

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

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LATVIA





# Europe in Global Perspective: Trends and Priorities

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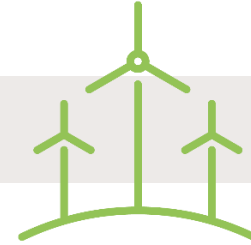


# Global Megatrends



## 1. Digitalisation & Technology

## 2. Climate Change & Environment



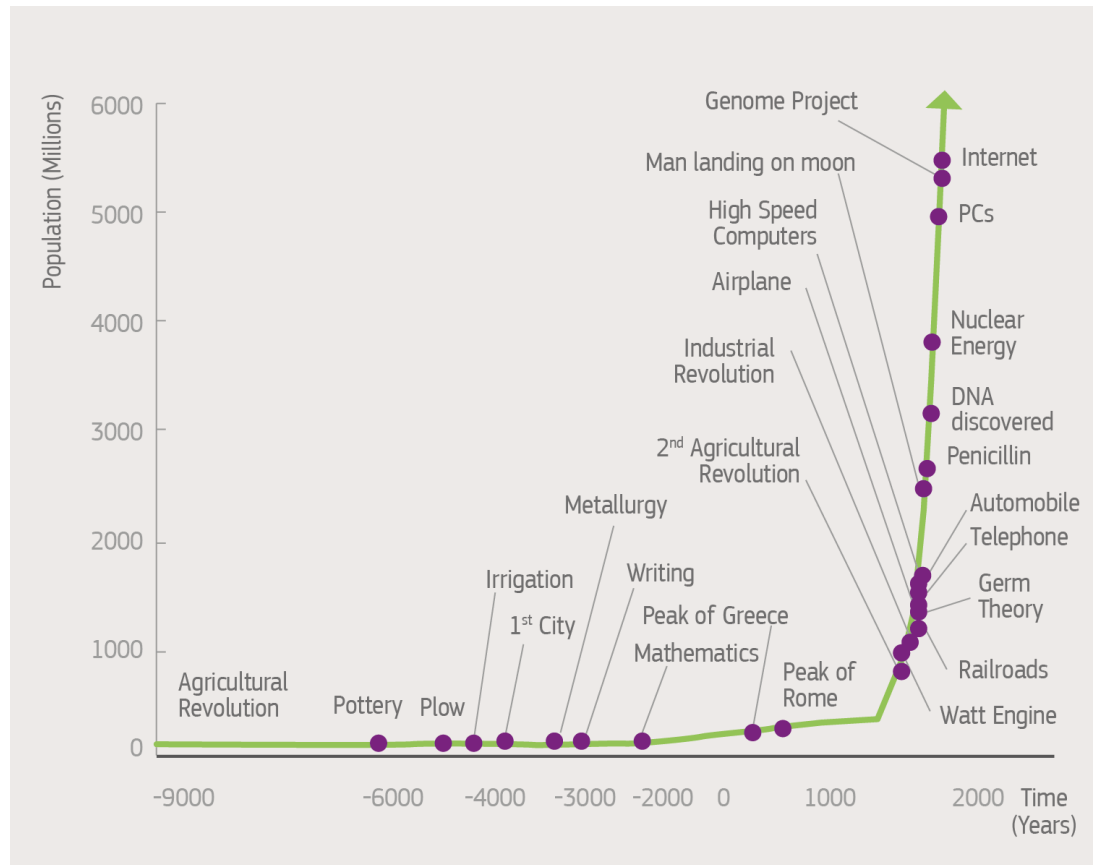
## 3. Demography & Society

## 4. An Increasingly Multipolar World



# 1. Digitalisation & Technology: We stand at the cusp of a new era

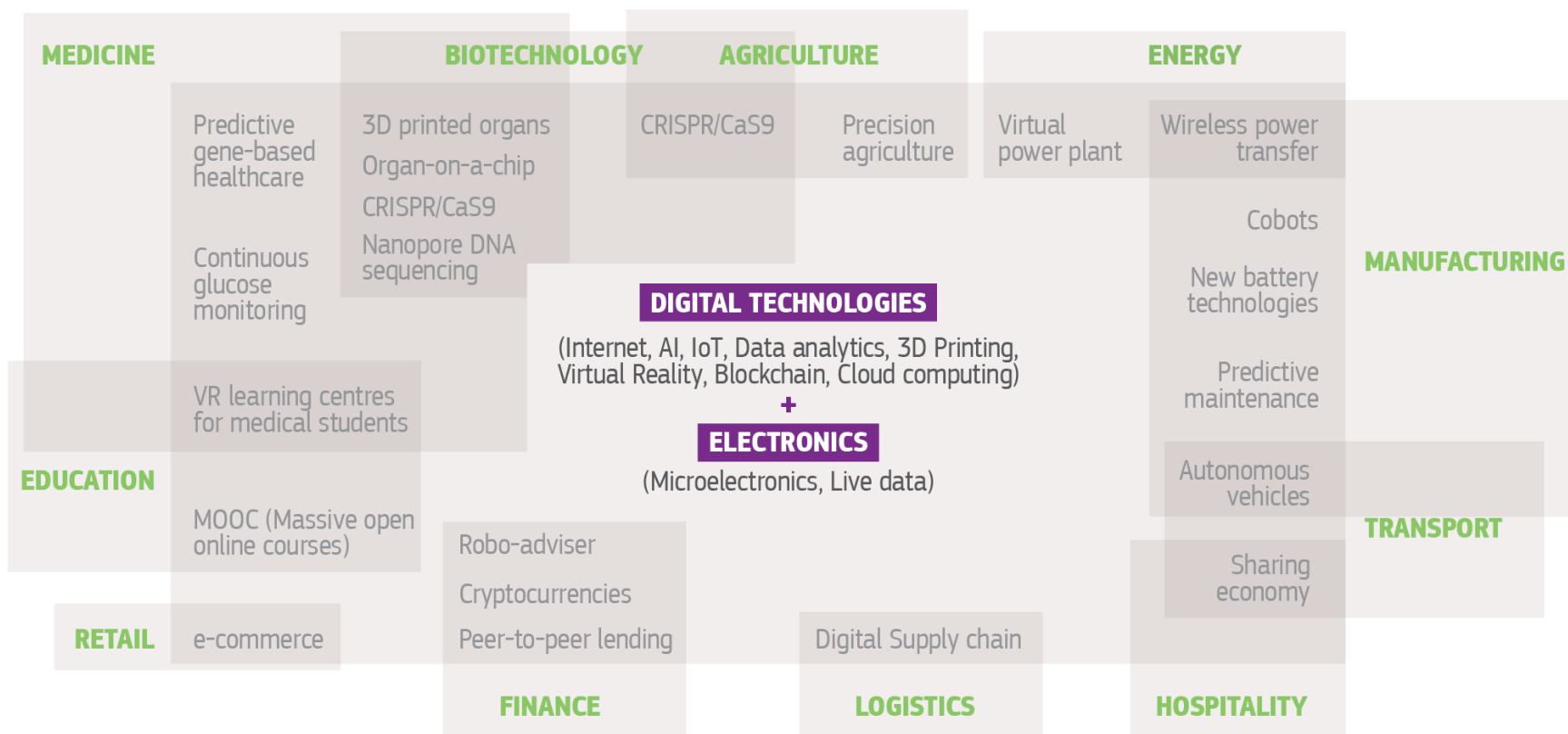
*Exponential technological advancement since the Industrial Revolution*



Source: adapted from Atlantic Council, 2017

# Convergence of technologies

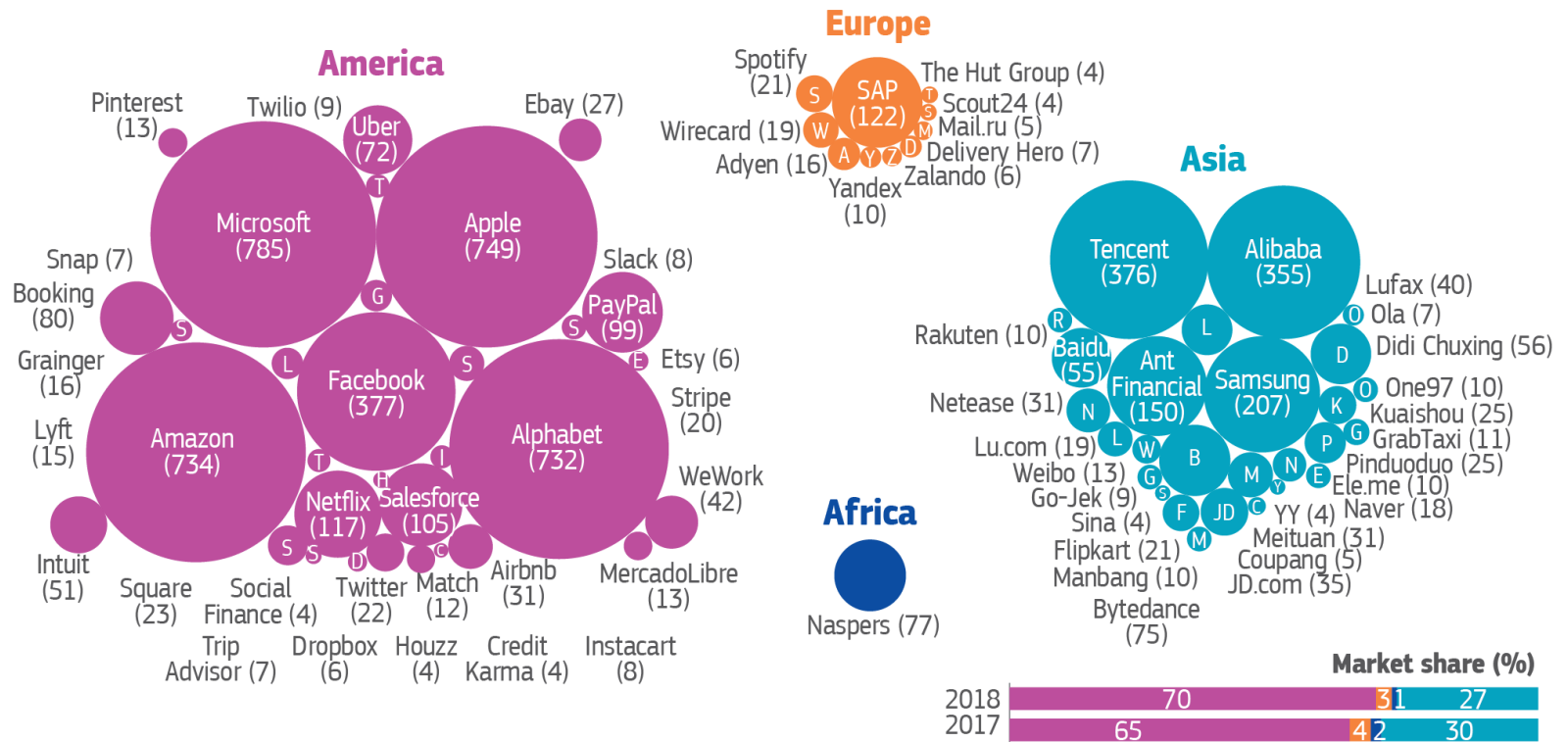
*Digitalisation enables disruptive transformation in a wide range of fields*



