THE MACRO-REGIONAL FRAMEWORK AND DIVERSITY IN EUROPE

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Abstract: *The economic crisis has had serious consequences regarding many aspects of the economic and social live in the European Union, most of all affecting equality, regional convergence and employment. Differences between countries are more and more visible and euro skepticism is at its highest level. The new perspective for the European Union is to close the gaps between regions and also to create better economic cooperation. The proposed Juncker plan will be an important step in revitalizing the European economy by creating new investment projects with a key subject being innovative sectors. Also the new role of macro-regions in European territorial cooperation is very crucial for the future of the EU as a big player on the economic stage. This article aims at highlighting the differences between the European regions (e.g. Baltic Sea Region, Danube Region and Alpine Region) and offers some solutions so that economic cooperation can improve.*

Keywords: macro-regions; divergence; convergence; innovation; cooperation

Introduction

Failing to exit the crisis brings many poisons, economic, social and political. Unemployment is at high levels, inequality is rising, and convergence between European regions that was once the rule is no longer occurring. Pressure on wage and the need to restore internal balances between countries is fuelling deflation. Debt deleveraging, private or public, is far from accomplished and the prospect of falling prices may be the mechanism by which stagnation is perpetuated. The European project of a prosperous and inclusive society is going to sink if we fail to rebound (Timbeau, 2015).

This article highlights the important steps in creating a more integrated European economy by adopting key regional programs to foster growth. European cooperation will be better accomplished if macro-regional development will play a key role in the future. The implementation of new strategies for poorer regions can help convergence, foster innovation and also can offer benefits for citizens. Schuh

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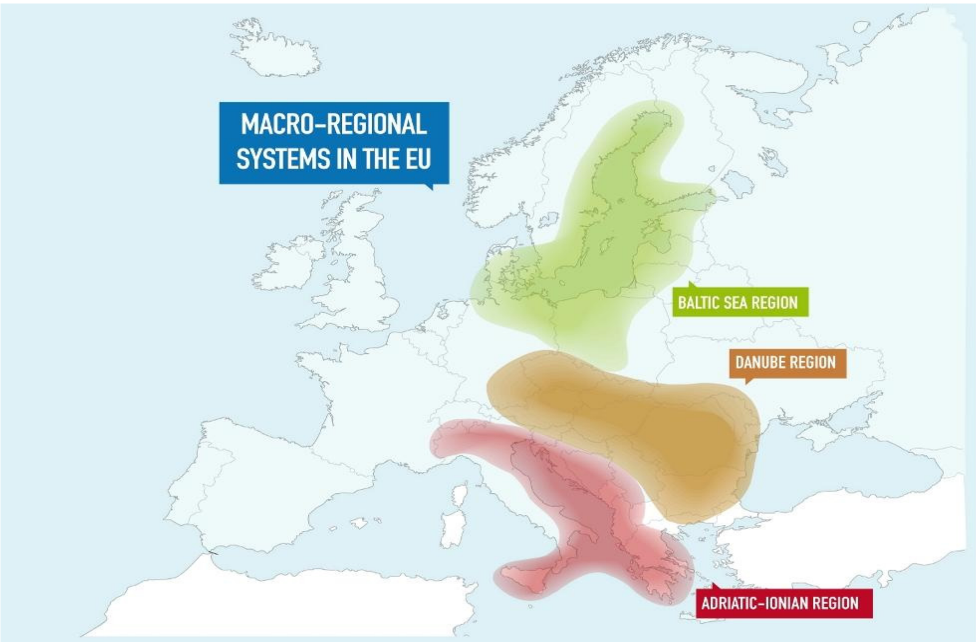
et al. (2015) affirms that macro-regional strategies are instruments both for Regional Policy and also for Foreign Policy.

A macro-regional strategy can benefit not only European Union states, but also the third party states that are in the same geographical area. By this they can achieve future integration to the EU much more effectively and easier by endorsing economic growth and social and territorial cohesion. Also we should include the private sector amongst the key contributors for the implementation of macro-regional strategies, even if the frameworks are based only on existing instruments. Until now the European Council and the European Structural and Investment Fund are the main financial pillars for these types of projects.

