



***SWOT workshop  
Tallinn, Estonia***



## Report on the SWOT analysis workshop of 2050 scenarios

The workshop was organized by Tallinn City Enterprise Department on November 20, 2018 in the frame of Interreg Baltic Sea Region project “Smart-up BSR”.

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Participants:

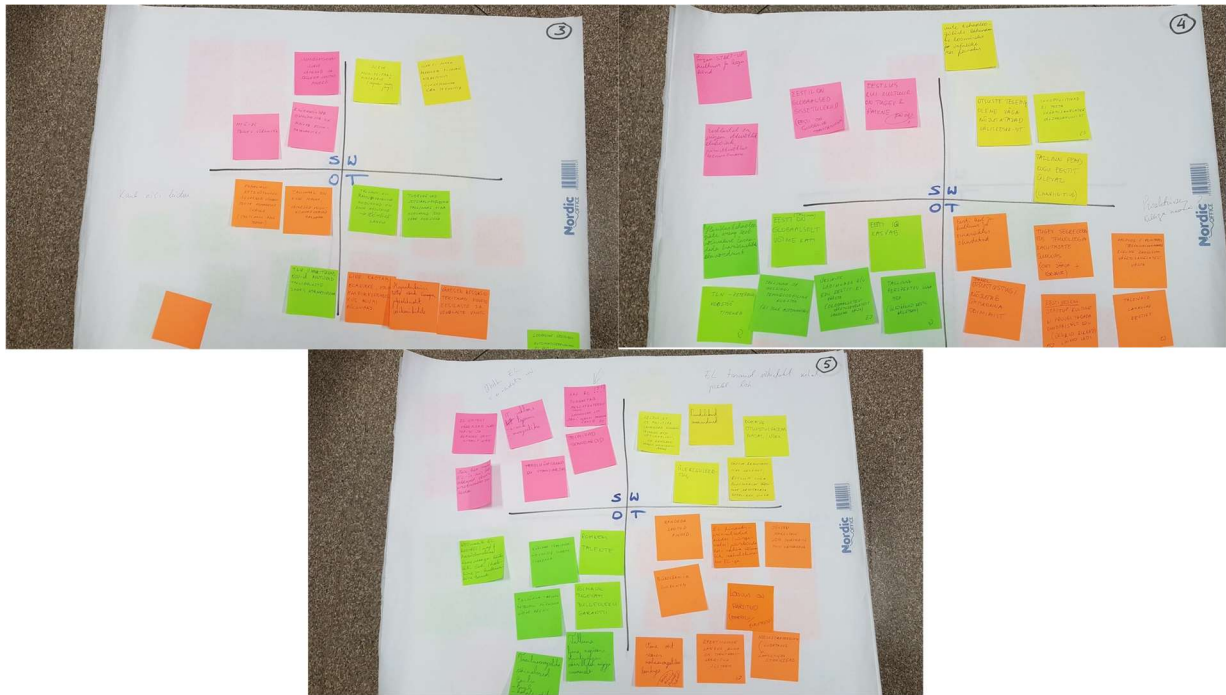
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Photos: Brainstorming session

The workshop was carried out in two parts: first, a brainstorming session in pairs (rotating, 15–20 min per scenario), followed by a 1.5 hour group discussion, analyzing, ranking and synthesizing of the factors identified in phase one.





*Photos: Templates of five scenarios*

## **Aggregated SWOT for Tallinn City Region (TCR)**

### Strengths

Strengths were more often seen in the context of openness and tech-driven development, free trade and free movement of people, flexibility and individual freedom. Tallinn City Region's strong ICT sector, lively startup scene and competitive tradable services are most advantageous in the context of liberal economic and trade policies + trustworthy internet and web environment.

The geographic location factor is expected to safeguard Tallinn City Region, or at least alleviate the negative effects of climate change and undesired migration problems.

Readiness to cope with contraction (self-sufficiency in critical needs, pragmatic mindset) was also highlighted.

### Weaknesses

Weaknesses related to size, scale and structure (population, economy, resources) were more often identified in the context of growth & globalization, whereas protectionism and segregation/polarization are expected to cause relatively more harm for Tallinn City Region / Estonia due to the small size and international gateway position in Estonia.

Small population (ca 550,000) of the city region and limited attraction to talent & FDI were seen as a weakness in scenarios focusing on growth & globalization.

Small size (combined with fragmented Europe/Scandinavia) was also identified as a weakness vis-a-vis powerful multinational corporations and aggressive Russia.