Source: DG RTD, European Commission

# What this means for Europe: Fierce global competition

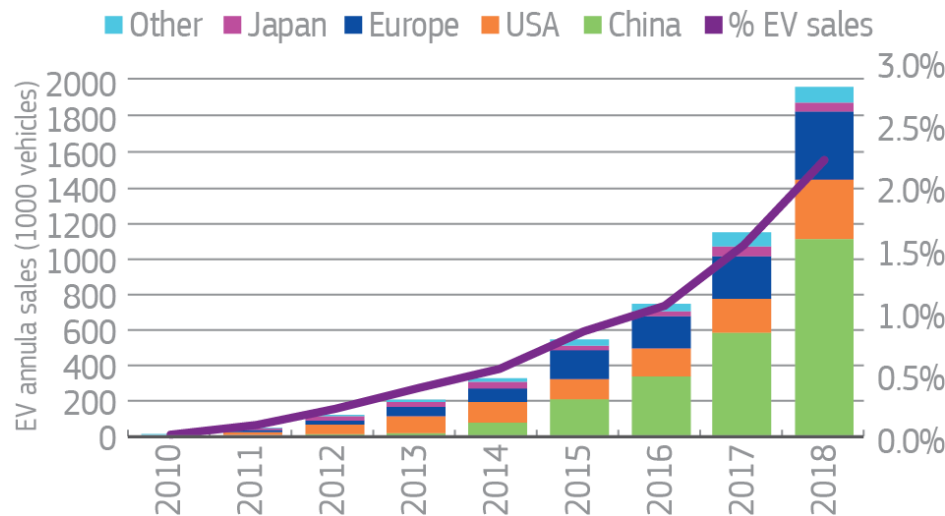
*The platform economy is increasingly binary, with Europe a distant third*



Source: Dr Holger Schmidt (TU Darmstadt/Netzoekonom.de)

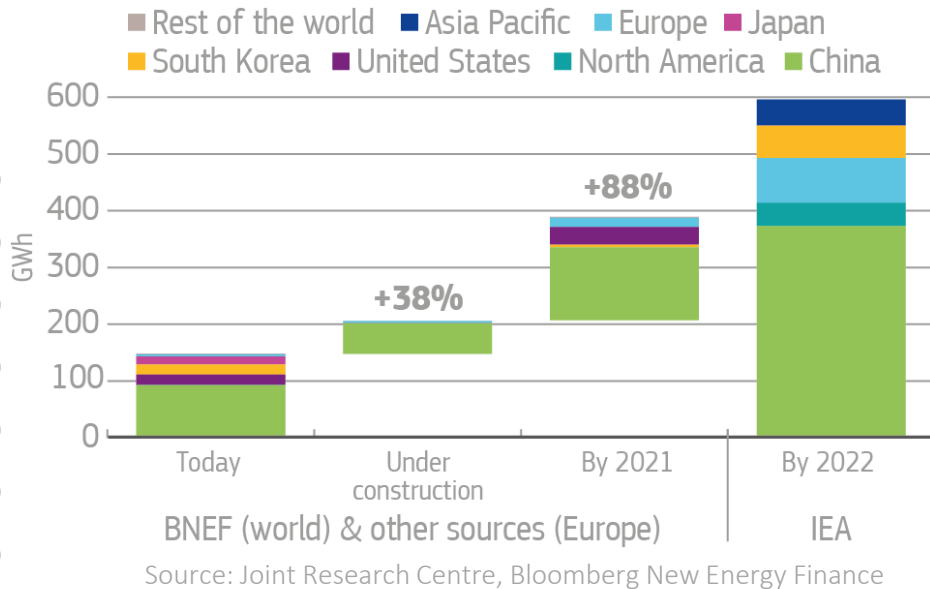
# What this means for Europe: Industrial transformation – can Europe stay on top?

*Half of the world's electric vehicle sales are in China*



Source: Electric Vehicle World Sales Database

*China also leads in battery sale production*

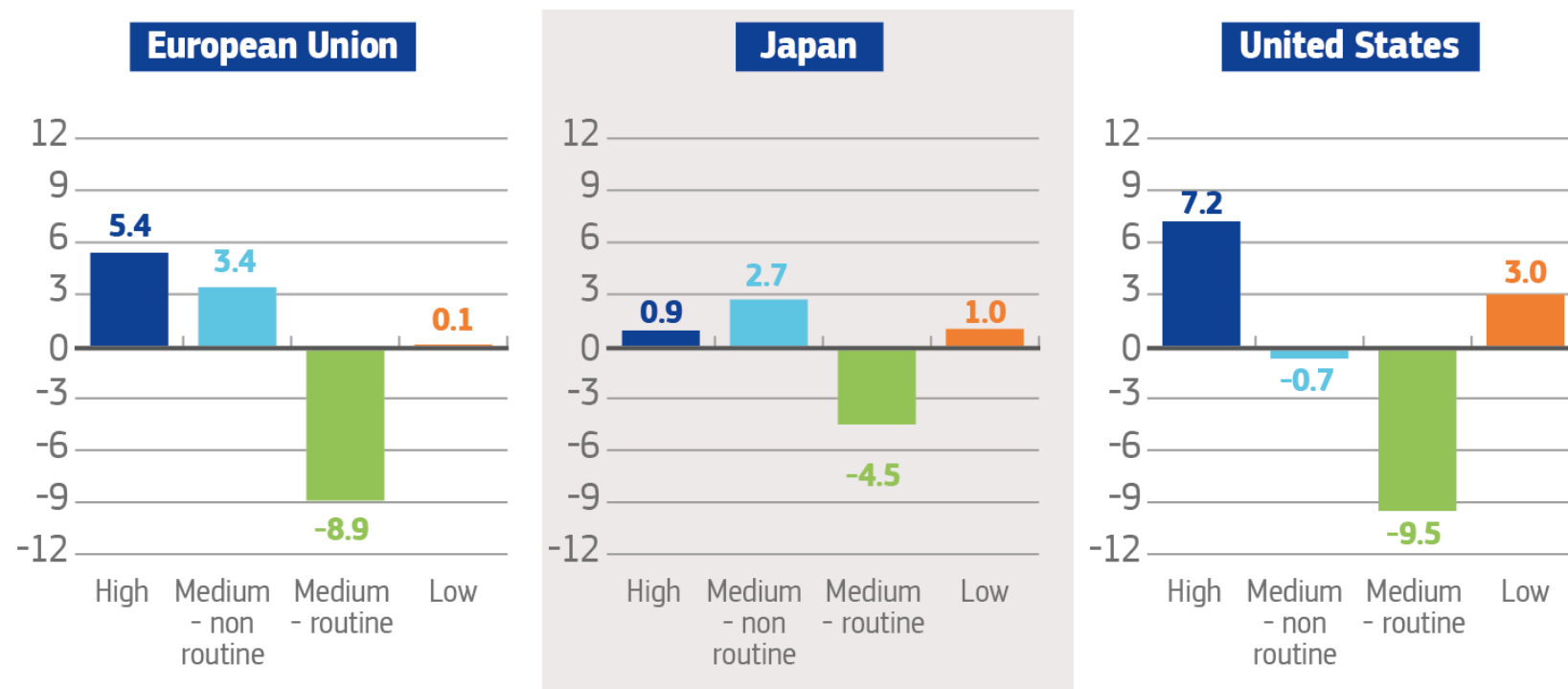




# What this means for Europe: No technological unemployment but job polarisation by skill level

*Job polarisation in major OECD economies, 2002-14*

*Percentage point changes in employment shares, by occupation*



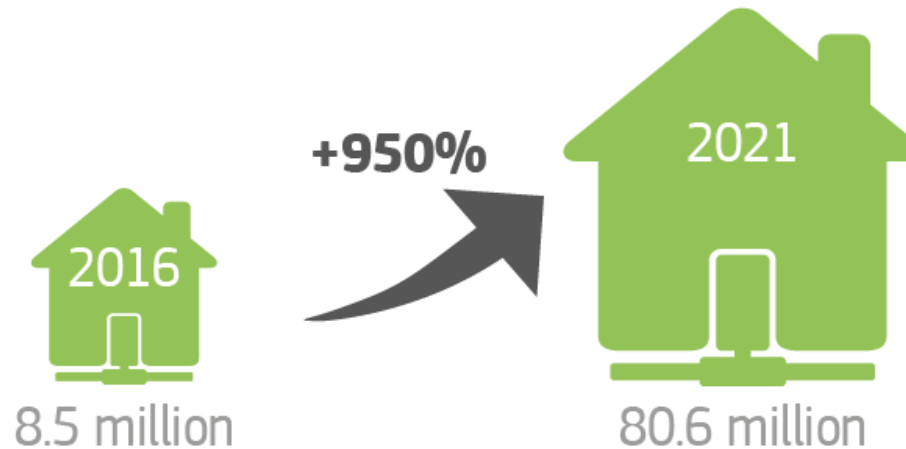
Source: OECD estimates based on EU-LFS, Japanese Labour Force Survey, BLS Current Population Survey.