1. Literature review

The European Union by its legislative body, the Council of the EU, has already adopted 3 macro-regional strategies and plans to implement in the future 6 others (Alpine Region, Carpathian Region, North Sea, Black Sea, Arctic Sea and Western and Eastern parts of the Mediterranean Sea). The main strategies of the EU are concentrating now on implementing better cooperation in the Baltic Sea Region, the Danube Region and the Adriatic-Ionian Region.

Figure 1. The 3 Macro-regional frameworks adopted in the European Union



Source: *EU Strategy for the Adriatic and Ioanian Sea Region* – Concept and backgrounds, available at http://www.regions.eu.org

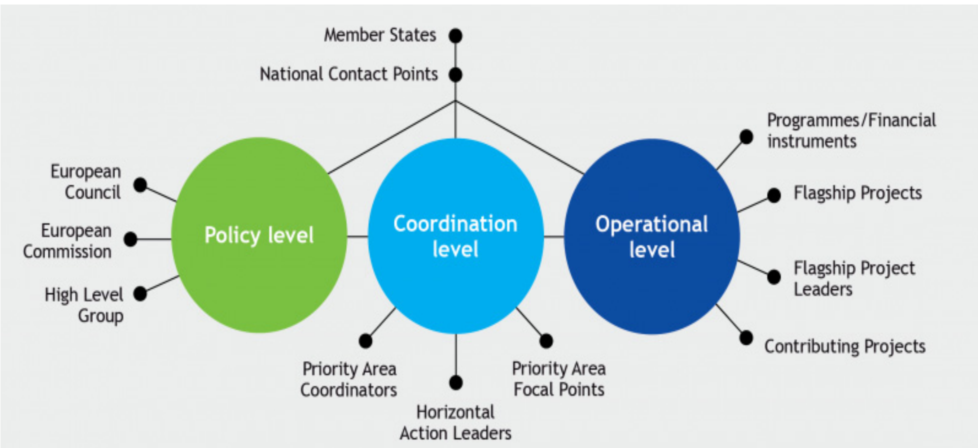
The forerunner for the other macro-regional programs is considered the Baltic Sea Region. The structure of this strategy was based on a combination of many pre-existing Baltic programs. The elaboration and implementation of the strategy took three years (2007-2009) to be accomplished, but because of the world economic context it had to be adapted after the 2010 (Bohme, 2013).

In November 2005 there was a report submitted by the Baltic Strategy Working Group to the presidents of the European Parliament and of the European Commission and to the presidency of the Council of the European Union that highlighted the importance of adopting a new strategy for the Baltic Sea Region – the European Union Strategy for the Baltic Sea or EUSBSR (Beazley *et al*., 2005). The main fields of cooperation for the states in the region would be environment, economic development, culture and education and security. Also better cooperation between the Baltic countries will be helpful for achieving the strategies of the Northern Dimension.

EUSBSR was adopted in 2009 by the Council of the European Union with the operational coordination held by the European Commission and the member states National Contact Points from the 11 member states – Finland, Latvia, Sweden, Denmark, Lithuania, Germany, Poland, Estonia, Russia, Norway and Belarus. EUSBSR didn't create a new institution, new legislation and the funds that are mobilized are largely covered by existing instruments (Bengtsson, 2009; European Commission, 2009). Organizations such as the Nordic Environmental Development fund, the Nordic Investment Bank, the Nordic Environmental Financial Corporation and the Northern Dimension Environmental Partnership are among some of the institutions that are mobilizing funds for the EUSBSR projects. Also the European Investment Bank is involved in some endeavors.

To simplify the governance system of EUSBSR we are highlighting the framework in figure 2.

Figure 2. Governance system of the EUSBSR



Source: *EU Strategy for the Baltic Sea Region Governance*, available at: http://www.balticsea-region-strategy.eu/governance

The current crisis in Ukraine had a significant impact on the relation between the member states of the EUSBSR and Russia, but it is still a partnership that must continue and hopefully the tensions will disappear. The added value of the EUSBSR is that it increased transnational cooperation and improved the visibility for transnational initiatives. Also the strategy may have socio-economic and environmental influences in the macro-region, but these are hard to calculate at this time. From its adoption in 2009, the strategy has already implemented more than 100 flagship projects. The EUSBSR has in the future some specific objectives regarding clean water, safe shipping, better cooperation, fighting cross-border crime, climate change, etc. It has also a time horizon till 2030 (EUSBSR, 2013).

