NETWORK OF EUROPEAN METROPOLITAN REGIONS AND AREAS (METREX)

San Sebastian, 05.11.2025

METREX White Paper

On Enhancing the Competitiveness and Dynamism of EU Metropolitan Areas

1. Why Metropolitan Areas are critical for EU's competitiveness

Competitiveness has firmly re-emerged as a central direction of the EU. The Draghi Report[1] underscores the fact that the EU is falling behind in global competitiveness, with the economic gap widening between the EU and the US, and China quickly catching up. The report also highlights the geo-political and geo-economic risks that Europe is facing, affecting its position in key supply chains and technologies. However, defining Europe's trajectory through the angle of economic competitiveness offers only a partial understanding of the challenge. Today, Europe is one of the most livable regions in the world, supported by strong welfare systems that have mitigated the rise in inequality observed elsewhere. The implications of a decline in competitiveness threaten not only EU's economic growth prospects, but also its capacity to maintain strategic autonomy and protect the European way of life.

The central role of Metropolitan Areas in the transformation of regional and national economies and the delivery of the competitiveness agenda is currently overlooked. Industrial production and innovation usually happen in metropolitan areas, and the *Rethinking Lagging Regions*[2] report prepared by the World Bank indicates that the EU's highest performing regions typically either contain one or more strong and dynamic metropolitan areas within their borders, or share a border with a metropolitan area. While it is within Europe's metropolitan regions that innovation systems, industrial clusters, infrastructure, and skilled labor intersect, their *de facto* role in enabling competitiveness is currently overlooked. Stemming from the fields of action proposed in the Draghi Report, the Competitiveness Compass put forward a comprehensive framework of "Competitive enablers", with policy responses structured across three pillars: closing the innovation gap, advancing decarbonization, and reducing dependencies while enhancing security. However, both documents are silent on the territorial dimension and the central role of Metropolitan Areas in driving economic performance. At a moment when Europe must reinvent itself to protect its freedom, prosperity, and way of life, Metropolitan Areas should be placed in the driving seat of this transformation.

[1] https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en

[2] Farole, Thomas; Goga, Soraya; Ionescu-Heroiu, Marcel, *Rethinking lagging regions : using cohesion policy to deliver on the potential of Europe's regions (Vol. 2 of 2): Full report (English)*. Washington, D.C.: World Bank Group, available at: http://documents.worldbank.org/curated/en/457071525400247519

Figure 1. The 3 pillars and 47 flagship actions of the Competitiveness Compass

Source: European Commission

At the same time, a mission-driven approach is needed to deliver on competitiveness and steer the public agenda and cross-industry innovation efforts towards desired outcomes. The Draghi report identifies the fact that "Europe is lacking focus" as a fundamental barrier. Despite articulating common objectives, Europe struggles with translating these into clear priorities and joined-up policy actions. This direction is strongly linked with the mission-oriented approach that consists in identifying a clear, ambitious goal, and stimulating the development of different solutions that engage a wide range of stakeholders to reach it. As economist Mariana Mazzucato, the leading advocate of the mission-oriented approach has argued, missions must address clear societal demands while mobilizing the full potential of science, technology, and industrial ecosystems to develop innovations. Coordinating efforts to support long-term public goals is needed, and existing experience in implementing the EU Missions under the Horizon programme can inform the scale-up of this approach.

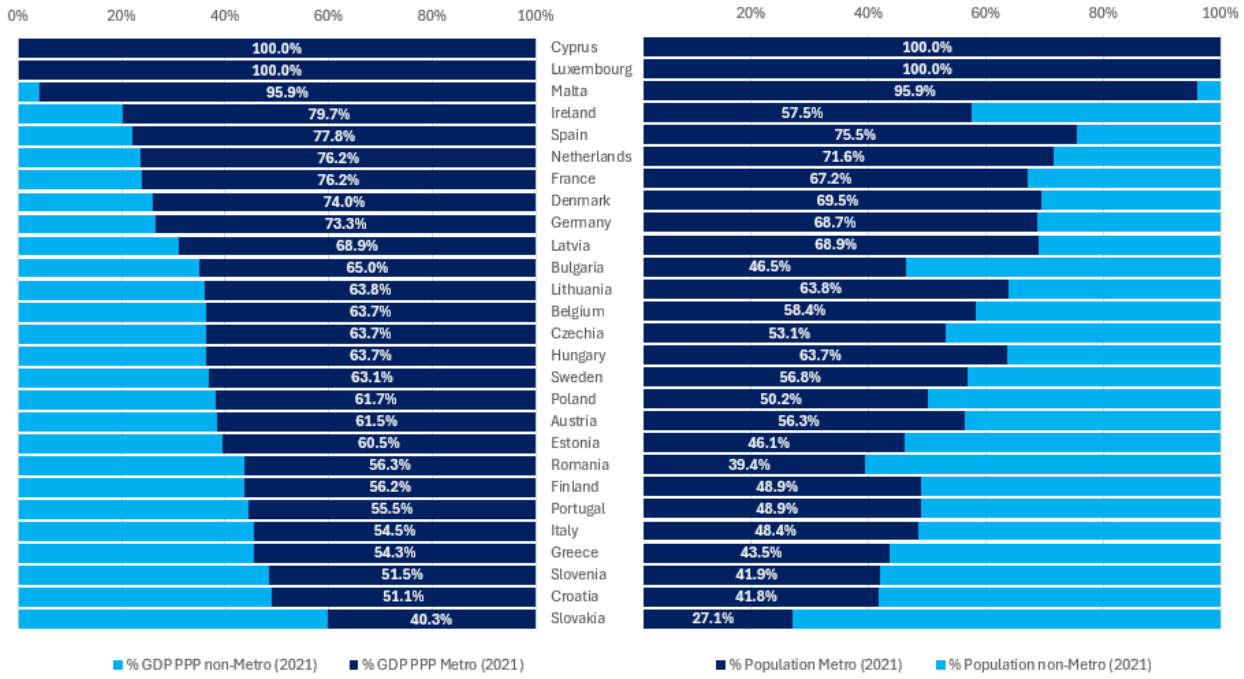
Recognizing metropolitan areas as key enablers of competitiveness, this paper proposes a set of Metropolitan Competitiveness Missions. Rather than spreading resources thinly, the EU must prioritize places and sectors where innovation and industrial transformation can achieve the highest impact. A mission-based approach to metropolitan development offers precisely such a framework. It would enable and incentivize metropolitan areas to sharpen their economic and technological profiles and work în complementarity rather than competition. Moreover, it would allow them to define long-term development directions that provide predictability for investors while advancing EU's overarching objectives. The Metropolitan Competitiveness Missions would offer the governance and financing framework for the EU,

its Member States, regions and Metropolitan Areas to coordinate action for shared goals, as opposed to engaging with Metropolitan Areas merely as operational implementers in the new Multiannual Financial Framework. At the same time, replacing city-to-city competition with structured metropolitan collaboration (across administrative and national borders) would also strengthen territorial cohesion and the diffusion of development benefits across the EU.

