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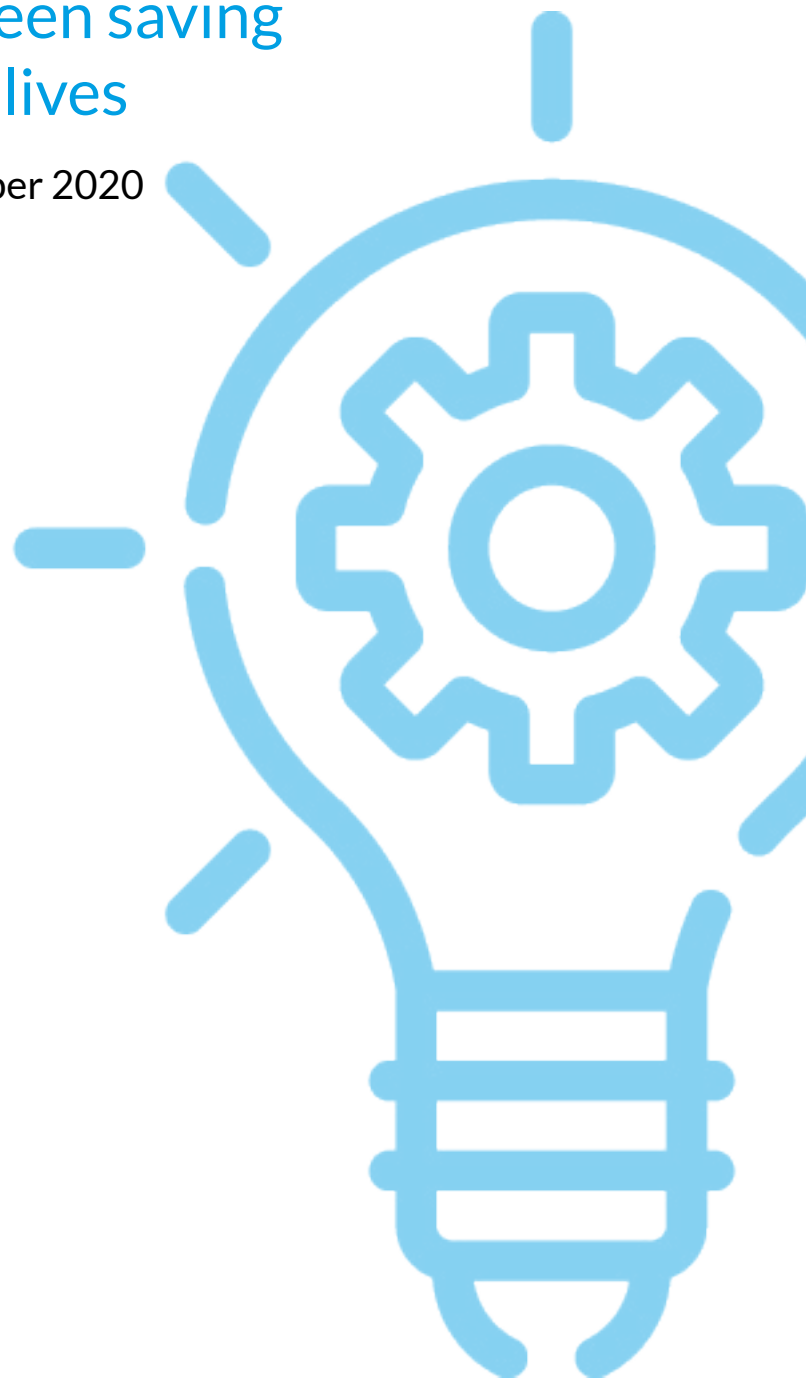
DIPLOCAT AGORA 4

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# New Productive Models Against COVID-19