# 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



\*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*



ROBERT COY/ALAMY STOCK PHOTO

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](https://fridaysforfuture.org)



'Gilets jaunes' protesters threaten to bring France to a standstill

Unofficial movement with no identified leader plans to block roads in rally over fuel prices



▲ Gilets jaunes protesters on the Promenade des Anglais waterfront in Nice. Photograph: Valéry Hache/AP/Getty

Belgian kids march against climate change - why don't ours, ask Dutch

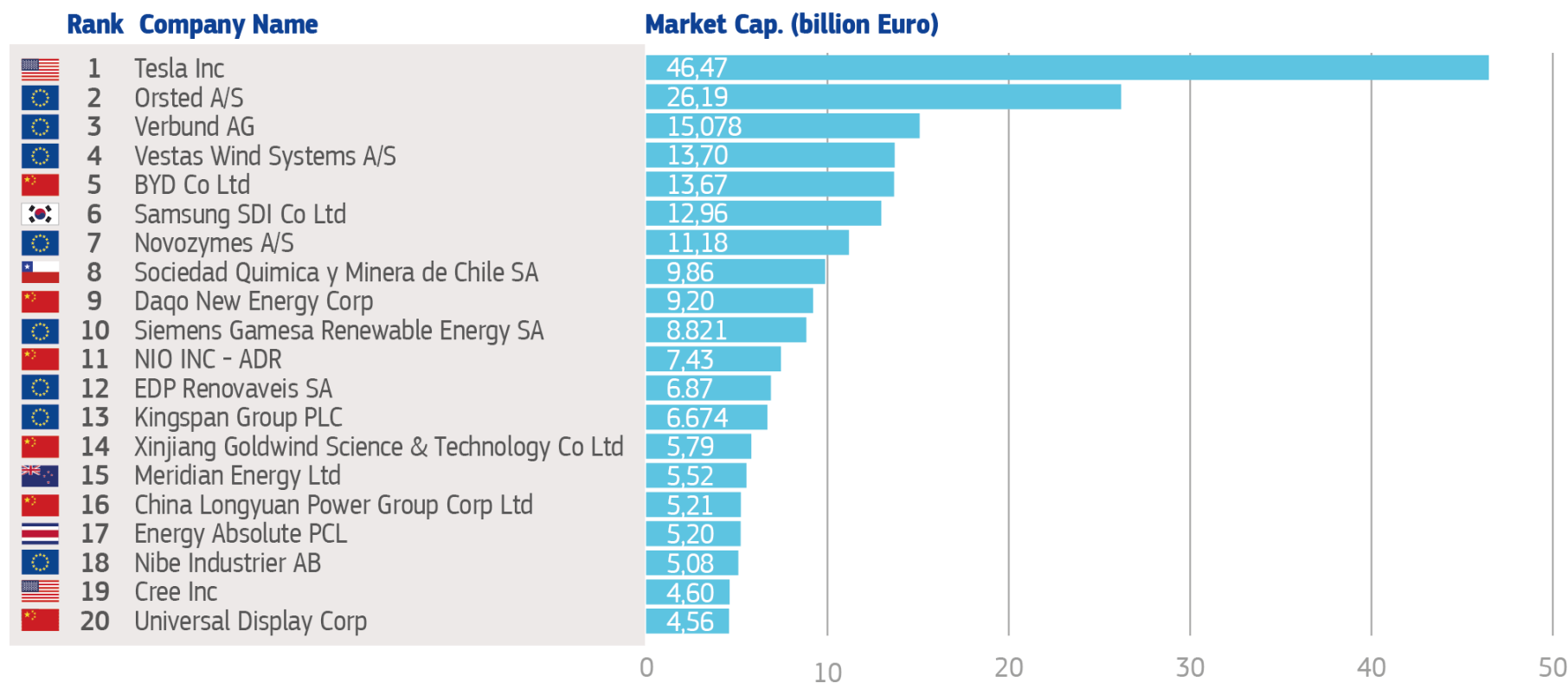


▲ Belgium's first school strike in a row as students demand climate action. 25 January. Photograph: Stéphane Lecomte/IFM

Source: The Guardian

# What this means for Europe: Defending its competitive advantage

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



Source: New Energy Global Innovation Index (NEX), (February 2019)

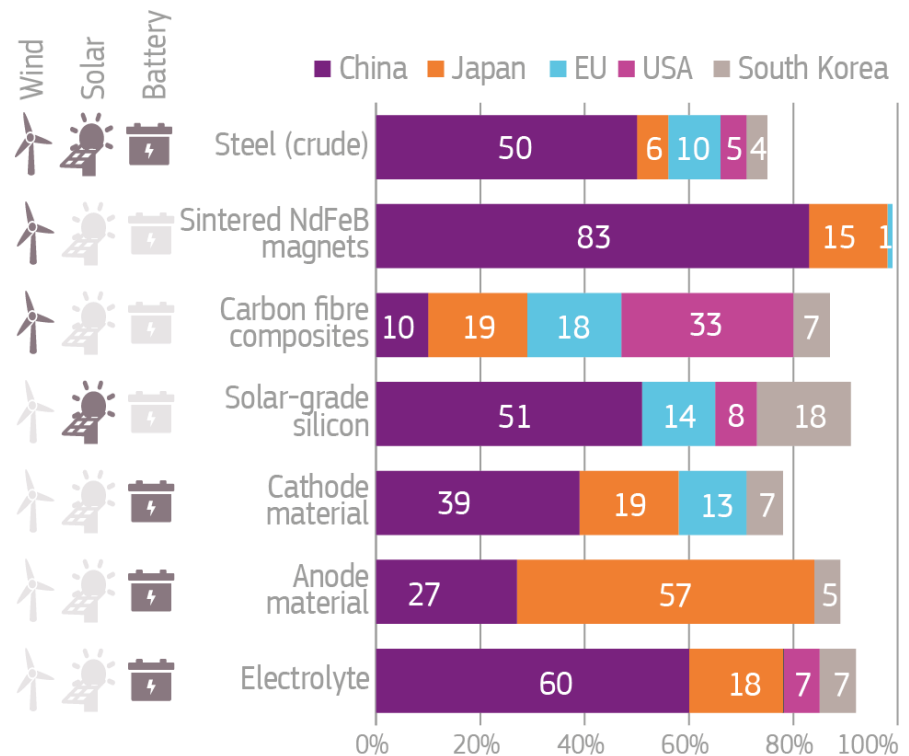


# What this means for Europe: New supply risks emerge with the rise of renewables

*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.

