After the global economic crisis: policy implications for the future of the European territory

Klaus R. Kunzmann

1 The global financial and economic crisis: not over yet!

Between 2008 and 2010 Europe was seriously hit by the tremendous repercussions of the global financial crisis. Whether the crisis is already over, or still affecting European, as well as local, regional and national economies in the decade ahead, is an open question. The first weak signs of recovery are appearing, though there are signs, too, that the real spatial implications at local and regional levels remain as yet unknown. The power of financial speculators, targeting countries and currencies is not yet broken or tamed. European governments and financial institutions are still struggling to find appropriate policies and strategies to control the powerful global financial system, manipulated by a small creative community of players. National and regional governments have been supporting their banks and industries in order to avoid the total breakdown of their national, regional and local economies. The more the banks were integrated into the financial global system, and the more regional industries were dependant on banking services, the more they suffered from the crisis and the implications of declining markets, caused by the crisis. Public sector investments in the future were temporarily suspended to avoid excessive debts, and many enterprises in the private sector have been unable to convince the banks to give them new loans. Local and regional economies have become stagnated and unemployment figures have reached new heights in many countries.

At present there is no clear evidence–based overview of which cities and regions in the countries of the European Union were hit, why and to which extent, and which regions will continue to be affected by the financial turmoil. Obviously, there is much media coverage on single narratives, how the crisis has hit local and regional economies, and how the people living in cities and regions were affected by the multiple implications of the crisis. Much research would have to be undertaken in the years to come if the spatial implications of the crisis are to be understood. At this moment, the spirit, willingness and required political commitment to support such research appears to be lacking.

Despite all political efforts of the European Community and national governments, the financial crisis is still not yet over. There is growing mistrust and much evidence that the actors of the global financial community can manipulate the capital market beyond the influence of national governments. Even the co-ordinated efforts of the European Community and the European Central bank appear unable to control the capital market. Insiders of the financial system disagree on the causes of the breakdown, and even more so on appropriate action to prevent future turmoil. There does however, appear to be unanimous consensus that financial global speculation and speculative investments in property development are the main reason for the financial turbulences and that these are quite difficult to control. Even the Agenda Europe 2020, a policy agenda, launched to replace the Lisbon strategy, lost its momentum in the face of the financial crisis. Obviously, political priority is given to the financial dimension, not to longer-term strategies for *smart, sustainable and inclusive growth*, as the Europe 2020 document suggests.

The following exploration into the future of European space does not aim to sketch a comprehensive framework for the systematic exploration of the spatial consequences of the financial crisis. And it does not claim to give a full picture of government action to address the crisis and cushion its implications for local and regional economies, for citizens and workers. Only once the dust clouds of the financial crisis are gone, will it be possible to monitor the longer-term spatial implications. Consequently, much of the speculations in this paper are clearly explorative. They are based on bits and pieces of evidence and information. Looking beyond the crisis, selective provoc-

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ative options of spatial development in Europe are presented to trigger off a debate on the future of European space in the Asian century. Thereby one can only hope that the turbulences will be taken as a chance to rethink mainstream regional and spatial development policies, once the crisis is under better control. Whether the solidarity the European governments showed in addressing the crisis, will persist, remains doubtful.

2 Winners and losers of the financial crisis

Who are the winners, who are the losers of the financial earthquake at the end of the first decade of the 21st century? This is essential to know to be able to assess the most likely spatial implications. The crisis has affected many in Europe: public and private banks of course, though they are obviously an essential part of the problem. Housing banks and mortgage institutions in particular have felt the impact. In addition, those financial institutions and hedge funds that speculated on the capital market together with the community of rating agencies, financial services and insurance corporations linked to the global finance sector, seem to have been hit, at least temporarily. Institutional and private investors and developers, investing in housing and office development, and buying and selling profitable industrial enterprises also appear to be amongst the losers. While single institutions and individuals involved in financial speculation and transactions have become victims of the crash, the sector as a whole, is not really affected. The financial complex will continue to have a central role and to play the system. The capital market will only face a little more control by the international and national financial institutions, though they will no doubt be creative enough to find new ways to bypass such interventions. In addition to the less fortunate managers in banks and financial services who have lost bonuses and/or career prospects, there are many other losers. Some may have to surrender their once very profitable businesses or close their firms and enterprises. Others may just be temporarily affected. In a political environment, where the state is often seen as an institution for securing jobs and supporting ailing sectors of the economy, evidently many industries put forward their complaints: Large automobile corporations, experiencing over supply and under-consumption, steel industries affected by declining orders from automobile corporations and the construction sector, the larger national and transnational construction corporations, relying on public investment for infrastructure and public utilities. Other losers of the financial crisis include small and medium-sized firms and industries depending on linkages to larger global corporations, particularly if they were not equipped to survive a longer period of economic decline without generous and patient banks and government support. Logistics complexes located in or near to port cities, airports and at other easily accessible import and export exchange sites have been badly affected by declining demand. The tourism industry, airlines, hotels and local gastronomy and the creative industries that depend on generous consumer expenditures have also been badly hit. Ultimately virtually all sectors of local and regional economies have been affected. Though in some sectors the financial crisis, together with a lack of innovation and poor management exacerbated the situation further. All this had a significant impact on the job market. Consequently, many middle class professionals lost their secure jobs or had to accept considerable income reduction. Workers in non-competitive industries were made redundant, or forced to cut working hours and agree on salary reductions. In the end it has been the average taxpayer, who is burdened with the implications of the financial crisis by being forced to reduce mobility and consumption. People have had to acknowledge the loss of job security and full time employment. They have had to accept a reduction in quality of life and admit that former lifestyles have to be changed either to adapt to a more competitive life in metropolitan regions or to accept a marginalized life in metropolitan pockets of poverty or in the periphery.

