



Österbottens förbund  
Pohjanmaan liitto

## CONSULTATION OF THE FUTURE "EU 2020" STRATEGY

The Regional Council of Ostrobothnia is the Regional Public Authority having the responsibility in the region of Ostrobothnia for *Regional Development*, *Spatial Planning* and the *Promoting of regional interests* both nationally and on a European level. We will below submit our contribution to the European debate on the "EU 2020" strategy. The Regional Council fully agrees with the priorities of the strategy of giving priority to 1) Creating value by basing growth on knowledge; 2) Empowering people in inclusive societies and 3) Creating a competitive, connected and greener economy but would like to make a few points in elaborating on the theme.

### **Creating value by basing growth on knowledge**

The leading principle in the European policies is the strengthening of the competitiveness which is closely linked to R&D. The European Research Area (ERA) forms an indispensable part of this and the aim of the ERA is to foster innovation and creativity. In order to achieve this objective the document is reasoning in terms of pooling resources within Europe and cooperating within major world-wide stakeholders. As the document implicitly argues in terms of large-scale solutions we would like to point out that it is not only size but difference in perspectives that traditionally has fostered innovation.

For instance the world energy production with increasing emissions of CO<sup>2</sup> and following climatic change has caused urgency in finding new solutions and new ways to supply energy. Research results suggest that a great majority of peripheral areas in Europe have the potential for being self-sufficing in their energy production by Renewable Energy Sources (RES) from their own regions. In peripheral regions the renewable energy potential far exceeds the demand of energy, and the spatial coverage of energy self-sufficiency is huge. This is true particularly in maritime and coastal regions where the favourable wind conditions accompanied with the energy reserves of the ground,

seas and other water bodies and solar radiation make almost an inexhaustible energy source. This has the potential to revolutionise the energy market and make Europe less dependent on external and insecure external sources. However in order to exploit this potential a decentralised approach is required in generating energy and different technical solutions have to be pursued.

In seeking the solutions we are arguing that a peripheral innovation system will provide a decentralised answer to the problem and a centralised system would provide a centralised perspective. This is particularly true when universities and research institutions are expected to interact in a “triple-helix” fashion with the surrounding society. This provides the rationale for that also the peripheral universities should be given more than subordinate place in the ERA. Regardless of whether their will be a centralised or a decentralised solution for developing sustainable energy production it will require the use of the ultimate technology and development of solutions that are on the research frontier.

*Point 1: Excellence in R&D should not be compromised but the existence of special circumstances in the regions may provide a different approach*

The vision for the European energy production is to have a supply of energy from both small- and large-scale producers. From a static competitive point of view the technical solutions provided today exist but are yet not on the same level with the large scale centralised solutions. This as they are emerging and exist in an early stage of their product development. Therefore a more dynamic approach is required recognising the fact that the decentralised solutions are in an infant stage of its product development. For this reasons a more exhaustive analyse on European energy market is required with a vision to include also the small scale RES-potential.

Moreover, we have seen that centralised solutions based on a specific renewable source tend to compete with alternative use. For instance has UN-experts called the excessive cultivation of agricultural products for bio-fuels in developing countries for a “crime against humanity” as it has contributed to increased food prices world-wide. A decentralised approach that is based on more flexible use of sources is likely to be better integrated in the production chain and does not compete with alternative uses.

The urgency of this question is further emphasised by the fact pointed out in the document that half of the existing European electricity plants will have to be replaced by 2030 and that the time for

strategic decision is now. For this reason the “EU 2020 Strategy” should elaborate on the meaning of “decentralised generation”. Looking in a global context the increasing energy consumption of the large emerging economies will be a global challenge due to its climatic effects. These countries have been reluctant to commit themselves to a binding agreement mainly due to issue of rural poverty. Developing small scale energy production alongside with large producers in Europe would also provide a model for a rural solution to a rural problem, poverty, in the third world.

This technology addressing these concerns is presently being developed by research institutions and enterprises forming the energy cluster of Ostrobothnia.

### **Creating a competitive economy**

It is interesting to note that the concept “competitiveness” although being central concept for European policies does not have a single definition that would be accepted by all scholars but does in practise embrace whatever phenomena that contributes to rapid growth in a given place and time. This leads to an industrial policy with the main objective to support current well-performing centres. This policy will be self-reinforcing and is not impartial from a centre-periphery perspective. This is reinforced by political mechanisms, industrial and political leaders are invited to form the policies and existing clusters are well-represented in this process. However the Europe coming out of the crisis is different as a structural change is always linked with crisis. However the clusters of tomorrow do not have their political advocates as they don’t exist today. Furthermore recognising this point of a bias in the innovative process it is also academically easier to see “treats” than “opportunities”. In this lies the danger that the industrial policies in practise despite the development rhetoric will constitute a hindrance for the very structural change it is designed to promote.