The second macro-regional strategy adopted by the European Union was for the Danube Region. It was initiated and lobbied by Austria and Romania since 2008 and adopted by the Council on 17 February 2011. The main motivation for the Danube Strategy is to solve environmental problems (e.g. floods) and transport challenges. It has 4 pillars and 11 priority areas. Each priority area is managed by 2 Priority Area Coordinators (PACs). The pillars and priorities can be seen below:

Figure 3. Pillars and priority areas of the EUSDR

Source: *Danube Region Strategy* – Priorities, available at: http://www.danube-region.eu/about/priorities

The EUSDR is comprised of 9 EU member states (Germany, Austria, Hungary, Czech Republic, Slovak Republic, Slovenia, Bulgaria, Romania and Croatia), 3 accession countries (Serbia, Bosnia and Herzegovina and Montenegro) and 2 third countries (Moldova and Ukraine). The area covered by the EU Strategy for the Danube Region stretches from the Black Forest (Germany) to the Black Sea (Romania-Ukraine-Moldova). It is home to 115 million inhabitants. This region has struggled with turbulent economic and political events like the 2008 economic crisis and the Ukraine crisis that is still a big issue today (Schuh *et al*., 2015). It is also a link between Western Europe and Eastern European and a big river transportation connection. Also the Black Sea is linked with the Atlantic Ocean and the North Sea by the Rhine–Main–Danube Canal. The strategy has a vast network of already existing transnational cooperation bodies like the Stability pact for South Eastern Europe, Southeast European Cooperative Initiative, Danube Cooperation Process and others. The EUSDR has at political level (the leadership) the European Commission (the DG Regional Policy) and High level groups/National Contact Points. At operational level we find the priority area coordinators and the steering groups. Financial support can be mobilized from cohesion funds, structural funds, sectoral and national resources, international financial institutions, private banks and donors. More than 400 projects have been identified for the EUSDR, with 150 already in implementation. The total sum of these projects is 49 billion Euros. About 30% of them have been governed by Private-Public Partnerships, 29% by public organizations, 26% by NGOs and 14% by Universities and research institutions (Schneidewind, P., Hahn, M., Radzyner, A., 2012).

The third macro-regional strategy of the EU was adopted last year in October. It has in total 8 countries with 4 EU Member states (Croatia, Greece, Italy and Slovenia) and 4 non-EU countries (Albania, Montenegro, Serbia and Bosnia-Herzegovina).

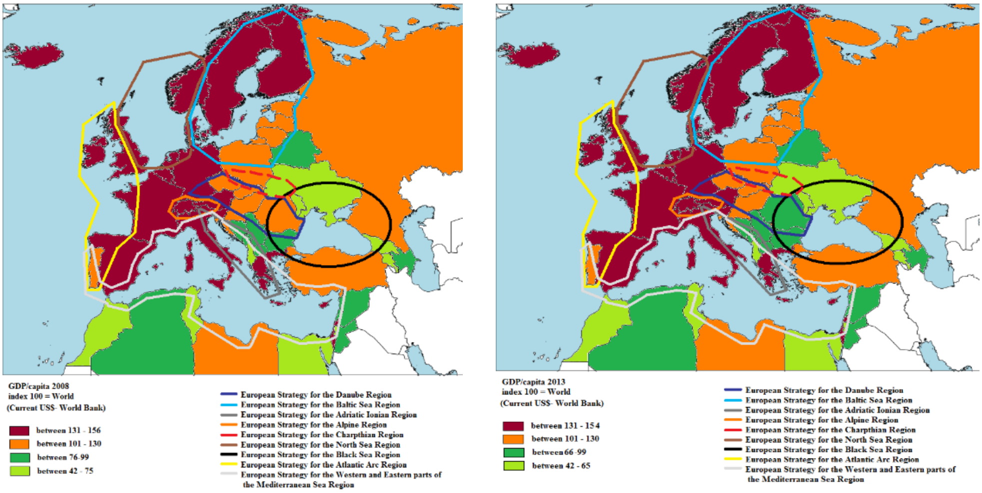
The general objective of the Strategy is to promote sustainable economic and social prosperity in the Region. This will be achieved through growth and jobs creation, and by improving its attractiveness, competitiveness and connectivity, while preserving the environment and ensuring healthy and balanced marine and coastal ecosystems. It will thereby also contribute to bringing Western Balkan countries closer to the EU by offering them opportunities for working closely with Member States, to address common challenges and opportunities specific to the Region (European Commission, 2014a).