Consequently, without a flourishing Asian consumer market and a huge demand in advanced technology, employment in Europe would even look worse. Many European industries have only survived by successfully increasing their exports to China and other Asian countries, with their high esteem of European technology and their hunger for branded luxury products.

Liberal market-oriented policies, favoured by many governments of the European Union, aggravate the situation. By aiming at a reduction of public sector welfare policies, and by promoting private education and services, they accept increasing social disparities between the more affluent groups and an increasing proportion of marginalized sections of the population.

Not necessarily and solely a clear consequence of the crisis, though intensified and accelerated or triggered off by it, values, attitudes and locational preferences of households have tended to change. They turn to more conservative saving, protect their cultural milieus against outsiders and migrants and reduce their willingness to give and share. Even the widespread consciousness for sustainable development and resource conservation seems to erode as a consequence of the financial crisis.

The public sector is both a loser and a winner of the crisis. Governments at all tiers of planning and decision-making are suffering from a considerable decline in taxes. In many European countries programmes to strengthen regional and local economic investments and to promote education and research, are being reduced. Public investments in infrastructure and environmental improvements have been cut back. The maintenance of public buildings and utilities is postponed. Ambitious projects for cultural projects and physical improvement of inner cities have been shelved or even cancelled. Despite the hope that creative industries are the future of Europe, many cities have had to reduce these expenditures and claim that they are forced to close theatres and libraries. In a way, however, the public sector will also benefit from the crisis. While the trust in market forces will dwindle, the public sector has regained trust as a protector of individual interests and the welfare state.

It is likely that the aftermath of the crisis will continue to alert political arenas across Europe and determine the contents of public politics for at least a decade. The degree to which spatial policies will gain as much political support after the crisis as they enjoyed before, remains to be seen.

3 The financial crisis and the vulnerability of European space

There is still very limited empirical evidence regarding the spatial implications of the financial crisis. Which cities and regions in Europe are particularly hit by the global financial and economic crisis? Which countries, regions and cities have more effectively resisted its spatial implications? Where has the job market been particularly affected? Are the reasons for spatial decline directly linked to unexpected vigour of the economic crisis, or rather the consequence of geopolitical locations and a multitude of actions more and less linked to it? Little research has been done so far. Any systematic research on the theme will face considerable methodological and empirical challenges to cope with the different cultural backgrounds of spatial development across the European territory and the complexity of factors influencing spatial development over time. As the turbulences on the capital market are not yet over, there is very little evidence of spatial developments, which can be directly related to the crisis. A few developments have been observed.

Financial centres experienced a certain stagnation of their activities with direct impact on their local and regional investment strategies. Investments in office and retail development in metropolitan regions slowed down, were postponed or even cancelled. Industrial cities and regions had to face the repercussions of the crisis on their dominant mono-functional production sectors (e.g. automotive clusters). The housing market stagnated in many European countries and cities due to the difficulties on the capital market. Port cities with all their logistic clusters and depending on trade linkages to Asia and North America, were obviously affected more than other cities. Due to growing functional interrelationships of the logistic hubs, the spatial implications of the economic stagnation have spread to wider port hinterlands and their logistic installations. Secondary airports development, all over Europe, subsidized by their local and regional governments, have been affected and with it their local and regional economies. Even tourist spots, depending on mobile jet set tourists and business travellers have seen a decline of international clients and a decreasing frequency of visits.