This leads to the questions does the regions have the solution of tomorrow that the dominating actors are lacking. Historically innovations have many times been connected with necessity and faced with diminish returns and today the regions are forced to come up with new solutions. For this a more elaborate analysis of the competitiveness is required. First the perspective of static and dynamic competitiveness should be considered. What we observe, is a static situation or what have performed well in a historical perspective. With the interconnection of the world economy the competitiveness of leading well performing industries may rapidly be eroded. An event like the rise

of energy prices due to a political turmoil in some part of the world may easily cause a spin-off effect on industrial prices and erode any price advantage.

*Point 2: The competitiveness criteria fail to encompass emerging industries*

Competitiveness is many times linked to innovation and innovation stems from cultural changes and entrepreneurship. An entrepreneur would be a person who has a “visibility” to see a solution where other persons do not see it. Historically entrepreneurship has been linked with emigration and stark economic realities that have caused entrepreneurs willing to take economic risks. The regions in Europe are losing out in competitiveness and also economically which would create a prerequisite condition for innovation. The regions could to the innovation debate provide a different perspective based on a “bottom-up” approach where solutions are sought from a different perspective.

Nevertheless does the “EU 2020” strategy hold the perspective that innovation takes place in the centres as it states on page 6 that:

“Labour mobility must be promoted to ensure that people can take up new opportunities by moving to where their skills are most needed”

This would be a “market solution” if the regions are not able to renew themselves and does not consequently have to be stated as a policy objective. Looking at Europe in a centre-periphery perspective there is little evidence to support the statement that centres are more innovative than regions and vice versa. The realities and the economic linkages are far more complex than that.

In the case of Ostrobothnia, the region is small and located far outside any European growth centres. Nevertheless, the region is performing well due to a niche production and a global exports e.g. to the South-East Asian market. The region has found its role in a global production system and is the home of the biggest Nordic energy technological cluster (see [www.energyvaasa.fi](http://www.energyvaasa.fi)).

Should this niche policy fail the solution from our perspective would be to look for a new role within the global production system or for a new market – not to promote emigration of our labour force. If our participation is wanted in the “European competitiveness project” we must also be given a role and an instrument to fulfil our ambitions.

*Point 3: The regions will not participate unless they are given a role.*

The competitiveness is based on an idea of a free market and the purpose of the EU-policy is to ensure that there are no limitations in the functioning of the market. In the centre there are more economic actors and consequently the market is likely to function more efficiently. This puts the peripheral areas in a disadvantage and justifies public intervention e.g. in the form of structural funds in order to remedy for this disadvantage or to facilitate the development.

It may well be that the growing disparities could be explained by differences in the workings of the market and more attention should be devoted to the issue of the working of the market in different locations. This may be a concern particularly in respect to the digital economy where the market solution does not provide the same access to high-speed broadband in the peripheral areas

*Point 4: When considering relevant market and market structure the policy should take into account particular conditions of the periphery*

We see high speed broadband as one way for peripheral areas to access the market and consequently attention should be devoted to this question.

## **Making it happen**

The role of the parliament will be strengthened by the ratification of the Lisbon treaty and it is likely that this will also imply that the political priorities will increasingly be reflected in the budget of the EU. The strategy will be pursued by setting a limited set of key objectives. Fulfilling these objectives will happen within a partnership with an active support of social partners and civil society.

The question on whether the future cohesion policy should pursue a place-based or a thematic approach has also been a part of the European debate. These approaches should not be seen as mutually exclusive but should in some form be integrated, seen as a part of a dynamic development. A region should be able to identify a desired development and be provided means to obtain the objective. Recognising that there are also core priorities that need to be solved a thematic approach

is a complement. Creating a greener economy including energy production is in the centrepiece when considering the global challenges the world is facing today.

When designing the EU intervention for the next program period, lessons should be drawn on the evidence that has been collected. It has been pointed out that there should be a larger focus on performance and results and that the management and control systems should be simplified. There should also be an emphasis of additionality combined with follow-up instruments to verify the outcome of the policies. We fully agree with this and would like to add that particularly the cross-border and transnational instruments are likely to best fulfil the criteria of additionality as the national political process tend to give priority to national projects.

*Point 5: Cross-border and transnational measures are likely to have a larger additionality*

Looking at the follow-up it is important that the instruments in the future are designed to evaluate the performance on a strategic level and not on project level. The rationale for this claim is that there does not exist any objective way to analyse a single project - it will always be a question of a qualified opinion and any single indicators picked is likely to be distorted.

The present situation is characterised by that evaluation are made pin-pointing details or loops in administrative procedures and this evaluation tends to increase the bureaucracy. The focus in the evaluation should be in achieving results and for this purpose and evaluation is needed where the questions are asked “who does what and for whom”.

ÖSTERBOTTENS FÖRBUND – POHJANMAAN LIITTO

OLAV JERN

Olav Jern

Executive Director

JERKER JOHNSON

Jerker Johnson

International Coordinator

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