s electric vehicle sales are in China

China also leads in battery sale production

Source: Electric Vehicle World Sales Database

Source: Joint Research Centre, Bloomberg New Energy Finance
What this means for Europe: No technological unemployment but job polarisation by skill level

Job polarisation in major OECD economies, 2002-14
Percentage point changes in employment shares, by occupation

What this means for Europe: Cyber-resilience

*The number of smart homes in the EU set to increase 10x by 2021*

**Smart homes* in the European Union**

<table>
<thead>
<tr>
<th>Year</th>
<th>Homes (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>8.5</td>
</tr>
<tr>
<td>2021</td>
<td>80.6</td>
</tr>
</tbody>
</table>

+950%

*Homes which use digitally controlled lighting, heating, ventilation, air conditioning, security, as well as home appliances*

Source: European Commission
2. Climate change & environment

Global carbon levels reached a record high last year

Emissions growth in United States, Asia fueled record carbon levels in 2018

Source: Science
Climate tops citizens’ concerns and triggers mobilisation

#FridaysForFuture – student-led demonstrations are gaining momentum across the world

Source: Fridaysforfuture.org

Source: The Guardian
What this means for Europe: Defending its competitive advantage

Largest companies in the New Energy Global Innovation Index, by market capitalisation

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company Name</th>
<th>Market Cap. (billion Euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tesla Inc</td>
<td>46.47</td>
</tr>
<tr>
<td>2</td>
<td>Orsted A/S</td>
<td>26.19</td>
</tr>
<tr>
<td>3</td>
<td>Verbund AG</td>
<td>15.078</td>
</tr>
<tr>
<td>4</td>
<td>Vestas Wind Systems A/S</td>
<td>13.70</td>
</tr>
<tr>
<td>5</td>
<td>BYD Co Ltd</td>
<td>13.67</td>
</tr>
<tr>
<td>6</td>
<td>Samsung SDI Co Ltd</td>
<td>12.96</td>
</tr>
<tr>
<td>7</td>
<td>Novozymes A/S</td>
<td>11.18</td>
</tr>
<tr>
<td>8</td>
<td>Sociedad Quimica y Minera de Chile SA</td>
<td>9.86</td>
</tr>
<tr>
<td>9</td>
<td>Daqo New Energy Corp</td>
<td>9.20</td>
</tr>
<tr>
<td>10</td>
<td>Siemens Gamesa Renewable Energy SA</td>
<td>8.821</td>
</tr>
<tr>
<td>11</td>
<td>NIO INC - ADR</td>
<td>7.43</td>
</tr>
<tr>
<td>12</td>
<td>EDP Renovaveis SA</td>
<td>6.87</td>
</tr>
<tr>
<td>13</td>
<td>Kingspan Group PLC</td>
<td>6.674</td>
</tr>
<tr>
<td>14</td>
<td>Xinjiang Goldwind Science &amp; Technology Co Ltd</td>
<td>5.79</td>
</tr>
<tr>
<td>15</td>
<td>Meridian Energy Ltd</td>
<td>5.52</td>
</tr>
<tr>
<td>16</td>
<td>China Longyuan Power Group Corp Ltd</td>
<td>5.21</td>
</tr>
<tr>
<td>17</td>
<td>Energy Absolute PCL</td>
<td>5.20</td>
</tr>
<tr>
<td>18</td>
<td>Nibe Industrier AB</td>
<td>5.08</td>
</tr>
<tr>
<td>19</td>
<td>Cree Inc</td>
<td>4.60</td>
</tr>
<tr>
<td>20</td>
<td>Universal Display Corp</td>
<td>4.56</td>
</tr>
</tbody>
</table>

Source: New Energy Global Innovation Index (NEX), (February 2019)
What this means for Europe: New supply risks emerge with the rise of renewables

EU competitiveness at stake as China leads on supply of most materials and components needed for renewables

Share of global production of different processed and finished materials used in wind turbines, solar photovoltaic panels and batteries.

in % of total

Source: Joint Research Centre
What this means for Europe: Transition in carbon-intensive regions

By 2030, it is estimated that around 160,000 of the current 237,000 direct jobs in coal and lignite mining and power-plants may be lost.

Source: Joint Research Centre
3. Demography & society: Europeans will be the oldest in the world by 2030

Median age in different regions of the world in 2030

Source: Rand Europe report for ESPAS, 2013
Historical Milestone: More affluent people than ever before

More middle class and rich, fewer poor globally

Source: Brookings, projections by World Data Lab
Middle Class is booming in emerging economies

Middle and Upper Class Spending Power

Source: World Bank
Europe is home to the most equal societies in the world

*Distribution of income between individuals using Gini coefficient where 0 represents perfect equality*

Source: OECD, Latest available data, European Commission
What this means for Europe: EU population and labour force to shrink without migration

EU28 Population, 2015-2030

Source: Eurostat, Europop projections
What this means for Europe: Sustainability of Europe’s social welfare model

*The ratio of workers to pensioners will decrease*

<table>
<thead>
<tr>
<th>Year</th>
<th>Workers</th>
<th>Pensioners</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>2060</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: European Commission, Ageing Report 2015
What this means for Europe: Psychological impact

Answer in response to: ‘When children in our country today grow up, will they be worse off / better off than their parents?’

People in Asia’s emerging economies tend to be far more optimistic (58%) than Europeans (24%).

Note: Russia and Ukraine note included in Europe median
Source: Spring 2014 Global Attitudes Survey, Q11, Pew Research Center
4. An increasingly multipolar world

Share of developing Asia in total world GDP (constant 2011 international $ PPP)

* excluding high income countries like Japan, South Korea, Singapore, Australia and New Zealand

Source: World Bank
Proliferation of new institutions and platforms
Volatile security environment with emerging powers

*EU Member States outspent on defence R&D: US 7:1 – China 2:1*
*Relative size of annual RDTE budgets, * = estimate*

Global Commons: Greater competition and even militarisation

- Space
- Cyberspace
- Atmosphere
- Polar Regions
- High Seas
Russia’s military presence in the Arctic

Terror threat remains high across Europe

Source: Europol 2018
What this means for Europe: Growing economic competition in Europe’s neighbourhood

More competition for influence in Africa

Source: Brookings, based on IMF DOT, 2006-2016
What this means for Europe: the Liberal World Order cannot be taken for granted

13 Consecutive Years of Decline in Global Freedoms
'71 countries see declining of political rights, only 35 gaining'

Source: Freedom House, Freedom in the World Report, 2018
What this means for Europe: Distortions on the global level playing field

*Foreign investment restrictions higher in China than in the EU in all sectors but real estate*

Source: Mercator Institute for China Studies (MERICS), 2018
Main challenges according to Europeans

‘What do you think are the two most important issues facing the EU at the moment?’

Note: data are in percentage of EU-total respondents. Only the six most frequently chosen answers are represented in the graph.

Source: Eurobarometer, Autumn 2018
Missions for the future

Focus on those game-changing areas:

• That **matter most to European citizens** or where they most agree that European action is needed

• Where Member States **cannot, can no longer**, or do not wish to deliver alone

• Where the **EU has better tools to deliver** than actions taken only, or primarily, at the level of Member States
Missions for the future

1. Protective Europe
2. Competitive Europe
3. Fair Europe
4. Sustainable Europe
5. Influential Europe