

# The Future of European Cooperation in Spatial Development

Work package 3: Recommendations regarding the future of Interreg B  
Report 3.4: Influencing framework conditions on the future development of Interreg

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## Abstract

The European Union constantly faces considerable political, societal and economic changes that have a strong impact on the political decisions and administrative implementation of the European spatial development programmes in the context of the European Cohesion Policy. The new programming and continuation of Interreg 2020+ consequently not only depends on internal technical discussion within the European Institutions but also among the responsible stakeholders on national, regional and local level. This process has to be seen in a **wider, political and socioeconomic context**.

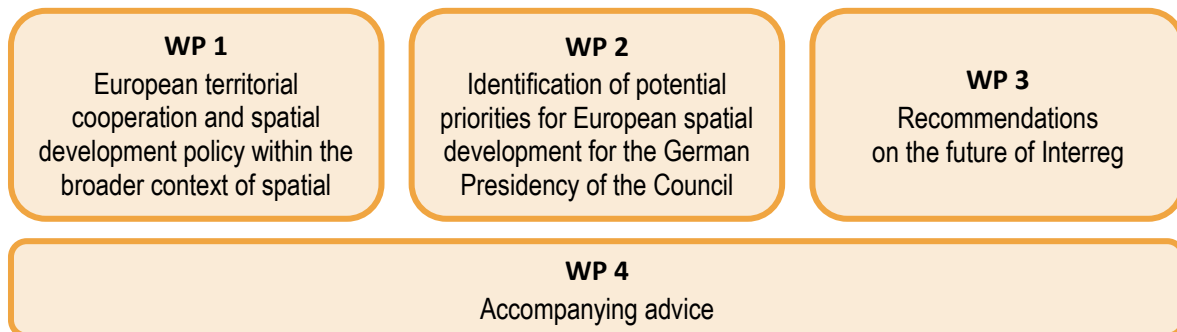
On the one hand, the European Union and its policy cycle of the EU Cohesion Policy provides governmental and administrative guidelines with a stable frame. On the other side, global long term trends, unforeseen political, societal and economic wild cards such as the establishment of protectionist governments, the withdrawal of EU member states from the EU and unforeseen economic crises bear many risk factors and provide obstacles for future implementation of transnational programmes and vice versa. Interreg with its cross-border, transnational and interregional dimensions provides particular potentials to tackle these challenges.

**Global long-term** trends show that the shift towards the digitalisation, upcoming new markets, environmental and climate challenges, new processes in the production of goods, demographic changes and an increasing flows of migration influence the European Union sector policy with a potentially diverging impact on single European regions in “winner” and “loser”. In order to ensure global competitiveness, economic and societal balance and territorial equivalence, Interreg has to take these trends into consideration and can provide the opportunity to break down sectoral policies in a spatial context in order to avoid a spatial lock-in of regional and local growth poles. **Political “wild cards”** such as Brexit, economic protectionism, and a European-wide increasing scepticism towards the EU, recently thwarted a continuing European integration process and force European governments to ask basic questions on the future shape of the European Union in general. In this context in particular transnational programmes are at risk if the common EU policy will be reduced to merely matters of internal market. In addition, the regular debate on the future of European structural policy and the negotiations on the layout of the future multiannual financial framework are ongoing and closely linked to a debate on the political development of the future of European cooperation. The **uncertain negotiations on the Brexit**, with a potential melting down of the common EU budget represent certain hampering risk for Interreg and the territorial layout of several programme areas. On the other hand, transnational programmes have the possibility to provide a flexible platform to continue to grow cooperation structures of stakeholder below national level, to further foster a transnational exchange and to contribute to a coherent implementation of EU policies.

# 1 Introduction and Structure of the Report

This report contributes to Work package 3 „Recommendations on the future of Interreg” of the project “Future of European cooperation on spatial development”, which is realised within the research programme “Demonstration Projects of Spatial Planning (MORO)”.

**Figure 1: Work packages of the MORO project on the "Future of European cooperation on spatial development"**



Work package 3 is composed of four components:

- LB 3.1: Development of transnational cooperation (Interreg B) since 1996
- LB 3.2: Evaluation of the revised orientation of transnational cooperation in the current programming period 2014-2020
- LB 3.3: Identification of the unique selling point (USP) of Interreg B compared to other EU-assisted programmes
- LB 3.4: Monitoring and analysis of current framework conditions on EU level, which might affect the design of future European cooperation

The present report (LB 3.4.) monitors and analyses the global and European political context, which influences the debate on the future development of Interreg – in particular the transnational programmes - beyond 2020. The aim is not only to name possible risk factors, obstacles and hampering factors for the future programme generation, but also to highlight potential fields, where transnational programmes provide a European added value to overcome these obstacles. The focus was however put on the central debate lines and central documents of the European Institutions that currently form the political and thematic debate on the future EU-Cohesion Policy including its European Territorial Cooperation goal. The report was written between May and October 2017 and consequently depicts the current state of political development of the European Union in autumn 2017.

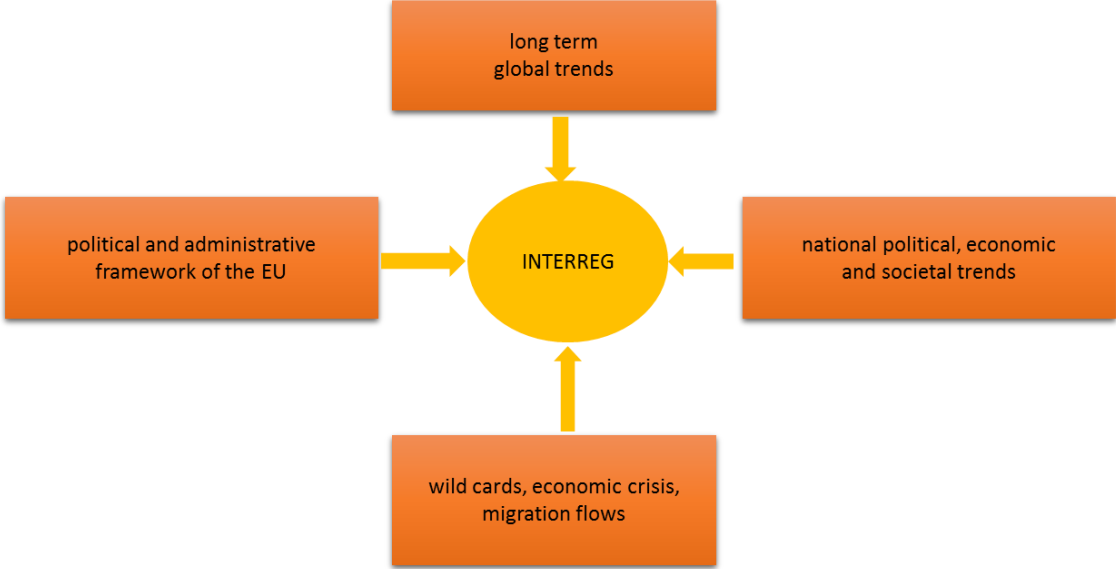
The report is structured in three parts. The first part depicts the situation of the European Union in a global context and shows different future trends that need to be taken into consideration, when setting future thematic priorities for the transnational programmes. In the second part, the report, analyses several wild cards and potential risk factors, such as Brexit, economic and financial crisis, migration flows, which have an impact on transnational cooperation programmes. And finally the report

summarizes the current political debate within the European Union starting with an analysis of different scenarios of the white book on the future of the European Union and related central documents as well as the subsequently issued reflection papers on globalisation and the future EU-finances.

The report concentrates on answering the following core questions:

1. What is the current role and position of the European Union in a global context? And what are the main global trends in societal and economic context and how can transnational programmes react to this scenarios?
2. What are currently the biggest political and socioeconomic wild cards that bear hampering risks for the implementation of a European transnational cooperation in the context of the EU Cohesion Policy?
3. What are the central documents and main political and thematic discussion lines debating the framework conditions for the upcoming EU funding period beyond 2020.

**Figure 2 depicts the structure of the analysed fields with an impact on the future development of Interreg**



## 2 Global Development – Global Trends

### 2.1 Europe’s changing role in the World

Globally speaking, the Member States of the European Union are currently the largest single market on the planet, a leading trading power and the most important drivers for research and innovation. This means that the EU is not only one of the most important economic zones, but also an important player in the field of foreign policy, security policy and as NATO partner. At the same time, through its economic strength and political stability, Europe is the destination area for global refugee and migration flows and, alongside the USA and China, one of the largest emitters of CO<sub>2</sub> emissions and thus under enormous environmental policy pressure.

