

Southern Europe

Reacting to the Economic Crisis:

ESPON knowledge for decision makers

Growth, Youth, Jobs; competitiveness and productivity; energy; infrastructure; migration; education

The current economic crisis in Europe is the inevitable result of an optimistic approach to economics, politics and the market in general. This approach based its competitiveness and employment opportunities on new technologies (cf. the Lisbon Strategy 2000) but, at the same time, it overlooked the continent's financial performance. The ESPON 2013 projects based on place evidence resulted in thorough explanations of the current economic crisis in Europe in general and the Southern Macroregion in particular. These projects sought to support policy and decision makers in their adoption of cohesive and austerity measures by evaluating the possible political, economic, environmental and social impact on all the states, regions and cities involved. To this end, the ESPON projects made use of a platform that gathered comprehensive analyses, data, maps, tools and guidelines. The ESPON on the Road project is the result of a joint effort by France, Greece, Italy, Spain and Romania that aims to promote their territorial competitiveness. It demonstrated that levelling out disparity is a futile endeavour. Conversely, the place evidence approach showed that differences can become the basis to design multisector common strategies based on the Green and Blue economy. Planning and implementing general and sector-oriented integrated policies (e.g. Energy, Agriculture, Land-Sea Transport, etc.) that are linked to specific territorial contexts (e.g. coastal and mainland areas, large metropolises and small towns) become paramount for boosting growth and employment. This can be done by means of integrated investments and making sure cohesion funds are adequately spent so as to connect cohesion, aménagement du territoire, good governance and Institutional Best Practice.

European Trends

The Mediterranean Sea is one of the peculiar traits of the Macroregion of Southern Europe that includes Spain, France, Italy, Greece and Romania. However, it is the regional diversity of this area that can be categorised according to the following typologies: central and peripheral regions, mainland and coastal areas, islands, urban and rural areas, which can be highly or scarcely populated and located on plains or in mountainous areas. The ESPON 2013 projects revealed the many challenges policy has to face. They are connected to the population's behaviour (particularly the migrant populations') during a crisis period (cf. EB 10). In addition, they may be linked to the risk of energy poverty, climate change, and the efficient running of material and immaterial service structures. All of this also has to be considered in the light of the impact that territorial competitiveness (at national, regional and local level) can have and in relation to the policies of cohesive and sustainable territorial growth to be implemented.

According to the analysis of the main demographic drivers (cf. the DEMIFER project), the population is aging across the whole Southern Macroregion. This results in a decreasing productivity and blocks the necessary turnover within both the qualified and unqualified workforce. Little compensation can be

found in the increasing number of working age migrants in Spain, France and Italy (1% yearly increase in metropolitan areas). Hence, a new structural organization along with new managing models are needed, especially when considering that some countries experience permanent (Romania) and temporary (Italy) migration waves.

The economic crisis brought significant disparities within the UE28 regions to the forefront. It also proved the Southern Macroregion's lack of competitiveness and territorial cohesion, despite its relevant territorial capital. The resilience of the large cities in the region has been particularly hit by crisis. Conversely, medium and small towns, located in fragile and environmental endangered areas, reacted better thanks to the fact that they can rely on their local identity and on a still family-business-based economy (cf. TOWN Project).

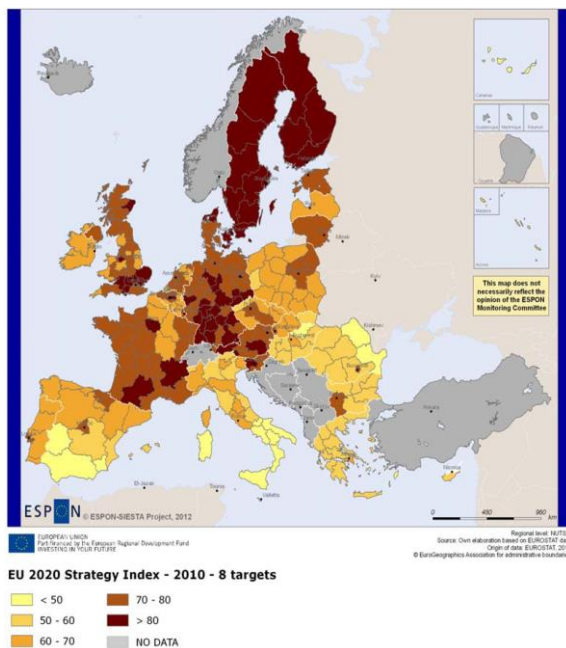
The examination of regional data revealed high levels of regional disparities along the Eastern and Southern border of the EU. The main effects on these areas are stagnation and economic decline due to a low polarization (e.g. in Romania).