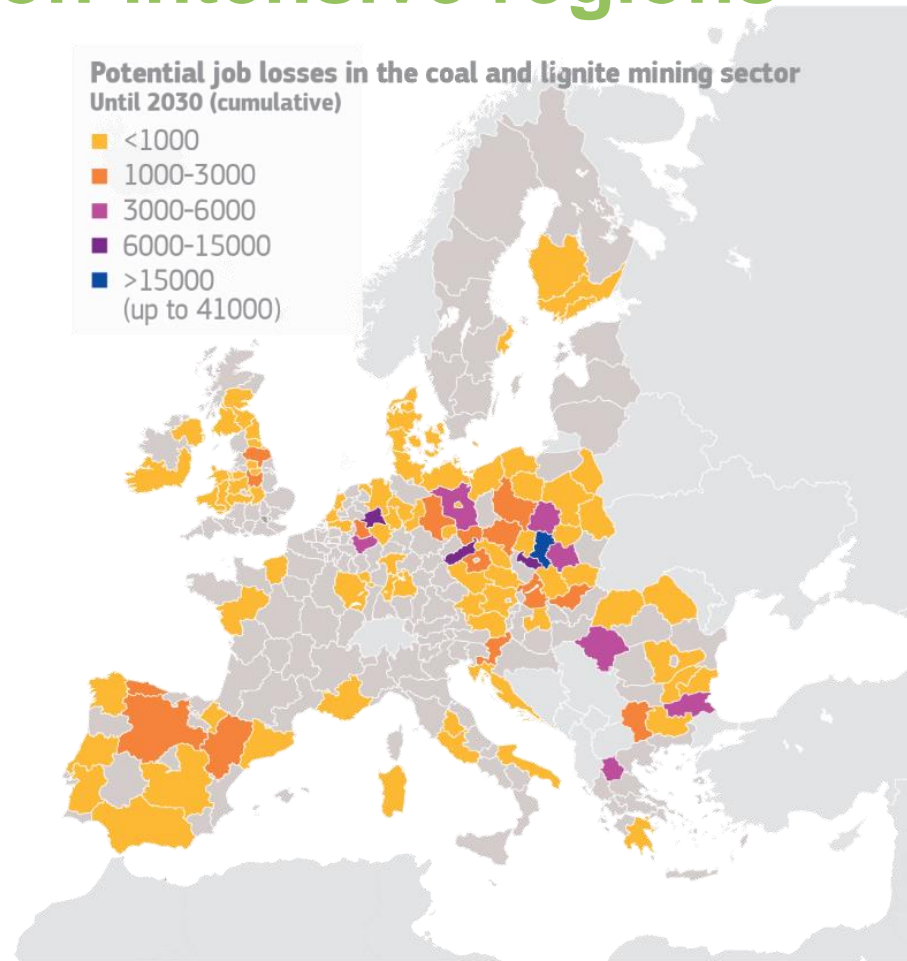
in % of total



Source: Joint Research Centre

# What this means for Europe: Transition in carbon-intensive regions

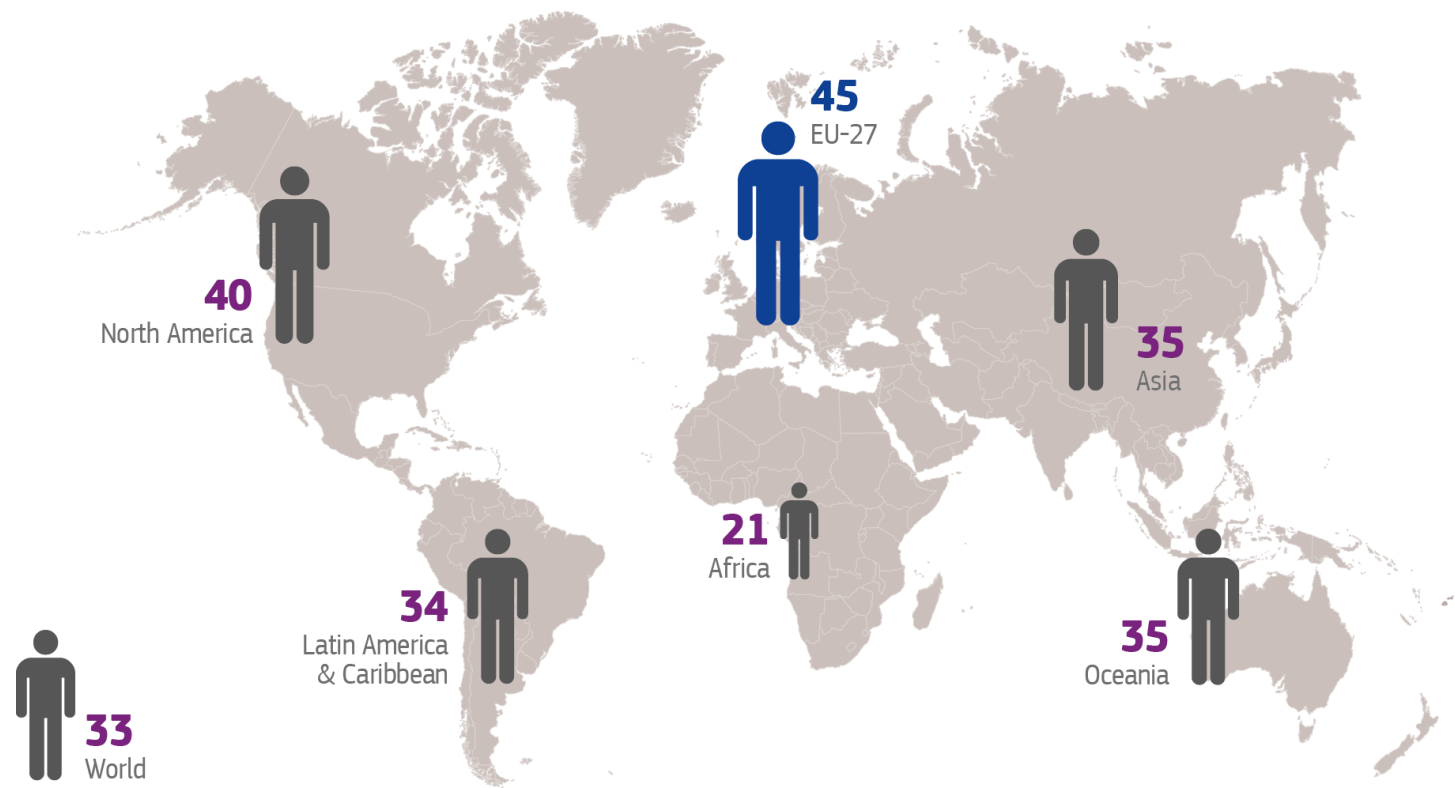
*By 2030, it is estimated that around 160.000 of the current 237.000 direct jobs in coal and lignite mining and power-plants may be lost*



Source: Joint Research Centre

### 3. Demography & society: Europeans will be the oldest in the world by 2030

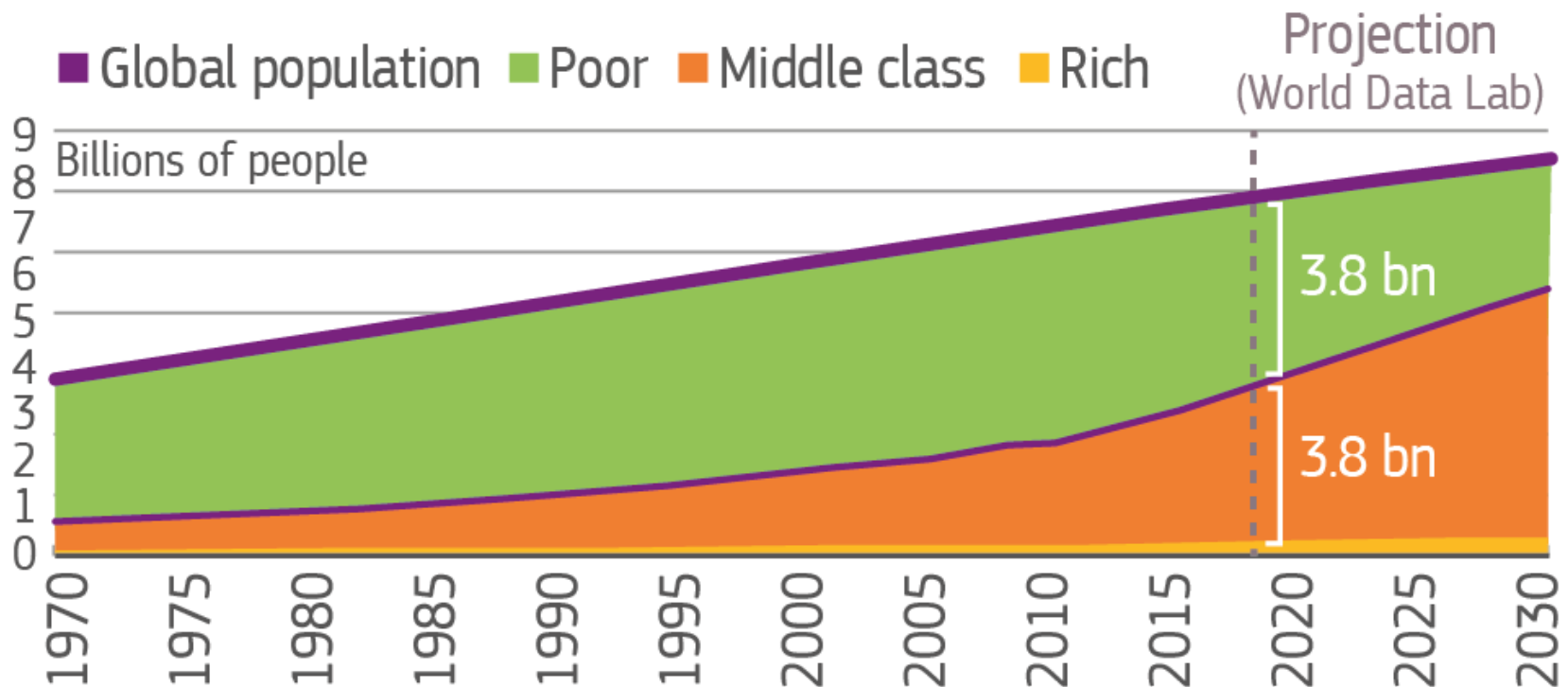
*Median age in different regions of the world in 2030*



