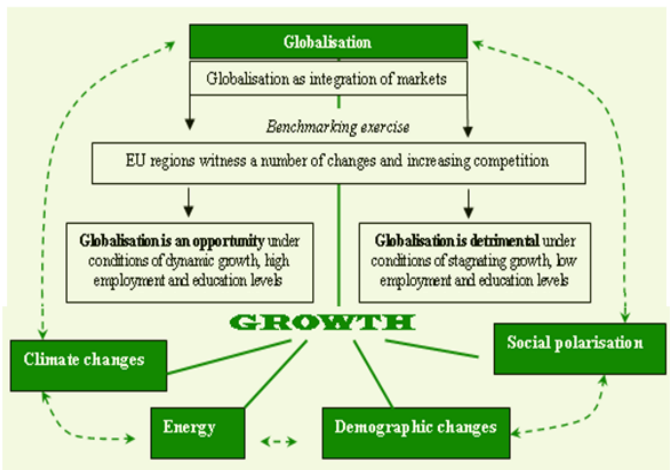
Globalisation and the EU regions

STEP 1
Definition =>

STEP 2
Identification of Challenges & Opportunities =>

STEP 3
Impacts on Regions and Growth =>

The five challenges facing EU Regions in 2020 and a portrayal of the reasoning underling the analysis on the Globalisation theme



Summary of potential Impact of Globalization on Europe's Stakeholders

=> Variable

Real GDP Growth

=> Opportunities

Real growth in the EU has trended higher over the past decade, notwithstanding periods of weakness. Globalization has been a significant boon to the EU's exports, which have helped drive other elements of growth

=> Challenges

Dynamic growth has not been evenly distributed. It has been mostly concentrated in regions which can uphold competition and attract new economic activities.

Summary of potential Impact of Globalization on Europe's Stakeholders

=> Variable

Trade

=> Opportunities

Rising trade has helped drive real growth in the EU benefiting various EU companies and industries, and their workers.

=> Challenges

For some EU regions and low tech sectors growing imports increased competition pressure to levels which are proving to be hard to bear (e.g. textile)

Summary of potential Impact of Globalization on Europe's Stakeholders

=> Variable

Investment

=> Opportunities

Net outflows have been the norm, although Europe remains one of the most attractive destinations in the world for multinationals. FDI inflows have helped create jobs and in some cases boost the incomes of workers.

=> Challenges

Inflow FDI may create tougher competitive environment for local enterprises and pressure on wages and salaries for unskilled labour.

Summary of potential Impact of Globalization on Europe's Stakeholders

=> Variable

Labour Mobility

=> Opportunities

Greater mobility within Europe and net inflows represent new sources of supply and demand; immigrants have been an offsetting variable to declining populations and EU's aging workforce; firms have benefited from infusion of labour.

=> Challenges

Poorer regions have experienced outflows of workers which have increased the problems of ageing population and created remarkable gender imbalances.

Summary of potential Impact of Globalization on Europe's Stakeholders

=> **Variable**

Wages

=> **Opportunities**

Real wages have increased over the past decade, a trend supported by lower inflation, greater competition, more product choice and availability.

=> **Challenges**

The increase is not evenly spread among all sectors, but privileged highly skilled labour in certain sectors and regions.

Summary of potential Impact of Globalization on Europe's Stakeholders

=> **Variable**

Diffusion of Technology

=> **Opportunities**

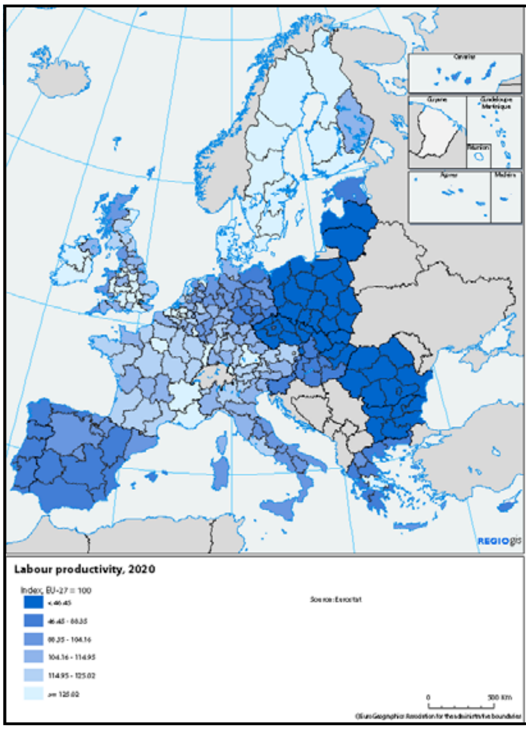
Greater dispersion of technology has allowed for greater trade in services and allowed corporate Europe to access more of the global technology skills.