According to the KIT Project, the investments in innovation produce different results. Those regions and cities that favoured applied R&D (e.g. France –

Paris), which in turn attract technological rather than general purpose service sectors, usually benefit from such investments. Similarly, places where smart technology is applied (cf. for instance the highly urbanised areas in the North of Spain and Madrid or the Northern region of Italy and the French Alpine area) are favoured. In contrast, those regions based on imitative innovation (Romania, Southern Italy and Greece) obtain little benefit from these types of investments.

Climate changes, risk of energy poverty and dependency are some of the main factors that cause uncertainty and create challenges within the Southern Macroregion. Like the rest of Europe, this region depends on external energy supply (65% in 2025), which will reach 80% for gas. Nuclear energy (mostly in France) and oil production in the North Sea (which is depleted) are unlikely to satisfy the continent's demand. This will be even more difficult when considering that the Member States have to deal with climate change by producing more renewable energy, reducing their CO₂ consumption and improving their energy efficiency ("20-20-20" targets). This is due to the lack of a common energy policy and the fact that the Member States refuse long-term agreements with the nearby supplying countries (e.g. Russia and Middle-East countries as proper resource suppliers and Turkey as a transit country).

Map 1: Index of Europe 2020 Strategy (SIESTA)



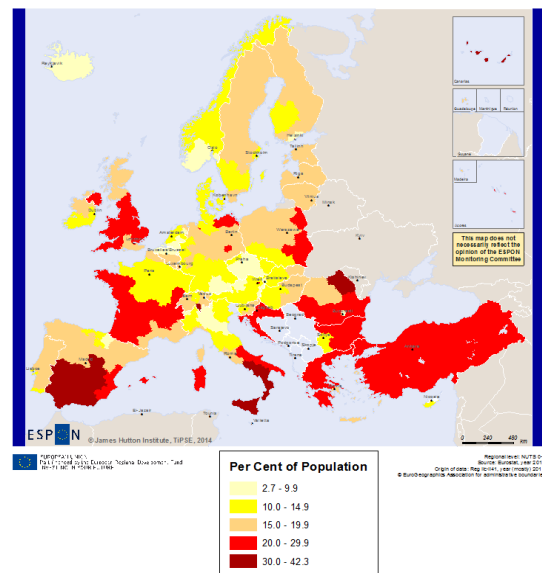
Aside possible effects in terms of employment, production, technology and environment, energy supply also has a major structural impact on the Macroregion and its Southern cities. Although having dense energy networks across the territory, its regions

need to agree on a common and integrated energy policy based on the Green economy (e.g. further development of solar energy production in the Mediterranean regions). All Member States in the Southern European region agree on this and hope that they will be able to achieve these objectives thanks to the 2020 EU funds, which will allow them to create common trans-Mediterranean industrial, energy and technological supply chains.

The Southern Macroregion is however still trying to define real after-crisis development policies that can help them keep the pace of driving European economies (cf. SIESTA, Map 2). Relying solely on public investments is unlikely to help this region, its territory, its companies and institutions remain competitive in the international market.

The low level of tertiary education among the population aged 30 to 34 and the percentage of people who have never used a personal computer (especially in the South of Italy and Romania) needs to be solved immediately. Similarly, the Member States need to deal with women's unemployment rates (usually higher than men's), especially in Italy, Greece and some areas in Spain.