1.1. Metropolitan Areas are the economic engines of the EU

The EU does need to reinvent itself, as the Draghi Report suggests, but it will not manage to do so without the mobilization of its main metropolitan areas. Albeit imperfect, EuroStat data indicates that in every EU country, with the exception of Slovakia, metropolitan areas generate more than 50% of their respective country's GDP, and in all cases metropolitan areas punch above their weight – i.e. they generate a higher share of their respective country's GDP (PPP) than their population share in the national population. In Ireland, metropolitan areas generate 79.7% of national GDP (PPP), corresponding to a population share of only 57.5%, while Slovakia scores 40.3%, corresponding to a mere 27% share of the functional urban area population in the total population. This trend is consistent across most countries listed, highlighting the economic power of functional urban areas.

Figure 2. Performance of EU metropolitan areas



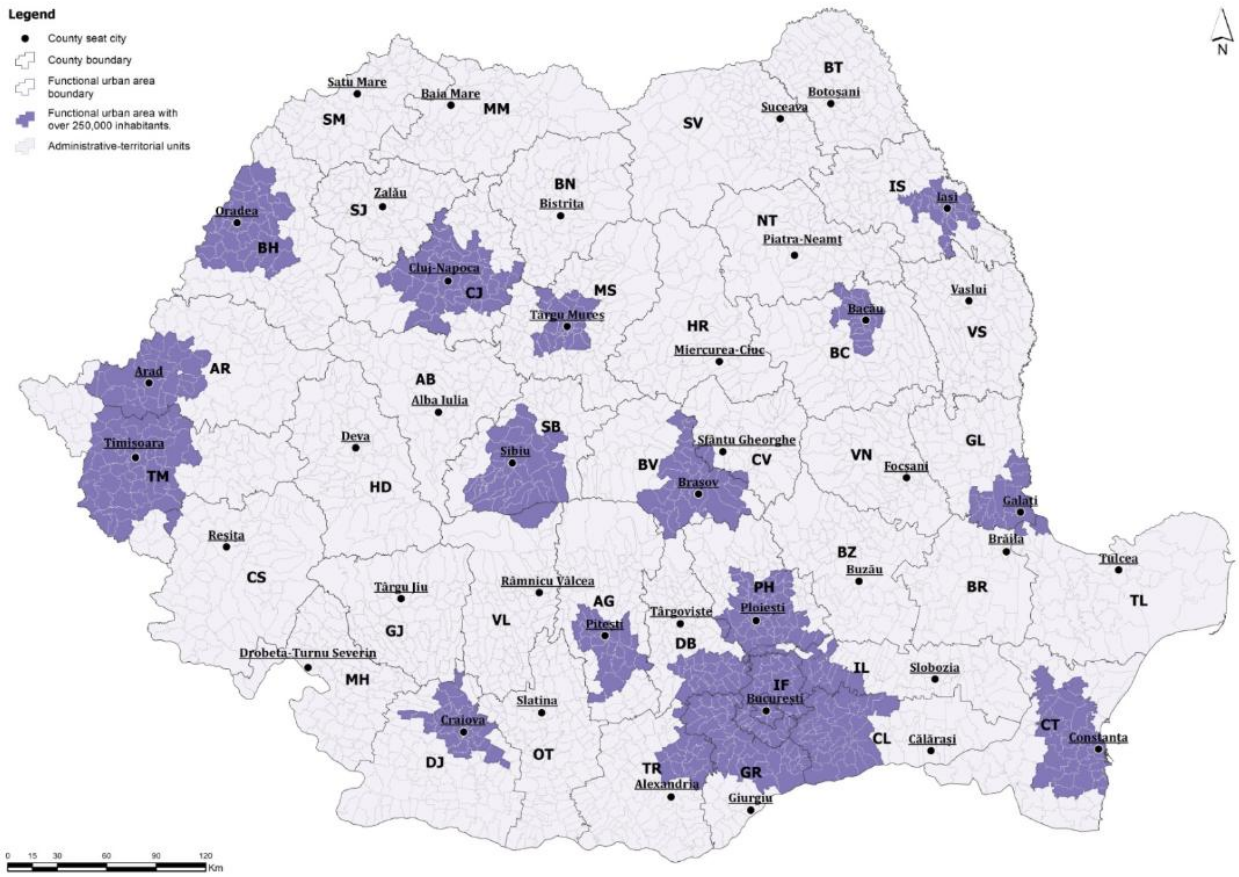
Source: EuroStat

It is important to note here that the methodology used by EuroStat to identify metropolitan areas[3] focuses on NUTS-3 approximations of functional urban areas (FUAs) with at least 250,000 inhabitants (see map in

[3] The methodology and a map with the metropolitan areas can be consulted here: https://ec.europa.eu/eurostat/web/metropolitan-regions/methodology

Annex 1). However, when disaggregated calculations are carried out at the level of individual EU Member States, the figures vary significantly. For instance, the map below highlights Romanian FUAs with populations exceeding 250,000 people[4], identified in accordance with the EU-OECD methodology[5], which relies on commuter flows. These 15 FUAs amass 40% of the total population and generate 63% of the country's GDP. A more precise territorial delineation (where only FUA boundaries are considered rather than entire NUTS-3/county areas) further demonstrates that productivity levels rise as one approaches the core of a FUA. Expanding the scope to include all Romanian FUAs, irrespective of size, shows that they cover 50% of the country's territory, concentrate 75% of its population, and produce 98% of national GDP. Comparable patterns can be observed across other EU Member States.

Figure 3. Functional Urban Areas in Romania with more than 250,000 people



Source: World Bank

Metropolitan areas have been and will continue to be the vehicles for the transformation of regional and national economies. Their demographic concentration and economic diversity create conditions for higher productivity, innovation, and cross-sectoral collaboration, with positive spillover effects from urban centers to their hinterland. The mechanisms which drive this economic transformation are outlined below:

[4] Compare it with the map in Annex 1.

[5] https://www.oecd.org/content/dam/oecd/en/publications/reports/2019/12/the-eu-oecd-definition-of-a-functional-urban-area_cef4a128/d58cb34d-en.pdf

- **Higher productivity**. Their population density enables more dense, dynamic, and inter-connected economic ecosystems, which ultimately drive higher productivity levels.
- **Innovation**. Population density also facilitates the establishment, maintenance, and expansion of university and research and development centers. As a result, they generate an overwhelming share of innovations and disruptive ideas.
- **Cross-pollination**. Often, disruptive ideas emerge from interactions between experts from different sectors, and metropolitan areas are particularly conducive to such exchanges, as they accommodate a larger set of economic sectors.
- **Lifting the hinterland**. An analysis of developing countries clearly indicates that development radiates from dynamic urban centers to their rural or small-urban hinterland. While this diffusion can occur organically, it can be significantly accelerated, and the territorial reach can be significantly widened if the proper metropolitan approaches are put in place.

At the same time, a set of macro-level challenges remain, outlined below.