Source: Rand Europe report for ESPAS, 2013

# Historical Milestone: More affluent people than ever before

*More middle class and rich, fewer poor globally*

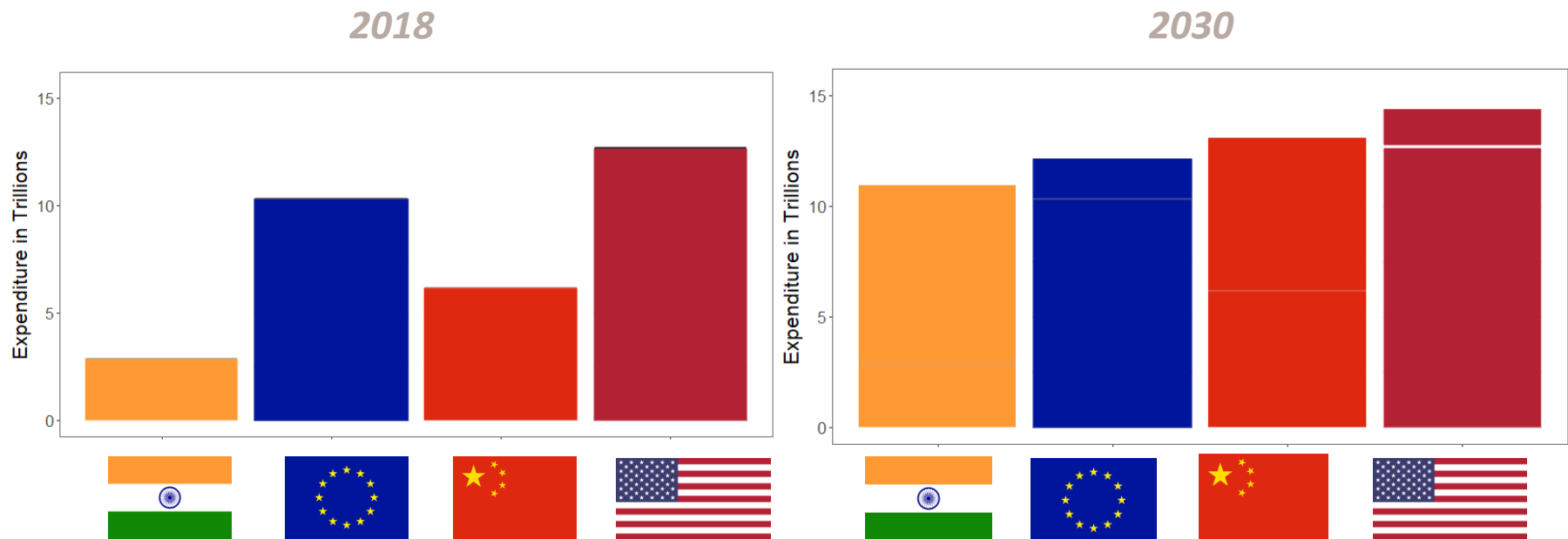


Source: Brookings, projections by World Data Lab



# Middle Class is booming in emerging economies

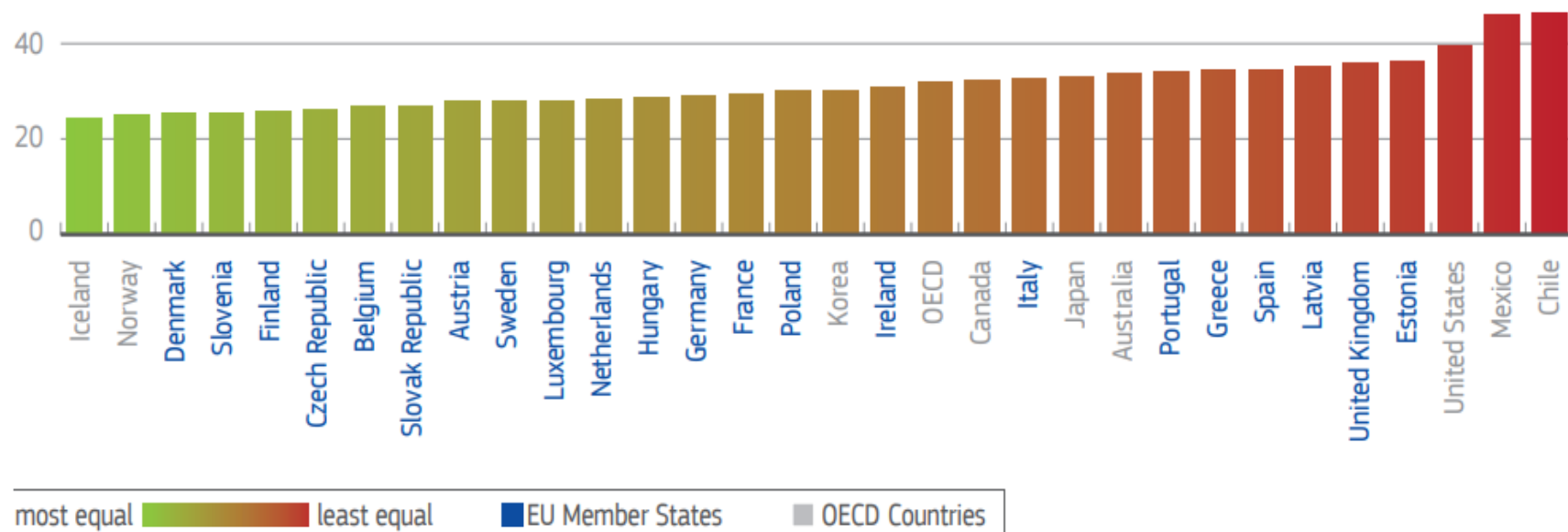
*Middle and Upper Class Spending Power*



Source: World Bank

# Europe is home to the most equal societies in the world

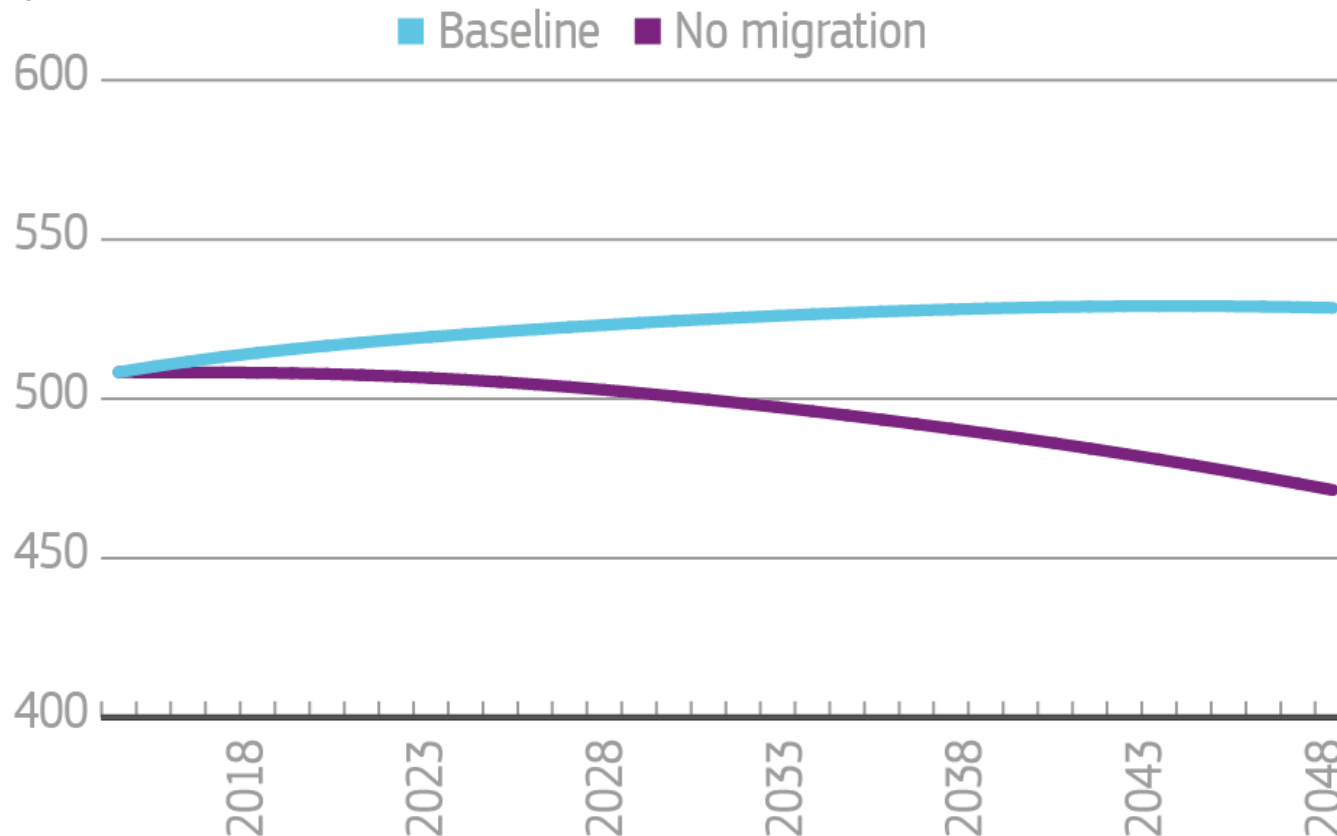
*Distribution of income between individuals using Gini coefficient where 0 represents perfect equality*