The region has great socio-economic and institutional imbalances between member states. This strategy has to have strong cooperation with the EU institutions, especially the know-how of the European Commission. Some good knowledge can be drawn up from the previous two strategies. The implementation of the EUSAIR is a delicate process because of the large proportion of non-EU countries compared with the EU member states. The main sectors of interest in which the EUSAIR wants to improve are fishery, maritime affairs, transport, environment, tourism, regional development, science, education and sport, competitiveness, energy, labor, agriculture and rural development and blue growth.

2. Macro-regional divergence or convergence

This chapter analyses the unequal development in Europe. The report published by Xavier Timbeau (2014) showed that convergence between European countries and regions is ended since the start of the economic crisis. This has had an impact on inequality in the European Union. For the big economies of Europe like Germany, Spain, Italy, France and United Kingdom the process of convergence has reversed.

Figure 4. GDP per capita (index 100 = World) in 2008 and 2013 in Europe and the 9 European Macro-regional Strategies



Source: *World Bank*, available at: http://data.worldbank.org/region/ECA - edited by the authors

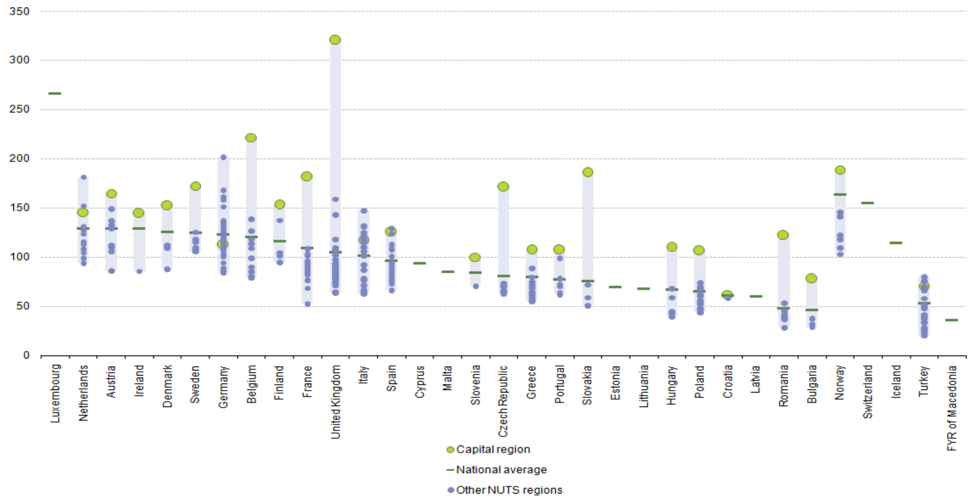
From the above figure it is obvious that there are differences between European counties regarding GDP/capita. Also some European strategies are concentrated in regions that have more developed economies and others that are still in transition. But the framework of these strategies is well balanced. Many countries can benefit by being in more than 2 or 3 European Union Strategies. For example France and Germany are participating in 4 strategies and with their already established networks of NGOs, public and private organizations can help the other countries in the framework. The economic crisis has had a serious effect on the socio-economic make-up of the European countries. We can see from figure 4 that the GDP/capita has dropped for Romania in 2013 compared to 2008.

Regional disparity is a serious problem in Europe and in the European Union. From figure 5 we can conclude that many regions in Europe are below the country average. Also, most of them, excluding Germany, are way behind the annual GDP/capita of the capital city. For example London, Paris, Prague, Bucharest, Brussels etc. are cities in which the annual GDP/capita is very high compared with the other regions in the same country. Germany is the only state in which the capital, Berlin, is below the country average. The Nederland's, Germany, Spain, Italy, Turkey are states where disparity between regions is very small.