Overall, regions, used to rely on transfer payments by national governments, and local governments, experiencing the considerable decline of local industrial and trade taxes, have been gradually losing their ability to maintain the standards of services and the capability and flexibility to invest in future oriented strategies, programmes and projects.

One trend seems to have gained momentum: as a rule, the concentration of economic activities in a few metropolitan city regions has continued. Together with trends of re-urbanization, caused by demographic development, new work patterns and value changes of the younger generation, most larger metropolitan cores have continued to attract economically active and entrepreneurial people as well as low paid casual labour migrants and asylum seekers. Usually embedded in polycentric city regions, with locally rooted mixed economies, a larger diversified labour market, and a greater number of middle class consumers, metropolitan regions offer a better regional environment for more sustainable stable economic development, even if the speed of development seems to slow down for a while.

As a rule, regions outside metropolitan areas have been less affected by the crisis. The vulnerability to the crisis was much lower, if their regional economy was more diversified, more balanced, and with a good mix of local and internationally oriented businesses. This has been similarly true in regions, where local consumption absorbs a considerable proportion of regional production. Given the fact that education and research are seen as the most essential investment in the future, regions with a significant share of advanced knowledge industries, showed comparative advantage during the crisis. Agricultural regions with a low degree of integration in international markets and regions with natural and mineral resources also appear to have done well.

The crisis on the capital market with all its repercussions on economic growth and development slowed down economic development as a whole. It further increased the disparities between metropolitan regions and other less accessible and peripheral regions in Europe. The North, the Northwest and Central Europe seem to have sufficient reserves to survive the crisis on the capital market and its impact on public budgets. In contrast, development in the South and the Southeast of Europe will further slow down in the medium and long term. Partly because of decreasing transfer payments form more affluent countries in Europe, partly because of their weakness of regional economies, the aging of the regional population and different values, as well as the lack of competitiveness and innovative strength. Predictably, more rural to metropolitan migration will take place. A two speed Europe is emerging, a metropolitan Europe, with the whole spectrum of affluent and impoverished spaces, and a Europe, where regional development will very much depend on the endogenous territorial capital, such as natural resources, forests, agricultural products and scenic landscapes, and a small number of dispersed settlements and towns, where people who are rooted in the region or do not want to migrate for whatever reason live and work.

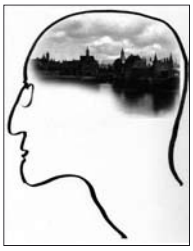
4 Regions and cities in Europe after the financial crisis: five scenarios

One trend is very clear. It is realistic to assume that the European space will have to face further spatial polarization, European wide, nationally and regionally. A few prosperous metropolitan city regions will remain the headquarters of the financial world and the arena of the players in the capital market, while regions, which represent the geographical and social peripheries of Europe will hardly have a chance to catch-up and escape from their lagging status. European and national policies, aiming to address spatial disparities under the banner of European and national cohesion policies, will suffer from budget constraints and increasing nationalist or regionalist policy moods. Action at the various tiers of planning and decision-making in Europe will be subordinated under the label of financial consolidation and reduction of debts. As long as unbroken economic growth dominated the successful European peace project a broad willingness to share nourished European cohesion policies. When in 2013, after the crisis, the present cohesion programme will have to be extended for another budgeting and programming period, it will be much more difficult to find consensus among all the member states of the European Union.

The bargaining process between Eurosceptic and Eurofan members will be certainly harder than in the past. The future of European space will rather become less predictable than it has been in the past. Consequently, the ability to support the losers of the global financial market, such as the multi-functional regions at the edge of metropolitan cities, regions with limited territorial capital, weaker local governments and underprivileged urban districts, will be reduced. Those regions and locations will have to rely more on their endogenous resources and cannot expect continuous support from a plethora of national or European programmes. Strengthening the local and regional capability to self-sustaining development will remain the only policy goal, where some kind of interregional solidarity will work in the future. And it will take a decade or so until on the European macro scale the ambitious projects to build European transport corridors, shelved for a while to await the recovery of public budgets, will be revived.

Obviously, there is not one future of European spatial development. Too many economic and social development trends and strategic policy decisions will influence the direction of possible paths of development. The following five scenarios will sketch holistic policy actions in a few limited policy fields. They reflect ongoing trends and related local and regional policy arenas. The narratives presented thereafter, draw on personal observations, selected empirical evidence and creative imagination. They do not represent alternative strategies and options, which the European Commission together with national and regional governments could select. They are just story lines of possible spatial development strategies.