Source: OECD, Latest available data, European Commission

# What this means for Europe: EU population and labour force to shrink without migration

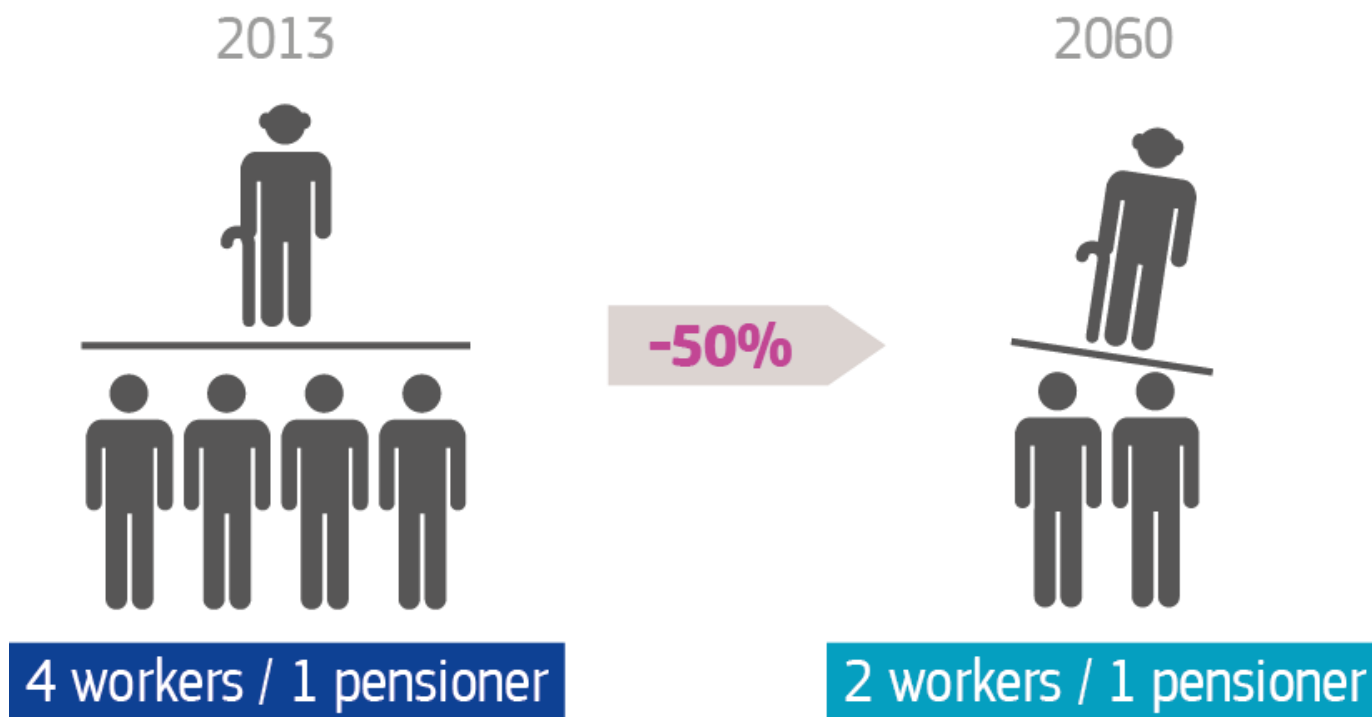
*EU28 Population, 2015-2030*



Source: Eurostat, Europop projections

# What this means for Europe: Sustainability of Europe's social welfare model

*The ratio of workers to pensioners will decrease*



Source: European Commission, Ageing Report 2015



# What this means for Europe: Psychological impact

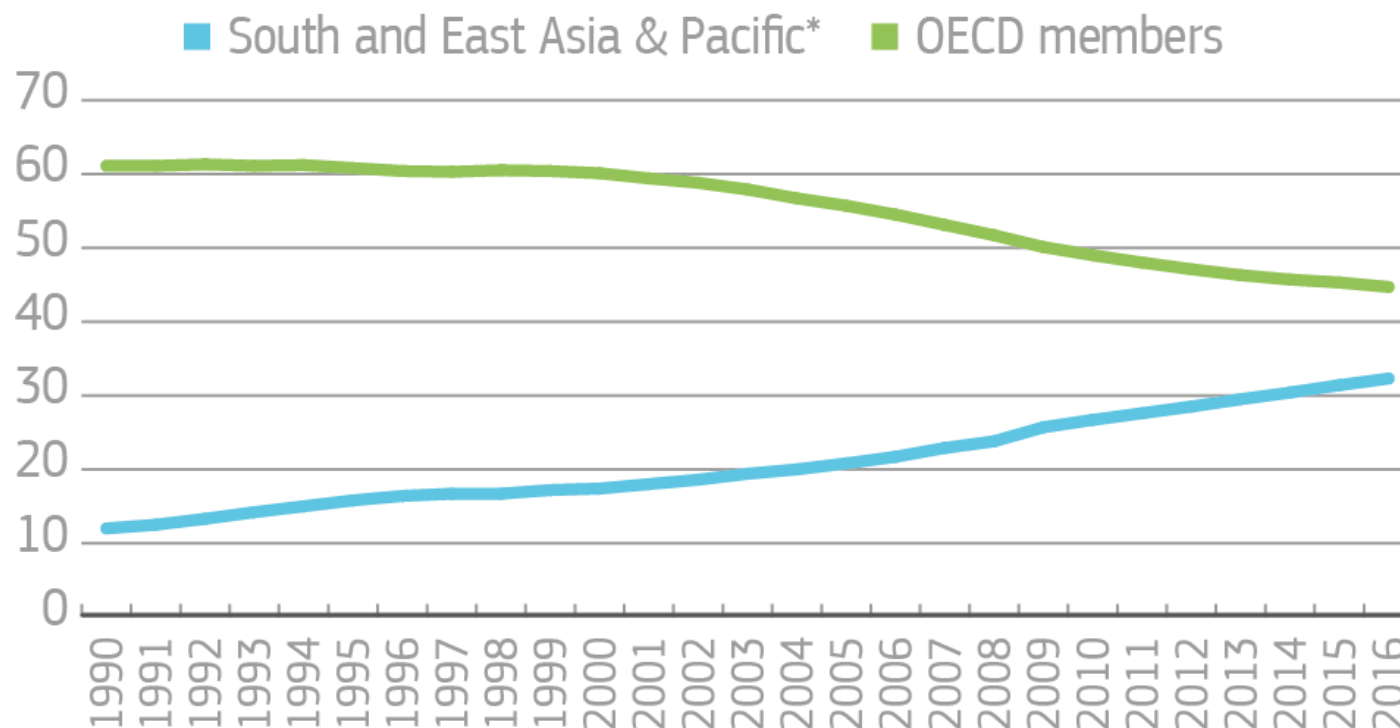
*Answer in response to: 'When children in our country today grow up, will they be worse off / better off than their parents?'*

*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

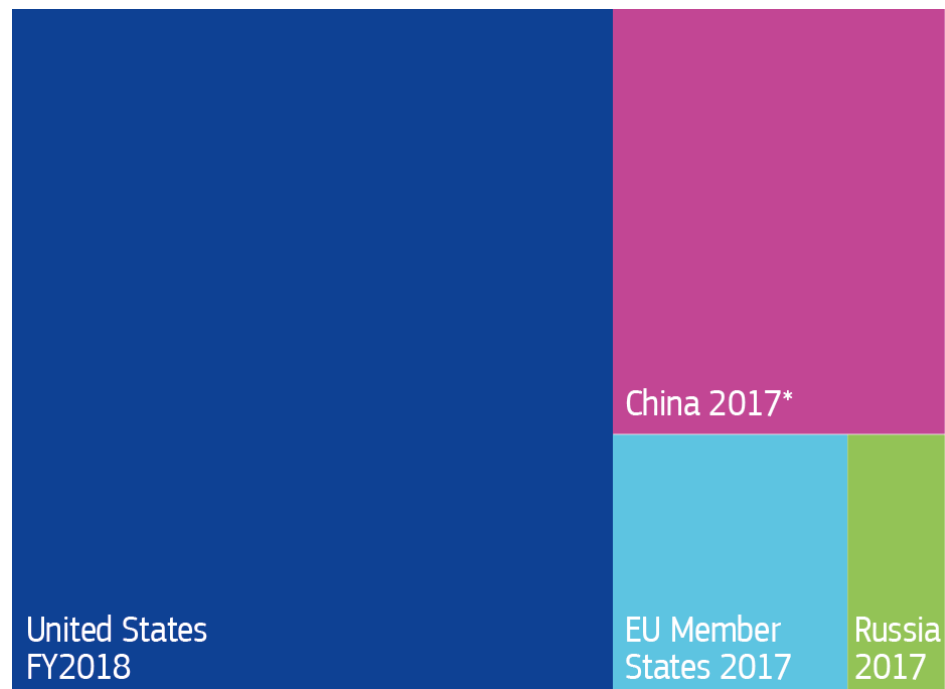
Source: World Bank

# 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*



Source: EPSC based on IISS, AAAS,  
'The Future of European Defence Research' (EP)