In December 2012 the European Parliament (European Parliament, 2012) stated that Macro-regional strategies can be used to combat regional disparities and to improve access to better education and to lower unemployment. Also, it can be useful for promoting convergence and cooperation between regions. Like it was stated in the literature review macro-regional strategies will offer added value for the European

Union if they can reduce regional disparities and if they create mutual benefits for all the parties involved (member state and third party countries) (EESC, 2013).

Figure 5. Regional disparities in gross domestic product (GDP) per inhabitant, in purchasing power standard (PPS), by NUTS 2 regions in 2011 (% of the EU-28 average, EU-28 = 100)



Legend: The light purple shaded bar shows the range of the highest to lowest region for each country. The dark green bar shows the national average. The green circle shows the capital city region. The dark purple circles show the other regions.

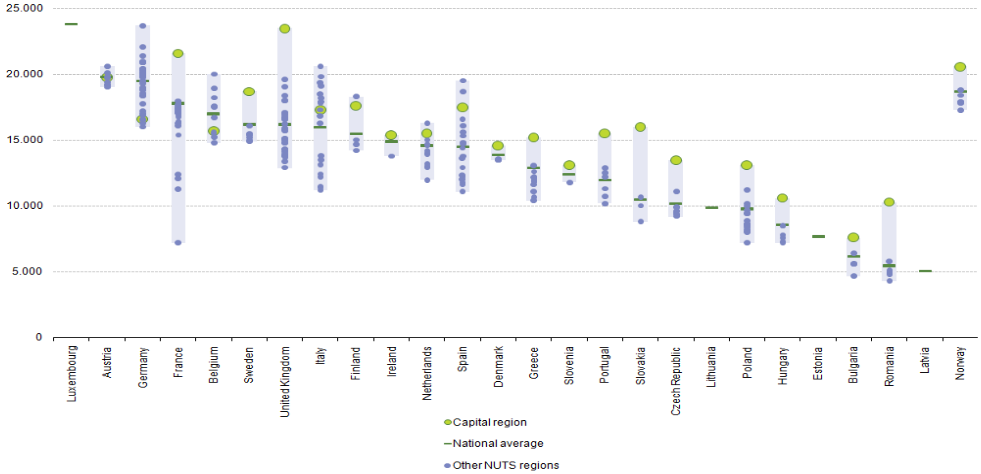
Source: Eurostat Regional Yearbook 2014 edition

From figure 6 we can observe that there is a difference regarding disposable income of private households in contrast with regional disparities in gross domestic product. In Western Europe there are more households that have disposable income above the average compared with Eastern Europe. Also the western capitals are more or less the same regarding this issue. Citizens from Berlin and Brussels are situated below the average of their country.

In Eastern Europe citizens from the capital regions have more disposable income than in the other parts of the country. By this there is a big discrepancy between regions and is a clear sign of inequality.

Until 2008 regional convergence was a key attribute of the EU concept. From figure 7 we can see that Easter European countries started to catch up to the western countries with high annual GDP growth even if the GDP/Capita was still small. The correlation between GDP/capita and average annual growth is also very strong (R^2= 62.8%).

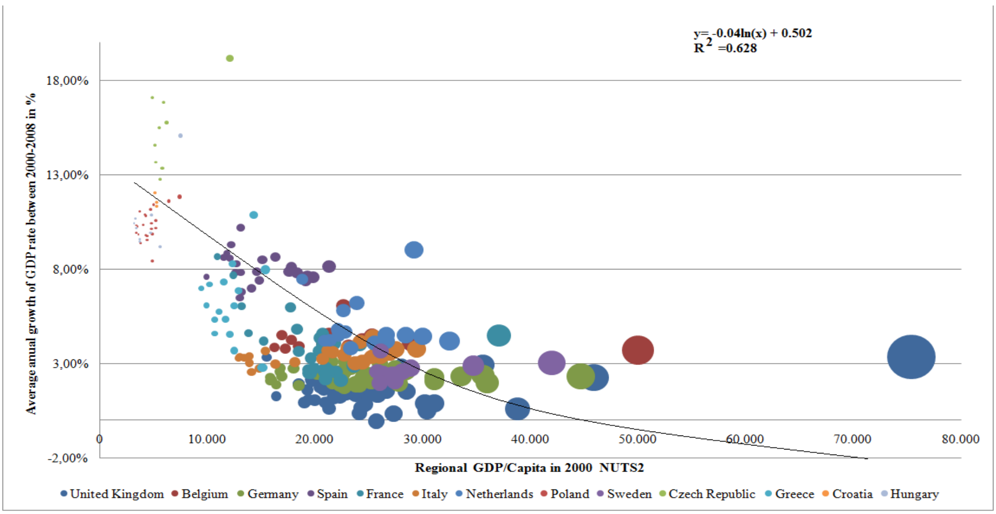
Figure 6. Disposable income of private households, in purchasing power consumption standard (PPCS), by NUTS 2 regions, 2011 (PPCS per inhabitant)