2. What are some of the economic challenges faced by Metropolitan Areas in the EU?

Metropolitan Areas mirror the structural weaknesses of the broader EU economy, which lie in its heavy reliance on three major sectors, which together account for more than 80% of EU exports[6]. To a large extent, these three sectors also dominate the local economies of EU's metropolitan areas[7], and they are responsible for some of the challenges that the EU economy is facing:

- **Transport** – e.g. the production of automobiles, planes, trains, buses, trams, and components.
- **Chemicals** – e.g. the production of pharmaceuticals, fertilizers, soaps, detergents, beauty products.
- **Electronics and electrical equipment** – e.g. TVs, toasters, computers, cable, integrated circuits, turbines, hair trimmers.

Europe has specialized in sectors where innovation is often marginal and has a culture less conducive to disruptive innovation compared to the US. The World Bank's *Golden Growth* report indicates that Europe has specialized in economic sectors where innovation is marginal (e.g., a slightly more efficient engine on a car), and its culture does not always favour disruptive innovations (e.g., compared to the US, there is a significantly lower number of unicorns with young founders). The most successful companies in the EU include luxury goods companies (e.g. LVMH, Hermes, L'Oreal), companies that have managed to embed themselves in global high-value chains (e.g., ASML, which has a monopoly on lithographic machines for producing microchips), or companies that benefit from global oligopolies (e.g., Airbus).

For the most part, even when Europe manages to generate disruptive innovations, it is less astute at monetizing these innovations due to the fragmentation of its financial markets. A notable example is the World Wide Web, which was first created at the CERN center in Switzerland. Despite this breakthrough, it was predominantly US companies that succeeded in building large-scale enterprises around this

[6] See: https://oec.world/en

[7] See: https://metroverse.hks.harvard.edu/high-value

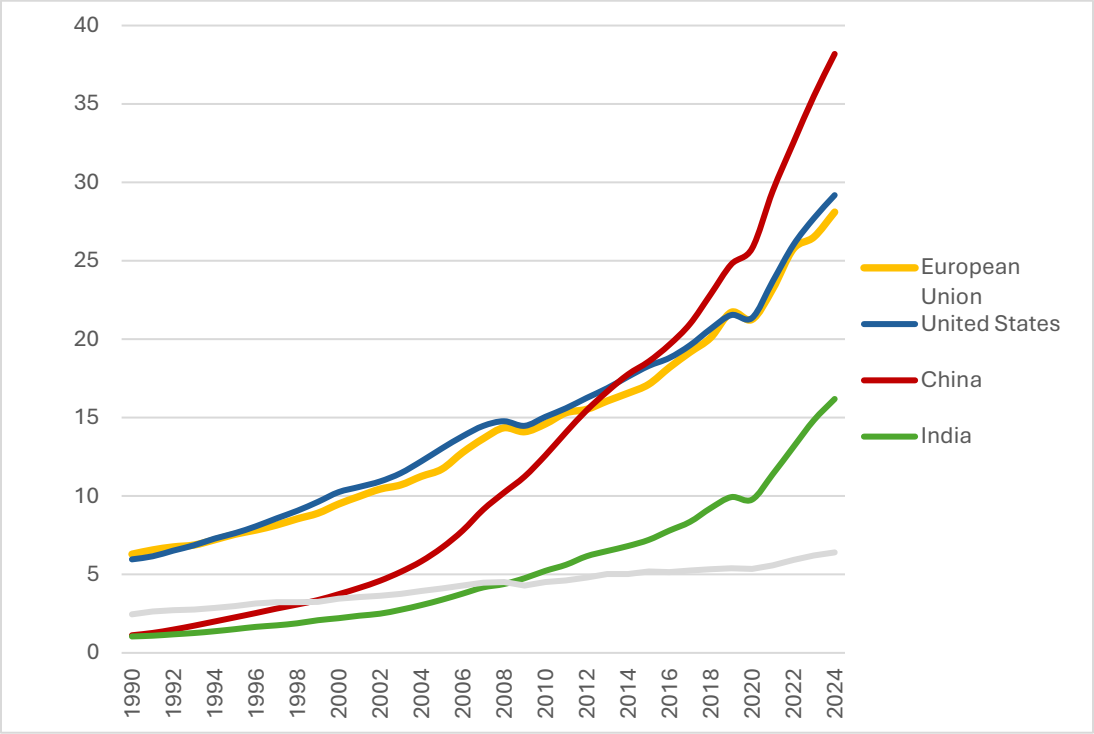
technology. Europe's failure to monetize some of its innovations is, to a considerable degree, linked to the fragmentation of its financial markets, as the *Draghi Report* indicates. It is relatively difficult for people in individual EU countries to invest in companies from other EU countries. This hinders capital from being directed toward European companies, with a growing number of innovative European companies opting to list themselves directly on US stock exchanges (e.g., Spotify or UiPath, listed on the New York Stock Exchange), or to leverage the US market to sustain their growth (e.g., Novo Nordisk). Notably, there are no EU companies in the global top-30 companies with the largest market capitalization, and there are only 8 EU companies in the top-100 companies globally (as opposed to 60 companies from the US and 12 from China).

Moreover, financial education is also relatively low across Europe, further limiting capital flows to dynamic and innovative companies. According to the 2023 Eurobarometer on financial literacy in the EU, only 18% of EU citizens have a high level of financial literacy, while 64% have a medium level and 18% a low level, with wide variations across Member States. This constrains Europe's capacity to channel household savings into productive investment, limiting the flow of capital available for innovation and strategic industries. Generally, the countries with a more robust financial education and with more proactive financial policies (e.g., Sweden or the Netherlands) tend to also have more dynamic and innovative companies and economies. The Netherlands laid the foundations for modern equity finance and launched the world's first modern stock exchange. Now, it is time for the EU as a whole to reinvent how capital is mobilised and directed towards productive pursuits, shaping the economy of tomorrow in line with its strategic priorities.

3. Comparison of METREX Members to US and Chinese peers

As the Draghi Report notes, the US now generates an overwhelming share of disruptive innovations, and dictates the direction and pace of development for the rest of the World. US companies also attract an overwhelming share of international capital, including European capital which could finance the growth of European companies. In turn, China has followed a path of focused and aggressive investments in a number of strategic sectors, and it has managed to achieve dominance in some areas of critical importance for the EU (e.g., electric vehicles, solar panels, rare-earth metals). Moreover, in terms of the GDP adjusted for purchasing power, it has already overtaken the EU and the US (see below).

Figure 4. GDP, PPP (current international $) in the EU and selected countries



Source: World Bank

Obviously, where the US and China have done better than the EU, the main engines have been their main metropolitan areas – even within the context of highly centralized policy making of China. The *Metroverse* database, maintained by Harvard University, is a unique platform that allows to assess key competitiveness factors for all major metropolitan areas in the world, and to benchmark across different geographies. To this end, *Annex 2*, includes several synthetic maps that compare the performance of METREX Members with some of their US and Chinese counterparts. The *Metroverse* database includes a much larger number of relevant indicators, but we have chosen to look only at a limited number of issues that are more frequently discussed in policy circles.