Beyond the choice between saving  
the economy and saving lives

DIPLOCAT DIGITAL TALK - 8 September 2020



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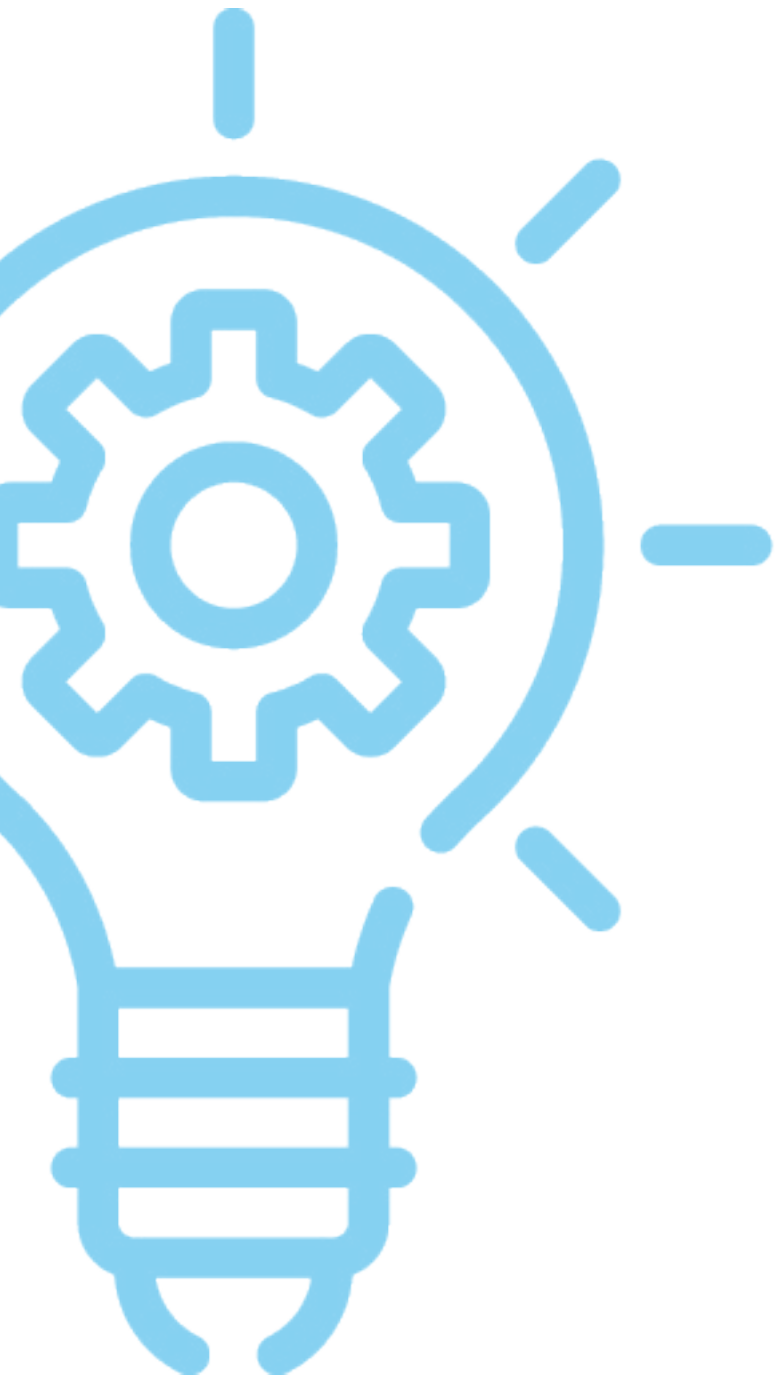
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# Table of contents