=> **Challenges**

Greater technology to be afforded implies an obligation for a knowledge based economies, higher education and higher skills.

Our globalisation index

	INDICATOR	RATIONALE
(1)	*productivity growth 2020*	Productivity growth is not only key to ensuring a competitive economy in a global context, it will soon also be the only source of growth as demographic decline will make it difficult to increase total employment beyond 2017
(2)	*employment rate 2020*	The employment rate projections show a substantial increase by 2020 to 70% from 63% in 2005. Nevertheless, major disparities will remain with several regions with levels below 55%.
(3)	*unemployment rate 2020*	
(4)	*high educational attainment 2020*	As the EU's economy moves towards a more service based economy and away from manufacturing, it will create less jobs for low skilled labour. Currently in the EU 29% of the people aged 25-64 lack a complete secondary education, this will only drop to 25% in 2020. The challenge will be to provide training to people without a complete secondary education and to find new ways of creating more low skilled jobs. Labour productivity depends to a large degree on the education level of the labour force. The education level projections indicate that the growth of tertiary education levels will not be sufficient to catch up with other large developed countries such as the US and that large disparity between EU regions will remain.
(5)	*low education attainment 2020*	



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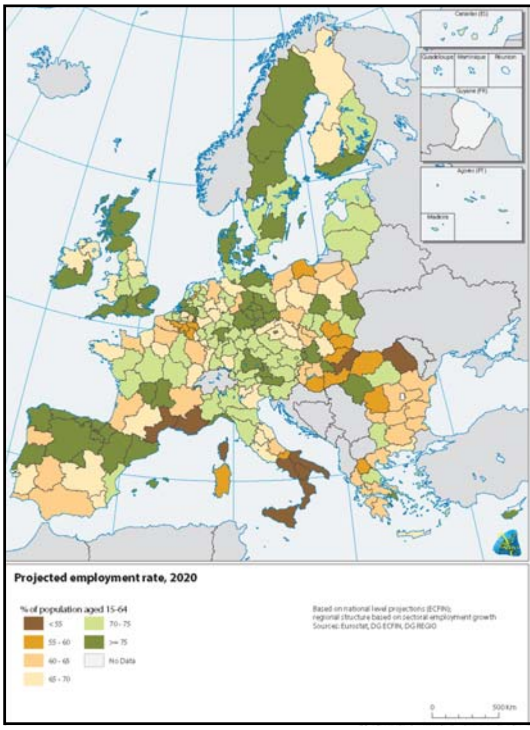
Productivity 2020

- A strong dynamic - much higher than the EU average - in the Scandinavian region together with some scattered region of the old EU member states (Ireland, UK, France, Austria, etc.)
- Member States on the Far East (the Baltic, Romania, Bulgaria Poland and Slovakia) and, to a lesser extent, of Spain and Greece will remain below the EU average.



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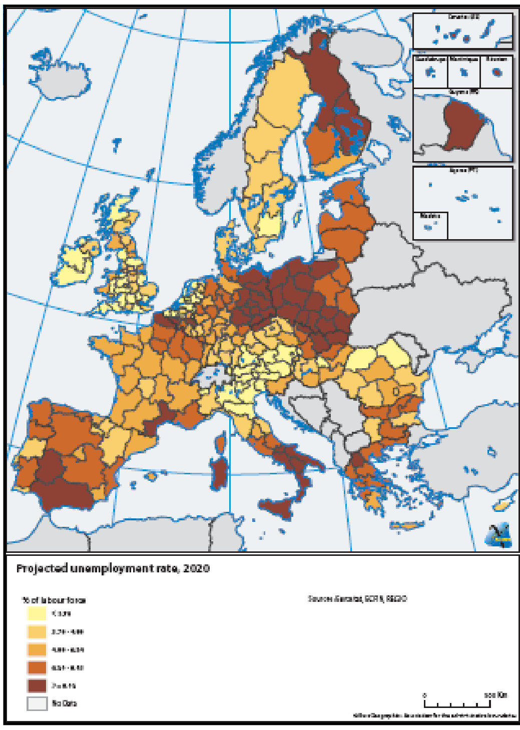
Employment 2020

- Several regions could still be faced with employment rates below 55% for the year 2020. These are Southern Italy and parts of Romania, Hungary and France.
- Employment rates would still be relative low in Poland, Romania, Bulgaria, Greece, the Centre of Italy, the South of Spain.



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Unemployment 2020

- Unemployment is expected to decline, but strong regional variation will remain in 2020.
- It may still be close to 10% or higher in Southern Spain, Southern Italy and in most regions of Poland and Eastern Germany.