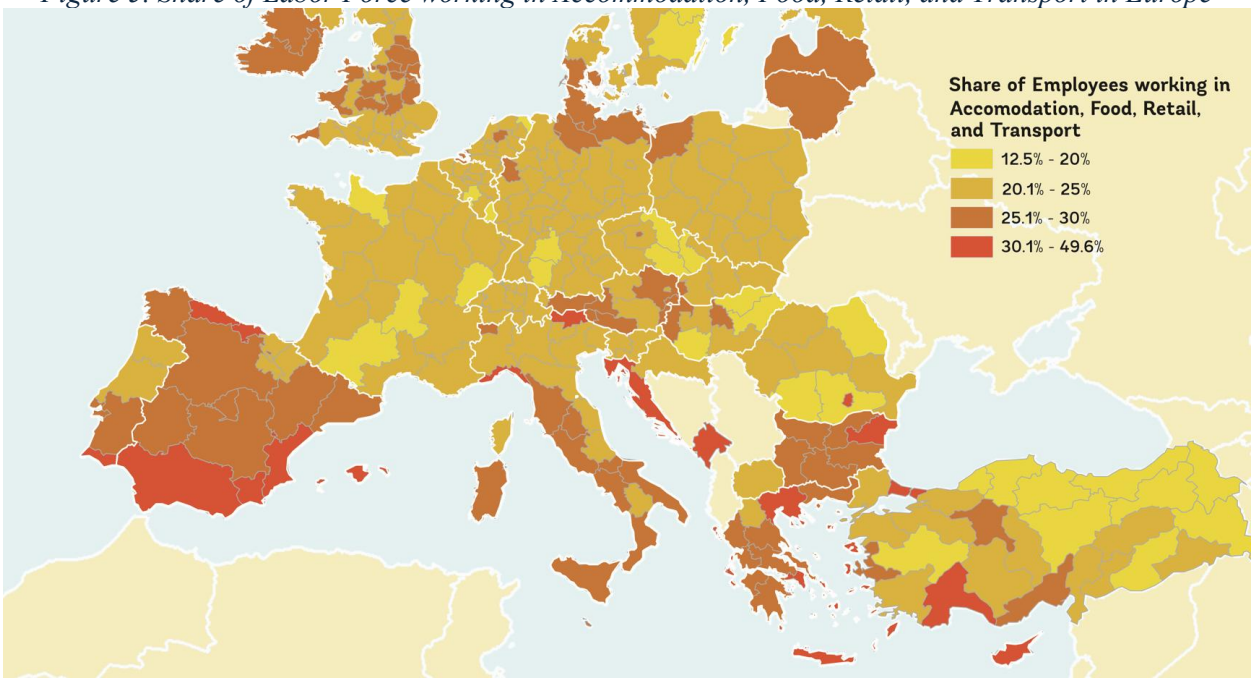
For one, a look at the GDP per Capita figures indicates that there is much larger heterogeneity in Europe than in the US and China, with much wider variation in GDP figures across Europe. In China, overall GDP per Capita figures are smaller than in Europe, but there seems to be relatively little variation in performance, indicating a top-down approach of the Chinese Government, to ensure balanced development across the territory of the country.

When it comes to the share of the labor force engaged in higher value-added jobs (selected in *Annex 2* as the sectors with above-average wages), the US, surprisingly, scores the worst, and China seems to lead by a wide margin. Obviously, this data would require more unpacking and detailed analysis, but it seems to indicate that the success of US cities draws on the performance of a few exceptional individuals, and on the ease with which these individuals have access to capital to finance their business ideas. This has a significant importance for the EU's current *Smart Specialization* approach, and for the future Competitiveness Policies. When looking at the share of the labor force working in the ICT sector, Europe

seems to be more or less on par with the US and China, indicating that the expertise of the overall labor force isn't the reason for the competitiveness lag in Europe.

When looking at the share of the labor force engaged in the Leisure and Hospitality sector, data indicates Europe to have a higher concentration than the US. Moreover, the *Metroverse* database shows Chinese metropolitan areas having an even higher concentration (see *Annex 2*), a point which deserves more in-depth study. The map below shows that in some EU regions, the share of the population working in low value-added sectors reaches almost 50%. These regions face a "Dutch Disease" type of situation, where their natural or historical endowments enable easier generation of revenue from tourism, but also push out or limit the development opportunities for higher value-added sectors.

Figure 5. Share of Labor Force working in Accommodation, Food, Retail, and Transport in Europe



In what follows, the paper will discuss a number of proposals aimed at making European metropolitan areas more competitive and dynamic.

4. How can the EU become more competitive? The Metropolitan Competitiveness Missions

Economist Mariana Mazzucato has famously come up with the concept of "mission economics": an ambitious and concrete goal is set, and resources and energies from multiple areas (e.g. private sector, public sector, academia, civil society) are channeled to help achieve that goal. Mazzucato gives the example of the ambitious goal set by John F. Kennedy to "put a man on the moon by the end of the decade, and bring him back safely". That single mission mobilised more than a thousand organisations in the US and generated a multitude of innovations, from digital flight controls, e-mail communication, integrated circuits, credit card swiping devices, cordless phones, to memory foam, water purification systems, food safety, quake proofing, microwaves, freeze-dried food, water filters, or scratch-resistant glasses.

Coordinating efforts to support long-term competitiveness goals is needed, and existing experience in implementing the EU Missions under the Horizon Europe programme can inform the scale-up of this approach. Building on this "mission economics" approach, the European Commission has launched five major missions for the 2021-2027 Programming Period. Of these 5 missions, the most well-known and successful so far is the "100 Climate-Neutral and Smart Cities by 2030" Mission, through which the EC is supporting 100 cities from the EU and 12 cities in countries associated to the Horizon Europe programme that commit to making the transition to climate neutrality by 2030. The exceptional strength of this initiative lies in its flexibility: it enables each participating city to achieve climate neutrality through pathways tailored to its specific context. As such, this approach is expected to generate a range of innovative and scalable solutions, with the most successful models subsequently transferable to other cities.

The Competitiveness Compass should be complemented by a mission approach at metropolitan level to build a world-class innovation system, advance decarbonization, as well as reduce dependencies and enhance security. While the Competitiveness Compass was designed to deliver on these specific goals, a mission-based approach can offer the required framework for shaping a distinctly European path, informed by international experiences. Looking beyond the specific conditions that shaped the US and Chinese innovation models, research on industrial policy shows that well-designed public action can accelerate structural change, while *laissez-faire* approaches fail to deliver the coordination that the competitiveness challenge requires.

The EU needs to assess both the US and Chinese innovation models and define its own mission approach, in line with its strengths and core values. While the US Silicon Valley model has generated world-leading innovation, the historical circumstances that created American venture capital markets (federal post-war investment, state-heavy Cold-War innovation framework, deep capital liquidity) are difficult to recreate. Considering the differences in social protection of workers and approach to inequality, against the background of growing environmental pressures, the mere replication of the US Sillicon Valley is not feasible. Moreover, focusing primarily on big tech innovation risks primarily producing technologies for consumer and business markets, rather than the infrastructures and systems required for EU's strategic goals (e.g., defense, energy security, decarbonization, climate adaptation, inclusive growth).