<b>1. Contextualization .....</b>	<b>4</b>
<b>2. Why this talk? .....</b>	<b>4</b>
<b>3. Regional Economic Specialization: Threat or opportunity? .....</b>	<b>5</b>
Baden-Württemberg	
Provence-Alpes-Côte d'Azur	
Västra-Götaland	
Catalonia	
<b>4. The Role of European Funds.....</b>	<b>7</b>
Provence-Alpes-Côte d'Azur	
Västra-Götaland	
Catalonia	
Baden-Württemberg	
<b>5. Covid-19 Political Consequences for Governance .....</b>	<b>8</b>
Västra-Götaland	
Catalonia	
Baden-Württemberg	
Provence-Alpes-Côte d'Azur	
<b>6. Closing Remarks .....</b>	<b>10</b>
<b>7. References .....</b>	<b>11</b>
<b>Annexe. Participants.....</b>	<b>12</b>
<b>The member entities of the consortium.....</b>	<b>14</b>



# 1. Contextualization

The outbreak of the covid-19 pandemics has undoubtedly had an enormous impact on the worldwide economy in 2020. The Global Economic Prospects report forecasted a 5.2 per-cent contraction in global GDP in 2020 and almost 93% of countries are expected to face recession during this year (World Bank 2020). Moreover, merchandise trade dropped by 18% globally during the second quarter of 2020 (UNCTAD 2020). Never before in contemporaneous history have we experienced such a deep and simultaneous economic crises around the world.

The covid-19 pandemics has forced public services and public officials to react quickly, not only to face with efficacy an urgent and extremely severe health crisis, but also to respond to an equally sharp and sudden economic crisis. During the pandemics, many countries implemented some sort of lockdown to their citizenry, forcing many economic sectors beyond those considered essential to stop or to modify their mode of production.

Moreover, the pandemics has accelerated changes in practices and habits regarding working procedures. For instance, teleworking has become the rule in many companies, and online meetings are more and more usual. These changes can enhance productivity, but public policies need to be implemented in order to secure these changes go in the right direction (OECD 2020). Teleworking will change not only individual's life but also strategic decisions on economic investments.

All challenges associated with covid-19 have in common the need to tackle, in a coordinated way, all sorts of problematics associated not only with disease prevention and with health assistance, but also regarding how to cope with new modes of production. In order to face these challenges, global coordination and cooperation will be fundamental to consolidate a social and economic recovery of our societies (Eurogroup 2020).

## 2. Why this talk?

The extreme challenge posed by the covid-19 crisis justifies the need to establish debate forums in which different relevant actors share ideas, projects, practices, and experiences. As stated in his opening remarks by Bernat Solé, Minister for Foreign Action, Institutional Relations and Transparency of the Catalan Government, now is a moment to rethink the health system, the productive model and how do we consider rights and freedoms in our society. Public officials need to put citizens in the center during the decision-making process and sharing best practices among different regions can help administrations to perform better and answer the needs of the society.

The talk 'New productive models against COVID-19', organized by DIPLOCAT, was an opportunity to share the perspectives, threats, and experiences of economic and social public policies between representatives of four different regional governments of different European Union member states. The public sector needs to rethink how it deals with many social and economic changes, and covid-19 has accelerated the need to tackle the challenges associated with the new modes of production and the prevalence of a digital economy.

As stressed by Laura Foraster, Secretary General of DIPLOCAT, subnational entities play a key role in a larger array of public policies. Most of the relevant policy areas that are essential to deal with the covid-related crisis, from healthcare to public investments, are at least partially in hands of regional entities. The four regions represented in this talk (Baden-Württemberg, Provence-Alpes-Côte d'Azur, Västra-Götaland, and Catalonia), represent diverse European

regions with different economic characteristics, geographic locations, and varying degrees of decentralization.

Francesc Amat, researcher in political economy at the University of Barcelona, was the moderator of the debate and guided the discussion around the main economic and political challenges of the covid-19 crisis. Amat made sure the regional perspective was highlighted, and focused the discussion on covid-19 mid-term impact and the challenges that will be relevant in the upcoming years. The session revolved around three main issues: present and future productive models of production, the role of European funds in post-covid recovery, and the political governance consequences of the pandemics.