Scenario 1
Europe: learning theme park of the world – the old Europe scenario



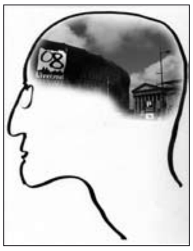
More than 2 000 years of urban development have made Europe a continent of culture. The diversity of traditions, languages and scenic cultural landscapes, the dense network of old and attractive cities and regions are a rich and unique heritage. In this environment, and based on the competence, entrepreneurship and consumption power of citizens, strong local and regional economies developed, sustained by centuries of geographical and scientific discoveries, imperialism, wars and global trade. Crafts, arts, music and theatre flourished and civil societies emerged. Universities and institutes of technology provided the knowledge and competence. Agriculture benefited from a favorite climate. Finally, originating in England on the basis of technical innovations, industrialization made Europe a powerful global economy over the centuries. Favorable conditions for Europe to becoming a strong united continent emerged after the Second World War and then again more than three decades later after the end of the cold war. The multi-national Europe gradually became a European Union, acting jointly, whenever the many member states allowed and agreed. With the emergence of North America in the 20th century and Asia, particularly China, in the 21st century, as competitive global economic powers, Europe became “old” Europe and had to find a new role in the global economy.

In the aftermath of the crisis of the capital market the new role soon became visible. “Old” Europe realized that it was about to gradually loose its global competitiveness in many fields of science and technology. The chances to catch up with the rivals or even lead innovation in areas such as biotechnology, environmental technologies, computer sciences, medicine or advanced engineering decreased. This alarmed the European Union and caused a considerable shift in regional development strategies. The architectural and cultural heritage of Europe’s villages, towns and regions became the most precious territorial potential for urban and regional economic development. Conserving this heritage has become the key concern of national, regional and local governments. Humanities, cultural sciences, the preservation of the heritage and tourism received high priority in higher education and research. Wherever nature and landscapes were destroyed by population growth, uncontrolled urbanization and industrial development, a declining population and the concentration of the population in a few metropolitan city regions made the re-naturalization of lost landscapes feasible. Population densities outside the metropolitan areas decreased, unpleasant physical environments could be built back and afforestation took place, wherever land was not required any more for agricultural or urban use.

In this "old" Europe, cultural traditions and well-preserved urban sceneries became the prime base for learning and further education. From high quality schools and language training centers, from academies of music and fine arts to training centers for marine archeology, from research institutions for the history of European architecture to summer schools on European culture, a huge knowledge industry of education and humanities, embedded in regional traditions and environments, made Europe an attractive base for learning and research. A mixture of education and tourism, with all the related forward and backward linkages became the dominant economic base of Europe. From publishing to the conservation of old books, from classical music industries to summer festivals at historical locations, from designer furniture to retro-design, all this contributed to the expansion of cultural industries across Europe, and a qualified service sector benefited from the consumption preferences of the educational and cultural consumers.

The image of "old" Europe as a learning, culturally branded theme park, a place to learn and relax created much interest in Asia and the United States to buy up second and third homes, not just in Venice, Greece, Provence, Tuscany and Southern Sweden, but also in many other attractive regions between Scotland and Malta, Galicia and Montenegro. Obsolete rural villages turned into global communities of Europe fans, who recover here from the hassle of metropolitan life, learn languages, experiment in creative and healthy cooking or in artistic painting, work in vineyards to produce their own family brand or engage in communities of learning. Intelligent individualized mobility concepts made all the second and third homes, the educational and cultural locations easily accessible.

Regions in Europe, which offered favorable conditions for such developments, were those rich in cultural and historical heritage, with a long tradition of hospitality and renowned for the quality of food and wines. Regions with a dense network of unspoiled small country towns and rural villages with endogenous vernacular architecture in scenic landscapes and access to larger nature reserves were particularly successful in accommodating the global demand for European cultural diversity. Europe accepted the role of "old" Europe, abolishing its struggle to perform in areas, where it could hardly compete with Asia. And most European citizens accepted the fact that such a policy turned around their life styles, affected their consumption power and caused them to return to more simple and modest life styles in more healthy environments.



Scenario 2

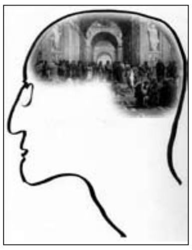
The creative economy slump – a warning!