While set within a political and governance framework that differs sharply from the EU, China's innovation model, reflected by the Made in China 2025 strategy, offers valuable insights. As Dan Wang and Arthur Kroeber note[8], China's success lies in systemic mobilization, directing investment, infrastructure, and skills toward strategic sectors such as semiconductors, clean energy, and advanced manufacturing. Besides targeted subsidies, the Chinese model's success lies in building the "deep infrastructure" (physical infrastructure and expertise) that enables innovation and efficient production. It is worth mentioning that China generates more electricity per year than the US and the EU combined, providing it with a significant competitive edge in the power-intensive industries of the future, including Artificial Intelligence. A key lesson for both US and the EU is moving from a sector-to-sector approach to

[8] Dan Wang, Arthur Kroeber, *The Real China Model. Beijing's Enduring Formula for Wealth and Power,* Foreign Affairs, 2025, available at: https://www.foreignaffairs.com/china/real-china-model-wang-kroeber

developing a strong ecosystem for innovation through large-scale electricity systems and battery storage capacity, research and development, and policies to attract the best global talent.

The rapid transformation of local and national economies generates both positive and negative externalities. One of the negative externalities is the Schumpeterian creative destruction process, which can produce substantial gains in certain regions of the EU ("winners"), and render other parts of the EU as "losers". To illustrate this, one can consider the hypothetical scenario in which the iPhone, which led to the demise of Nokia and Ericsson, had been developed in Spain, Greece, or Czechia. This could have represented a sensitive scenario for Finland or Sweden. As such, adequate tools and robust policy instruments are required to tamper the impact of the Schumpeterian creative destruction process.

Based on these insights, a mission-oriented approach, with EU's metropolitan areas as key delivery partners, can effectively boost EU's competitiveness. The following section proposes a set of potential missions that could be considered, grouped into three clusters:

Mission cluster: Financial sovereignty and scienitfic leadership

A full-fledged Capital Markets Union, supported by unified legislation, tax code and investment rules is an achievable and highly desirable goal, with direct implications for innovative companies and metropolitan areas across the EU. In parallel, Metropolitan Areas with strong research, development and innovation potential should design ambitious smart specialisation strategies, going beyond traditional, marginal innovation sectors that they already excel in, towards The potential missions proposed under this cluster are:

a. Capital Markets Union. The need for achieving a full-fledged Capital Market Union stems from the premise that it should be very straightforward for citizens from Spain, Bulgaria, Sweden, or Denmark, to invest in a promising company from Slovakia or The Netherlands. In fact, investors from anywhere in the world should find it simple to direct capital to European companies. The larger the capital pool that EU companies can access, the greater their capacity to sustain long-term growth. Strengthening access to capital is, therefore, one of the most effective means of reinforcing metropolitan areas across the EU. Yet, over 130 EU companies, with a market capitalization of over €680 billion EUR, have relocated to the US, largely due to the more favorable conditions for raising capital. UiPath, a unicorn from Romania, has chosen to list itself on the New York Stock Exchange; at the time of its IPO in 2021, its market capitalization reached $34 billion, exceeding the total value of all companies listed on the Bucharest Stock Exchange). To address such challenges, the European Commission is already contemplating the introduction of a "28th Tax Regime" - a single EU-wide tax regime with a unified legislation, tax code, and consistent rules for investors from across all Member States.

POTENTIAL MISSION GOALS:

- **Integrated EU Stock Exchange**
- **28th Tax Regime**

a. ***Digital and computational leadership***. Although the EU hosts several major ITC companies (e.g., SAP, Siemens), it lags behind considerably in this field compared to the US and China. Two sectors of particular strategic importance stand out: Artificial Intelligence and long-distance communication technologies (e.g., through quantum entanglement). Progress in these areas will require, on the one hand, the substantial expansion of Europe's data center infrastructure (which is lagging well behind the US and China) and a significant increase in computational power. Currently, advanced AI models depend heavily on Graphics Processing Units (GPUs), produced primarily by Nvidia and AMD. Looking ahead, quantum computing is expected to enable an exponential leap in computational power. The EU should pursue both avenues, and ensure that as many metropolitan areas as possible are positioned to actively participate in this technological race.

POTENTIAL MISSION GOALS:

- **Catch up with the US and China in the race to develop Artificial General Intelligence (AGI)**
- **Develop competitive advantage in quantum computing**
- **Develop capacity to communicate long distances through quantum entanglement**

b. ***Biotech and frontier science leadership.*** As with quantum mechanics, the ability to decode the mechanisms by which life forms, evolves, and mutates holds the potential to transform entire sectors. Advances in biotechnology could enable unprecedented progress in healthcare, while also making it possible to engineer a wide range of new living organisms, with both positive and negative side-effects. The EU should also capitalise on its strong scientific community and its capacity to attract the best global talent to aim for leadership in frontier science fields, such as fusion energy. By advancing its capacity to generate fusion energy, the EU could open the possibility for the artificial creation of all chemical elements, as well as entirely new chemical elements beyond the current periodic table.

POTENTIAL MISSION GOALS:

- **Be the first to develop fusion energy capacity**
- **Be the first to develop new materials beyond the existing periodic table**
- **Be first to discover breakthrough biotechnological processes that enable the creation of new organisms.**

c. ***Green energy storage leadership***. According to the Draghi Report, the EU is a world leader in clean technology, but it is losing momentum due to a weak innovation system. However, research and innovation should be increased in parallel with improving the innovation system. Energy storage is one of the key pillars of the clean energy sector and represents a critical global opportunity. From its position of leadership, the EU should prioritize financing research and development in this sector, support the commercialization of advanced storage technology, and build a robust supply chain and recycling network for batteries and other solutions. This approach would not only secure Europe’s energy autonomy and resilience but also reinforce its competitive edge in the global clean tech market.

POTENTIAL MISSION GOAL:

- **Build a resilient EU energy storage ecosystem.**

d. Thought Leadership. The capacity to ask big questions and the ability to make connections across different fields is likely the one trait that may give humans a competitive advantage over Artificial Intelligence. The Solvay Conference of 1927 was the last time that Europe dominated the global knowledge arena, with Einstein, Schrodinger, Bohr, Heisenberg, Curie, Plank, Born, and Lorentz brought together under the same roof. The rise of right-wing and populist parties across Europe, followed by the Second World War, prompted many of the continent's most brilliant minds to emigrate to the United States, Canada, Australia, and beyond. This intellectual exodus represented an immeasurable loss for Europe, arguably greater than the physical destruction of the war itself. The EU has a competitive advantage in its capacity to convene diverse stakeholders – people, experts, politicians – around the same table. This strength should be leveraged to identify the most pressing questions of our time, and mobilize the adequate resources required to answer those questions. A revival of the spirit of the Solvay Conferences is required all over the EU.