Europe’s share of global GDP is shrinking

	2004	2015	
United States of America	28%	24%	↓
EU27	26%	22%	↓
Japan	11%	6%	↓
UK	5%	4%	↓
China	5%	15%	↑
Canada	2%	2%	→
Mexico	2%	2%	→
Brazil	<2%	2%	↑
India	<2%	3%	↑
Rest of the world	18%	21%	↑

Source: Eurostat and UN Statistical Division

Emerging markets will dominate the world’s top 10 economies in 2050 (GDP at PPPs)

	2016	2050	
China	1	1	China
US	2	2	India
India	3	3	US
Japan	4	4	Indonesia
Germany	5	5	Brazil
Russia	6	6	Russia
Brazil	7	7	Mexico
Indonesia	8	8	Japan
UK	9	9	Germany
France	10	10	UK

■ E7 economies ■ G7 economies

Sources: IMF for 2016 estimates, PwC analysis for projections to 2050

However, the role of Europe will change in many ways over the next ten years. The positive economic development of the BRIC countries, for example, led to a decline of the relative share of EU27 countries in global GDP, from 26% in 2004 to 22% in 2015. For the year 2030 a decline to well under 20% is predicted. In a recently published long-term forecast of PwC, of all European countries only Germany is expected to be among the top ten global economic powers by 2050<sup>1</sup>. In addition to the USA, China and India, it is mainly countries in Latin America (e.g. Mexico) or Indonesia, which will play an increasing role in the global economy. The euro, which is currently the second most important or used currency after the US dollar, is also likely to lose its position

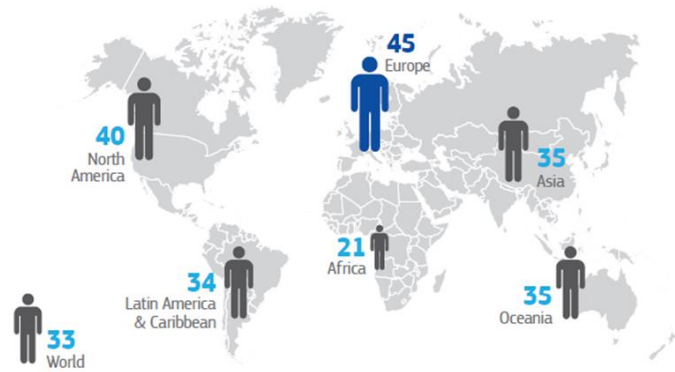
<sup>1</sup> PwC, The Long View, How will the global economic order change by 2050?

against the yuan (China). This development has a noticeable effect on the location factors, trade partnerships, as well as new trade and transport routes - be it raw material imports via the northern routes of the Antarctic or the (still more vague) silk road project of China.

Despite the political stability of the EU countries, global and regional conflict, wars and terror have increased in recent years. This is linked to a change in international relations with neighbouring countries such as Russia, Ukraine and Turkey, which makes a very necessary cross-border or trans-national cooperation considerably more difficult.

In addition to changing economic indicators, the changing composition of the European population is of enormous importance for economic and social cohesion within the EU. With an average age of 45 years, Europe will be the "oldest" region in the world in 2030. This development has a possible negative impact on macroeconomic factors. These include, for example, the difficulty to provide skilled personnel for companies and maintain their ability to innovate, tight pensions and social security systems, a decline in the overall workforce and GDP as well as a possible decrement of individual assets (regionally different gradient of poverty amongst the elderly). In addition to the macroeconomic factors, challenges such as the creation and the development of a demographic-resilient regional and local infrastructure and the long term provision and securing of public services become increasingly important.

**Europeans will be the oldest in the world by 2030**  
(median age by regions of the world)



Source: Rand Europe

## 2.2 Impact of globalization on the location factors in the EU

In May 2017, the European Commission published a reflection paper assessing the advantages and disadvantages of globalization in the European Union. In this context, the EU does not regard global interchanges as limited to trade relations and commodity flows, but increasingly linked to a knowledge-based, technological process as the driving force of globalization. A global world now belongs to the everyday life of European citizens. More and more people travel to other countries to work, study or for recreation.

The dimensions of the world market allow countries to produce at lower costs and to specialize in their specific strengths. International competition, global climate protection and international scientific cooperation strengthen creativity and innovation. Increasingly lower barriers of world trade have contributed to an increase in economic growth within the EU. However, the advantages of globalization do not benefit every population group and every region alike. Not everyone can adapt to this change

and competition in the same way. Worldwide many countries have become competitors of European countries due to lower wages, environmental standards or taxes. In the past, this kind of competitive advantage for companies has led to lowering wages and worsening working conditions, as well as to layoffs and factory closures in European companies. The unequal competition requirements are further accentuated by the continuing different standards in the fields of environment, employment and security amongst EU Member States.

**Figure 1 shows an overview on main changing trends of the globalisation**



Source: *Globalisation then and now, European Commission, McKinsey Global Institute, OECD*

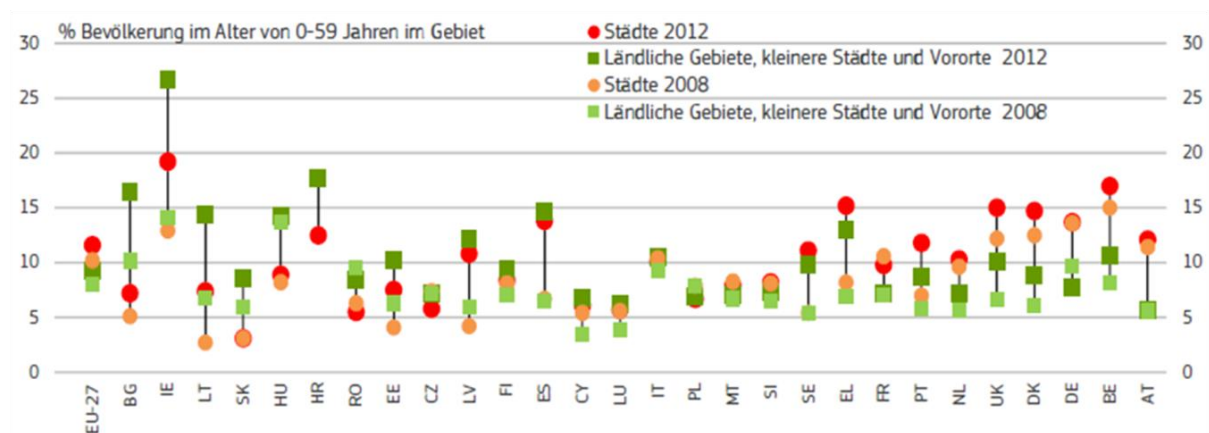
Legal migration has generally contributed to the economic upswing within the target countries and can provide the EU with skilled workers, who are currently in short supply on the labour market. However, it also poses threads when integration efforts and the expansion of local infrastructure cannot keep pace with immigration. This may result in tensions within the society. Increasing inequality and polarization are threads of globalization, which need to be addressed consequently. Even though the distribution of wealth amongst different groups of society is less distinctive in Europe than in other parts of the world, the richest percentage of the European population still owns 27 percent of all assets.<sup>2</sup>

<sup>2</sup> Julius Baer, Wealth Report Europe, September 2014.



The European comparison, however, reveals a gap between better developed and less developed regions in the indicators of employment rates, poverty and deprivation. For example, in more developed regions, territorial disparities are higher within cities themselves, while disparities between cities and rural areas play a much greater role in less developed regions.

### Share of population with low income households compared to degree of urbanisation, 2008 and 2012



Source: Eurostat Data

### 2.3 Change of the economy and society through digitalisation

The process of digitalization of society and economy is not anymore a future trend. It became reality and changed the socioeconomic structures of our society. This process will continue and progressively change all aspects of the daily life. New professions, participatory processes, industrial players, the increasing merging of formerly separated policy fields as well as the change of global value chains reveal, that this development will have a noticeable impact on the development potential of individual regions. This is, however, strongly dependent on the expansion of existing digital infrastructures.