### Opportunities

Alignment with Scandinavia it was seen as an ultimate precondition of favorable business opportunities (Scandinavia as the home market, joint sales and promotion in distant markets); a special mention was made of meso-level strategies, i.e Baltic Sea Region Strategy and its importance in facilitating pan-regional development.

In scenarios focusing on trade barriers, opportunities were identified in the context of lesser competition from Asia.

However, there was one aspect of opportunity highlighted in the context of liberal migration – access to talent beyond the EU (Ukraine, Belarus, etc.), in order to maintain competitive input cost level.

### Threats

Threats were more often seen in the context of disintegration & fragmentation (EU, NATO, EURO) scenarios as the resulting risks of currency vulnerability or national security (Russia next door); also in the context of polarization and segregation due to the small size of the country and its capital region + two fairly separated language groups in Tallinn City Region.

Another aspect highlighted was changes in Estonia's domestic policy as a response to the external developments that may be disadvantageous for Tallinn City Region, mainly in scenarios focusing on contraction and enclosure.

### **General remarks and comments**

Any scenario focusing on fragmentation/disintegration is of greater threat to smaller countries and regions, especially those closer to Russia.

From the Tallinn City Region viewpoint, a lot depends on what will be the block or regional alliance. In addition, how will the EU treat pan-regional or meso-level strategies.

NB! It is interesting that EU unity (common market, standards, etc.) and easy mobility between the EU city regions were seen both as a threat and an opportunity, depending on the angle and aspect (bigger market, but also more competition; stronger vis-a-vis multinational corporations & Russia; yet uncertainty about the relevance and flexibility of unified priorities, tax and social policies.

### **Attributes that appeared more frequently in the same category**

#### **STRENGTHS**

entrepreneurial mind & startup scene  
ICT/Tech skills & knowledge

#### **WEAKNESSES**

small size  
limited resources

#### **OPPORTUNITIES**

alignment with Scandinavia/EU/NATO  
openness for (global) trade, employment

#### **THREATS**

fragmentation, contraction  
solitariness

## Scenario 1: Protectionism and traditional government power

<p><b>Strenghts</b></p> <p>Estonia's location, climate, social aid ⇒ EST not attractive for climate migrants or war refugees ⇒ Tallinn City Region less affected by massive migration streams &amp; related problems.</p> <p>Effects of global climate change less drastic in North (+ less industry &amp; transport) ⇒ still relatively good living environment + lower environmental risks.</p> <p>Estonia is self-sufficient in critical needs, e.g. energy, food, heat. NB! Nationwide yes, but Tallinn City Region not so much.</p> <p>Small &amp; suffered nation ⇒ higher mobilizing capability in difficult times.</p> <p>Pragmatic Estonians: less emotional decisions.</p>	<p><b>Weaknesses</b></p> <p>Protectionism &amp; trading blocks: Estonia's domestic market too small for Tallinn City Region` producers &amp; service providers.</p> <p>National Government dilemma – Tallinn City Region vs rest of Estonia ⇒ domestic policy focused more on rural areas.</p> <p>Tallinn City Region businesses depend heavily on the West-European exports-imports &amp; FDI.</p> <p>Revival of trade with Russia uncertain for Estonian businesses.</p> <p>Insufficient data security &amp; unreliable internet; as ICT is important growth sector for Tallinn City Region.</p>
<p><b>Opportunities</b></p> <p>Scandinavia-Baltic alliance intact: personal &amp; business relations built in 30 years ⇒ Baltic Sea Region (BSR) cooperation ⇒ better chances in non-EU markets. NB! Needs different kind of collaborative attitude, from Tallinn City Region/Estonia leaders, i.e from project-based to ideas-based collaboration.</p> <p>Global trading blocks<sup>1</sup> ⇒ less cheap Asian products in Scandinavia. But will Scandinavia be our home market, as protectionism on the rise.</p>	<p><b>Threats</b></p> <p>Disintegration of Euro ⇒ Estonia`s currency vulnerability.</p> <p>EU &amp; NATO dissolved ⇒ smaller countries vulnerable towards Russia &amp; Asia.</p> <p>Scandinavia disengages from the Baltics ⇒ jobs, export, tourism suffer big losses.</p> <p>Estonia's integration with Europe &amp; the world via Tallinn City Region, thus, cannot be good scenario for Tallinn City Region.</p> <p>Domestic focus on North-East Estonia &amp; rural (energy, agri, security) ⇒ governmental investments in Tallinn City Region decline.</p> <p>Growing dependency of businesses on subsidies, EU support, esp. in agri sector.</p> <p>Relatively costlier for a small nation &amp; economy to tackle floods, storms, etc. ⇒ less funds for development.</p>

**Note:** For Tallinn City Region & Estonia: governance quality will be a critical factor. In addition, whether Tallinn City Region will develop energy self-sufficiency in the next decade.