POTENTIAL MISSION GOAL:

- **Organize flagship scientific conferences in all major metropolitan areas, bringing the brightest local minds brought around the same table.**

Mission cluster: Mobilizing financial resources at metropolitan level

It should be acknowledged that not all metropolitan areas in the EU can aspire to become AI super-centers, quantum mechanics hubs, or biotech stars. However, all of them can become more competitive. At its core, becoming more competitive depends on the capacity to attract and mobilize resources. In this regard, metropolitan areas the following options at their disposal:

a. Attracting talent and generating higher value-added exports. The EU is a net exporting economy, but the value added of its exports has been decreasing in the face of increased global competition. To generate higher value-added exports, the EU needs to produce more experts that know how to do high-demand things that few other people in the world know how to do (see for example the global search for the best AI specialists). This requires an overhaul of the educational system in EU countries, particularly the university system. European universities should be encouraged to develop *endowment funds,* following the model of US universities, which would enable them to finance cutting-edge research and attract the brightest minds from around the world.

Within the "Functional Areas in the EU" project, increasing the competitiveness of metropolitan areas was a high topic on the agenda. Mainstreaming the creation of endowment funds for local public universities was also addressed in a series of knowledge exchange activities, highlighting their role in attracting talent and advancing research and innovation. While some EU universities

have proactively started endowment funds (e.g., Vilnius University), a coordinated discussion at the EU level on how these initiatives can be supported from a policy perspective, to increase the global competitiveness of the European Higher Education Area and the EU overall is yet to be had.

POTENTIAL MISSION GOAL:

- **Help establish endowment funds in local universities**

b. Private investment attraction. To become more attractive for investors, EU metropolitan areas should prepare ambitious metropolitan masterplans, and implement more efficient asset management tools (e.g., land suitability analysis, public buildings inventories). When a public authority starts a dialogue with an investor, the chances of closing a successful deal are significantly higher if it can offer them a data-based territorial analysis of developable land at the metropolitan level. This not only supports the investor in choosing the best location, without losing time and energy in approaching individual administrative units, but it also signals that the supra-local body is a reliable and predictable partner, with a clear development vision. Having such a masterplan serves as a foundation for both public and private investment decisions, decreasing risks for the investor, and reassuring them that the area that they invest in is set on a sustainable development track.

A practical tool to use in developing the masterplan is the Land Suitability Analysis (LSA), which supports the alignment between spatial and strategic planning, by identifying areas that are suitable for particular types of development (e.g., development potential for industrial and logistics activities, commercial and retail spaces). To perform an LSA, detailed GIS databases of cadaster data, public plots, undevelopable land are required, as well as transport, utilities, social and healthcare facilities, etc. As part of the "Functional Areas in the EU" project, two GIS databases were created to support functional area approaches, allowing planners from Zagreb Urban Agglomeration and Cluj Metropolitan Area to visualize and analyze complex spatial data, including existing and proposed major infrastructure, and perform LSAs.

The process of developing a masterplan and access to spatial data can mobilize a wide variety of actors and break the silos between different sectors, supporting substantive participation, beyond generic consultation processes. For instance, the new Metropolitan Urban Masterplan of the Barcelona Metropolitan area adopted in 2023 was co-designed through over 400 participatory events and presentations, involving up to 15,000 participants (citizens, experts, academia, private sector, etc.). Similarly, the launch of the Cluj MA platform triggered an impressive interest from users, with over 100,000 maps generated within 48 hours. Moreover, local universities have provided additional layers of data to be integrated into the platform, consolidating further collaboration. Comprehensive LSAs were carried out for the Brno Metropolitan Area and Zagreb Urban Agglomeration, further supporting the implementation and preparation of their metropolitan strategies and attracting private investments.

POTENTIAL MISSION GOAL:

- **Every metropolitan area in the EU should have an ambitious masterplan**

c. Remittances. Particularly for metropolitan areas in less developed EU Member Countries, remittances from citizens living abroad, or in more developed national metro areas, represent a significant source of revenue. People generally move somewhere else in search of opportunities they do not find locally. Thus, a hopeful actor may choose to move to Los Angeles, an ambitious cook may move to San Sebastian, and a stock trader may move to New York. While losing local talent may seem like a net loss for metropolitan areas, in the bigger scheme of things it is actually a win, as that person may become much more productive if they move somewhere else. And, some of that higher productivity can be attracted back through remittances.

POTENTIAL MISSION GOAL:

- **Develop a local career counseling office, which can help connect local citizens to opportunities worldwide**

d. Financial Education. Every metropolitan area in the EU should strive to have a high share of their population with strong financial education. One of the easiest ways to attract global resources locally is through smart investments in global assets. For example, even in metropolitan areas without large multinationals, astute local investors can attract locally part of the output generated by different multinationals, by investing in their stock. However, as highlighted by the 2023 Eurobarometer on financial literacy[9], only 18% of the EU population has a high level of financial literacy, and only 45% of Europeans understand how compound interest works, despite its critical role in personal finance and long-term savings. The survey also reveals significant disparities across the EU, with the share of citizens with a high level of financial literacy ranging from over 40% in countries such as the Netherlands, Denmark and Finland, to below 20% in Portugal, Cyprus, Spain, Greece, and to just 13% in Romania. The survey points to the fact that financial education efforts should be targeting in particular women, younger people, people with lower income and with a lower level of general education.

POTENTIAL MISSION GOAL:

- **Ensure that the entire population of investing age has a high level of financial education**

Mission cluster: Demographic policy and quality of life

a. Immigration and assimilation of foreign talents. International migration replenishes the labor force in metropolitan areas facing demographic decline and aging populations. The experience of countries such as Canada, Australia or even the US shows that skilled migrants contribute to innovation, entrepreneurship, and global competitiveness of metropolitan economies. Diversity in the workforce enhances creativity and adaptability in dynamic labor markets. Migrants also support local demand for goods and services, stimulating urban economic growth.

[9] Eurostat, *Monitoring the level of financial literacy in the EU* (2023), available at: https://europa.eu/eurobarometer/surveys/detail/2953

POTENTIAL MISSION GOAL:

- **Ensure that demographic decline and aging do not compromise the economic growth of urban areas**

b. High quality of life and family-friendly policies. As the EU's population ages and life expectancy rises, metropolitan areas must strengthen their role in attracting and retaining young families. This requires not only providing a satisfactory financial and social environment for starting families, but also creating urban conditions that support raising children. On the urban side, metropolitan areas should promote child-friendly neighborhoods with adequate housing, safe streets, accessible green and public spaces, high-quality educational institutions, nurseries, and support facilities for families who often migrate away from extended family networks to access economic opportunities. Cities such as Amsterdam (The Netherlands), Vauban (Germany), and Stockholm (Sweden) are advancing this concept within their boundaries. On the policy side, family-friendly labor practices are essential. Paid maternity and paternal leave remain critical, but metropolitan areas and employers should go further by developing flexible working arrangements, expanding childcare provisions, and offering additional benefits that allow parents – especially women – to pursue careers while raising children. Together, urban and workplace instruments can make metropolitan areas both more competitive and more attractive to future generations.

