

The Basque case

“Strengthening the Role of Nations and Regions in the Recovery Strategy”

Gorka Espiau Idoiaga.

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Only 40 years ago, the Basque Country was suffering the consequences of a cruel dictatorship, a deep economic crisis, the highest unemployment figures in Europe and a violent conflict.





Today, the Basque Country is one of the leading nations according to the UN Human Development Index (GDP+literacy+life expectancy).

30 YEARS FOR A RADICAL TRANSFORMATION

80's: TOUGH economic, social and political crisis.

high unemployment (25%)

collapse of basic industries

obsolete infrastructures

80's: triumph of the neo-liberal focus in the world context: "the best industrial policies are the ones that don't exist"

DURING THE 80's, THE BASQUE ECONOMY UNDERWENT A PROCESS OF INTEGRAL RESTRUCTURING FOLLOWING RECESSION



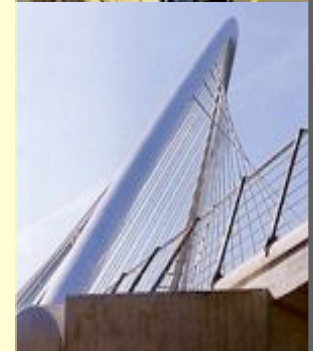
1980: new Basque self-government



IN THIRTY YEARS EUSKADI HAS BECOME A NEW COUNTRY.

FROM A DECADENT AND OBSOLETE ECONOMY, IT'S TURNED INTO A POTENT, VENTURESOME AND COMPETITIVE CENTER OF BUSINESS

- GDP has grown during the last decade above that of Spain and the EU
- 75% of production is exported (50% in medium/high technology products)
- Unemployment has diminished drastically (from 25% to 12 %)
- First in Spain in terms of income per capita
 - Above the European average in terms of income per capita (132 /100)





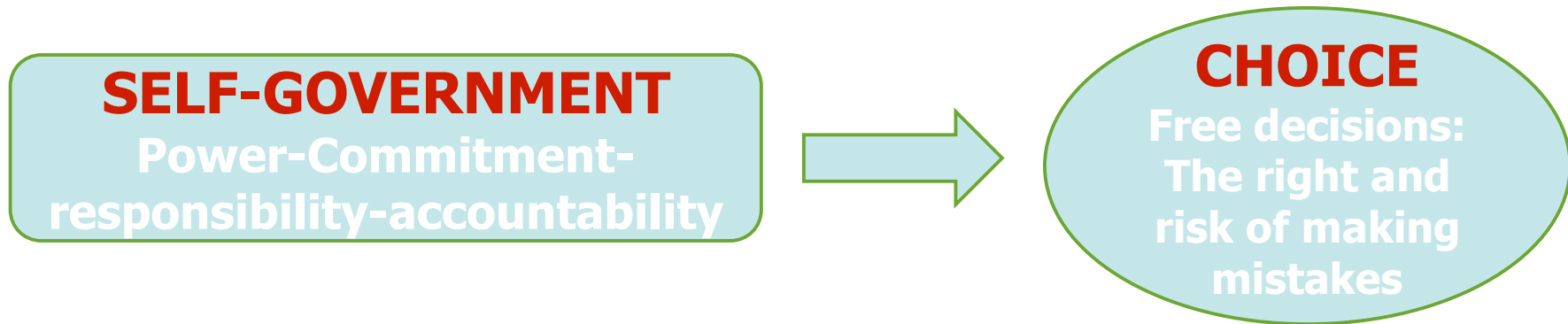
This transformation was possible due to a comprehensive national strategy based on self-government, endogenous reactivation of the economy , social innovation and local identity.

Dominant ideas in the past

- Economy of scale
- Centralised and unique industrial and regional policies
- The best industrial policy: the one that does not exist
- Complete separation/confrontation State-Enterprise
- Exclusive Picking winners
- “Viva el MERCADO” (prominence to the market)
- Tripartite competition: USA-Japan-Europe
- Free rein to International Multilateral Organisations
- Economy first ... then

What we believed in ...

- Interdependence, small is beautiful, posible and essential
- De-concentration of regionalised microeconomic policies
- “Comprehensive” strategy for competitiveness in solidarity
- Public-private and public-public partnerships
- All industry matters
- Transformed public leadership, with committed participation of entrepreneurs
- Multiple competition / New players
- Guiding principle: each country is unique. Its own and differentiated strategy



- Towards a EUROPE still to be built
- A socio-economic model in permanent evolution
- An integrated, fair and competitive social welfare network
- INDUSTRIAL strength, source of innovation, technological development, entrepreneurship and management
- Reorganisation of public administration, federal and participatory democracy
- Permanent learning (in/ from especially abroad)
- Interdependence: Internationalisation and localisation

Basque Fiscal System: lessons learned

We did not apply fiscal measures that reward all companies with the same corporate reduced tax rate, regardless of their effort towards the compromise with the Country. On the contrary we applied “selective” tax deductions to those companies that shared a common vision of economic and social future for the Country, defined by all relevant stakeholders, through a public-private shared leadership among Administration, Business and Society.

Even though we have now in the Basque Country similar nominal corporate tax rate of 28.0 percentage to surroundings regions, some companies can support rates below 12% (and some cooperatives below 10%), if they have a strong commitment with the Country, with employment creation, with internationalization and with innovation.

Identity, innovation and sustainable development: small is beautiful... and powerful

The defence of Basque identity, culture and language is not solely related to a legitimate political fact such as the claim for an identity in the current globalized world; it is also related directly to the achievement of:

sustainable human development



The five reasons behind the success of the Basque model

Concept of National Identity

First

Public - private shared leadership

Second

Commiment to the real economy

Third

Economic growth hand in hand whit social balance

Fourth

Self - government

Fifth

But this is not enough
the future is ours



hiriko

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Sustainable Human Development: Identity and Innovation...“roots and wings”

“defending and advancing in self-government, cultural and economic identity has not only been behind the demand for a legitimate political project for the nation, but also behind the development of our own model of competitiveness based on solidarity” (Juan José Ibarretxe Markuartu)



thank you