In the beginning of the 21st century, all cities want to be creative. Just to be innovative, it seems, does not suffice anymore. Promoted by mainstream academic and popular literature, the creative economy has become more prominent among politicians, policy advisors and consultants. Creative and cultural industries, neglected until a few years ago, are suddenly seen as the most promising growth segments of local and regional economies across Europe. The hope is that creative industries provide abundant jobs for the better-educated and culturally enthusiastic graduates of universities and design schools, of colleges and academies of fine arts. Creative industries are discovered by local development agencies and promoted as the magical formula to compensate for all the jobs lost in traditional industries and in the back offices of service industries, which could not meet overrated job expectations. In a way local and regional strategies promoted the creative economy to replace public sector programmes for information and communication technologies, which dominated policy environments a decade ago. Creative industry reports commissioned to research institutes and consultants all over Europe, show impressive growth rates of this newly discovered segment of local and regional economies. According to these studies creative industries represent a share of between five and ten percent of GDP and between eight and twelve percent in employment. Based on such studies, and encouraged by the appealing nature of creativity in turbulent times, a lot of public and some private investments have been made in numerous larger and smaller cities in Europe, to support creative industries. The strategies provide favourable conditions for start-ups, who wish to make a fortune in this sector, raise venture capital, promote creative spaces in city quarters, extend their cultural facilities and organize a plethora of events to nourish the industry and attract local and international consumers.

Though there are some success stories of creative and cultural industry development in (attractive) rural regions (in the hinterland of metropolitan cities), this segment of the (new) economy is clearly urban, if not even metropolitan. Only a few cities, where crafts and arts emerged during centuries of traditions, benefit from this new economic field; cities with a broad cultural capital, with markets, providing the necessary forward and backward linkages, and the related specialized competence clusters and networks; cities, where industries require creative products and services; and cities, where affluent consumers are willing to pay for all the creative offerings, the creative economy delivers to the market. To a certain extent, the much-acclaimed creative economy is a combination of metropolitan fever, urban competition and urban renaissance policies, and it reflects the changing structure of work in the post-industrial society. Creative industries in semi-urban and rural regions in turn do not flourish, nor in industrial regions, where the built-up townscapes cannot compete with cities, such as London, Berlin or Milan.

Not unexpectedly, however, the creative economy bubble burst in the second decade of the 21st century. The hopes were exaggerated, once the public support and the absorptive capacity of the market came to an end and export expectations did not materialise. Many countries were exploring and developing their own creative potentials with much success. Particularly China, Korea and Brazil invested considerably in the advancement of creative industries, and India had furthered its position as a leading software economy with abundant qualified labour. Their reliance on Western products declined rapidly, and they exported more creative products than they imported from Europe. Only English-speaking countries and their powerful, almost hegemonic cultural industries (publishers, music labels, movie industry) remained competitive. The creative economy turned out to be a mayfly, which did not survive the first decade of the 21st century. A growing creative precariate in cities emerged and suffered from growing competition for contracts. Large groups of the creative class had to search for other jobs, in low paid service industries, agriculture and traditional crafts and trades, as the expected demand of creative products reached saturation point. The export potential of the European creative economy turned out to be is limited.

The ability of the heavily indebted public sector to subsidize cultural facilities and programmes was hit significantly by the economic crisis. Cultural milieus and creative spaces to strengthen the environment, creative industries and events for shaping favorable urban milieus for creative and cultural industries were abolished. Consequently, the vision that creative industries could become the new export line of European industries, replacing traditional export industries and enhance the attractiveness and competitiveness of European cities, did not come true in the end.



Scenario 3
Post-Bologna renaissance of knowledge industries – a normative scenario!

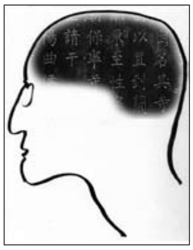
The controversially debated Bologna agreement has aimed to create an integrated European market of higher education. Modeled on the Anglo-American system of higher education, the concept of a borderless, more open and flexible common educational market in Europe had fascinated the educational policy makers and bureaucrats in national ministries and European institutions. Uninspired implementation of the ambitious project, however, has caused the resistance of students, faculties and universities, as well as professional institutions across Europe. The vision, based on the principle of competition, had many shortcomings and flaws. One such misconceived dimension of the reform was that the intended European mobility was based on English as an academic lingua franca. This crucial condition of mobility neglected the power and value of the diverse traditions and cultures of Europe, and it neglected the limited adaptability of the new system to established professional traditions in the countries of Europe. Hence it rather reduced the trans-European mobility of the majority of undergraduate and graduate students. Only a small percentage of elite students in business schools, architectural programmes and research focused disciplines benefited from the ambitious project.

The massive opposition of students against this badly conceived reform caused the policy makers in Europe to rethink their project. Obviously they could not cancel the project, though they went ahead and promised to invest a higher proportion of public funds in higher education and research. The student protest against the Bologna Agreement had only reinforced a debate, which the Lisbon Agenda had already launched and the Europe 2020 Agenda aimed to follow-up.