POTENTIAL MISSION GOAL:

- **Position and transform metropolitan areas to attract and retain future generations of young adults by offering opportunities, quality of life, and vibrant environments**

c. Urban regeneration of aging housing stock and containment policies. Driven by higher affordability and growing demand for space, an intensive peri-urbanization trend is evident at EU level. The transformation of European urban neighborhoods requires a shift toward a more "static" form of growth, which by no means implies a slowdown in development, but rather a focus on making better use of existing urban resources as a more sustainable alternative to uncontrolled urban sprawl.

To bridge the large investment gap (estimated at least €165 billion per year[10] for energy renovation), the mobilization of private capital and innovative financial models is needed. Supporting the mainstreaming of one-stop-shops[11] that can undertake the full cycle of bundled renovation projects (instead of renovating building-by-building), from offering advisory services to monitoring and delivery, coupled with effective containment and densification policies could be the basis for another mission goal.

POTENTIAL MISSION GOAL:

[10] https://energy.ec.europa.eu/topics/energy-efficiency/financing/financing-building-renovations_en

[11] In 2021, 63 such one-stop-shops were identified at EU level by JRC.

- **Supporting the creation of one-stop-shops for the large-scale regeneration of the EU housing stock in all metropolitan areas**

***d. Metropolitan Areas can boost the impact of EU Cohesion Policy*.** Cohesion Policy acted as a catalyst for the development of inter-jurisdictional cooperation and the creation of metropolitan area governance bodies, starting from the Growth Pole policy (2007-2013), and in particular through the Integrated Territorial Investments (ITI) framework introduced in 2014. This framework has had a transformative effect, as evidenced by the evolution of the Brno Metropolitan Area, for example, which has used the incentives created by the ITI to develop an ambitious integrated strategy that goes beyond the scope of this specific territorial instrument. However, the strategy lacks binding power for all involved municipalities, pointing to the limits of development outcomes of voluntary, non-institutionalized cooperation.

As cooperation practices mature, the opportunity to use the existing experience of metropolitan areas in driving competitiveness and cohesion could inform a novel approach to the territorial targeting of Cohesion Policy. In the context of accentuated demographic decline and increasing demands and pressure on available funding, administrative and structural reforms to mainstream interventions at the functional/metropolitan scale are all more important. By pooling resources across territories and sectors within a functional area, integrated projects can avoid duplicative efforts, promote economies of scale, and ensure an optimal use of EU funding. When public investments are aligned with the territorial dynamics, they are more efficient.

POTENTIAL MISSION GOAL:

- **Institutional capacity building and financial support (dedicated programmes, investments tools, direct EU funding) available for metropolitan areas and stronger engagement of metropolitan areas in the programming, management and implementation of EU Cohesion Policy**
- **Digital metropolitan governance through open data. A territorial data platform can serve as a 'one-stop shop', providing urban services that reduce bureaucracy at the metropolitan level while enabling the publishing of metropolitan data. These two dimensions are complementary because while digitalization enhances administrative efficiency and citizen productivity, open data fosters local economic productivity by enabling stakeholders to develop innovative products and services.**

Final remarks

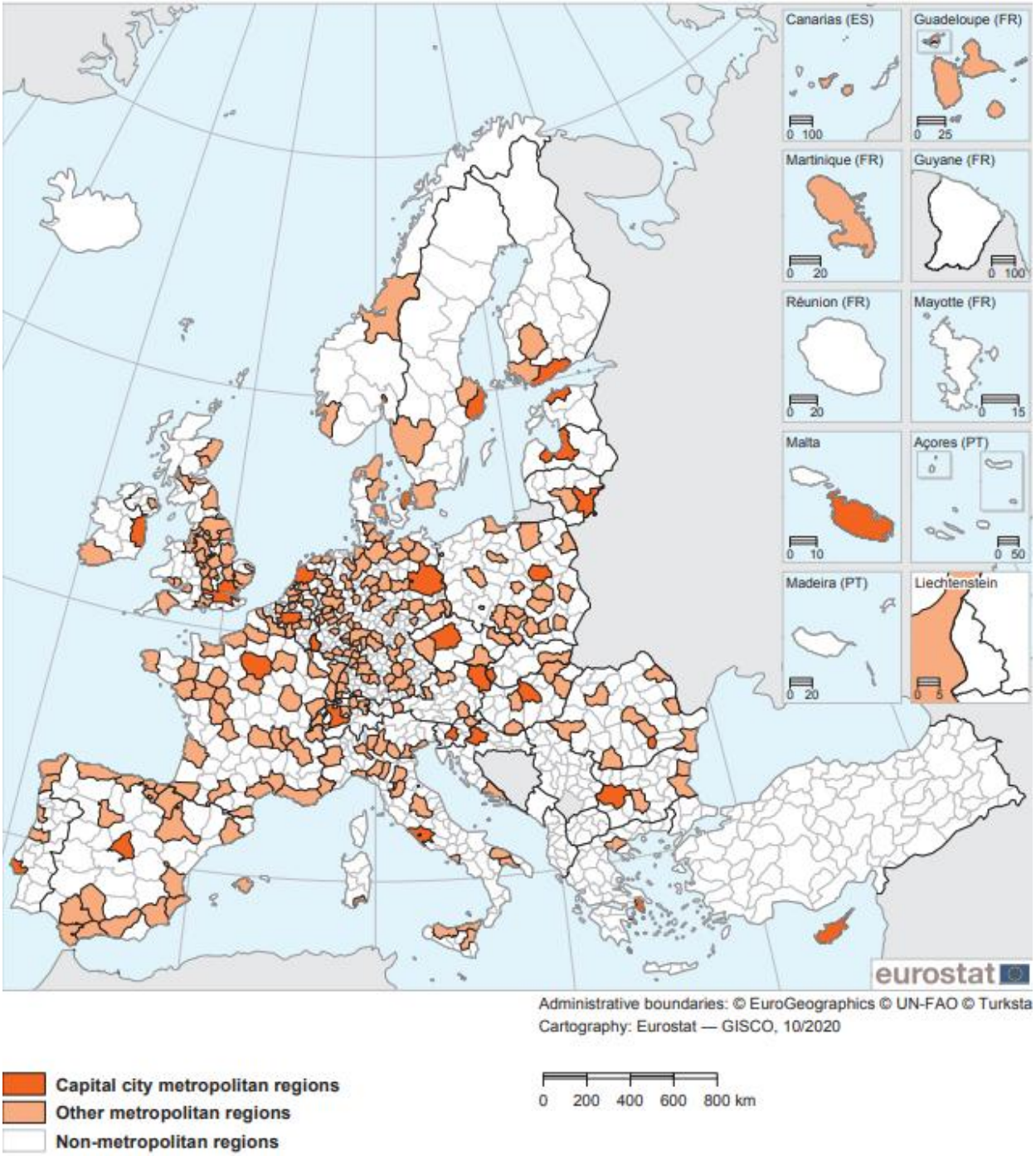
While there is growing support for functional approaches and metropolitan cooperation, securing EU's global competitiveness and leadership requires placing Metropolitan Areas at the forefront of this mission. Starting from the understanding that interjurisdictional cooperation needs to be strengthened and that the potential of functional areas to drive sustainable development can no longer remain untapped, the European Commission's Directorate-General for Regional and Urban Policy (DG REGIO) and the World Bank launched in 2021 the "Functional Areas in the EU" project. With this project, the Commission

encouraged Member States to have a stronger focus on functional areas in their programs to better respond to the territorial needs and opportunities. The project, which concluded in 2024, supported both Metropolitan Areas and non-urban functional areas by offering technical assistance for key development challenges (from spatial and strategic planning, to governance and capacity building, mobilizing public and private funding, and facilitating knowledge exchange and peer-to-peer learning). A Methodological Toolkit[12] was published to ensure widespread access to the practical knowledge and tools developed within the project, as well as available support instruments at EU level. The project served the overarching goal of increasing the competitiveness and dynamism of Metropolitan Areas, with many implications and recommendations for the next programming period. A mission-oriented approach can build on the momentum of previous flagship projects, recognising the leading role of Metropolitan Areas in delivering EU's competitiveness goals.