The following examples highlight the described changes:

- *Transport / Logistics*: At the local and regional level, new forms of efficient mobility management, car sharing (also in rural areas), an acceleration of logistics chains in the delivery of goods by drones, intelligent route calculation in real-time and local intermediate suppliers will emerge. On a global scale, new raw material and logistics routes are gaining in importance (such as northern routes in the Arctic).
- *Energy*: The industry undergoes a fundamental change. New start-ups and the IT industry will be much more involved in decentralized and regional energy generation. Opportunities for regional based concepts for energy generation through renewable energy will arise. On the other side, a disruptive change for existing mining sites for fossil raw materials (e.g. brown coal mining in the Lausitz region in Germany) is ongoing and reinforced by new requirements of the "digital" customer.
- *Trade*: Growing importance of global online trading, the further internationalization of SMEs, freight transport and global logistics chains.

- *Society*: Fusion of global and local communication and participation processes, networking, increased exchange and knowledge transfer and global innovation processes, can on the other hand represent threats to social cohesion (e.g. unequal access and availability of knowledge and opportunities of digital technologies).
- *Demographic-resilient provision of public goods*: Provision of basic medical care by telemedicine as an opportunity for structurally weak regions.
- *Economy*: change in demand for labour and human capital. Due to increasing automatization in the manufacturing processes e.g. through 3D printing, the pay gap loses its importance as most relevant location factor. On the other side, the availability of data and the degree of interconnectedness are increasing. In certain sectors, production facilities could return to Europe from low-wage countries.

### **Global Development trends**

- The importance of the EU as a global force and influencer in the fields of politics and economy will steadily decrease over the next 10 years. The influence on global agreements will thus also decrease.
- The impact of the industry 4.0 is not yet foreseeable. Global competition will increase but as a result of this development positive scenarios also predict opportunities for regional location factors.
- The EU Energy Union's aim is to achieve the greatest possible self-sufficiency and independence from global energy suppliers. The energy transition will be accelerated through an advancing digitalization. Regional and decentralized models of energy production could become more important.
- Europe is under the influence of contradictory incentives between global crises, as well as foreclosure and protectionism on the one hand and open markets and trade opportunities on the other. The influx of migrants and refugees and their integration into society will remain challenging for a long period of time.
- The EU member states face a steady increase of the impact of the demographic change with all spatial, economic and societal implications.

### **Opportunities for Interreg:**

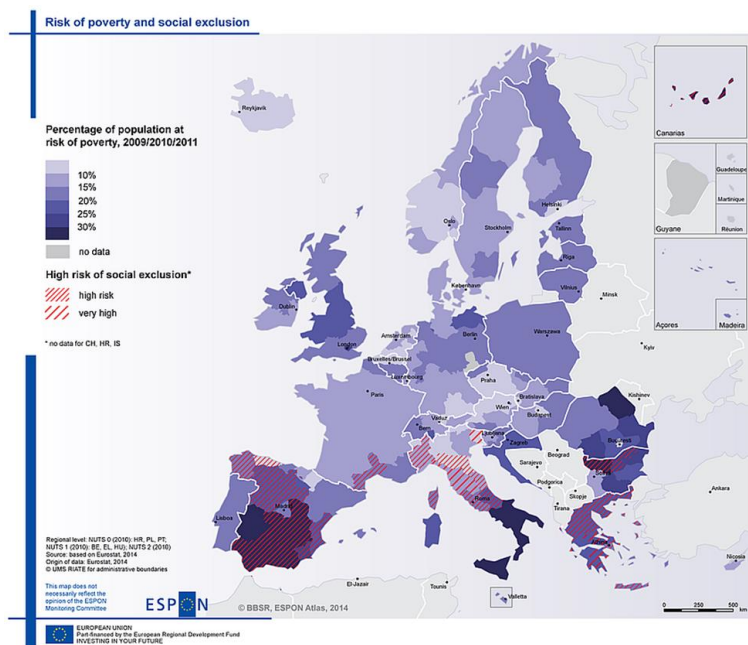
- The European Union its Cohesion Policy will continue to play an increasingly important role to mitigate the negative impact of globalization on European regions.
- The impact of globalization and digital revolution is reflected to varying degrees in all regions of Europe. The main risk factor is a unilateral development of spatially concentrated growth poles that can use the positive impacts of global economic trends on the one side and spatially concentrated development paths with a negative impact of the globalization on the other side. Interreg can thus play a complementary role in the process of a European cohesion and growth policy within the mainstream funding in supporting a spatial cohesion, not only through a transnational exchange, but in changing, adapting and interconnecting local and regional administrative structures.

- New trading routes and trading partners, new business models in energy generation and the logistics industry require an ever stronger and resilient network of local, regional and international partners, as fragmented structures are not competitive on the global market. Interreg can continue to provide an impetus for this network by merging relevant stakeholder in resilient cross-border and transnational networks.
- Continued climate change, the increasing structural gap between urban and rural areas, changes in mobility patterns, availability of data and the development of digital infrastructure have a strong territorial dimension and must continue to be addressed by Interreg. It has to be considered, whether the programs should be designed in a more efficient way, in order to respond not only to long term and permanent problems such as climate change and demography but also in a more flexible way to current and pressing problems as the economic crisis or upcoming migration waves.

### 3 Possible Obstacles and Wild Cards influencing the Transnational European Cooperation Programmes

#### 3.1 Growing scepticism towards the EU and protectionist attitudes

Scepticism and an increasing critical view towards the political and administrative cooperation of the EU determines the attitude of a high number of EU citizens in nearly all EU Member States. Although the latest Eurobarometer shows a slight average trend reversal, only half of the EU population trust the EU-Institution. In countries like Greece (only 27%) or Slovenia (32%), the share is much lower<sup>3</sup>. However motivation and quality differs from each country, be it the Brexit vote in the UK in 2016 or the establishment of EU critical parties in Poland and Hungary. The reasons therefore are manifold and differ from each member state. A raising opposition has developed already during the ratification process of the Maastricht and Lisbon treaty. The arguments ranged from the wish of keeping more national sovereignty, strengthening the principle of



<sup>3</sup> European Parliament (2017), Two years until 2019 European elections – Special Eurobarometer of the European Parliament.

subsidiarity, depicting deficits in democracy in the EU-legislative process to highlighting uncontrolled bureaucratic burdens.<sup>4</sup> The process intensified during the recent years by a complex set of factors. While in western and eastern European countries the fear towards growing and uncontrolled migration streams in 2015/2016 and the fear of cultural identity is predominant, the loss of economic stability and social insecurity in the aftermath of the economic and financial crisis in the years 2008 – 2010 marks particularly the fear of citizens in South-European countries.

The emergence and developments of the recent economic crisis show not only the strong transnational interdependencies of national states within global political and economic processes, but also among the EU member states themselves and divided people into those that profit from global trends and those that fear a loss of social security<sup>5</sup>. Despite many successful reforms (e.g. Euro-Stability Package) the EU is perceived by particular segments of the population more as origin than as a governance frame to solve those problems. ESPON showed already in November 2014 the spatial patterns on the risk of social insecurity. Statistically there is an urban-rural divide in those regions, where segments of the population is at risk of poverty and exclusion<sup>6</sup>. Although spatial remoteness is not automatically an indicator for poverty risks, the pattern is very clear if there is an overlap with other risk factors such as poor accessibility, structural economic problems and demographic change.

Deriving from these social uncertainties and risk of social exclusion a growing return to national sovereignty and protectionism can be drawn. There are overlapping patterns in the comparison of voters for Eurosceptic, nationalist and populist parties in Europe. For example, 55% of citizens of rural areas voted for the Brexit, the Austrian FPÖ party mobilized 2016 in particular in rural and less developed areas while the greens mobilized their voters in urban centres<sup>7</sup>. The Polish PiS party gained its major support in rural communities (48,6%), small towns (36%) and the agricultural sector (52,3%) as well as amongst the “working class” (45%)<sup>8</sup>.

Although the EU-Cohesion policy contributed since the year 2000 to reducing regional inequalities within and between EU member states by its spatial objective to establish equivalent living conditions for all EU-citizens, the process stagnated since the middle of 2007/2008. This was mainly a result of a catalysing divergence process in the course of the financial and economic crisis. Even the investment incentives of EU-structural funds, which boosted in some regions the regional recovery from the crisis, did not succeed to lift all regional GDPs to the pre-crisis level<sup>9</sup>. The economic disparities within countries are still dominant. The Lisbon process with its objectives to boost the EU globally towards the most dynamic, developed and competitive economy, marks a more liberal trend of economic development in

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<sup>4</sup> Emanuele, Vincenzo; Maggini, Nicola, Marino, Bruno (2016), also : Kuhn, Theresa; van Elsas Erika; Hakhverdian, Armen; van der Brug, Wouter (2016)

<sup>5</sup> Klein, Julia (2016), Europapopulismus – ein genuines Problem im europäischen Krisenkontext?, in: Integration 4/2016)

<sup>6</sup> ESPON (2014), Atlas, Mapping European Territorial Structures and Dynamics, see also, European Commission (2017), Seventh Report on economic, social and territorial cohesion.