### 3. Regional Economic Specialization: Threat or opportunity?

The initial debate focused on regional different trends in economic specialization. Francesc Amat exposed that the tendency in recent years has been for regions to become increasingly specialized, which leads to geographic segregation and polarization across regional economies. The question raised to the four regional representatives was whether the covid-19 crisis would amplify the preexisting economic trends –cynic view– or, in contrast, would be an opportunity to address differences across regions –romantic view. Furthermore, participants were encouraged to describe the main economic challenges for their regions. The four speakers explained the situation regarding economic specialization in their region and all of them had different stances regarding whether covid would change medium or long-term economic trends.

#### Baden-Württemberg

Karin Scheiffele, Director for International Affairs at the regional government of Baden-Württemberg, exposed that the region was already dealing with a structural crisis before the covid-19 outbreak. The car manufacturing industry is very relevant in Baden-Württemberg and this sector is dealing with many challenges: new modes of driving, artificial intelligence, new types of connectivity technologies, or new business models. A key aspect that they have detected is that companies with larger degrees of digitalization are coping better with the crisis, and this element should guide their economic policies over the next years.

Their main goals in the near future will be to reinforce four crucial aspects. First, the region will invest in innovation by promoting an artificial intelligence hub and developing research in promising fields such as cell-batteries. Second, they will focus on data as a source for development; storage of data should remain within the European Union (EU) and this will be a crucial aspect in upcoming years. Third, Baden-Württemberg will invest in the health sector, by improving the current system and investing in personalized medicine. Finally, to cope with all the challenges of economic transformation, the region is committed to invest in further training for young people and current employees.

#### Provence-Alpes-Côte d'Azur

Agnès Rampal, Regional Councillor to the Provence-Alpes-Côte d'Azur South Region, defends that covid-19 has magnified existing economic difficulties and revealed the weaknesses of all economies. The region has a diversified economy and a combination of big companies, small and medium enterprises (SME), and start-ups. Tourism, culture, and the organization of large events are some of the key sectors of their economy and they were hardly hit by the covid-19 crisis.

Following an agreement between regions and the French state, funds were provided to compensate those sectors more affected by the pandemics. Some of the measures implemented involved a touristic cheque promoting local tourism among French citizens or economic compensations for those young students who lost their small or part-time jobs.

## Västra-Götaland

Helena Holmberg, Vice Chair of the Regional Development Committee in Västra Götaland, the second largest Swedish region in terms of GDP per capita, considered that both the cynical and the romantic views are right to a certain extent. Regional differences will remain after covid-19 but, at the same time, the pandemics offers an opportunity to reorient economic policies. Västra-Götaland has large export-oriented industries based on knowledge. Like Baden-Württemberg, they already anticipated that there would be transformations in employment characteristics because of technological changes in industries. Hence, one of the main goals in post-covid times should be to promote more training among workers because changes strike harder those who have less education.

The covid-19 crisis will accelerate the speed of changes in industries. Production switches towards digital and environmental-friendly standards. The faster technology advances, the larger will be the need to change the regional economic structure. On this issue, Holmberg expressed a view regarding how necessary is for European regions to cooperate better instead of competing, considering the greater capacity of China or the United States. Regional cooperation would preclude Europe to fall behind in critical sectors, such as batteries or data storage. European regions should take advantage of covid-19 challenge to make a leap forward for sustainable industries and industries that are becoming essential in advanced economies.

## Catalonia

According to Natàlia Mas, Secretary of the Economy in the Catalan Ministry of the Vice-Presidency and of the Economy and Finance, the impact of covid-19 should not amplify economic-sector specialization but lead towards a larger diversification with the aim to reduce exposure to risk factors. Very specialized economies suffer deeper crises and have more limited recovery possibilities. The medium-term goal for regions should be to concentrate more parts of the production value chain in order to be more resilient to future economic shocks. This is the strategy that has been applied by the Catalan government in recent years and it has reverted a process of deindustrialization. By attracting new and advanced parts of the manufacturing process —e.g., 3d printing— it is possible to combine highly specialized techniques with sectoral diversification, thus decreasing risk exposure.