Map 2: Regions at risk of poverty (TIPSE on Eurostat 2012)



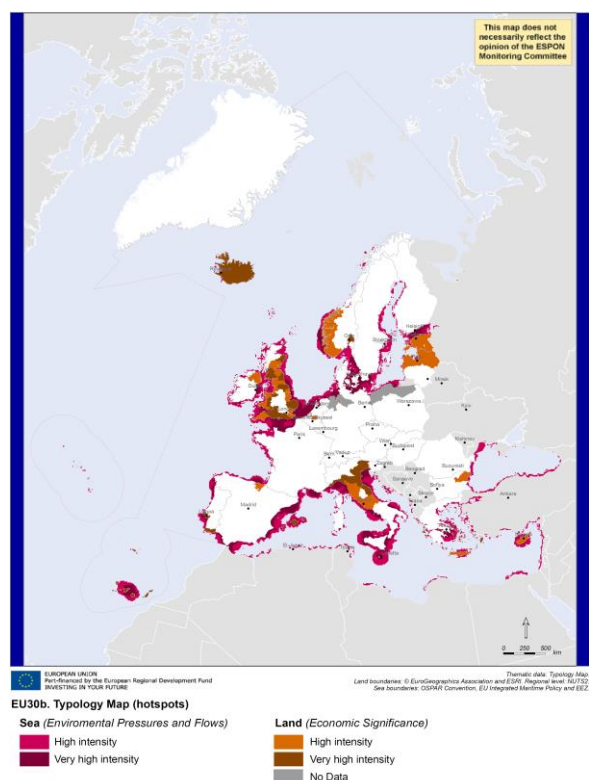
Macroregional Trends

In order to bridge the gap with other European regions, the Southern Microregion could improve cross-border agreements and cooperation programs (e.g. Alcotra, Marittimo-Maritime, Central Europe, Alpine Space, MED, South East Europe just to name a few). Yet, according to results provided by TERREVI and ET2050, the scenarios regarding the evolution of the employment workforce within the 2005-2050 a timeframe does not seem to be encouraging and

adequate solutions to recover from the current crisis in the short term period (2015) seem unavailable. Better employment perspectives are connected with the Blue growth strategy (cf. DG Mare 2014) and the land-sea interplay (cf. ESPON ESaTDOR projects). Moreover, the Macroregion could benefit greatly from planning actions involving the regional maritime nodes that are strengthening their implementation of the green and blue strategies. This can be done thanks to the fact that the Mediterranean Sea hosts about 30% of the world's international tourism, normally attracted by the region's rich biodiversity and cultural heritage.

In terms of employment, the blue economy, its related activities (transport, trade, fisheries, energy, tourism and blue technology) are economic growth generators both for coastal areas and for the mainland (Map 3). Shipping and port development and associated activities are also pinpointed in line with anticipated growth in international trade and policy support for expansion of short sea shipping. Similarly, coastal and maritime tourism is a significant sector in the economies of many regions and cities. The coastal tourism sector hosts 60% of European tourists, employs over 2 million people, provides 51% of bed capacity and has scored an annual growth of 10% in the last decade. This can therefore help contrast high poverty rates in Spain, Portugal, Greece and Italy and their rural areas.

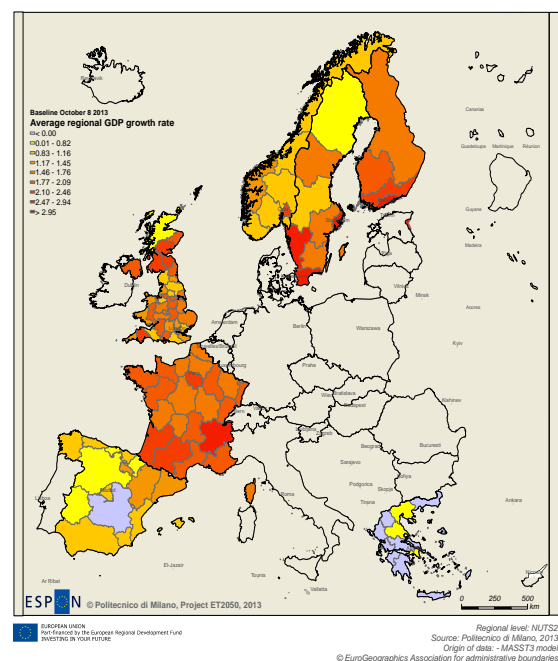
Map 3: Overall intensity of land sea interactions: hotspots (ESaTDOR)