<sup>7</sup> Mayr, Peter; Gattner, Gerald; Bundespräsidentenwahl – Das Stadt-Land Gefälle, in: Der Standard, 20. Mai 2016.

<sup>8</sup> Wojtasik, Waldemar (2016), Parlamentswahlen in Polen, Trends und Taktiken, in weiterdenken, Heinrich Böll Stiftung. <http://www.weiterdenken.de/de/2016/07/29/demokratie-auf-irrwegen-polen-unter-der-pis-regierung>

<sup>9</sup> ESPON (2014), ESPON Atlas - Mapping European Territorial Structures and Dynamics and also European Commission (2017), 7<sup>th</sup> report on economic and social and territorial cohesion.

favour of supporting economic growth poles rather than a spatial balance<sup>10</sup>. In the frame of the above-described spatial trends, however, EU-Cohesion policy (including ETC projects) bears a risk to lose the relation to parts of the population that are not in the position of taking advantage of global economic transformation processes and becomes an “elitist” project. At this interface, Interreg could establish itself much more as brand and instrument in the current running basic debate to support a territorial balance.

**Obstacles for future transnational cooperation programmes:**

- The above-mentioned recent developments with their peak in the Brexit-vote in June 2016 initiated a basic and contradictory discussion at all policy levels on the further EU-integration process. The direction of the discussion process, however depends on the rebalance of main diverging interest clusters on certain central policies among the Member States. The main diverging political gaps currently exists between northern and southern European countries (e.g. denial on strict austerity, added-value debate on common cohesion policy) on the one hand and western and eastern European countries (e.g. denial of a common migration policy) on the other hand.
- Although EU-sceptic and nationalist oriented parties have won gaining shares in the majority of national elections in 2017, the established governments in countries like Netherlands, France and Germany are expected to continue a stabilising EU-policy in the mid-term perspective. However, there are still risk factors with the upcoming elections in the Czech Republic and Italy on the fast negotiation on the future EU cohesion policy. The negotiations on the future MFF depend on the political discussion on a common sense policy for one of the future scenarios and common future policies of the EU and the upcoming legal acts of the future EU Cohesion Policy from 2021 onwards.
- Additionally, in spring 2017 emerged a debate to interconnect the payments from the cohesion funds with national internal infringements of basic principles of the constitutional laws, which are agreed on the Treaty of Lisbon (e.g. freedom of press, freedom of speech, division of powers). The German Ministry for Economics and Energy e.g. included in an official position paper on the future cohesion policy the proposal to further examine the possibility of mechanisms of a potential suspension of funding for member states with strong infringements of the EU Treaty: *“Darüber hinaus sollte geprüft werden, ob der Erhalt von EU-Kohäsionsmitteln auch an die Einhaltung von rechtstaatlichen Grundprinzipien geknüpft werden kann”*<sup>11</sup>. Until now it remains however unclear, if and to what extent potential suspensions from ESIF would also strike transnational programmes.

<sup>10</sup> Davoudi, Simin, (2016), Territorial Cohesion and the added Value of Territorial Cooperation.

<sup>11</sup> Bundesministerium für Wirtschaft und Energie (2017), Stellungnahme der Bundesregierung zur Kohäsionspolitik nach 2020, p. 6.

### ***Chances for transnational programmes***

- A **full cut of the EU Cohesion Policy** is due to the legal anchorage in the Treaty of Lisbon **very unrealistic** and the European added value of European Transnational Programmes (in particular the cross-border programmes) is recognised even by strong critics. Thus, the basic debate on the future orientation of the transnational programmes needs to be used to strengthen the transnational territorial dimension as unique selling point in comparison to research programmes and the mainstream funding. In particular with this territorial approach Interreg has a strong potential to contribute to narrow existing gaps by transferring knowledge, skills and institutionalised cooperation of stakeholders between highly competitive and innovative regions and less competitive areas in the European union.
- In particular Interreg with its transnational dimension, bears the biggest potential to **build institutionalised bridges** among cities and regions even with governing Eurosceptic parties at national level. A protectionist and Eurosceptic orientation at national level, does not automatically streamline with local and regional policies. Interreg provides the possibility for **common spatial policies on a subnational level (“Europe of the regions”)** and ensures the continuation of resilient grown cross-border and transnational stakeholder networks.

### 3.2 The possible exit of Member States and the implication for the Interreg Programmes – the Case of Brexit

The Treaty of Lisbon codifies with article 50 the legal regulation for EU-Member States for a withdrawal from the European Union. After the Brexit referendum in June 2016, this uneven case has now come true. However, the fear of a chain reaction, which still marked a thread at the beginning of 2017, was banned at least in a medium-term future due to the victory of candidates and parties advocating EU-friendly positions in the Netherlands and France. However, in a long-term view the possibility on a further exit deriving from different motivations remains in the future.

The United Kingdom thus created a precedent case, which still bears several uncertainties about the formal process, results and details of the exit negotiations, which clearly includes an impact on the future transnational cooperation programmes. The government of the United Kingdom officially submitted the proposal for its leave from the EU in March 2017. According to article 50 of the Treaty of Lisbon the exit has to be implemented until 29 March 2019. Applying treaties and new contracts as well as the further relationship between the UK and the EU must be renegotiated and agreed until this date. After the polls for the British House of Commons on 8 June 2017 however, the mandate for negotiations of the conservative government was weakened, so that further retardation in the ongoing negotiation process could be the case – which influences the entire programming and negotiation cycle of the EU-Cohesion Policy. Additionally unclear is the further process of a referendum in Scotland in case of a “hard Brexit”. On 29 April 2017 the European Council adopted guidelines that favour a clear withdrawal

without any particular covenants<sup>12</sup>. While a “hard Brexit” includes the full withdrawal from the EU with separate free trade agreements (similar to those with Canada), the “soft Brexit” solution would allow the UK to remain in the EU internal market and custom union and the UK would have further access to some EU-funding programmes <sup>13</sup>. In the latter case, the UK could even financially contribute to a certain extent to the EU household.

### ***Possible obstacles for transnational programmes***

- The leave of the UK from the EU causes a direct impact on the future shape of the transnational programmes with British participation and an **appreciable cut in the EU household** as the UK is the 4<sup>th</sup> biggest net-payer among the current EU-Member States. The leave of the UK thus leads to a future household deficit of approximately 11.5 billion € per year (in comparison: the annual EU-Budget is approximately 150 billion € per year). This means an expected melting of the overall EU-household from 2020 on. Cuts can be expected within all traditional budget lines like the Common Agricultural Policy or the European Cohesion Policy. To rebalance the gap by increasing financial resource of the remaining Member States is unlikely, as the EU-budget was even reduced in 2014-2020 in comparison to 2007-2013. The initiating debate on the future EU-Cohesion policy emphasizes to continue EU funding only for projects leading to a clear European benefits with a potential **reduction of the financial endowment for certain programmes**.
- The UK leave causes a statistical effect due to the withdrawal of the British NUTS-2 regions, so that the overall decrease of the average GDP in the European Union will be approximately 1-2%. Consequently, the **threshold for recipients of financial means in the NUTS-2 classification will change** and leads to an adapted alignment of the regional categories. Regions like e.g. Brandenburg will thus completely turn into the NUTS category for better-developed regions which effects changing **co-financing ability of applicants**.
- In the programming period 2014-2020, the UK receives 866 million € for the ETC and has been involved in 16 programmes, that cover all or parts of the UK. In particular common partners exist in countries like Belgium, France, Netherlands Germany, Ireland and Spain (see figure 1).

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<sup>12</sup> European Council, EUCO XT 2004/17.

<sup>13</sup> Hayward K. et al. (2016), Brexit and the Border, Managing the UK/Ireland Impact.