Moreover, learning from the 2008 crisis, it is important to promote those export-oriented sectors because it is well known that these sectors recover faster from economic downturns. Comparative and competitive advantages are important but always keeping in mind that an excessive dependence on a specific sector can be counterproductive. Finally, Mas outlined the eight main key challenges for the Catalan economy:

1. High proportion of SMEs.
2. Excessive dependence on tourism.
3. Disruption of FDI inflows.
4. Digitalization.

- 5. Knowledge transfer and innovation.
- 6. Strains on public budgets.
- 7. Economic transition.
- 8. Education & youth unemployment.

Overall, all regions agree that one of the main challenges posed by covid-19 will be to find a balance between financial aid to currently affected economic sectors and investment on digital economic sectors to build sound economies that meet the new challenges associated with digitalization or sustainable development.

## 4. The Role of European Funds

The second question asked to the participants relates to the European dimension of the economic recovery. The availability of European funds is a key opportunity for regions to secure the economic transformations for their economies after the covid-19 pandemics. Francesc Amat exposed the idea that EU funds should have two different dimensions. On the one hand, a palliative dimension to address social consequences on families and firms. On the other hand, a transformative dimension whose aim is to contribute to the transformation of economic structures. For the palliative dimension, the EU has agreed to assign 540 billion euros; for the transformative dimension, the EU approved the Next Generation EU plan endowed with 750 billion euros (European Council 2020). Which are the key elements to be addressed in each dimension and which are the priorities for the regions?

### Provence-Alpes-Côte d'Azur

For the French region, the 750 billion plan is very welcome and shows the relevance of the moment and the need to relaunch the economy. Agnès Rampal expressed that her region expects to obtain 330 million euros to adapt the regional economy to the requirements of the economy of the future. These funds would be employed to support industrial relocations and to promote the transition towards a more durable economy: for instance, to consolidate renewable energies or to incentivize ecological agriculture. The funds should be available to entrepreneurs but also to farmers. The region plans to promote new modes of trade between local producers and consumers. This programme, for instance would promote a more sustainable economy and healthy lifestyles.

### Västra-Götaland

The local, regional, national and EU tiers need to cooperate to find the best way to implement the EU budget. Local and regional-level knowledge is essential to make the most of the budget and multilevel governance needs to be protected.

Traditionally, EU funds have been employed to promote innovation, industrial development, and technology incubators. The new EU funds should be employed similarly. Although short-term effects of covid on unemployment have been large, the affectation is temporal, and those sectors can be rebuilt. However, dismantlement of industrial sectors would be more difficult to reverse. Given that industrial exports are the main basis of the Swedish economy, the disappearance of industries would have spillovers on other sectors, thus a quick recovery of the industrial sector is crucial for the overall economy.



In sum, for Västra-Götaland the funds should support short-term effects of covid-related affectations, but it is fundamental to invest in training programs, to support the digitalization of the economy, and to retain high skilled workers in high value-added industries.

## Catalonia

For the Catalan government the EU funds need to fulfil two main goals: minimize damage and invest in the basis of future development. Regional policies should follow a three-step order, and choose the right timing is also essential. First, and foremost, save lives and stop the shock by implementing palliative measures for those sectors directly affected during the pandemics. Second, make sure coexistence with covid is possible, safe, and economically viable while designing transformative and structural reforms. The third step should be to implement the previously designed reforms and to employ wisely the EU funds.

In the short-term, investments in the health system —endowment of enough protection equipment, or tests— and financial aid for families and companies that need to adapt to the new context. Regarding long-term transformations, the Catalan government has appointed a commission that will elaborate a plan for economic reactivation and social protection that will detail the major projects and strategic actions that should be financed with EU funds. To attract as much resources as possible, it will be fundamental to be able to design and implement cross-border projects across companies, universities, or public entities. Cooperation among European regions will be essential to obtain EU funds.