Immediately after the European Union had survived the worst economic crisis of its existence, European governments, faced with falling behind the US and China, started to considerably increase investments in higher education and research. There was unanimous agreement that Europe has to invest more in science and technological innovation, if it wants to maintain its competitive position and attract more and better qualified students and researchers to European institutions. In the second decade of the 21st century knowledge development received the highest priority in local, regional and national development strategies. The new policy focus favored cities and regions in Europe, which were already traditional centers of higher education and research. Two categories of cities were the primary beneficiaries of the policy shift: metropolitan regions with a diversity of institutions of higher education and a broad spectrum of research institutes and related technology parks; and gown towns which traditionally gave highest political priority to the development of the local knowledge complex. Being aware that more comprehensive local policies were required for a successful promotion of knowledge locations, they profiled their local knowledge-scapes and launched programmes to better facilitate urban environments for learning and living of the cosmopolitan urban knowledge workers. New initiatives supported linkages between universities and research institutes in the region with innovative enterprises.

Knowledge locations in English speaking metropolitan regions, or such regions in the Netherlands or the Nordic countries, where English is a fluently spoken second language in academia and knowledge industries, in corporate headquarters and in design and marketing related milieus, profited from knowledge based policies. Other knowledge locations could only compete if their institutions were both locally rooted in knowledge traditions and globally linked to communities of science, leading in their discipline. Chances of success were increased in terms of competing with the knowledge complexes in metropolitan regions and their dense institutional networks where such locations benefitted from scenic landscapes providing a high quality of life and offered a combination of inspiring academic working environment and a wide range of sports and leisure opportunities. Locations like Sophia Antipolis, Innsbruck, Grenoble, Salamanca, Bologna, Florence or Constance became good examples for successful knowledge development policies.

Knowledge locations in the regions of Eastern Europe outside the capital city regions in turn did not really benefit from such knowledge driven economic strategies. As a rule, they could not attract international knowledge industries and had to focus on raising the quality of national knowledge institutions and industries. They were only successful in establishing competitive knowledge institutions and industries in certain fields such as engineering and agricultural sciences, and of course in regional studies.



Scenario 4
Europe: China's special economic zone – not an unlikely scenario!

The rise of China as a global economic power at the turn of the millennium has caused many European industries to invest in China. Corporations and enterprises form joint ventures with Chinese industries in order to benefit from low labour costs, lower environmental standards and the immense market potential of the country. German and French automobile industries (such as Volkswagen, Mercedes, BMW, Peugeot and Citroen) gained from the purchasing power of the new Chinese middle class and the construction of road infrastructure in and between the larger metropolitan city regions. They have built huge factories in the country with increasing annual production. European fashion and luxury goods industries earn huge profits by selling their products on the Chinese market. In the context of such developments, a comprehensive industry of business consultants, lawyers, as well as information and communication experts has emerged all over Europe to link both economic markets. Ambitious mayors in China employ European architects, planners and engineers to initiate image raising flagship projects all over the country. High speed railways are being developed in the country and 22 cities are building metro-systems to cope with the expanding urban areas and the new mobility of its citizens. European firms, in partnership with Chinese state corporations, benefit enormously through the planning and implementation of such infrastructure projects. Even in Europe Chinese production zones have emerged. They are flourishing at selected European locations, in Italy (Prato, Naples, Sicily), in France, Spain and in Romania, where they produce cheap consumer products for informal markets or subcontract to European fashion corporations. Within two decades China has become an economic power with much interest in European technology and expertise, quality standards and process competence. It is widely acknowledged that without the Chinese market, many industries in Europe would certainly do much worse.

However, after a euphoric phase in the last decade of the 20th century, and the first in the 21st century, the one-way engagement in China is gradually under scrutiny. While the larger global corporations, such as Siemens or the automobile industry, have established solid co-operative ventures in China and rely more and more on local forward and backward linkages in the country, many smaller and medium-sized industries, in turn, have been learning to re-appreciate local labour markets in Europe. They prefer to rely on qualified labour, quality commitment and control, as well as on reliability and longer term relationships in production networks and clusters.