In order to guarantee a good return on investment, the institutions and decision makers in the Southern Macroregion are asked to choose among the following scenarios: (cf. ET 20250, 2030 and 2050 Scenarios): A) large cities ("MEGAs"), in which the welfare system is privatised, and public debt is paid off through a strong reduction of public spending. The budget for cohesion policies is largely reduced in the logic of the World Bank; B) second-tier cities ("Cities"), in which national public investments concentrate on services of general interest (SGI) by increasing public spending. Public debt will not be fully repaid in 2050, but the current budget for cohesion policies will be maintained until 2030; C) rural and remote areas ("Regions"), in which public policies focus on social aspects, rural and remote areas. Public debt will be paid off in 2050, but the budget for cohesion policies is largely increased. The baseline scenario shows a 'two-speed' European growth (cf. ET20250, Map 3). Due to the current crisis, the countries of the Southern Macroregion show more modest growth than the countries of Northern Europe, which weighs on their ability to improve in the medium term.

Nonetheless, the Southern Macroregion could play a major role in its own general recovery. Global differences (between European countries) reduce, but at declining rates and this does not allow consideration for the increase in intra-regional disparities (cf. Map 4).

Map 4: Regional disparity (ET2050)



The result is a crisis situation accompanied by restrictive economic policies on public spending and sovereign debt that give limited possibilities of

recovery to less virtuous countries, which were affected in the medium term due to their difficult situation of public finance.

It is therefore envisaged that a proactive scenario based on territorial growth and Green economy, although slowly, could result in significant growth for the Southern Macroregion (SPAN-3). Yet, the realisation of this scenario requires the active involvement of economic actors and of the civil society. It will also necessitate a detailed analysis of the possible opportunities that may arise thanks to the application of the Blue policy in the Mediterranean area, and from which many sectors are likely to benefit (e.g. manufacturing, advanced eco-services). The new "green economy paradigms" could favour the development of the regions, the technology poles and the cities in the Latin Arc. They could generate spin-off effects in the production sectors towards secondary growth poles and medium size cities, which are already active in producing green energy.

However, this means that growth rates within the Southern Macroregion, and across its provinces, will remain extremely differentiated. Moreover, this approach does not guarantee that large urban areas (such as MEGAs) will be benefitting more than other peripheral and rural areas (e.g. North-West Spain, South-West France and Southern Italy), which are not currently performing well in terms of growth. Many factors influence growth rates. For instance, the building and construction sectors are currently in decline, especially in the urban areas whereas tourism is increasing in specialised coastal and rural regions.

France is focusing on energy production, Greece is working on the Blue economy, Spain is concentrating on the Green economy and sustainability. Romania is seeking to improve urban-rural integration so as to diminish the impact of the current crisis at regional-local level. Italy aims to strengthen the cooperation policy among the Member States in the Southern Macroregion so as to develop the infrastructures of their coastal and rural cities.

The analysis of the accessibility indicators (cf. the ESPON project TRACC) has showed that the Southern Macroregion should aim to achieve a level of integrated infrastructure network similar to the one that can be found in France. This could help it overcome the limits imposed by its peripheral geographical position and promote its relevance within the continent. Innovation (cf. KIT) can be enhanced by applying basic knowledge developed elsewhere or making use of creativity or imitation skills. However, a more even spatial distribution of innovation is needed. This can be achieved by looking at the Green economy and reinvesting in sustainable ecotourism, the environment and the socio-cultural capital. This could help the Macroregion regaining a stable regional economy (cf. ATTREG, ESaTDOR).

National and regional policies tackling climate change will have to develop new strategic and integrated approaches to territorial planning.

The ESPON on the Road Project is a Transnational Networking Activity of nineteen ESPON Contact Points, financed by the ESPON 2013 Programme with the aim to bring the results of applied research on European territorial development closer to decision making.

The ESPON 2013 Programme is part-financed by the European Regional Development Fund, the EU Member States and the Partner States Iceland, Liechtenstein, Norway and Switzerland. It shall support policy development in relation to the aim of territorial cohesion and a harmonious development of the European territory.

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