## Baden-Württemberg

For the German region, EU funds are a compromise sign of European solidarity. Two thirds of Baden-Württemberg exports are sold in the European market, which clearly points out that it is necessary a common approach of recovery across Europe.

However, the covid crisis is not the only —not even the biggest— that we are facing. Climate change, for instance, is a larger and more complex issue. Changes implemented to fight the covid crisis through EU funds should also tackle environmental aspects; climate protection and economic success need to go together. Another key aspect that Baden-Württemberg will address with EU funds will be digital change. Europe cannot lag in digital technologies to protect its economic and social project, and regions should be the locomotive of Europe in digital development.

To sum up, all regions share the need to employ strategically the large amount of funds the EU will make available to fight the economic downturn associated with the covid-19 pandemics. Short-term palliative measures are essential to maintain the regional economies, but strategic investments are fundamental to ensure long-term competitiveness, sustainable development, and employment in the regions.

# 5. Covid-19 Political Consequences for Governance

The final issue debated in the (digital) round table links the political and economic dimensions of covid-19 policies. The management of economic and social policies will be influenced by political factors, but covid-19 can have, itself, consequences on political competition. Therefore, Francesc Amat asked the speakers whether they considered governance schemes would be affected because of covid-19,

which were the main political challenges in their region, and whether covid-19 would increase the risk of political disintegration within the EU.

## Västra-Götaland

In Sweden decentralization has been on the rise on recent decades and the Västra-Götaland region has led in many instances this process. Helena Holmberg stated that decentralization is not only relevant for decision-making but for the new mode to organize relations between different stakeholders, it is an investment to attenuate the impact of the next crisis. Although there is a normal tendency of central governments to take control of regional funds, regions need to be strengthened in the governance structure because they have better knowledge on the contextual conditions of the businesses and citizens, and they can design the most appropriate schemes. More decentralization will always be beneficial for policy purposes.

Regarding political challenges, Helena Holmberg details that divergent degrees of inclusion and inequality, in economic but also in gender terms, constitute one of the main political challenges. Other challenges, such as populism or Brexit, are also relevant in Sweden since more voices are claiming for Sweden to leave the EU. Covid-19 is intensifying the extent of previously existing political problematics.

## Catalonia

Spain is a clear example of the risk of recentralization associated with the covid-19 crisis. In the first weeks of the pandemic outbreak, the Spanish Health Ministry centralized health related powers that had been on the regions hands for decades. As exposed by Västra-Götaland, regions are better equipped to know which are the policies that best suit the situation; the subsidiarity principle should always prevail, and decisions should be taken as close to citizens and their reality as possible.

Regarding the EU, there is always a risk of disintegration, especially in complex times. However, it is a key moment for EU institutions to approach citizens and be perceived useful in hard times. EU funds can contribute to alleviate the risk of disintegration but only if these funds do not make even more acute the existing asymmetries through an uneven recovery across regions.

Finally, in Catalonia, covid-19 is added to a long list of political challenges, some of them have already been stated: populism, polarization, the rise of far-right parties. However, the main political challenge is related to the independence referendum held in 2017 and for which many political and social leaders are still held in prison. The Catalan government is committed to dialogue and needs Europe to assume the debate on self-determination, because covid-19 will not make disappear pre-existing political conflicts.

## Baden-Württemberg

In Germany, the federal model has worked well during the crisis and allowed each land to react different according to context-specific characteristics. Diverse policy strategies work much better than a one-fits-all strategy. Although it is always important to ensure all regions work together with the federal government and that they have a common approach, flexibility and local autonomy are key for success. The debate is not about (de)centralization but about better coordination.

It is true that other political conflicts are present beyond the covid-19 crisis. In Germany there has been increasing support for populist parties but the rise of the right-wing party AfD — 15% of support

in Baden-Württemberg— is not associated to bad economic conditions. Finally, regarding political disintegration, Karin Scheiffele considered that the crisis is making realize the relevance of the EU and covid might be a good opportunity to turn on a centripetal force that reinforces the EU strength.