A key qualitative aspect: *several regions in the EU still have a high share (more than 15%) of their jobs in low-tech manufacturing sectors which are vulnerable to an increasingly global competition.*

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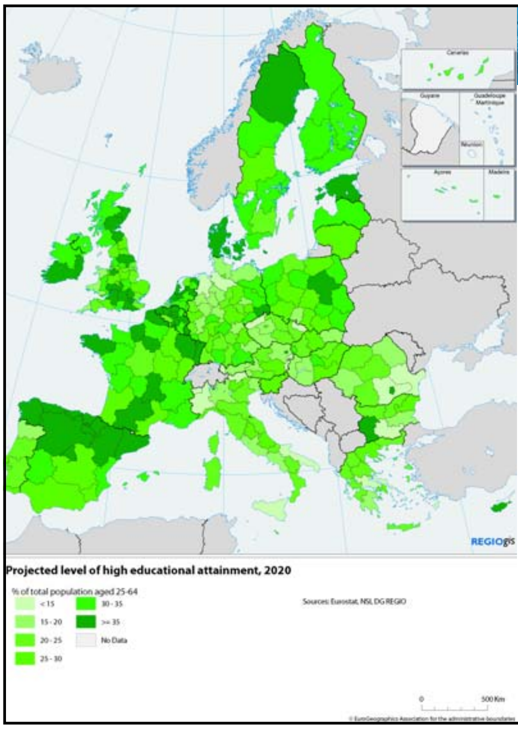

High Education 2020

•Currently only Scandinavian countries and Finland score high on education at the international level.

• By 2020, regions in the Nordic MS, Benelux, UK, Ireland, France and Northern Spain will mostly have more than 35% of tertiary educated aged 25-64.

• However, regions in Portugal, Italy, Romania, Hungary, and the Czech Republic will still have quite low levels, especially outside the capital regions.

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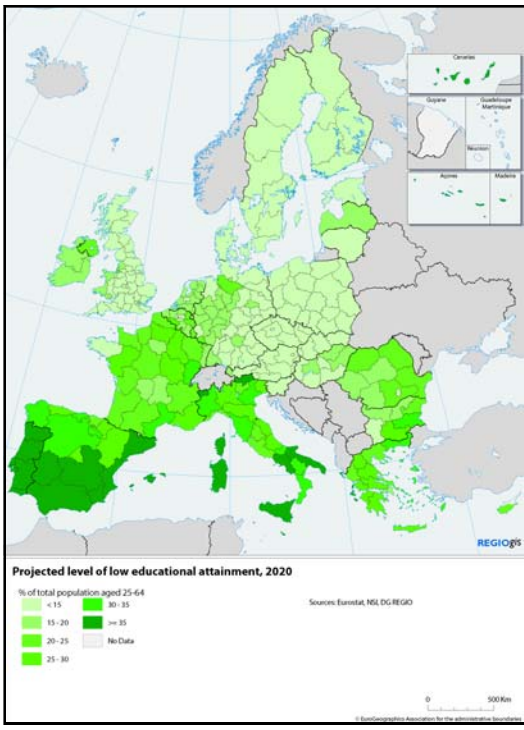

Low Education 2020

• Expected to be very low in the Nordic Member States, the Baltic States, Poland, the Czech Republic and Slovakia.

• Still quite high in Portugal, Spain, France, Italy, Greece and parts of Romania and Bulgaria.

***Remark** - this may create a double pressure on the regions where a significant share of employment may be lost due to globalisation.*

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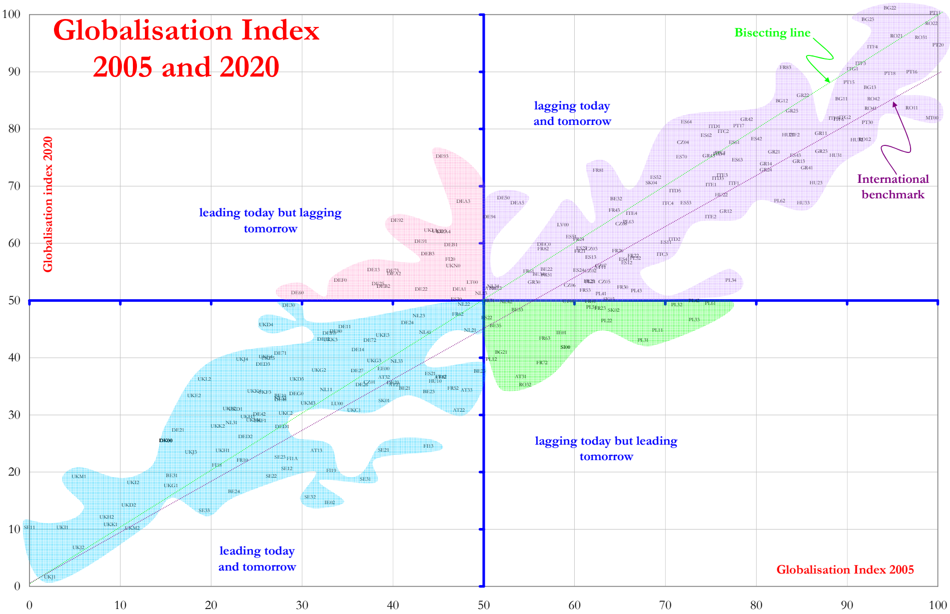

