BASQUE COUNTRY 2020-2030. TOWARDS THE KNOWLEDGE AND INNOVATION ECONOMY

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The biggest challenge on the horizon 2020-2030 is the **financial sustainability of the welfare state**, especially of the three pillars most directly affected by the process of sharp aging of the population in our country; pensions, health and social policies. A necessary condition, although not a sufficient one, to ensure this sustainability will be **having a highly competitive economy**, with high levels of employment, attractive to broad sectors of immigrants, capable of generating enough contributions and taxes to cover it. .

At an economic level, the equation we face is extraordinarily complex. In this time horizon, our economic development model will be conditioned by the **closeness of the conventional oil ceiling**, as announced by the International Energy Agency, and by the urgent need to move towards a low economy in carbon. At the same time, we will witness a greater presence of the **emerging economies** in international markets, competing not only on prices but also on technology and added value.

But that is not all. The Great Recession has highlighted the need to **undertake an agenda of profound economic reforms in Spain, which is also absolutely relevant for the Basque economy**. Those reforms, on which the first and timid steps are already being taken, would be the following. Labor, aimed at putting an end to a pathologically dual market that preys especially on the younger generations; the reorganization of a fragmented financial sector in which the losses derived from the loss of value in the market of real estate assets financed by the sector -more than 325,000 million loans to developers and builders- have barely surfaced on the balance sheets; the fiscal adjustment associated with gross debt levels, public and, above all, private, of the order of 180% of GDP, that is, more than 1.8 trillion euros; reforms in health and pensions. The Basque Country should provide impetus and determination to this reform agenda, since the success of the modernization of the Spanish economy will depend on its result, something vital also for the Basque economy given the strong relationship of interdependence with it.

In this frame of reference, the central bet should be on an economy of knowledge and innovation, open to international markets, with **a solid industrial base and high technological content**. This commitment implies, in my opinion, going through a series of strategic itineraries, complementary to those proposed in my previous opinion forum, Euskadi 2030. Guide the way out of the crisis.

In the first place, **to end a long cycle of more than three decades in which a good part of the public investment effort has been directed towards the endowment of physical capital**. The Basque Country already has a network of first-class infrastructures and equipment. In the future, economic and financial resources will be necessary for the permanent training of people, international benchmark research, scientific and technological development, support for presence in international markets, and social innovation. And that means stop doing some things to be able to do others. As an example, the opportunity cost of projects such as the **Outer Port of Pasai**a is, from this framework of priorities, unaffordable. Devoting 800 million to a port infrastructure when this country is less than 100 kilometers away from the Port of Bilbao, with underused capacities, would be a major error and would send an erroneous signal about the development model we are committed to as a country.

Secondly, to reinforce our position in the so-called **knowledge triangle -training, research and innovation-**. In the field of innovation, the Basque Country has notable strengths, particularly the two large technology corporations Tecnalia e IK4. In training, the starting point is good -today approximately one in three workers has higher education-, although insufficient for what the future requires. The main weakness is in the field of research. It is reflected in the fact that, despite the fact that the Basque Country is the autonomous community with the highest per capita income, numerous State universities are today better placed than the UPV/EHU in the most prestigious international rankings -The Times World University Ranking , Shanghai Jiao Tong University Ranking- and in the national ones, Webometric Classification of the Higher Center for Scientific Research (CSIC).

The creation of the network of cooperative research centers (CIC) and research centers of excellence (BERC), together with the Ikerbasque program to attract research talent, has come to alleviate, in part, this situation but towards the future a much more ambitious impulse is required. The political forces and institutions of this country would have to conspire to ensure that the Basque Public University is among the top three in Spain and among the top 150 in the world in the 2020-2030 decade. It is unthinkable to position ourselves strongly as a country in the knowledge economy without having a scientific and research environment of international excellence.

Finally, it is necessary to continue investing in scientific research, technological development and innovation, R+D+i, given the positive correlation between it and the achievement of high levels of income and well-being. In 2008, the average for the Basque Country was 1.85% and that for the European Union was 1.90%. For the year 2020, the EU has proposed reaching an investment of 3%, but the reference regions with which the Basque Country has to be compared will be investing on that date of the order of 5% of their gross domestic product. In my opinion, we should assume the objective that Basque public and private investment in R+D+i in the year 2020 reaches between 3.5 and 4% of GDP, persevering in that direction beyond the difficulties of the current situation.

In these times of profound changes, it is up to the Basque economy to once again lead the process of modernizing transformation that the Spanish economy will undertake in the coming years. Betting on knowledge and innovation from a strong industrial and technological base is the way.

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