## Provence-Alpes-Côte d’Azur

In France, the covid-19 has shown that recentralization is incompatible with modern times: regions, metropolitan areas, or municipalities have been much more agile responding to this crisis; the central state would have not been able to react that fast. French citizens support and will support more decentralization in upcoming years.

Regarding populism, Agnès Rampal points out that post-covid-19 times will be especially sensitive regarding the growth of populist political parties. A way to combat populism is to make sure citizens feel the administration is close to them and reduce their fears. A good management of the covid-19 crisis can attenuate the rise of populism, and in this case the EU funds can be very helpful, not only to combat populism but also to mitigate EU disintegration discourses. The key is not on whether there is more Europe in our lives but on having better European policies.

Overall, the opinions of the four regions regarding political challenges have been much more diverse across regions. Most regions agree that populism is an important problematic but the expectations regarding whether covid-19 will enhance its relevance are mixed. Recentralization is only perceived as a threat in Catalonia, while the other three regions consider the pandemics has shown the strengths of a decentralized model within each country, while all regions share the importance to consolidate the European project.

## 6. Closing Remarks

The debate ended with a final round of interventions of all participants in which they summed up their main arguments. All regional representatives agreed that it is essential for all governments to side with their citizens and help them as much as possible and make them feel accompanied.

Regarding the distinction between the cynical or romantic approach to policy measures against covid-19, the consensus was that both approaches are partially right and need to be held into account. It is likely that covid-19 will not drastically change the existing economic geography trends (cynic view), but all regional representatives highlighted their will to employ EU funds to invest into digital and sustainable industries, training, and to promote industrial diversification to transform the productive economies according to the future economic challenges.

An agreement was also shared regarding the need to enhance cooperation across local, regional, and central governments. Multi-level governance needs to be strengthened through cooperation, this will improve Europe and its productive structure.

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## Annexe. Participants



### > FRANCESC AMAT

RESEARCHER AT INSTITUTIONS AND POLITICAL ECONOMY RESEARCH GROUP (IPERG), UNIVERSITY OF BARCELONA, AND JUNIOR LEADER FELLOW AT LA CAIXA

Francesc Amat is a graduate in Economics from Universitat Pompeu Fabra (UPF). He holds a Master in Public Financial Policy by LSE and a Master in Social Sciences by Centre for the Advanced Study of Social Sciences. He is a PhD by Oxford in Political Science. He has been invited to do talks and workshops in Universities such as Konstanz, Oxford, Princeton or Stanford.

He has a large publication list where he has collaborated with some of the most important academics in Social Sciences and published in the principal Social Sciences Reviews in Spain, Europe and the world. He was a teacher at the DIPLOCAT and Barcelona Institute of International Studies (IBEI), Executive Master's Degree in Diplomacy and Foreign Affairs. He currently is a Junior Leader Fellow by La Caixa and a researcher at the Institutions and Political Economy Research Group at the University of Barcelona (IPERG-UB).



### > NATÀLIA MAS GUIX

SECRETARY OF THE ECONOMY, MINISTRY OF THE VICE-PRESIDENCY AND OF THE ECONOMY AND FINANCE OF CATALONIA

Graduated in Business Administration and International Trade from Universitat Pompeu Fabra, with a Master's on European Economy from College of Europe and a Master's on Political Economy from Columbia University. Natàlia has worked at the European Central Bank (2004-2014) and at the World Bank Group (2009) before working for the Generalitat de Catalunya.

Within the Catalan Government, she has held positions at the Ministry of Economy as Director General of Economic Analysis as well as at the Ministry for Foreign Action, Institutional Relations and Transparency where she was the Secretary for Foreign and European Affairs. Since 2019, she is the Secretary of the Economy, Ministry of the Vice-presidency and of the Economy and Finance of Catalonia.



### > HELENA HOLMBERG

VICE CHAIR OF REGIONAL DEVELOPMENT DE VÄSTRA GÖTALANDSREGIONEN

Helena Holmberg is the Vice President of the Regional Development Committee of Region Västra Götaland in Sweden, cooperating closely with business, academia, and local municipalities on various aspects of regional development.