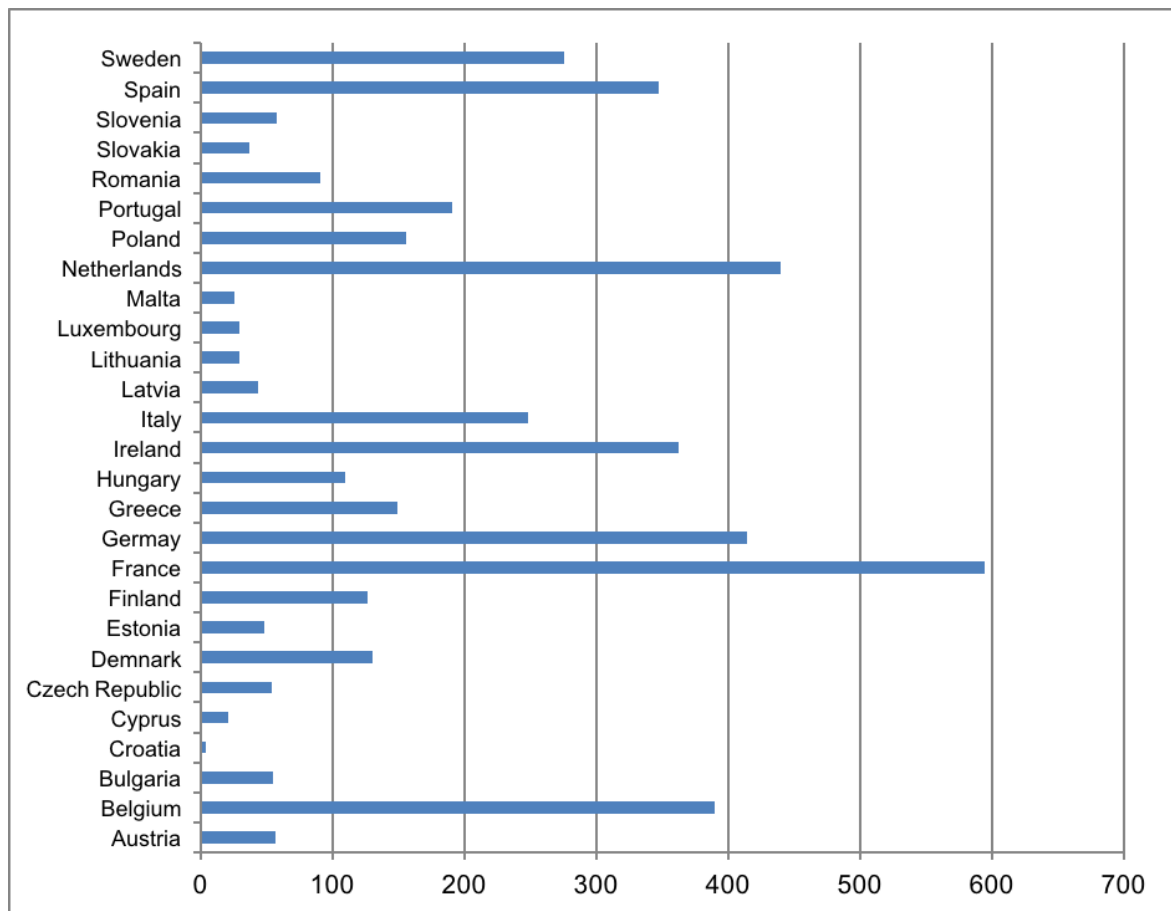


Figure 1: UK cooperation per country: number of projects with common partners, 2000-17, Source: Mc Master, 2017, Brexit and Interreg: Would the UK be missed, cohesify?

- The Brexit may result in the adaption of **geographically tailored programme areas**. Particular questions thus exist on the future for some cross-border and transnational programmes. In case of a complete withdrawal from EU funding **cross-border programmes** to Ireland or France would effectively end with a leave of the UK, which marks a **loss of high symbolic added value** in particular for Ireland.
- The UK contributes with large proportions of funding to the Northern Periphery and Arctic and North-Sea programmes. While the Brexit would have a lower impact on the continuation of interregional programmes like Interreg Europe, INTERACT, URBACT or ESPON, the continuance of these two transnational programmes with UK participation may lead to geographical and spatial adaptations. While the continuations of the programmes seems to be not questioned however, some **programmes' areas have to be adopted and are at risk to weaken their geographic coherence** <sup>14</sup>.

<sup>14</sup> McMaster, Irene, 2017, Brexit and Interreg:would the UK be missed?



### ***Potentials and chances for transnational programmes***

- Interreg is explicitly recognized (even by strong EU-critics) as a **programme with a high European added value**. This means a stronger position for the European Territorial Cooperation programmes during the upcoming negotiations even under the expected cuts for particular budget lines in scope of an overall melting of the comprehensive future EU-Budget.
- In case of a hard Brexit, the **transnational programmes might play a vital role to further allow cooperation projects between EU and British partners**. In particular the north-sea region programme could act as an important platform or a spatial bracket to foster common exchange projects and the continuation of existing stakeholder networks.
- The **further participation of UK partners** in transnational projects under the Brexit within the current funding period is already backed by the UK government decision (Statement by the UK Government from 13 August 2016), however it is more uncertain for the new funding period after 2020. The UK Treasurer was asked by the British regions to replace the existing 10,5 billion € from EU-Funds by national funding in August 2017 for the future. Under a **pragmatic view**, the UK could keep a door open to further **support the participation of UK partners in transnational programmes**. By a substitute of the grants through national co-financing even with a hard Brexit decision, a departure of UK partners from the ETC programmes is not automatically noteworthy. The ETC programmes already have strong **third-country participation** as it is the case for Norway or Switzerland.
- In some circumstances, the leaving of the UK from the ETC programmes however could lead to an **acceleration of programme or project implementation**. As Irene McMaster stated in her 2017 report: *“In some cases where the UK disagreement from the programmes is less keenly felt. For example, within programmes, projects and programme areas relationships have at times been challenging, with the UK in particular pushing for cuts and savings budgets, or pushing for particular emphasis in projects. At the same time, there has been a sense that in, in some cases, there has been weak commitment so some programmes and to INTERREG more generally”* (McMaster, Irene, 2017)<sup>15</sup>.

### 3.3 Territorial long-term effects by the financial and economic crisis

The financial and economic crisis of the years 2008/2009 as well as the related crisis of the Eurozone with its strong socioeconomic challenges set the EU integration process under a severe test. One of the main reasons for the problems occurred in the Eurozone was the insufficient implementation of the regulations set in the stability and growth pact<sup>15</sup>. With the establishment of new stability and control mechanism like the Euro rescue package, the European Semester on the monitoring the implementation of the EU 2020 objectives, or the European Banking Union the confidence regained towards a financial stability in the Eurozone. Spatially, no clear patterns can be drawn from the financial

<sup>15</sup> AEUV, art. 126 and protocol N 12 on the procedure of a deficit.

and economic crisis where it displayed its strongest impacts. However the negative effects on the economic competitiveness of the member states and the individual life standard of EU citizens were limited with the help of the EU-Structural Funds, as for some regions they remained one of the most important investment tools. Many regions have regained the economic stability comparing to the pre-crisis reference level.<sup>16</sup> However, the seventh report on the economic, social and territorial cohesion stated a gap between the highly competitive regions and the less developed regions. In particular the regions with GDP per capita above the EU average have grown faster than the less developed regions. Also the unemployment rates vary markedly across the EU.<sup>17</sup>

Consequently, in its speech on the state of the European Union from 13 September 2017, the president of the European Commission, Jean Claude Juncker stated, that on 6 December 2017, the European Commission will propose to transform the European Stability Mechanism into a European Monetary Fund, anchored in the framework of the Union law, on the basis of Article 352 TFEU and the creation of a dedicated euro area budget line within the EU budget. Among others, it should act to assist for structural reforms in the member states<sup>18</sup>.

#### **Obstacles for Interreg projects and programmes**

- Despite a trend towards a positive performance and a decreasing unemployment rate in countries like Spain and Portugal, a certain risks of a regaining monetary imbalance in the Eurozone will remain for countries like Greece or Italy due the still high national debts as well as the low economic performance.
- Reform pressure and efforts to reduce the national trade deficits have an impact on the co-financing ability of potential applicants when e.g. cutting households.

#### **Chances for Interreg projects and programmes**

- In conjunction with the European Semester, the European Cohesion with its macroeconomic conditionalities became a basic instrument of the Union to stabilize the economic and monetary pact. Complementary to the ERDF mainstream funding the transnational programmes can play a role as a further stimulation instrument to pave the preparations for regional investments. By knowledge transfer, the adjustment of basic governance and administrative structures responsible for regional development policies or the establishment of local and regional resilient financing and lending structures.