# Global Commons: Greater competition and even militarisation

Space

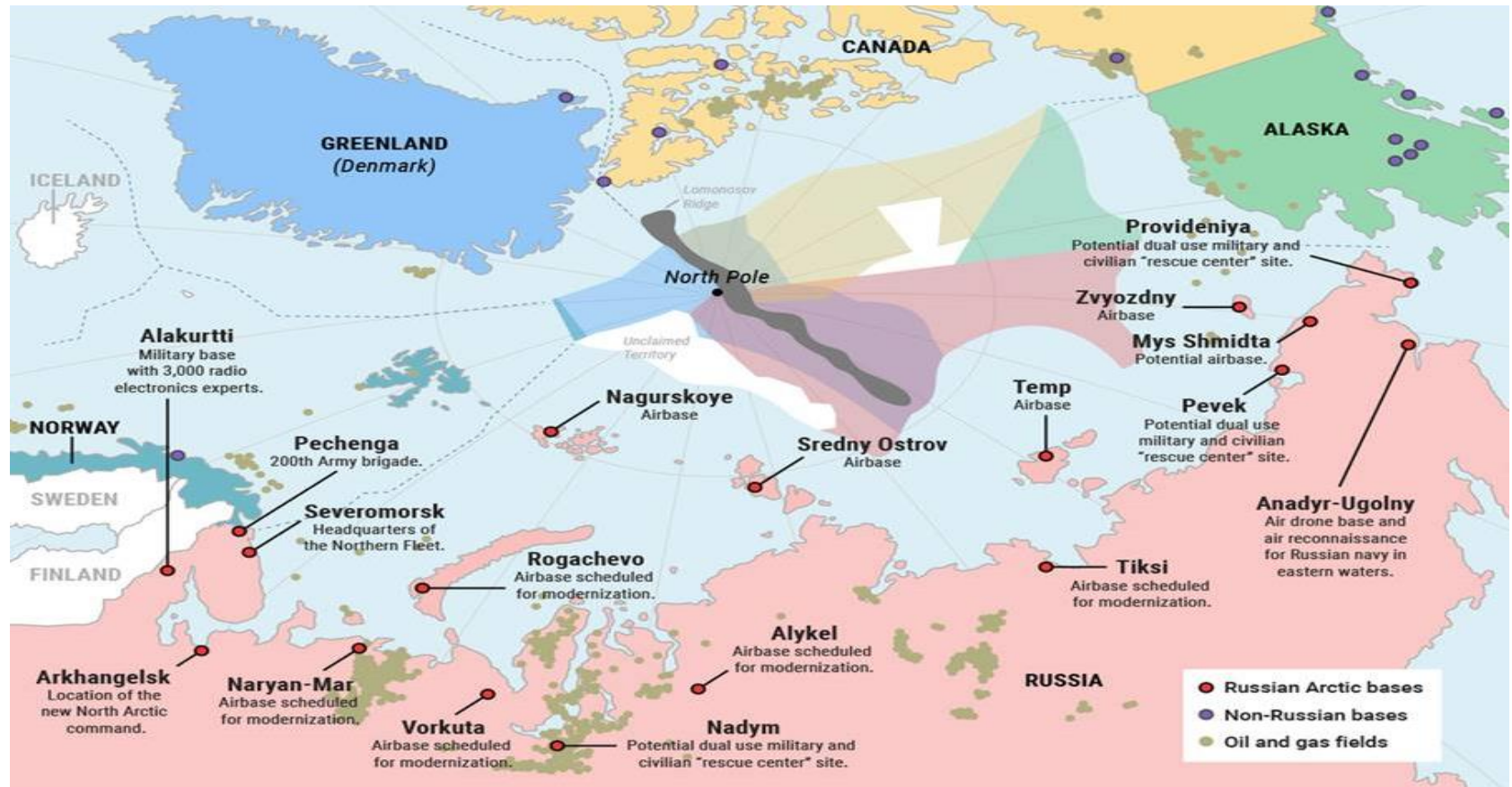
Polar Regions

Cyberspace

Atmosphere

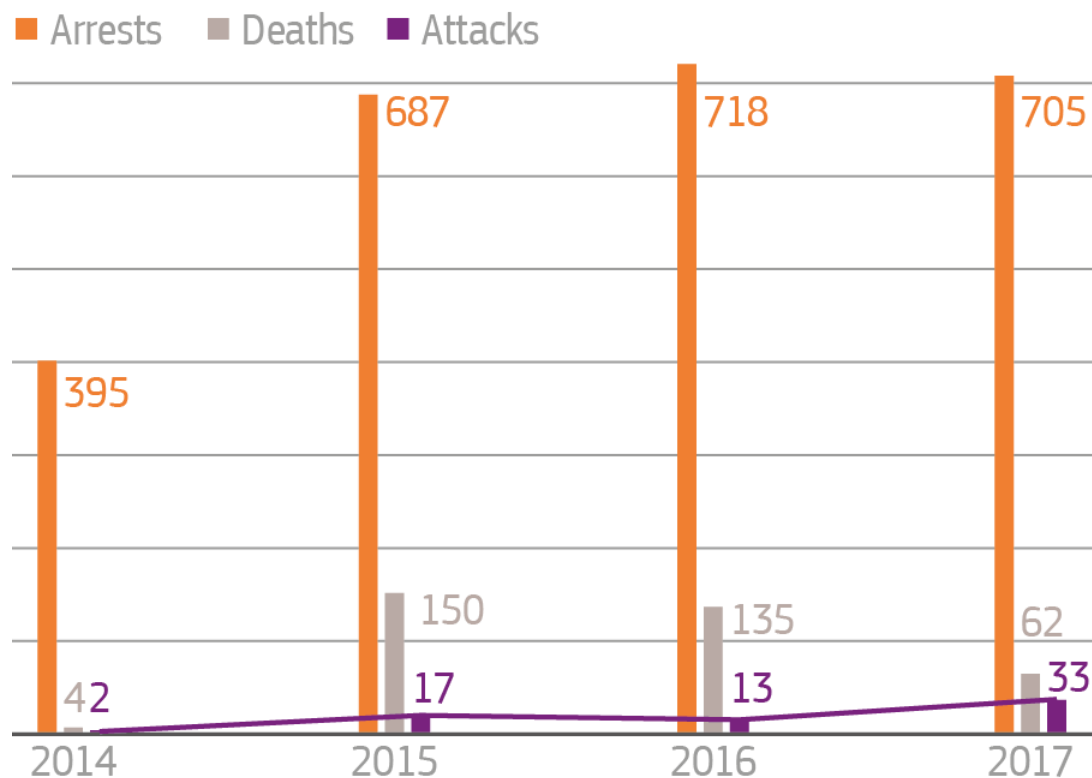
High Seas

# Russia's military presence in the Arctic



Source: Business Insider (based on different sources - Council on Foreign Relations, The Economist, The Heritage Foundation, TASS, Sputnik News, RT, USNI News, The Moscow Times, Associated Air Charter, Barents Observer )

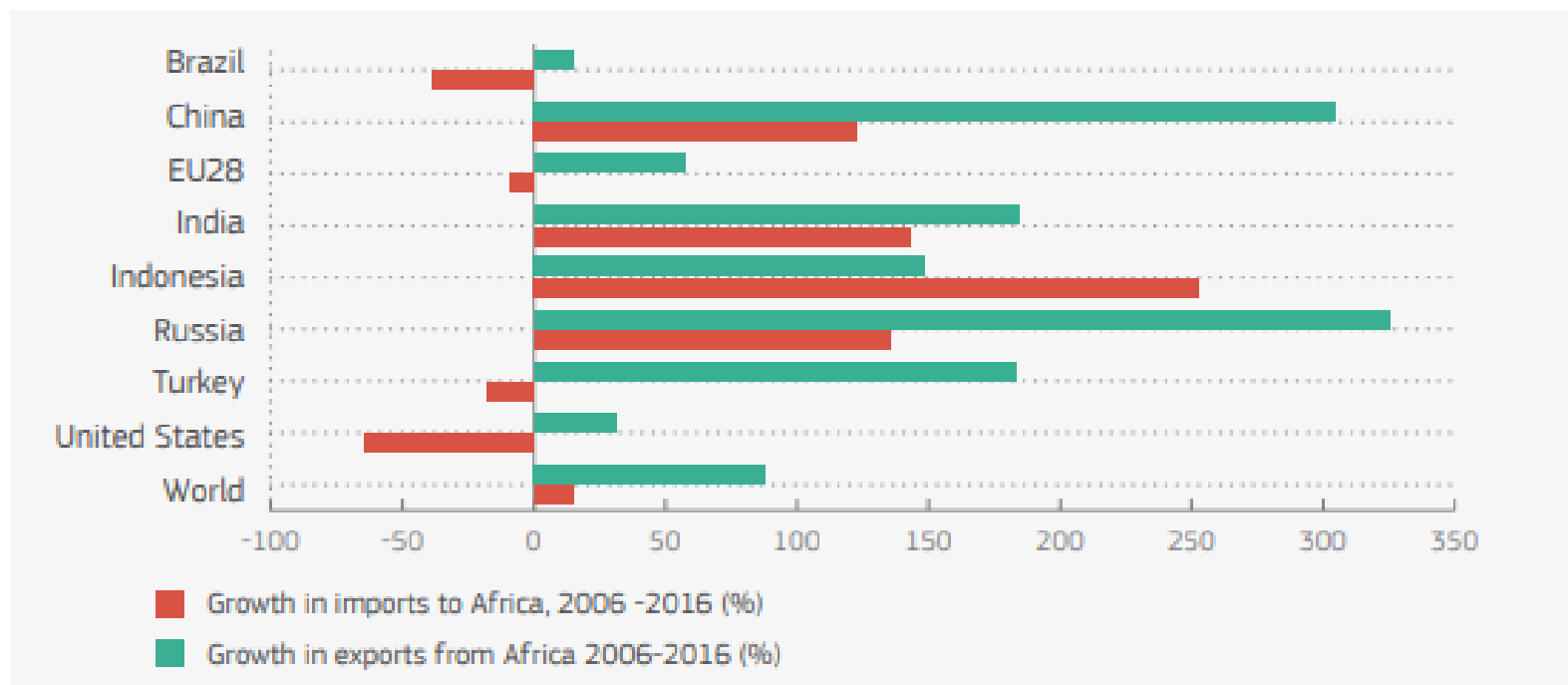
# Terror threat remains high across Europe