Ms. Holmberg represents the Liberal Party. Ms. Holmberg is a part-time politician, working professionally with local development strategies in one of the city districts of the City of Gothenburg.



> **AGNES RAMPAL**

**REGIONAL COUNCILLOR, REGION SUD PROVENCE-ALPES-COTE D'AZUR**

She is an assistant to the Nice Mayor in charge of the Euro-Mediterranean region, to relations with the repatriates and with the Mediterranean University Centre. In addition, she is the Regional Councillor, Région Sud Provence-Alpes-Côte d'Azur where she leads the Euro Mediterranean commission. Besides, she also is a Member of the European Committee of the Regions, where she represents the PACA.

Agnès is part of the European Popular Party and is member of the Commission for Territorial Cohesion Policy and the Commission for Environment, Climate change and Energy. She has a long experience as an *adjointe au Maire* de Nice where she has held responsibilities in different areas since 2001.



> **KARIN SCHEIFFELE**

**DIRECTOR FOR INTERNATIONAL AFFAIRS, CROSS BORDER COOPERATION, FEDERAL AFFAIRS, DEVELOPMENT COOPERATION AND PROTOCOL AT THE STATE MINISTRY, BADEN-WÜRTTEMBERG**

Karin Scheiffele (LL.M) was born on April 3, 1974 in Schorndorf (Baden-Württemberg).

She studied Law at the University of Konstanz.

After graduating in 2002, she had her first experience in public administration on the local and regional level in the range of legal advice and public order.

In 2007 she obtained a German-French Masters degree on European Governance and Administration.

Subsequently, she filled various positions in different ministries of the Land Baden-Württemberg, among them the Ministry of the Interior, the Ministry of Integration and the State Ministry. In 2008/2009 she worked at the Representation of the State of Baden-Württemberg to the European Union in Brussels.

Since September 2017, she is Director for International Affairs, Cross Border Cooperation, Federal Affairs, Development Cooperation and Protocol at the State Ministry.

# The member entities of the consortium

## » Public institutions and municipal entities

- Government of Catalonia
- Barcelona City Council
- Tarragona City Council
- Girona City Council
- Lleida City Council
- Vielha e Mijaran City Council
- Barcelona Provincial Council
- Tarragona Provincial Council
- Girona Provincial Council
- Lleida Provincial Council
- Conselh Generau d'Aran
- Catalan Association of Municipalities and Counties
- Federation of Municipalities of Catalonia

## » Entities of the business sector

- General Council of the Official Chambers of Commerce, Industry and Navigation of Catalonia
- Entrepreneurs association Foment del Treball Nacional
- Association of Micro-, Small and Medium-Sized Enterprises of Catalonia (PIMEC)
- Confederation of Cooperatives of Catalonia
- Multi-Sector Business Association (AMEC)
- Private Foundation of Entrepreneurs (FemCAT)

## » Entities of the social, trade union and sports sector

- The Group of Entities of the Voluntary Sector of Catalonia
- Trade union Unió General de Treballadors de Catalunya (UGT)
- Trade union Comissions Obreres de Catalunya (CCOO)
- Football Club Barcelona

## » Universities, business schools and academic institutions

- University of Barcelona (UB)
- Autonomous University of Barcelona (UAB)
- Technical University of Catalonia (UPC)
- Pompeu Fabra University (UPF)
- University of Lleida (UdL)
- University of Girona (UdG)
- Rovira i Virgili University (URV)
- Ramon Llull University (URL)
- Open University of Catalonia (UOC)
- University of Vic - Central University of Catalonia (UVic-UCC)
- International University of Catalonia (UIC)
- Abat Oliba CEU University (UAO CEU)
- Barcelona Institute of International Studies (IBEI)
- EADA Business School
- Barcelona Graduate School of Economics (Barcelona GSE)