

**Northern Finland, Pyhätunturi, 29 February 2008**

"Peripherality and territorial cohesion"

Speech of Commissioner Danuta Hübner

Ladies and Gentlemen,

The issues that have been raised here today are very important and we truly need to be aware of Europe's role in a changing world. We're quite small, only 7% of world's population and I would think that furthering EU's integration is the best answer to many of the challenges brought on by globalisation. Indeed, internal borders matter little in this context.

We are in a diversified continent with huge disparities, certain regions are at 20% of EU GDP/capita, we have very sparsely populated areas with less than 1 person per km<sup>2</sup>. But my main message here is that all territories matter and we must mobilise all our potential to grow. Today, regions need to position themselves in the global world and, as you know, you can find an opportunity in every challenge even if it is clear that peripheral regions face even more extreme challenges than most other regions.

**Challenges of the peripheral areas**

Very often peripheral regions, such as Northern Finland, face challenges which are different and more extreme than those faced by central or metropolitan areas: sparse population, dispersed settlement structures, demographic challenges, long distances resulting in high transport costs and poor accessibility and high prices of different services, combined, often but luckily not always, with low rates of innovation and entrepreneurship. Taken together, these phenomena result in economic and social vulnerability.

Let me focus somewhat on the demographic challenges as I know that this is a particular concern for peripheral regions. To reach a competitive Europe we need educated people and a sound stock of human capital. In peripheral regions human capital is lost as young people migrate to study and to find better job opportunities elsewhere. Indeed, new businesses will evaluate the availability of a well educated workforce before investing into an area. In addition, the increasingly ageing population also place considerable stress on many basic service delivery systems reinforcing the dynamics of outwards migration as the area continues losing attractiveness. But again, this can present an opportunity e.g. the city of Essen has made it a business idea to attract elderly people to their area.

It is therefore essential for peripheral regions to switch from a brain drain towards a brain gain situation. How can you do this? It is not an easy task but, clearly, we need start with investment in human capital, build an environment in which entrepreneurship is strongly encouraged and also to increase the flexibility of the work force and lifelong learning for employees of all ages. I recently spoke to the Swedish PM and the story of how Sweden tries to keep the older generations in work, not to loose the experience, is a stimulating one.

High quality universities and higher education institutions can quite literally revitalise a region and attract young people from the outside. The key is to ensure that the universities and higher education institutions are truly integrated into the local business community. Indeed, if they facilitate the transition of people into the job market, they will help to retain those young people in the area, ensuring the future prosperity of the region.

The challenges I mentioned and the particular focus I put on demography are of course familiar to you. Unfortunately, these

challenges are making themselves painfully clear with Kemijärvi and the closing of the Stora Enso paper pulp mill. As it has been such an important employer in the Eastern Lapland area, its closure will directly or indirectly affect the lives of most people living there.

The Commission is of course ready to discuss with the Finnish authorities on how to best use **your programmes** to alleviate the repercussions through business support for new entrepreneurs; local and regional development activities offering new possibilities for employment, re-training and job placement services.

It is also encouraging to see how you have been able to alleviate some of these challenges including the ones more specific to the peripheral areas - accessibility, demography, dispersed settlements - with the help of cohesion policy support, ever since you obtained the objective 6 status in the 1995-99 period. Indeed, I sincerely think that Northern Finland can bring added value for the entire Europe and share its experiences with many regions, both peripheral and more central ones:

- by presenting innovative solutions and sharing good practices for the development and the service provision for example in the fields of e-health, e-learning, e-business, e-governance and new working methods;
- by providing natural winter testing platforms and know-how of arctic technology to the other parts of the Union
- by becoming a test-bed for new technologies as the technology use and technology maturity of the citizens is very high;

- by providing a gateway to the resourceful Barents Region (oil, gas, wood and minerals) and long tradition of cooperation with Russia;
- by providing a forest area necessary for the capture of CO<sub>2</sub> and for the development and exploitation of renewable energy resources to contribute to EU climate change agenda;

Indeed, you have shown that peripherality does not exclude the possibility of strong growth and innovativeness.

### **Lisbon Treaty and the territorial dimension**

Let me now spend a few moments reflecting on the future of European Cohesion policy and possible implications for peripheral regions. The Treaty of Lisbon, signed on 13 December 2007, includes territorial cohesion as the third dimension of cohesion policy and states that territorial cohesion will be a shared competence between the EU and the Member States. This has, of course, consequences also on Community policies:

1. First, I believe that the addition of territorial cohesion to the Treaty signifies a shift in the Union's political priorities. We now recognise explicitly, if we did not do so before, that "geography matters" and we have to give more consideration to questions of territorial balance.
2. Second, we need to reflect on the linkages between, on the one hand, specific geographic characteristics (e.g. islands, peripheral areas, sparsely populated areas). And, on the other, regional socio-economic dynamics (e.g. rural depopulation, urban

deprivation) which were up to now not explicitly recognised in the policy.

3. Third, it is increasingly evident that development processes need the mobilisation of a wide range of actors at different levels. I call this the development of systems of multi-level governance. Many of these actors (e.g. local authorities) are not well represented in the political dialogue at the level of the Union. The introduction of the territorial dimension in the Treaty strengthens and formalises this representation, particularly in the context of European cohesion policy.
4. Finally, synergies between policies. Each Community policy has its own logic and method of operation but it is crucial to reinforce coordination in the development of Community policies to avoid possible conflicts on the ground. Indeed, there is often only one delivery mechanism – the regions or you around this table! This is particularly important since the major part of our Community policies have an impact on the territories.

In short, we need an integrated approach (between territories but also between policies).

As you can see, the introduction of the territorial cohesion concept throws up quite a few fundamental questions. The Commission will publish in September 2008 the Commission Green Paper on territorial cohesion that I hope will shine some light on the issues and start off the debate on the concept and how to address it in our policy.

On this subject, I found the Finnish position paper on the future of the policy very useful.

*Ladies and gentlemen,*

In the 21st century, we cannot allow to have a European Union without territorial cohesion. Overcoming peripherality has positive implications for the economic and social well-being of all regions, not only the peripheral areas. Peripheral location of regions and cities will not change but what can change is the intra and interregional distance in terms of levels of development and prosperity. With the explicit inclusion of territorial cohesion to the objectives of the Treaty and the Green Paper on territorial cohesion, we are undoubtedly on the right track.

I encourage you to continue your active participation to the on-going discussions on the future of the EU and of the Cohesion policy. It is in all our interest to ensure that the EU and the Cohesion policy will in the future target those priorities where it can offer best added value and most effective results. Can I also ask you to be present in the debate on the EU level, indeed you have very much to offer and you're clearly an interesting partner for most other regions. I thank you for your attention.