Legend: The light purple shaded bar shows the range of the highest to lowest region for each country. The dark green bar shows the national average. The green circle shows the capital city region. The dark purple circles show the other regions.

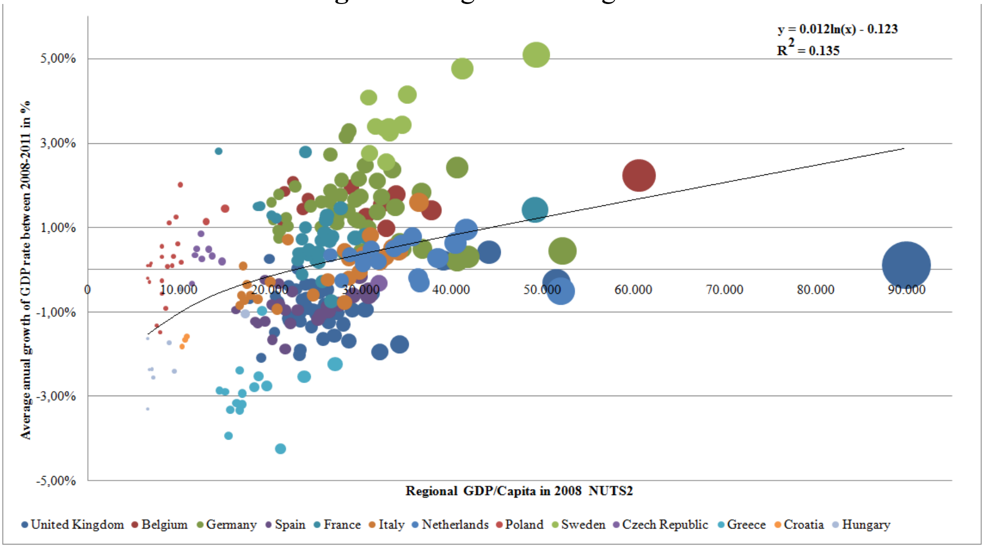
Source: Eurostat Regional Yearbook 2014 edition

Figure 7. Regional convergence



Source: Authors calculations, NUTS 2 Eurostat

Figure 8. Regional divergence



Source: Authors calculations, NUTS 2 Eurostat

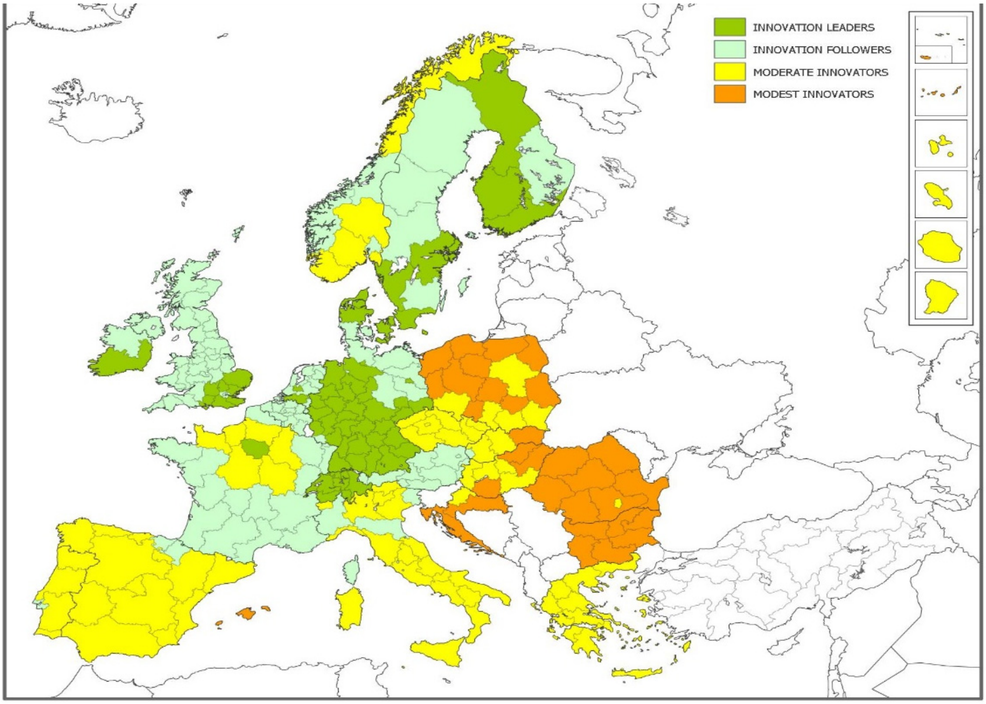
Since 2008 regional divergence was felt for most of the states in Europe. The correlation between the two variables in figure 8 ($R^2 = 0.135$) is much weaker that the one in figure 7 ($R^2 = 0.628$). From 2008 onwards regions from Croatia, Greece, Spain, France, and Italy are underperformers regarding GDP growth in the European Union. These negative trends have affected the Euro Area the most. Also from the above figure it is obvious that all Greek regions have negative annual GDP growth since the beginning of the crisis.

