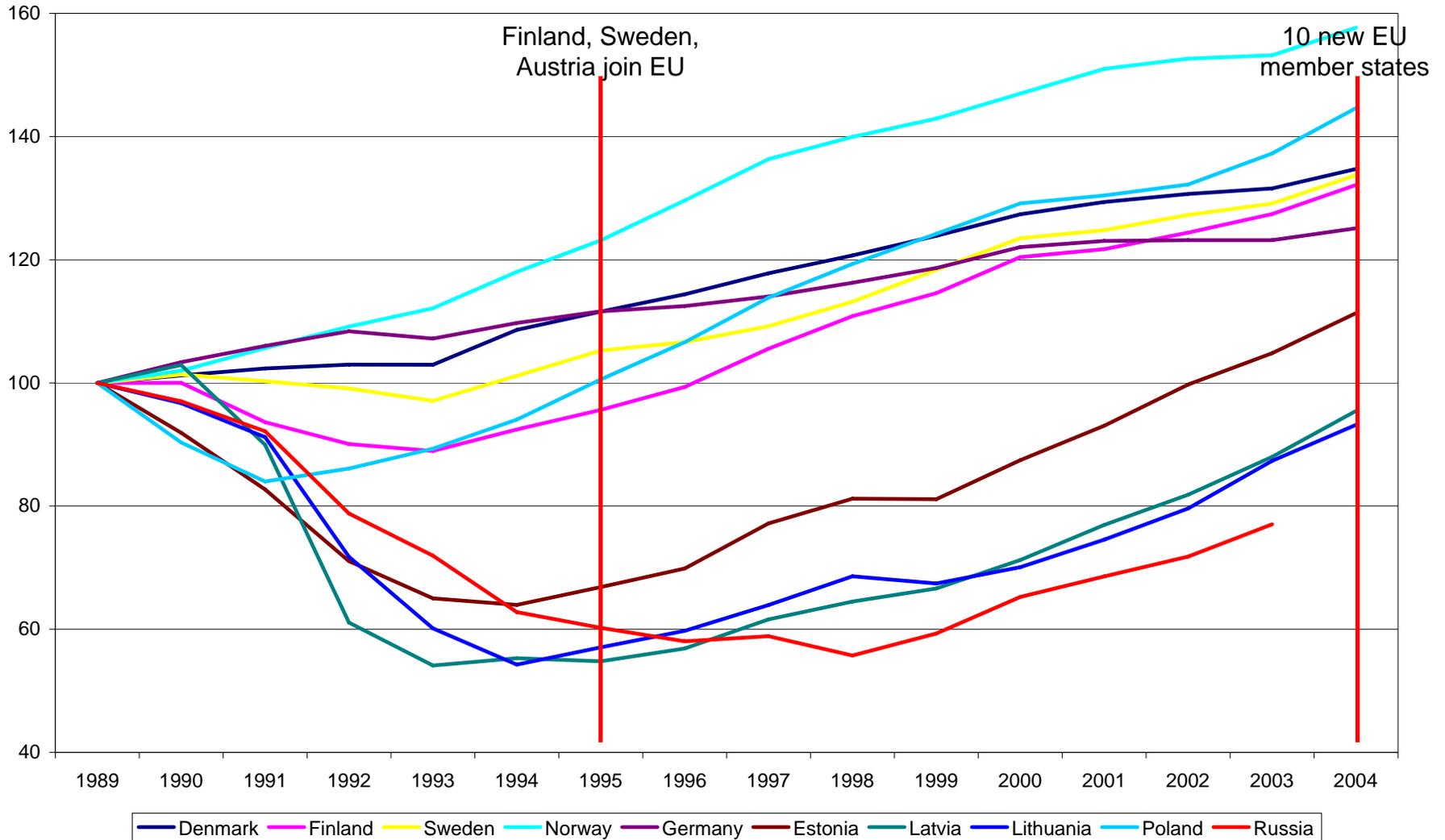


# **Industrial and trade dynamics in Baltic Sea region:**

**The last two waves of EU enlargement  
in historic perspective**

Marek Tiits

# Real GDP growth 1989-2004



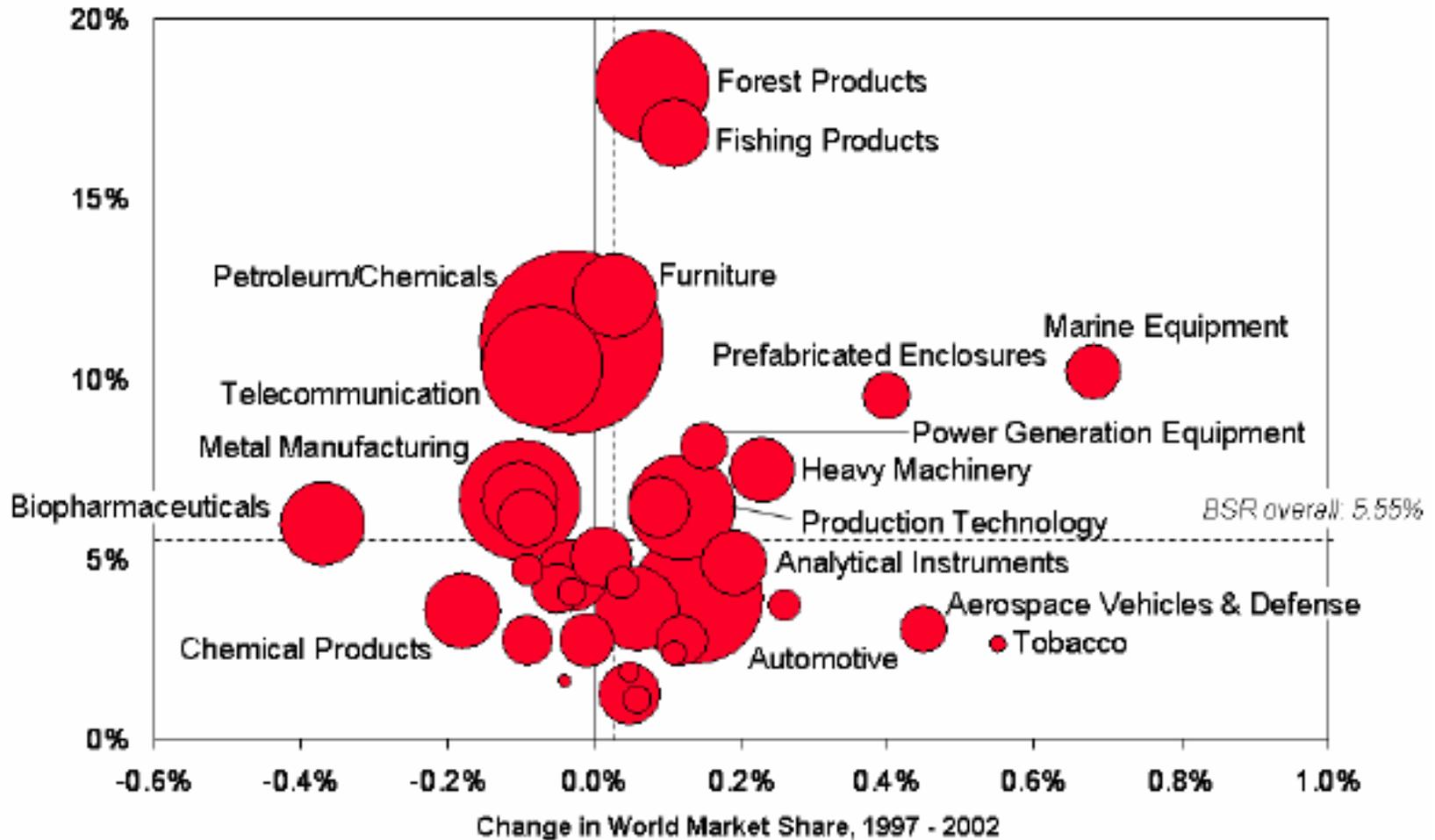
# Exports, trade orientation, FDI

- Baltic States
  - In the beginning of 1990s virtually completely orientated to the former USSR market
  - By mid-1990s drastic reorientation to the west, primarily intra-regional trade in BSR
  - Growth of exports in EE, LV, LT, PL approx 2 x faster than rest of the countries in the region
- Nordic countries, Poland, Germany