<sup>1</sup> Very much depends on what is meant by the block or regional alliance and how strong and united it is. If the alliance is Scandinavia + the Baltics, the prospects are a lot better.

## Scenario 2: Polarized individualism and expert power

<p><b>Strengths</b></p> <p>Estonia traditionally characterized as individualistic society.</p> <p>Strong focus and public support on openness<sup>2</sup>.</p> <p>Tallinn City Region active tech start-up scene; people tech-savvy ⇒ Tallinn City Region = attractive test site.</p> <p>High concentration of tech expertise, knowledge-workers in Tallinn City Region.</p> <p>Developed application of digital technologies. (But not so many breakthrough tech solutions.)</p> <p>Policy of the "thin state", i.e simple tax system and effective public services (vs EU) ⇒ balanced budgets, smaller gov. debt; flexible austerity. Public services often contracted to private providers.</p> <p>Relatively lower input costs vs Scandinavia.</p>	<p><b>Weaknesses</b></p> <p>Segregated society &amp; polarized labor market ⇒ a small nation/region esp. vulnerable: decision-making hampered, as consensus is difficult to reach. NB! 2 language groups.</p> <p>Limited resources, e.g small volumes in circular economy ⇒ high unit cost of investments.</p> <p>Estonia is very open to outside, yet, quite closed inside.</p>
<p><b>Opportunities</b></p> <p>Access to the world markets ⇒ live in Estonia, sell globally.</p> <p>Open labor markets, ⇒ engineers, machine operators, etc. from Ukraine, Belarus, etc. ⇒ curb input costs' increase; yet allow increase of production volumes.</p> <p>Maintain ease of doing business, no red tape, digital solutions.</p> <p>Possible advocate for thin &amp; effective government/state, as well as that of smart communities<sup>3</sup>.</p> <p>Proximity of urban and natural areas, both sparsely populated ⇒ mix of office and remote work, ⇒ attractive for 35+ business service professionals<sup>4</sup>.</p>	<p><b>Threats</b></p> <p>Estonia's municipalities lose taxes as new forms of work &amp; income, micro-entrepreneurship, etc. gain ground, due to municipal tax base scheme in Estonia.</p> <p>Insufficient critical mass of users to sustain user-pays services system.</p> <p>Micro-enterprises have limited investment capability into R&amp;D and not attractive for FDI and. Thin state unable to contribute to breakthrough tech and quality leaps.</p> <p>Scandinavia feel threatened by Estonia's open virtual society, (e-residency) stealing businesses and taxes.</p>

**Note:** Estonia has been through a similar development phase of open ultraliberal society recently (in 1990s). And survived. What helped was fast re-alignment with the Western-Europe instead of CIS-countries. But, of course, Estonia had different competitive advantages then.

<sup>2</sup> Also regional openness, i.e collaboration between Tallinn and neighboring municipalities of Tallinn City Region's functional area vs municipal borders.

<sup>3</sup> Depending also on whether Scandinavia will grow "thinner", or Estonia will grow "thicker"

<sup>4</sup> No need to permanently locate in Tallinn, but in certain phases it is a must, e.g studies, market entry, etc. Age 35+ may move from Tallinn to CR or beyond, but Tallinn will be frequently visited.

### Scenario 3: Reliance on local communities

<p><b>Strengths</b></p> <p>Good conditions in Estonia for food production (arable lands available, effective agri sector) ⇒ self-sufficient communities<sup>5</sup>.          Limited immigration &amp; related problems.          Reduced transport &amp; industry ⇒ decrease of pollution.          Local engagement and trust (small nation, everybody knows everybody).</p>	<p><b>Weaknesses</b></p> <p>Small communities = small market. Lack of critical amount of people for sharing, barter, etc.          Lack of communal/municipal housing, no policy, no plans, nor sufficient municipal resources. Heavily private ownership of real estate.          Urban infrastructure more vulnerable than in rural areas ⇒ outflow of city population to rural ecovillages.</p>
<p><b>Opportunities</b></p> <p>Local producers can serve local &amp; familiar markets.          Many Tallinn City Region residents have second home, arable land, forest (wood) in rural areas ⇒ Talliners supply (or evacuate?).          New niches, e.g organic and eco products and ICT capacity to service trade, sharing, bartering, etc.          No or little competition from Asia.          Local innovation, limited resources foster creative solutions!</p>	<p><b>Threats</b></p> <p>In this scenario, Tallinn City Region will be affected most severely as the Estonia's largest internationally connected urban community.          No international trade ⇒ lower productivity.          More social problems as collaboration is weak (individualistic society).          National security risk: EU &amp; Estonia fragmentation + Russia economic problems.          Possibly tensions between EST–RUS ethnic communities due to resource allocation.          Idle real estate in Tallinn City Region ⇒ safety, appearance.</p>

**Note:** Definitely the worst scenario for Tallinn City Region. Also because it is usually the more developed areas that are hit harder in case of a major crisis. However, compared to many Baltic Sea Region capital regions, Tallinn may have better position due to proximity of the hinterland, roots and land of Talliners in the countryside. A so called eco-communities scenario that a small and sparsely populated country may even benefit from?