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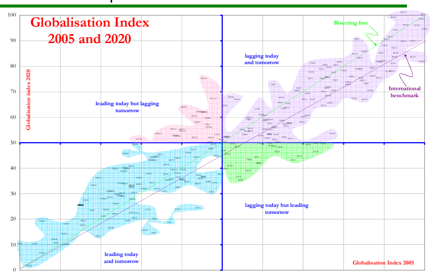
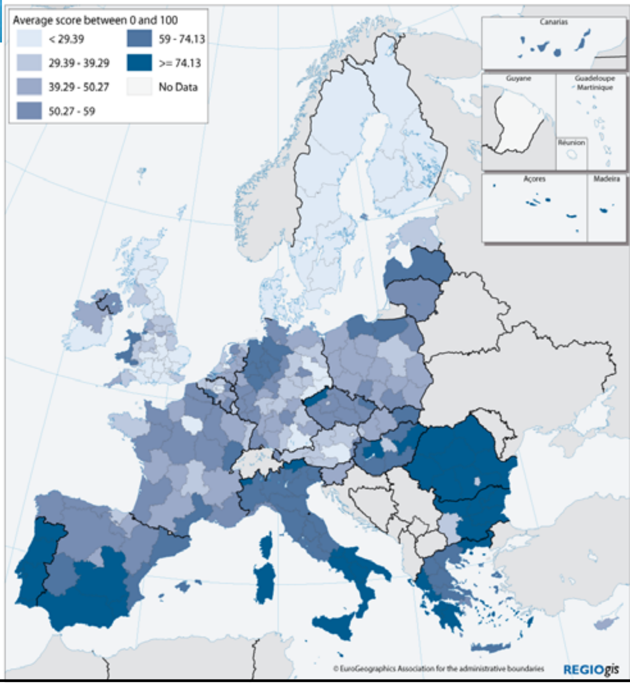
Synthetic results	n° regions	%EU pop
Lagging in 2005 and 2020 (up right section in the graph)	**115**	**43%**
of which Conv/Phout	*65*	*22%*
Rce/Ph. in	*50*	*21%*
Leading in 2005 and 2020 (bottom left section in the graph)	**104**	**37%**
of which Conv/Phout	*93*	*3%*
Rce/Ph. in	*11*	*34%*
Lagging in 2005, leading in 2020 (bottom right section in the graph)	**28**	**11%**
of which Conv/Phout	*16*	*8%*
Rce/Ph. in	*12*	*4%*
Leading in 2005, lagging in 2020 (up left section in the graph)	**20**	**8%**
of which Conv/Phout	*3*	*1%*
Rce/Ph. in	*17*	*7%*



Globalisation vulnerability index, 2020



A synthetic view

1. Many regions located in the **North-West periphery** of the EU appear to be in a rather **favourable position.** These regions are largely in **Finland, Sweden, Denmark, the UK and Ireland.** They are expected to benefit from a workforce with a high level of **educational attainment**, a high level of **employment**, a high share of employment in **advanced sectors** and a high level of labour **productivity**.

2. Most regions located in the **Southern and Eastern** parts of the Union, stretching from **Latvia, Eastern Slovakia, Hungary, Bulgaria and Romania to Greece, Italy, Spain and Portugal**, still appear in 2020 to be much **more exposed to the challenge of globalisation** despite, in some cases, they record a relatively good dynamic of the globalisation index between 2005 and 2020. This persistent vulnerability is predominantly due to the relatively **large share of low value added activities** in these regions and **weaknesses in workforce qualifications**, which may lead to difficulties in attracting investment and creating or maintaining jobs.

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A synthetic view

3. **No clear pattern** emerges in **Western** and **Central Europe**, where there are often strong **sub-national variations**. Some areas are expected to be in a **less favourable** position (e.g. some regions in the **North of Germany**) than others projected to achieve **higher levels** of productivity, employment and educational attainment (e.g. parts of **Austria, Germany, France**).

4. At the **sub-national level**, the analysis reveals that, in many Member States, regions with major urban centres and **metropolitan areas** should be relatively **well placed to respond** to the challenges linked **to globalisation** . These areas tend to benefit from a large share of highly educated residents, highly dynamic sectors and leading-edge economic activities. Yet, the concentration of economic activities in agglomerations **may also create negative externalities** (such as congestion, urban sprawl, drain on natural resources and ecosystem services) and may also lead to underutilised economic potential elsewhere.

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Globalisation and the EU regions

….THE END ☺

http://ec.europa.eu/regional_policy/sources/docoffic/working/regions2020