# Intl specialisation of the BSR

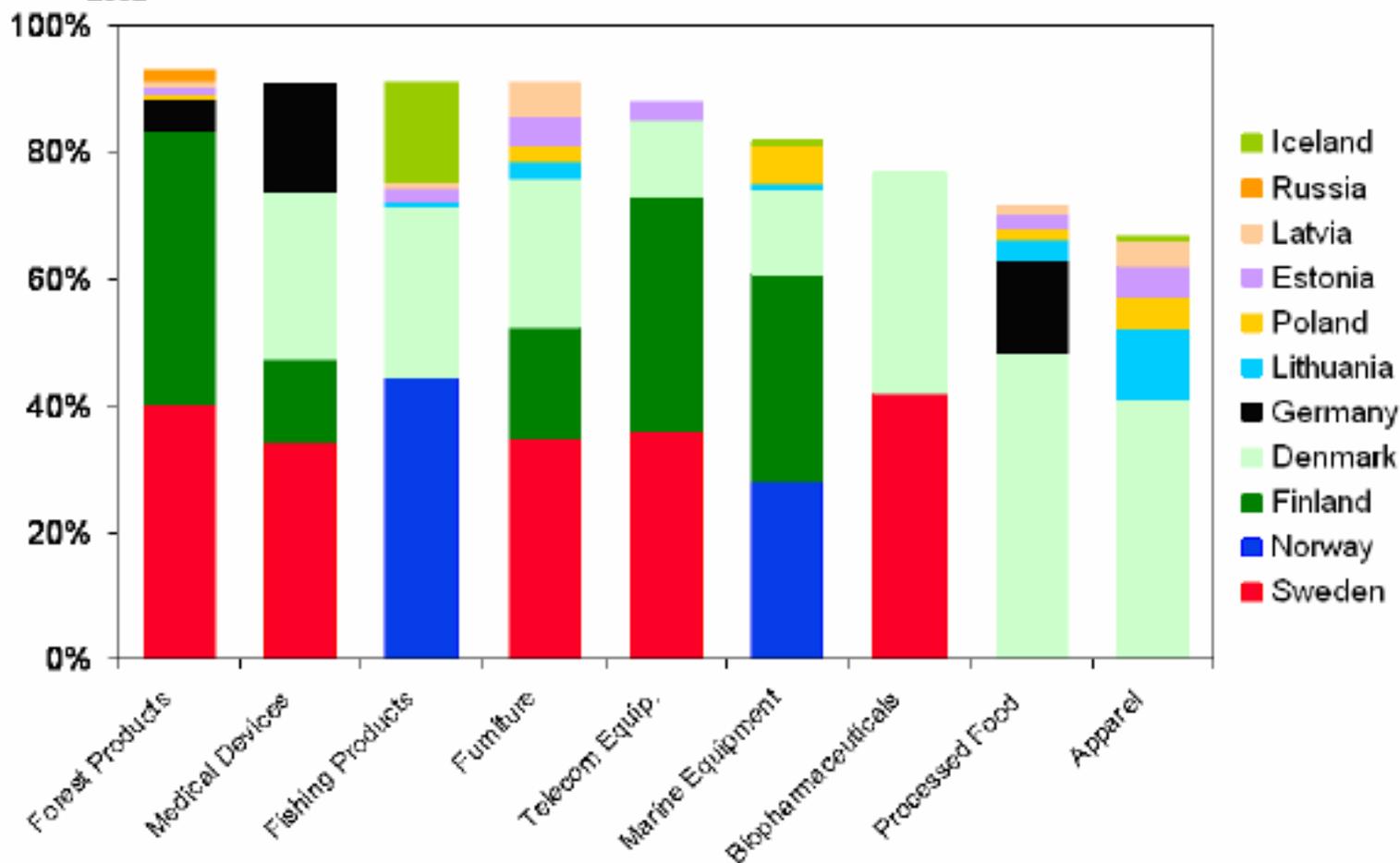
World Market Share,  
2002

BSR overall: +0.031%



# Cross-border clusters in the BSR

Share of BSR exports,  
2002



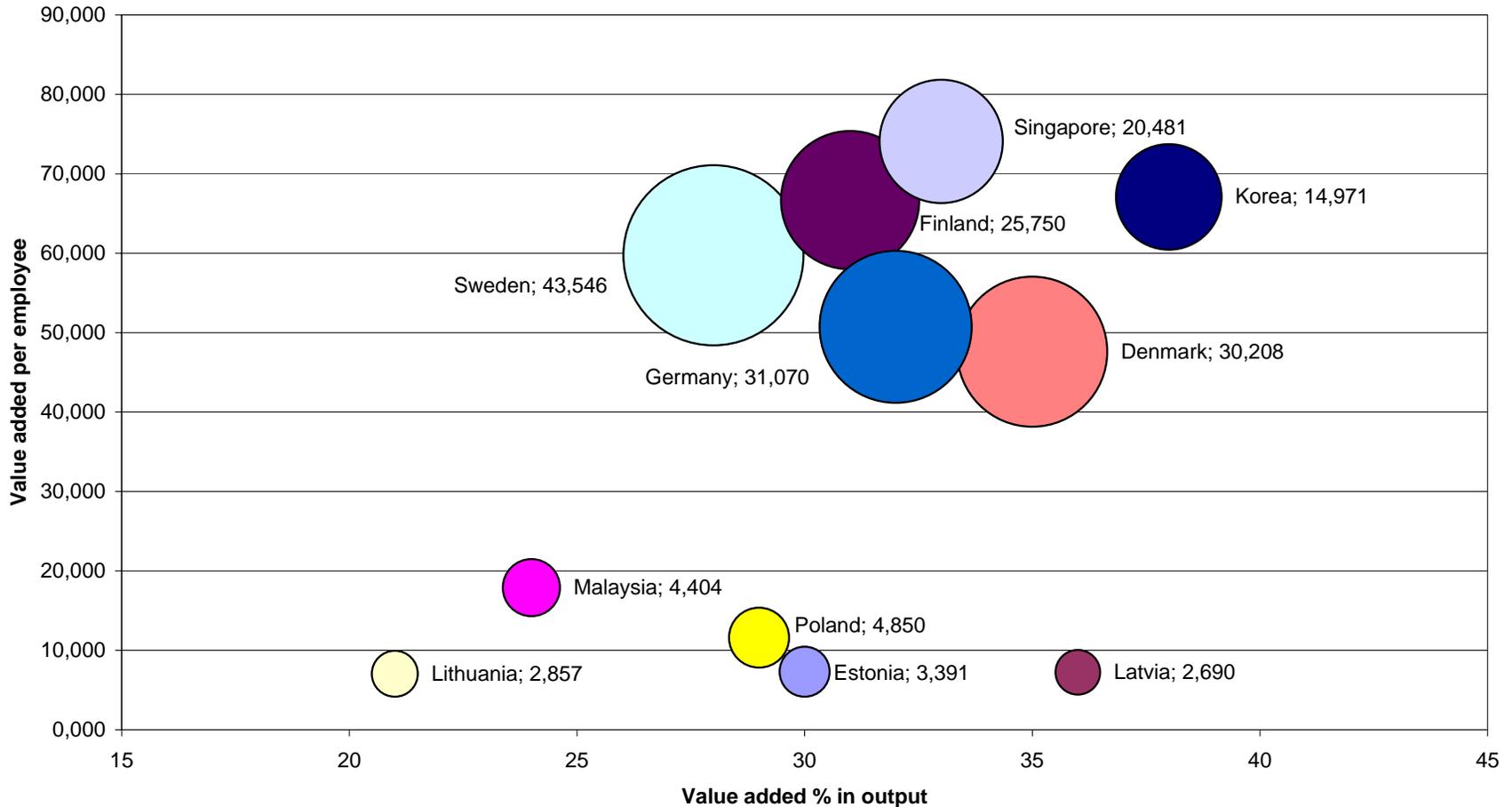
Source: WTO (2005), Institute for Strategy and Competitiveness, author's analysis.

# Relative trade balance

- Nordic countries and Germany (+)
  - Machinery and transport equipment
  - Other manufactured products
- Baltic States and Poland, Russia (-)
  - Food products
  - Raw materials
  - Mineral fuels