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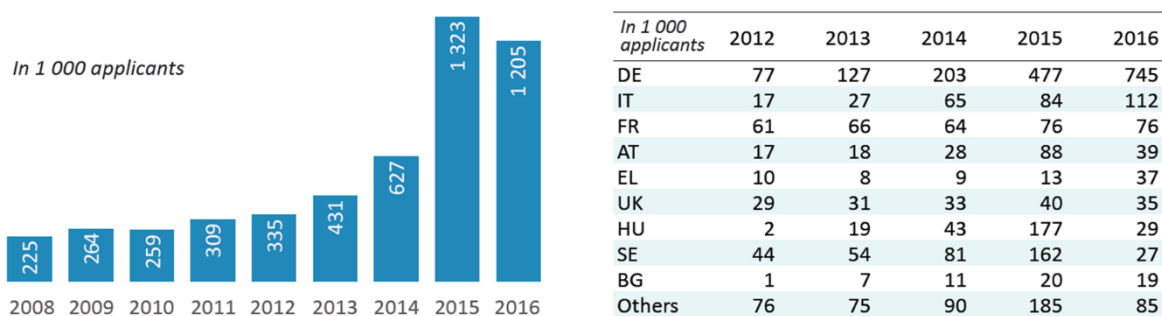
<sup>16</sup> European Commission (2016), Ex post Evaluation EU Cohesion Policy 2007 - 2013.

<sup>17</sup> European Commission (2017), Seventh report on the economic, social and territorial cohesion.

<sup>18</sup> European Commission (2017); President Juncker's State of the Union Address 2017, Proposals for the future of Europe that can be implemented on the basis of the Lisbon Treaty.

### 3.4 Migration flows

Deriving from an increasing political destabilization and warfare in Syria, Iraq, Afghanistan and Yemen as well as long term economic distress for people in north and central African states, the number of net flows of economic migrants and asylum seeker towards the EU has escalated in the years 2015 and 2016.



bar chart and table shows the number of asylum applicants in the EU, source: Eurostat, European Parliament, 2/2017

Consequently, basic European treaties like the border codex of Schengen and regulations on responsibilities of EU member states for the implementation of granting the right of asylum were interrupted in many cases. The crisis let to several political frictions among EU member states on possible solutions to tackle the migration flows in a human and responsible manner. While on the one hand the migration flows arouses a wave of solidarity among EU citizens and numerous support projects in the domains of housing, integration and education where initiated. On the other hand, it increased societal debate on the orientation of EU asylum and migration policy and let to an enforcement of national conservative and Eurosceptic tendencies.

#### Obstacles for the future Interreg projects and programmes

- The uncontrolled transfer of migrants within and between EU countries in 2015/2016 limited temporarily the Schengen treaties. The reintroducing of border controls hampered the free mobility of persons and goods and cross-border services and projects. However, it will not turn into serious long-term obstacles for the future implementation of transnational cooperation programs as the limitation of Schengen and border controls are mostly revoked.
- The cooperation and relations between eastern and western European member states temporarily cooled down and the distinguished view and different implementation of migration policy of the Visegrad countries can lead to a differentiation in the thematic agenda setting of the future cohesion policy in the single countries.
- The increase of border controls and inner security will probably mark a high share in the future Multiannual Financial Framework, provoking a cut in other budget lines.

#### Chances for Interreg projects and programmes:

- The integration of migrants is going to be a long term policy priority of the European Union. It

is already mentioned as a central challenge for the European Union in the future<sup>19</sup>. Several actions by the ETC programmes can help to address the migrant flows by fostering institutional and administrative cooperation between EU and non-EU countries or the funding of inclusion projects to promote the integration of migrants into the labour-market (e.g. on the exchange and drafting of local and regional integration guidelines).

## 4 Basic discussion process on the future European Union

### 4.1 The White paper on the future of Europe

In the Beginning of 2017, the European Integration Process seemed to be stumbled with different blocks between Eastern European and Western European Countries as well as the Southern European Countries. Hence, the European Commission launched a white paper on 1 March 2017 to set out possible paths for the future of Europe. The **white paper includes five possible scenarios** ranging from a limited cooperation to much more cooperation among the EU-countries. The process will be closed until the elections of the next European Parliament in June 2019 and is accompanied by several additional working documents on the social dimension of Europe, the globalization, a common defence policy and the future of EU finances.

The white paper started a **political process** and is interdependent from the outcomes of different national elections and the discourse among the EU Member States. With the elections in France, Netherlands and Germany

pro-European forces stabilized the future integration process of the European Union in the second half of 2017. Within his annual speech on the “State of the Union” on 13 September 2017, Jean Claude Juncker outlined a vision for the future of the EU, and opened a further scenario comprising the widening of the Eurozone, the establishment of a European finance minister and the enhancement of the EU-budget in May 2018.<sup>20</sup>

Although, the general discourse on the future of the European Union is much more positive in the second half of 2017 than in the beginning of 2017, some uncertainties may arise from the upcoming elections in the Czech Republic (21 October) and in Italy (until May 2018), as in both countries euro-critical forces has relevant shares in the national party system. Further political uncertainties, with an



<sup>19</sup> European Commission (2017), Seventh Report on economic, social and territorial cohesion.

<sup>20</sup> Juncker, Jean Claude (2017), Speech 17/3165, President Juncker's State of the Union address 2017.

impact on the discourse of the white paper process may arise from the slightly weakened position of German Chancellor Angela Merkel in case of a complex coalition set-up.

The following analyses of the five different scenarios drafted in the white paper tries to outline the impact of the territorial development and its impact on the future discussion on Interreg<sup>21</sup>.

5 Scenarios	Description	Territorial Impact / Impact on Interreg
Carrying on	Further implementation of the EU reform agenda. New legislative acts are further decreed and new priorities are regularly be agreed on. The further focus is on growth, jobs and investments, strengthening the European internal market as well as investments for digital and energy infrastructure and modernization of the European state aid (90% remain in national responsibility). The white paper explicitly mentions as thematic priorities the clean energy consumption, high quality broadband infrastructure for urban and rural areas.	No major changes for EU Cohesions Policy mentioned, which <b>securely includes an implementation of the ETC programmes</b> . However, existing difficulties for a common problem solving on EU level and implementation of common policies might remain the same. Territorial disparities might remain the same.
Nothing but the single market	Merely concentration on particular aspects of the internal markets leading to increased intergovernmental relations on bi- or multilateral agreements between EU member states. Tremendous change of EU-budget negotiation, which can be reduced to the basic functions of the internal market.	ETC programmes that are not part of the basic internal market have to be agreed and <b>renegotiated on bi- or multilateral contracts</b> . Risk of strong territorial imbalances due to competitive advantageous for countries with high competitive industries and countries with low environmental and social standards.
Those who want more do more	Cooperation among different member states towards one or more coalitions of compliants. Suitable can be different cooperations on e.g. social- or tax- policies. Consequently different standards or policies apply for different countries.	Differentiating of member states in political core and peripheral regions. Within a <b>core area a much closer cooperation e.g. also in territorial cooperation could be the case</b> . However, peripheral countries could lose the ties to common standards or programmes. Scenario <b>could risk obstacles to further participate in ETC Programmes for some countries</b> .
Doing less more efficiently	Focus on limited resources on a reduced number of areas – mainly the Single Market. EU would act quicker on commonly agreed issues. However, regional policy is seen as domain with low added-value in the white paper.	No or limited continuation of the EU-cohesion policy would question also to which extent ETC programmes can further act.
Doing much more together	This scenario drafts a much greater share of power in all domains to fasten the decision making process on EU level-.	No obstacles for a much stronger continuation of ETC programmes and common spatial development policies are possible.

Source: own table

<sup>21</sup> Oriented at: Böhme, Kai; Toptsidou, Maria (2017), The future of Europe. And its territories? A response to the EC white paper on the future of Europe.

## 4.2 The “Reflection Paper on the future EU-finances”

Within the white paper process the European Commission issued further reflection papers including different aspects of the future development of the European Union:

- **The social dimension of Europe (26 April 2017):** This reflection paper introduces the establishment of a social dimension within the European policy and explains the legal foundations and possible steps of implementation for the EU Member States. The recommendation include 20 principles of a social Europe (e.g. the right of access for public services)<sup>22</sup>.
- **Reflection Paper on Harnessing the Globalisation (10 May 2017):** The reflection paper explains the development of the European Union in a global context. It discusses the strengths and weaknesses as well as available instruments to tackle to challenges on social and economic standards in the Europe (see chapter 1 of this paper)<sup>23</sup>.