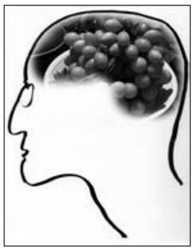
One more policy shift made the European Union an attractive market for qualified Chinese labor. Changing immigration laws in Europe enabled Chinese engineers, mainly German, French or Italian speaking graduates from elite Institutes of Technology in Europe, to gradually take over jobs from early retiring European engineers. Due to the lack of a next generation of qualified European engineers, and the motivation of Chinese graduates to remain in Europe and enjoy a less stressful life than the one they would have to accept in China, the lack of European engineers could be easily overcome. Many of these engineers found their first job in Europe in one of the Chinese-French or Chinese-German or Chinese-Finn-science parks of the partnership technology parks, adjacent to European universities, where Chinese and European scientists and researchers, supported by large European or Asian corporations cooperated in the development of new technologies for a world market. Signature architecture by Chinese architects made these science parks the renowned visual symbols of such new ventures. Integrated centers of Traditional Chinese Medicine and Asian food courts made these technology centers attractive work spaces for Asian communities.

With such experience and new visions in mind, regional governments in Europe had started to develop special (free) zones for Chinese investors in Europe, mainly as a transitional means to promote and enhance European-Chinese Cooperation in technology related industrial development. The Chinese input caused a renaissance of traditional European industries in metropolitan city regions, such as Naples, Bucharest, Wroclaw, or the Ruhr, where logistics to China were easy to organize. Such development was supported by Chinese investors, who were not certain how the political system in China will develop in the wake of anticipated social change. Consequently, they had explored, whether Europe could become a better and a more secure location for advanced production, tapping into the wealth of technological traditions and qualified labor. This has resulted in growing Chinese investment in European high-tech enterprises in the field of mechanical engineering, environmental technology, logistics and high quality fashion and industrial textiles. One outcome of such re-orientation was that the globally successful Chinese/ European automobile conglomerates were assembling electric cars at locations of the Europe's former independent car factories of Volkswagen, Opel, Fiat and Peugeot, and even Mercedes-Benz. The acquisition of Volvo by a Chinese investor has just been the starting point of a new industrial era in Europe.

One more spatially relevant development happened in the beginning of the new millennium. Following the huge interest of China in the natural and human resources of Africa, new low cost production zones were being developed in the countries of North Africa. Without the burden of colonial legacy, the North African countries benefited from China's increasing political and financial commitment in Africa, particularly from investment in infrastructure. With considerable support from China, and some encouragement from the regional governments, North Africa became an economic integration zone, serving both African and European markets. This brought about new perspectives for the otherwise not quite visible and successful Mediterranean Union.

Another spatially relevant development, which has long been neglected by European governments, emerged in the 2020s. It was the Chinese interest in Europe's agriculture and forests. Driven by the enormous demand for food in China, more and more agricultural production areas in Central and Eastern Europe, even some wine regions, became preferred targets of Chinese investment in Europe, including all the high and low-tech forward and backward linkages in food production and the logistic chains.

Such initiatives happened predominantly in cities and regions which had invested early in promoting Chinese-European cultural, social and economic linkages, which welcomed and promoted local ventures with Chinese investors, and attracted Chinese students and researchers, and their families, to European knowledge locations. Even second homes settlements of the new Chinese middle class flourished in attractive hedonistic cultural landscapes of Europe, particularly in slow cities with their high quality food and cultural learning environment. As a result, Europe turned into a global integration zone where Asian visions and entrepreneurial spirit and European heritage and traditions merged to build a "new" cosmopolitan Europe, which, with the Chinese input, overcame the lethargy of the "old", backward looking Europe.



Scenario 5
Slow Europe: a pastoral continent

Intensified by the recent financial crisis, there is less and less trust in global financial institutions and growing resistance to accept market driven economic development. For similar reasons the support of Pan-European institutions is vanishing, and with it the support of the cohesion aim of the Commission. It is widely accepted that economic development happens at the costs of the environment, and the quality of the welfare state and its concern for the social dimension of life. Green technologies fulfilled only partially the aims of resource conservation. Most regional stakeholders are well aware that a gradual departure from globally oriented economic growth policies, and a return to regional economies, would throw Europe back to pre-industrial, pastoral conditions. It would limit individual mobility of capital and labour, slow down personal advancement and reduce the ability of the state to redistribute wealth. Consequently the standards of living and quality of life achieved during past generations will be reduced and disparities within the population will increase.

In the decade after the crisis ecological objectives, low carbon development and resource conservation principles received more and more sympathy among the people in Europe. A return to a pastoral continent, a continent where agriculture and rural life in all forms regains economic importance, became a realistic option. Public policies changed from industry focused programmes and activities to strategies which were promoting a gradual re-pastoralization of Europe. Quality food and wine was exported all over the world. The renaissance of traditional medicine and the increased demand for medical herbs, triggered off much investment in medical herb plantations across Europe, complementing all the increasingly diversified agricultural land uses. Europe became the food basket and the health garden heaven of the Middle East, North Africa and Asia, particularly China.