# Industrial value added, 2001, USD

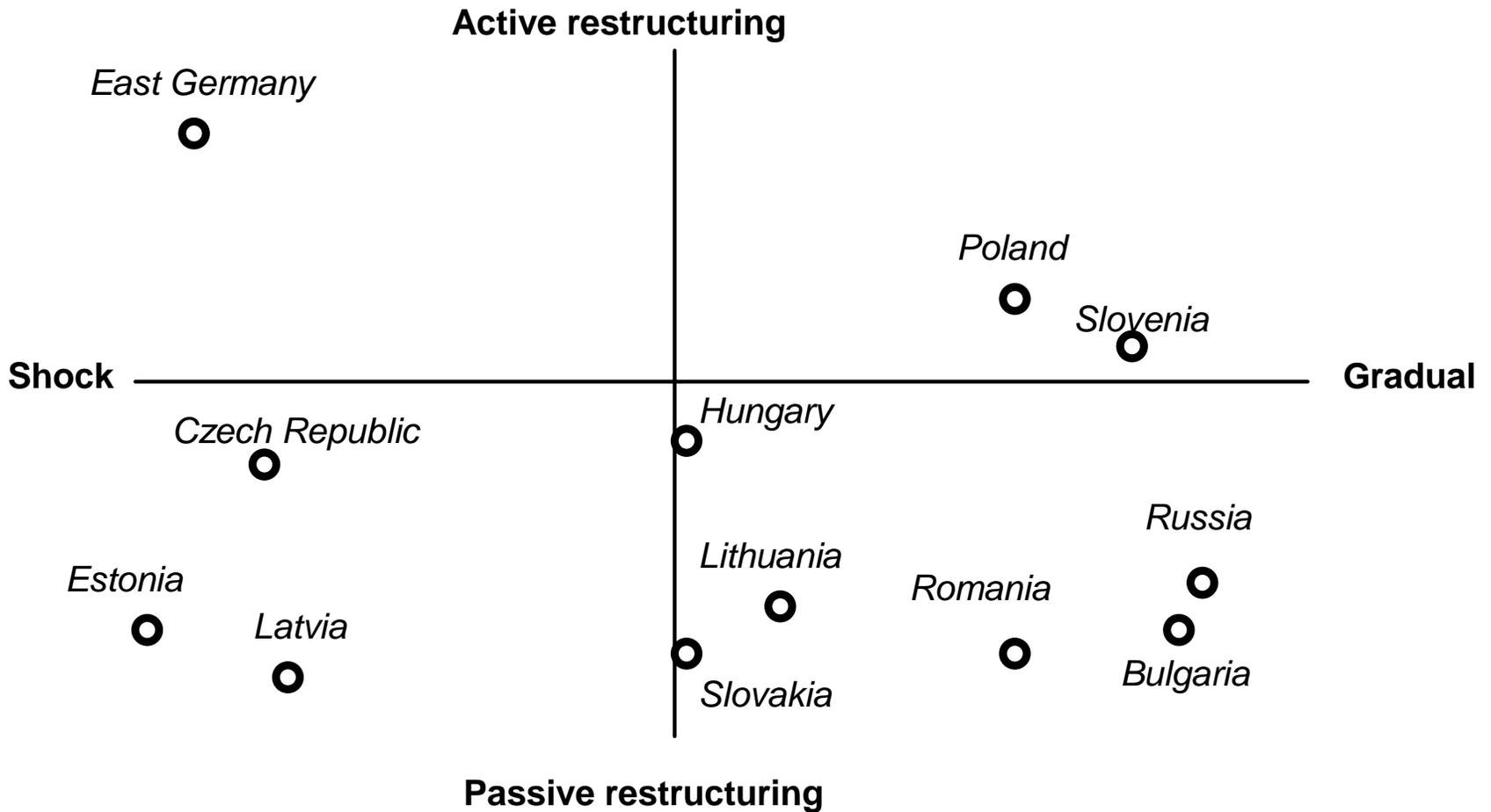
Bubble size denotes wages per employee



# Public policy: Nordic countries & Germany

- Finland: pro-active support to structural change in industry (success of Nokia!)
- Sweden: industrial policy dominated by multinationals
- Denmark: dominated by SMEs active in high value added segments of traditional industries, but also medical equipment, etc
- Germany: well diversified industry, active integration of the former East Germany

# Reconstruction of industrial R&D



# Public policy: Baltic States & Poland

- Estonia & Latvia: shock therapy in extreme
- Lithuania: Passive but more gradual approach to restructuring
- Poland: active gradualist approach to restructuring
  
- Shallow (trade) integration with EU
  - > in-depth integration development of specific locational strengths in intl. ‘division of labour’

# Conclusions

- Vanek & Reinert: ‘winner killing’ effect  
unequal economic integration leads to the gradual deindustrialisation of the relatively weaker economy
- Need to recognise in public policy that **the transformation pressure** stemming from liberalisation does not imply automatically for existence of **ability to innovate and adopt to change**

# Recent publications