On 28 June 2017, the European Commission published a further reflection paper about the possible new structure of the Multi-Annual Financial Framework (MFF)<sup>24</sup>. The paper is the last of the five discussion papers, to stimulate the debate within the white book process on the future of the EU. Consequently, the paper has no legal character but draws different scenarios on possible new adaptations and constructions of the EU-budget following the leaving of the UK. In comparison to the first scenarios from the white paper, this reflection paper reveals a much more positive prevailing mood, after taking into account the currently changing wind of the last political polls emphasizing a pro-European willingness among the member states. Hence, a completely withdrawal from the cohesion policy programmes is not mentioned anymore in the paper and in particular cross-border and transnational infrastructure projects are clearly highlighted with an European added value.

The paper mentions as common trends for the next decades the **digital revolution and globalization, demographic change and social cohesion, economic convergence and climate change**. However, the latest geopolitical developments within and outside the EU asks for new fields of actions which has to be taken into consideration within the future budget debate. The paper therefore mentions **migration management, external border control and defence policy as well as stability for partner countries but also stronger stability mechanisms to avoid asymmetric development challenges** within the EU. Within the EU Cohesion Policy the paper calls for reformations in the current policy implementation in particular for:

- more flexibility within the EU-Cohesions Policy to better react on unforeseen developments (e.g. immediate increasing migration flows)
- much faster implementation of the EU Cohesion Policy .
- increase of national co-financing rates and for better developed regions the access to the funds is even questioned.

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<sup>22</sup> Vgl. European Commission (2017), Reflection Paper on the Social Dimension of Europe.

<sup>23</sup> Vgl. European Commission (2017), Reflection Paper on Harnessing the Globalisation.

<sup>24</sup> Vgl. European Commission (2017), Reflection Paper on the Future of EU-Finances.

- capacity building for a better implementation by a better coordination of funds and closer involvement of the EU-Commission.

Different scenarios in the Reflection Paper on the Paper on the future of EU Finances from June 2017:

Scenario	Description in the white paper	Implication for Interreg
Carrying on	Investments for all regions at a lower-lever, higher levels of national co-financing and use of financial instruments and stronger focus on social inclusion, employment, skills, innovation, climate change, energy and environmental transition.	No major changes on EU cohesions policy mentioned, which <b>securely includes an implementation of the ETC programmes</b> , however with a risk on diminishing impact due to a smaller budget.
Doing less together	Support only for cohesion countries and cross-border cooperation. Focus exclusively on social inclusion, employment, skills, innovation, climate change, energy and environmental transition	Although, cross-border programmes always mentioned with a high European added value, transnational programmes could be limited.
Some do more	See scenario "carrying on"	Risk for limited participation of some countries not belonging to core areas, however, ETC programmes have the potential to strengthen the economic and thematic cohesion among different countries by potentially keeping the ability for further cooperation projects as a <b>bracket function</b> .
Radical redesign	Support only to poorer regions and cross border cooperation, focus exclusively on social inclusion, employment, skills, innovation, climate change, energy and environmental transition	Limitations for the program volume, although cross-border programmes are explicitly mentioned, risk remains to reduce the transnational programmes.
Doing much more together	Reinforced social, territorial cooperation and urban dimension	<b>Extension of ETC programmes</b> in all aspects

Source: own table

Having mentioned the main domains for a future EU-budget, the reflection paper provides some details of structural changes of the future MFF. The first one, which **clearly affects the implementation of the ETC programmes is a readjustment of the duration of the financial framework**. The paper therefore provides three different options with pros and cons on the continuation on the timeframe:

Scenario	Explanation	Possible impact on ETC
<b>7 years (2021 – 2027)</b>	Keep the same timeframe	Programming cycle for the transnational programmes remain the same with long planning horizon, however with a lower thematic flexibility to react on changing or ad-hoc challenges
<b>5 years (2021 – 2025)</b>	Align to the mandate period of the European Parliament and the European Commission to strengthen the democratic debate on the EU-Budget spending. EU-Member States are reluctant to shorten the period in order to keep the predictability of	Lower predictability of financing, however strikes more mainstream ESIF-investment and cross-border programmes than transnational or interregional programmes. However, a shorter duration of the programmes calls for a much faster and flexible

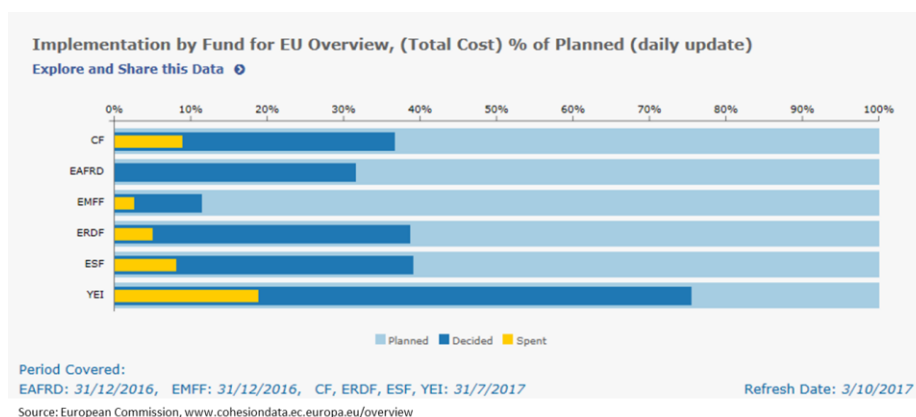
	finances for long-term investments.	implementation of project calls and administrative processing. More flexibility and faster programme implementation however could be more attractive to applicants than a long-lasting and unwieldy programme execution.
<b>5 + 5 years (2021 – 2031)</b>	The 5+5 cycle with an obligatory mid-term revision in order to adjust the financial framework to new priorities. Such a long duration might create strong disincentives to agree on any wider changes at mid-term compared to the actual basis.	This option demands a legal setting for at least 10 years until 2031 – which however, bears the risk of high inflexibility.

Source: own table

The further debate on the future EU-Budget is now depending on the political debate on the future of the European integration process. Although pro-European forces are in upwind, and president Juncker even opened the theoretic possibility in his speech on the state of the Union from 13 September 2017, there are two further issues taking a risk:

The former Director General of the DG for Regional Policy and Urban Development, Dr Walter Deffaa pointed out, that the weak solidarity performance in implementing the distribution and reallocation agreement for refugees in the European Union, might weaken the argumentation to sustain the EU-Cohesion Policy as a common solidarity policy among European countries<sup>25</sup>. This can be seen as a crucial argument supporting cohesion policy critics among EU-member states and might weaken the argumentation towards a stable budget allocation for the future cohesion policy. After a two years period, which ended on 26 September 2017, merely less than 28.000 eligible people from a total amount of agreed 160.000 refugees, were reallocated to other EU countries<sup>26</sup>.

A second risk factor is the still a weak absorption of indicated cohesion funds for the EU-funding period 2014-2020, which sets the DG REGIO currently under pressure. Until now,



<sup>25</sup> Dr. Walter Deffaa, during a public conference speech, on the future of the EU-Cohesion Policy on 14 September 2017 in Luckenwalde (Germany).

<sup>26</sup> See: European Commission (2017), 15ths report on reallocation and resettlement, COM (2017/465 final) from 6 September 2017.



only 5% (*by date of 3 October 2017*) of the indicated amount of entire cohesion funds are spent for indicated programmes and projects. This fact could also weaken the argumentation position, when negotiating the budget lines for the next EU-budget.

## 5 Overview on the running debate on the future EU-Cohesion Policy and Outlook

The orientation debate on the future EU cohesion policy slightly started in late 2016 with a multitude of national and regional position papers, statements and reports drafted by the European Parliament, Member States, Regions, Associations (like Eurocities, CEMR, CPMR) Committee of the Regions and further stakeholders as well as the European Council taking the transnational programmes into account. The renewal of a EU2020 Strategy is currently not central part of the discussion, so that central documents currently remain the reflection papers of the European Commission and the Seventh Cohesion Report, which was issued on 9 October 2017. The most important upcoming future framework documents are the Multi-Annual financial Framework, which is forecasted for April 2018, the new EU-structural funds regulation is expected for summer 2018.