This was initially considered to be a bizarre vision bearing in mind two hundred years of industrialization and knowledge advancement. However, the idea of opting out from the global competition for economic growth became something more and more citizens in Europe could sympathize with. They considered such a move, focussing on specialized high quality food, wine production, and traditional animal husbandry in Europe rather than on industrial products to be in line with their quality of life requirements and health movements. The break-down of the public health sector supported the new vision.

The promotion of intra-regional economic circuits was one of the consequences of the policy re-orientation. Holistic principles of agro-tourism and factors, as postulated in the Slow City Charter were applied in integrated rural development policies. They sustained the quality of European landscape with their dense network of scenic villages and attractive country towns. And where climate did not guarantee favourable conditions for non-mechanized industrial agriculture and where soils were not fertile, large forests and nature parks were slowly extended across Europe. There, nature observation and learning became the re-discovered qualities and assets of European rural regions. Silence and temporary loneliness turned-out to be a precious capital for stress loaded citizens of the world's economically successful metropolitan regions.

5 Towards a two-speed Europe

The above scenarios illustrate just selected facets of possible future territorial development strategies in Europe. They provide a wide range of strategic concepts to respond to the challenges of increasingly unbalanced development in the European Union as a whole, as well as in single European countries. There is much evidence that Europe, despite all cohesion efforts, may become a two speed economy, where most metropolitan regions in response to economic pressure from globalization and technological change adapt their policies to the challenges of global competition, while other regions are left to mobilize the remaining regional territorial capital.

25 years after the crisis, a small number of metropolitan city regions and a patchwork of functional spaces in the regions in be-

tween and in the periphery will characterize the spatial pattern of Europe in the year 2035. The metropolitan regions, expanding to a hinterland of around 100 kilometers will be functionally diverse polycentric urban agglomerations. These agglomerations will be characterized by a full spectrum of affluent and impoverished urban districts, with gentrified and functionally eroding fringe communities, and with all the functional spaces, providing the required services for metropolitan functioning. These larger European metropolitan regions will be linked into the hierarchical global urban system, and in global economic, social and cultural networks. The areas outside these metropolitan regions in Europe will function as regions, which are highly dependant on the metropolitan cores and more or less integrated into the metropolitan network.

In the year 2010, the European Union will represent a two-speed Europe, where only a few major metropolitan cores succeed to compete with metropolitan city regions outside of the continent, while other regions will remain agricultural, rurally gentrified, or just re-naturalized regions, with low density population, a few service towns and selected specialized spaces, required for the function of the metropolitan regions. Though a two-speed Europe is certainly not accepted for political reasons, the two-speed economy is already a reality. Given the restrictions of public budgets, the development of trans-European transport networks will slow down and transfer payments to the regions of Eastern and Southeastern and Southern Europe will be reduced. Cohesion efforts of the European Community will receive lower political priority, though, of course, this will not be admitted openly.

What are the most likely consequences of the financial crisis for a European Spatial Policy? The political discourse about the crisis showed clearly that overriding financial policies will dominate the political discourse for a while. Apart from the articulated general implications for local and regional governments, spatial policies will not return to political arenas. They have even lost some of their rhetoric presence and commitment. Such a stance will not change in the decade to come. Growing re-nationalisation of policies will make it more difficult for the European Commission to convince national and regional governments that spatially minded policies are essential for social, economic and environmental policies, for the wellbeing of citizens in Europe.

In the decades to come European and national policies will rather aim to maintain the quality of life in metropolitan city regions for all those, who are living and working in these urban agglomerations. The provision of necessary transfer payments to other regions may continue in order to promote local and regional self-development and provide minimum services for those who prefer to live there or rather enjoy non-metropolitan life styles.

The financial crisis in the last years of the first decade of the 21st century may force policymakers at all tiers of planning and decision-making to accept this two speed Europe, with different life spaces and reduced consumer expectations. The rhetoric of cohesion will not change the reality. Even with unlimited funds and generous solidarity of the national states, European Cohesion policies will never be able to equalize or flatten spatial, economic and social disparities in Europe. Citizens of Europe could be forced to choose between lifestyles in metropolitan regions with all the positive and negative consequences for their consumption-oriented life styles, or for a slower life with lower income, less choice, less consumption and less mobility. This option may be a lifetime option, or just an option for retirement, for a decade, for a time slot in between two career periods, or for a longer sabbatical or a winter-summer exchange. Ubiquitous access to information and communication technologies and new forms of post-industrial work formats will facilitate such decisions. Europe will be different in 2010 and thereafter.

Note: The author is most grateful to Neil Adams, who helped him in editing the English of this paper.