3. Macro-regional innovation

Macro-regional divergence can be observed also regarding innovation. Germany is still the country with the most innovative regions. The proposed Juncker plan will be an important step in revitalizing the European economy by creating new investments with a key subject being innovative sectors. This can be useful for fostering creative centres also in other regions of the EU. The total fund will be 310 billion Euros and states will have to generate added value for the European Union and to lower their unemployment, especially the youth unemployment.

Strong innovative regional centres are in Germany, United Kingdom, Ireland, Sweden, Finland, Denmark, France (only the Paris region) and Switzerland. This demonstrates that only 8 countries excel in the creative field in Europe. Eastern European countries are modest centres of innovation with most regions in Romania, Bulgaria, Croatia and Poland being the weak links. The Czech Republic, Slovakia and Hungary are the only ones that are moderate innovators. There is a difference in innovation between the Western and Northern European countries and the ones in the South and East. Figure 9 shows the big contrasts regarding innovation in the European Union.

Figure 9. Regional innovation scoreboard for 2014



Source: European Commission, Regional Map Generator

In 2014 Europe has had 34 regions classified as innovative leaders, 57 regional innovation followers, 68 regional moderate innovators and 31 modest innovators (European Commission, 2014b). The lack in innovation in Easter Europe cannot be blamed on the educational system or that people from these regions are not creative. The modest innovation level in some countries can be also a cause of small or non existing financial support for creative enterprises. Where citizens are encouraged to create with financial support from the private and public sector, innovation will be higher. Also brain hunting can be a cause of reduced innovation in some parts of the European Union.

The new Macro-Regional Strategies can improve cooperation, but also can have an indirect effect on innovation. If the regions are more interconnected and citizens can transfer know-how more efficiently some of the modest innovator states can benefit.

Conclusions

The economic crisis has had serious consequences regarding many aspects of the economic and social live in the European Union, most of all affecting equality, regional convergence and employment. Differences between countries are more and more visible. The new perspective for the European Union is to close the gaps between regions and also to create better economic cooperation.

Macro-regional transnational cooperation is crucially dependent on the financial resources of the states. A macro-region strategy is best conceived as a complex and heterogeneous network. States that take part in a certain strategy have to pool and bundle resources (financial, logistic, educational, know-how, etc.) together with other states and actors so as to realize the collective capacities of the strategy as a whole.

From this paper we can conclude that Macro-regional Strategies are still implemented in Europe, but the framework (institution, structural cooperation) are already in place. Also the EU still has to overcome big issues like unemployment, possible economic stagnation and regional divergence. Innovation has to be prioritized more and more because it is an important factor at the regional level, as regions are important engines of economic development.

The new role of macro-regions in European territorial cooperation is very crucial for the future of the EU as a big player on the economic stage. If we want to still compete with the USA, the BRICS countries we should have a commune voice (fiscal, political, monetary, regional policies, etc.).

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