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ABSTRACT

## **A shining path – or just blowing away?**

**Norwegian solar industry regions in times of crisis**

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The global economic crisis has led to a trajectory shift in the global economy, with relative decline in neo-classical economies such as USA, UK, and growth in BRICS countries, with the coastal regions of China as the new winners. The implications for Europe is an equally clear divide. The European losers are the winners of yesterday, the neo-liberal UK, relying heavily on a banking sector, as well as regions and countries like Ireland, Portugal, Hungary and others which relied on provision of favorable conditions for "neo-liberal" Foreign Direct Investments or FDI. These regions are now losing out in the new competition with the low cost advantages of China, Vietnam, Brasil and other BRICs. The European winners are regional and countries like Germany, Austria, Finland, Denmark, Holland and others who apply the "German model". The German model of regional development builds on coordination between regional development, education policies and R&D. Industries are carefully supported with regional polytechnical and university level education. This is integrated with locally embedded R&D and innovation facilities. This enables local industries under threat from China or elsewhere to follow strategies of "climbing the ladder" of the value chain, into products and services which still are competitive. And at the same time, it makes it possible for the regions to accumulate "sticky" knowledge, embedded in the labor market. In this context, off-shoring to China only means that firms are reorganised, and reappears, with more value added and sophisticated products. The Norwegian PV industry is now facing a fierce cost based competition with Chinese solar industry plants. The case in point is the REC factory and the related small cluster in Glomfjord in Nordland, producing wafers, integrated with panel production and R&D in Narvik. This is somewhat paradoxical, because REC in Glomfjord emerged as a regional policy success story, where the existing chemical industry and a municipality (Meløy) with access to cheap hydroelectric energy was able to initiate a local innovation system which, 10 years ago, was fast-growing and highly globally competitive. Today, however, the local industry seems to have severe problems in restructuring its own production into higher value added products, such as mono-wafers. The threat is that the locally embedded knowledge might melt away, and that the industrial town once again will have to start with

something else. What went wrong? The paper will analyse the local development in Glomfjord from 1994 to 2011, and, based on that evidence, give an assessment of the situation today.