### *Statements from the European Parliament*

The European Parliament already set some pillars with positions for the future EU Cohesion Policy on 25 May 2017. The rapporteur was the German MEP Kerstin Westphal<sup>27</sup>. The European Parliament agreed on a basic European added value of the European Territorial Cooperation. The EU cohesion policy is seen as a valuable tool in the promotion of territorial cooperation and will be urgently necessary policy to diminish the social economic and territorial divergences between and within EU-Member States. Increasing constraints on both the EU and the national budgets and the consequences of the Brexit should not weaken the EU cohesion policy. Pros and Cons of the further participation of the UK in European Territorial Cooperation Programmes should be reflected. The Parliament therefore emphasises, that the ETC programmes encourage solidarity between EU regions, their neighbours and facilitate the exchange of experience and transfer of good practices, however the current **ETC budget does not match the challenges Interreg Programmes** are facing nor, does it effectively support cross-border cooperation and calls therefore on a substantially increased budget for the ETC programmes. Furthermore the parliament emphasises in its report the need for a stronger link between cohesion policy and economic governance processes in the European Semester with a greater recognition of the territorial dimension.

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<sup>27</sup> European Parliament (2017), P8\_TA-PROV (2017)0254 – Building blocks for a post-2020 EU Cohesion Policy.

### *Council conclusions on the future of EU-Cohesion Policy*

On 25 April 2017 the council for General Affairs issued its conclusions<sup>28</sup> on the future of the EU cohesion policy. The council emphasised the necessary continuation of EU cohesion policy also beyond 2020. Following the conclusion, the EU cohesion policy contributed tremendously to reduce the negative impact of the economic and financial crisis for EU citizens by catalysing structural reforms and the improvement of the investment situation. The council thus asked the Member States and European Commission to better communicate the positive impact towards the EU citizens.

### *Council conclusions on Macro-regional Strategies*

In the same course, the council formation on General Affairs laid down its conclusions on the further implementation and continuation of the macro regional strategies in the EU. The council verified the basic principles of the macro regional strategies, whereupon the establishment of macro regional strategies are combined neither with new legal provisions and additional funding, nor with new formal structures on EU level. The council emphasised however, that the political decision making structures are established on a solid basis. In order to increase their effectiveness, the responsible stakeholder should obtain more formal competences and the responsible ministries in line should obtain more direct responsibility. The council conclusions also stresses a better streamline of the priorities with the ESI-Funds and reiterates, that a relevant European territorial cooperation programme can financially support a macro-regional strategy, if the programme covers all or a part of a strategy, and considered, that the links between relevant European territorial cooperation programmes and macro-regional strategies should be further strengthened.<sup>29</sup>

### *Seventh Cohesion Report*

The seventh cohesion report<sup>30</sup> was issued on 9 September 2017. According to article 175 TFEU the European Commission has to deliver a report on the progress of the economic, social and territorial cohesion and the contribution of the EU structural funds to reach the objectives. The report generally sees a trend that the regional disparities are narrowing again since the financial and economic crisis. The regions in eastern Member States have converged to the EU average, but Greek and Italian regions are still substantially diverged.

The report already provided a first thematic view into the new cohesion policy cycle for 2021 – 2027. The main focus will remain on less developed and border regions. But also areas that undergo industrial transition, rural areas, the outermost regions, areas of high unemployment and deprived urban areas. Although the question is still open and was posed in the reflection paper on EU finance, the EU-cohesion policy will most probably cover the whole area of Europe also beyond 2020. The argumentation depends on the highest European added – value that the projects can generate.

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<sup>28</sup> European Council on General Affairs, Conclusions 8307/17 of 25 April 2017.

<sup>29</sup> European Council on General Affairs, Conclusions, 8307/17 of 25 April 2017.

<sup>30</sup> European Commission (2017), Seventh report on economic, social and territorial cohesion.

For better developed regions, the European Commission considered to use the EU structural funds in particular to attenuate the impact of the globalisation to local and regional development paths, to combat the climate change, to support the energy transition and to limit pollution. As main investment priorities for the next funding period, the report included social inclusion, employment, skills, innovation, energy transition as well as solving cross-border problems such as gaps and missing links in different policy fields, including transport. Furthermore, the European Commission sets a strong link to the COP21 agreement as well as the UN Sustainable Development Goals.

## 6 Findings and Conclusions

The report summarises the current political and socioeconomic developments within Europe as well as central topics and documents within the future discussion of the European Cohesion Policy and the multi-annual financial framework with the impacts and obstacles for the further development of Interreg. The political process in Europe is in a constant flow, thus conclusions and the summarising state of the art is October 2017. On the three main fields - political development, wild cards and global socioeconomic developments - the following conclusions can be drawn:

### *Global and socioeconomic trends:*

- The member states of the European Union currently form one of the **most economically powerful and politically stable region worldwide**. However, in a long term perspective, the share of the global GDP is about to shrink. Current trends show a slow shift in the ranking of the biggest economies towards countries like China and countries of South-East Asia. A serious challenge (across nearly all EU countries) is the **demographic change**. In the global average, the EU will be one of the oldest regions in the world.
- However, new economic and socioeconomic developments like the Industry 4.0 or the digitalisation of the economy and the society have an impact on the future location factors for the settlement of producing industries, as due to the development in the automatization, labour costs will lose its weight in favour of innovation capability and labour skills. This effect bears however the risk, to further **split Europe in highly innovative regions that can use the positive effects of the globalisation and regions that cannot keep with these trends**. As the seventh cohesion report stressed, innovation might remain spatially concentrated.
- In the frame of this global megatrends, where each of them has a clear spatial impact, there is a risk to accelerate an evolving gap between regional “successors” and regional “underdogs”. Interreg can play a complementary supporting role for the ESIF mainstream funding on spatial cohesion, not only by a transnational exchange, but in **changing, adapting and interconnecting local and regional administrative structures and merging relevant stakeholders in a cross-border and transnational manner**. However, with a too strong focus on highly innovative projects, there is the risk that Interreg projects gather in regions with higher innovative potential and manifest evolving spatial innovation islands.

### *Political and societal wild cards*

- The current discussion on the future cooperation and integration process among the EU member states showed in the first half of 2017 a serious crisis and the white book of the European Commission opened possible scenarios including a limitation of the European Union on internal markets. This trend seemed to have a reverse in 2017 and the continuation of the European integration process is not generally questioned anymore. However, given the fact, scepticism among EU citizens is still high and some countries suffer from an economic instability, upcoming elections in e.g. Italy in 2018 might depict a risk factor.
- The above-mentioned recent developments with its peak of the Brexit-vote in June 2016 initiated a basic and contradictory discussion at all policy levels on the further EU-integration process. A basic discussion process, however depends on the rebalance of main diverging interest cluster on certain central policies among the Member States. The main diverging political gaps currently exists between northern and southern European countries (e.g. denial on strict austerity, added-value debate on common cohesion policy) on the one hand and western and eastern European countries (e.g. denial of a common migration policy). In particular Interreg with its transnational dimension, bears the biggest potential to **build institutionalised bridges** among cities and regions even with governing Eurosceptic parties at national level or with a hard Brexit. A protectionist and Eurosceptic orientation at national level does not automatically streamline with local and regional policies. Interreg provides the possibility for **common spatial policies on a subnational level (“Europe of the regions”)**.

### *Future discussion on the EU-cohesion policy:*

- The **Brexit itself, will most probably have no drastic influence on the continuation of Interreg beyond 2020** besides a symbolic value and a possible adaption of geographic programme areas. The cooperation with partners from the UK can be continued via third country agreements.
- However the Brexit with its long lasting negotiations bears several uncertainties and might **thwart an accelerated process on the discussion of the future EU Cohesion Policy**, due to the fact that a political agreement on the common future of Europe was mentioned as precondition before the reveal of the multi-annual financial framework.
- The debate on the new financial framework strongly depends on the European added value of already running EU policy and programmes. The latest adopted documents from the European Council, the European Commission and the European Parliament commonly support the **continuation of the European Policy cycle in particular for the transnational programmes**.
- The further development of a post **EU 2020 strategy is still in process**. Thematically central discussions on the future thematic priorities are concentrated in the white paper process including the reflection papers on the future EU finance and the impact of globalisation as well as the seventh cohesion report. The expected priority themes that will be relevant for the future frame of the Interreg programmes include social themes like social inclusion employment, skills but also innovation and climate change, energy and environmental transition.

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