Source: Europol 2018

# What this means for Europe: Growing economic competition in Europe's neighbourhood

*More competition for influence in Africa*

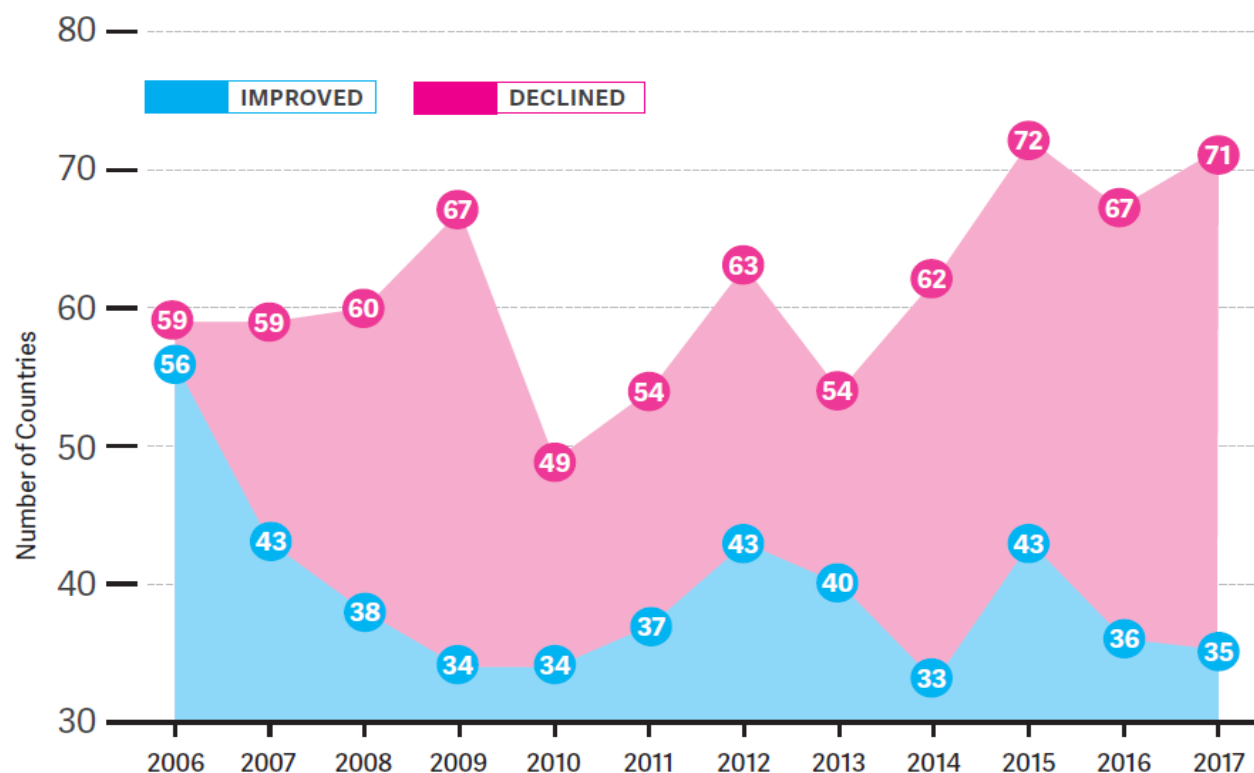


Source: Brookings, based on IMF DOT, 2006-2016

# What this means for Europe: the Liberal World Order cannot be taken for granted

*13 Consecutive Years of Decline in Global Freedoms*

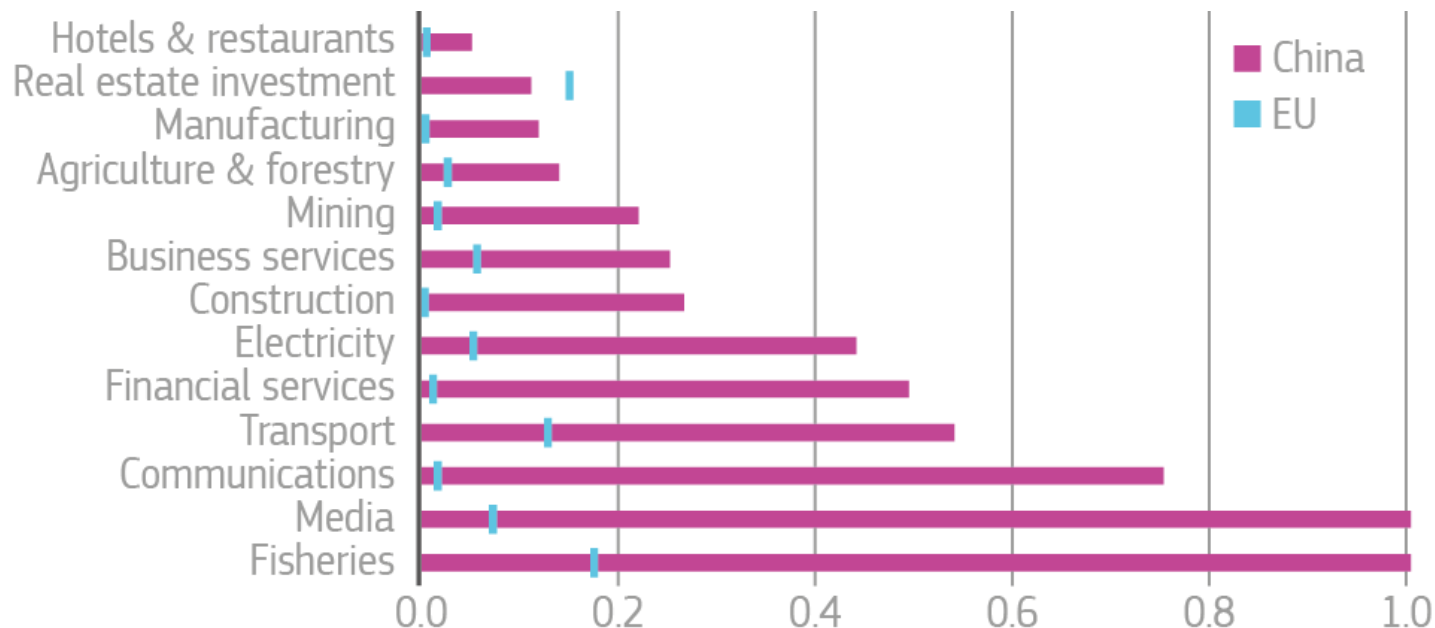
*'71 countries see declining of political rights, only 35 gaining'*



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*

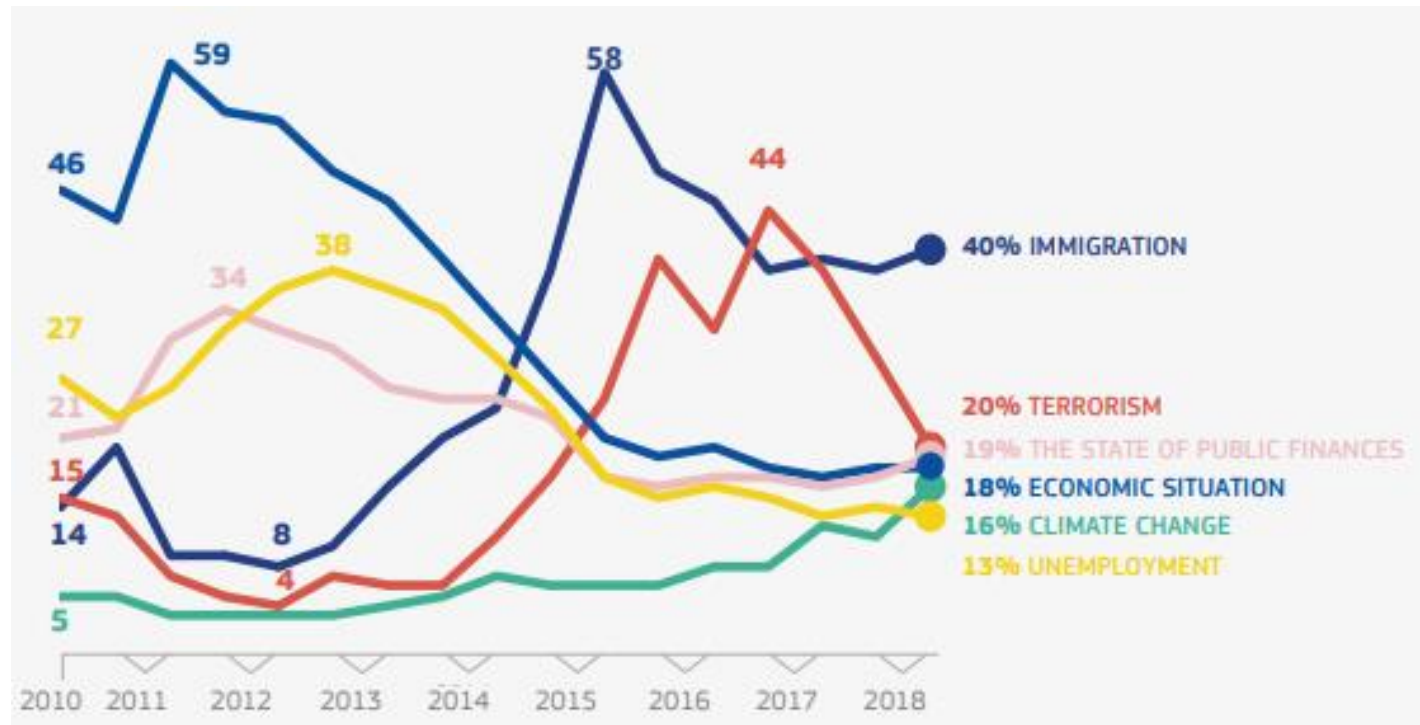


Source: Mercator Institute for China Studies (MERICS), 2018

# Main challenges according to Europeans

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

Maximum of 2  
answers in a list of  
14 proposals



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**