<sup>5</sup> More a strength (or an opportunity) for the city region to gain residents due to still sparsely populated areas.

## Scenario 4: Global and networked tech-imperialism

<p><b>Strengths</b></p> <p>Strong tech start-up scene in Tallinn City Region. Attractive testbed.          Micro-entrepreneurship spirit high &amp; growing.          Global market &amp; income.          Estonians not paranoid about data, sensors, etc.</p>	<p><b>Weaknesses</b></p> <p>Limited resources to create breakthrough solutions. Too small for FDI &amp; talent attraction.          Strong external influence on political decision-making.          Small country/region unequal to multinational corporations<sup>6</sup>. Multinational corporations's ability to control, as well as may also ignore Estonia.</p>
<p><b>Opportunities</b></p> <p>Edu-tech will decrease inequality.          Tallinn City Region better off when connected, rather than isolated.          Possibly Tallinn – St. Petersburg cooperation.          Tallinn–Helsinki twin city effective.          Tallinn City Region has better preconditions vs Estonia.          Collaboration with Finland &amp; Sweden in Asia markets.          Collaboration with Baltic Sea Region city regions resisting big corporations.</p>	<p><b>Threats</b></p> <p>Urbanization: Rural population density low already in Baltic Sea Region countries, incl. Estonia. Tallinn not grown a thriving city.          Marginal employment, concentrated assets: economy structure &amp; business models vs local tax system.          Europe not competitive <math>\Rightarrow</math> talents leave for Asia, Tallinn City Region firms drop out of global value chains, startup scene fades.          NB! In this scenario, Tallinn City Region will subsidize Estonia.</p>

**Note:** EU dimension will not be sufficient in this case, One must be active beyond the EU, whereas collaboration of city regions might be easier than that of national states (state & citizenship diminishing). Thus, strategically vital decisions: who to cooperate with!

<sup>6</sup> Collaboration with large corporations has not been a visible priority of Estonia or Tallinn City Region leaders so far.



## Scenario 5: Growth and EU-driven international co-operation

<p><b>Strengths</b></p> <p>EU united: encourage FDI despite geographical proximity to (possibly more aggressive) Russia<sup>7</sup>.          Strong ICT/digital competences in Tallinn City Region.          Same standards in EU.          Extended NATO ⇒ reduced geopolitical risks (Russia).</p>	<p><b>Weaknesses</b></p> <p>EU level decisions not suitable for local problem solving, lost flexibility.          Decrease in local decision-making, possibly overregulation.          Limited international experience in Tallinn City Region ⇒ limited skills of participation in decision-making processes and interpretation of regulations.</p>
<p><b>Opportunities</b></p> <p>EU support meso-level strategies ⇒ Baltic Sea Region strategy beneficial for Tallinn City Region ⇒ Helsinki–Tallinn joint development.          EU–Russia collaboration (economy, education) possibly via Tallinn City Region (2 language groups!)          Regional policy still strong in EU ⇒ Tallinn City Region has more decision power within Estonia.          Faster access to Central Europe: ⇒ More varied and multicultural population in Tallinn City Region</p>	<p><b>Threats</b></p> <p>Immigration: tensions, new problems with new types of immigrants as Estonia becomes a welfare state in 2050.          EU unified taxes &amp; policies not in line with Estonia`s interests (FDI, simplicity) ⇒ investors lose interest to Tallinn City Region.          EU priorities not in terms with Estonia`s goals &amp; interests.          Meso-level strategies not favored ⇒ Baltic Sea Region strategy dead.          Decline in efficiency due to centralization, red tape, ...          Fast transport connections ⇒ direct competition with more EU city regions.</p>

**Note:** Regional policy expected to remain a strong cornerstone of EU policies. However, it was argued that meso-level policies may not enjoy equal support in the unified EU, thus, dissolve the EU Strategy for the Baltic Sea Region.

<sup>7</sup> EU unity may also force Russia to re-focus towards Asia.