Metropolitan Areas are both engines for transforming regional and national economies, and key partners for boosting the EU's global competitiveness in domains of key public interest. A mission-oriented approach that recognizes the economic power of metropolitan areas as hubs of innovation and living labs for addressing today's most pressing challenges can develop synergistic cross-border metropolitan networks of innovation and industry. To support this approach, a financial and governance framework that enables EU, Member States, regions and Metropolitan Areas to work in synchronicity with Europe's key challenges is needed, with Metropolitan Areas as key delivery partners, as opposed to operational implementors. By formulating an ambitious set of goals, the **Metropolitan Competitiveness Missions** proposed in this paper can provide a clear, actionable answer to the question: *How can the EU become more competitive?*

[12] https://functionalareas.eu/methodological-toolkit/

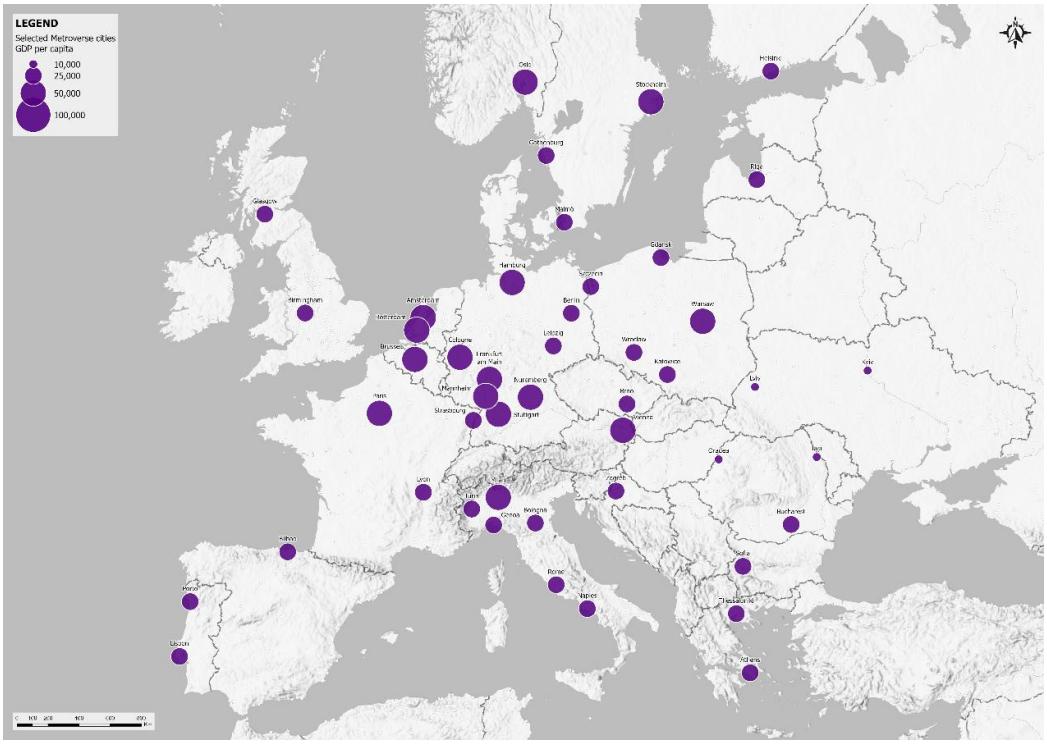
Annex 1. EuroStat *Statistical* Metropolitan Areas



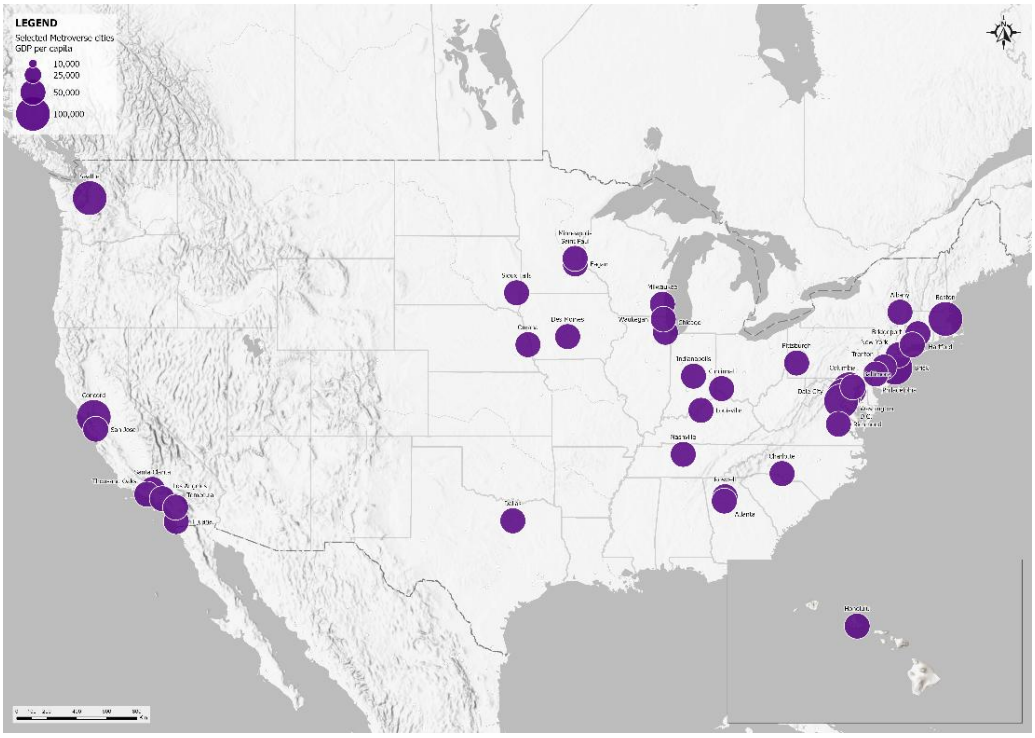
Source: EuroStat

Annex 2. Selected *Metroverse* indicators for METREX members, and for selected metropolitan areas from the US and China

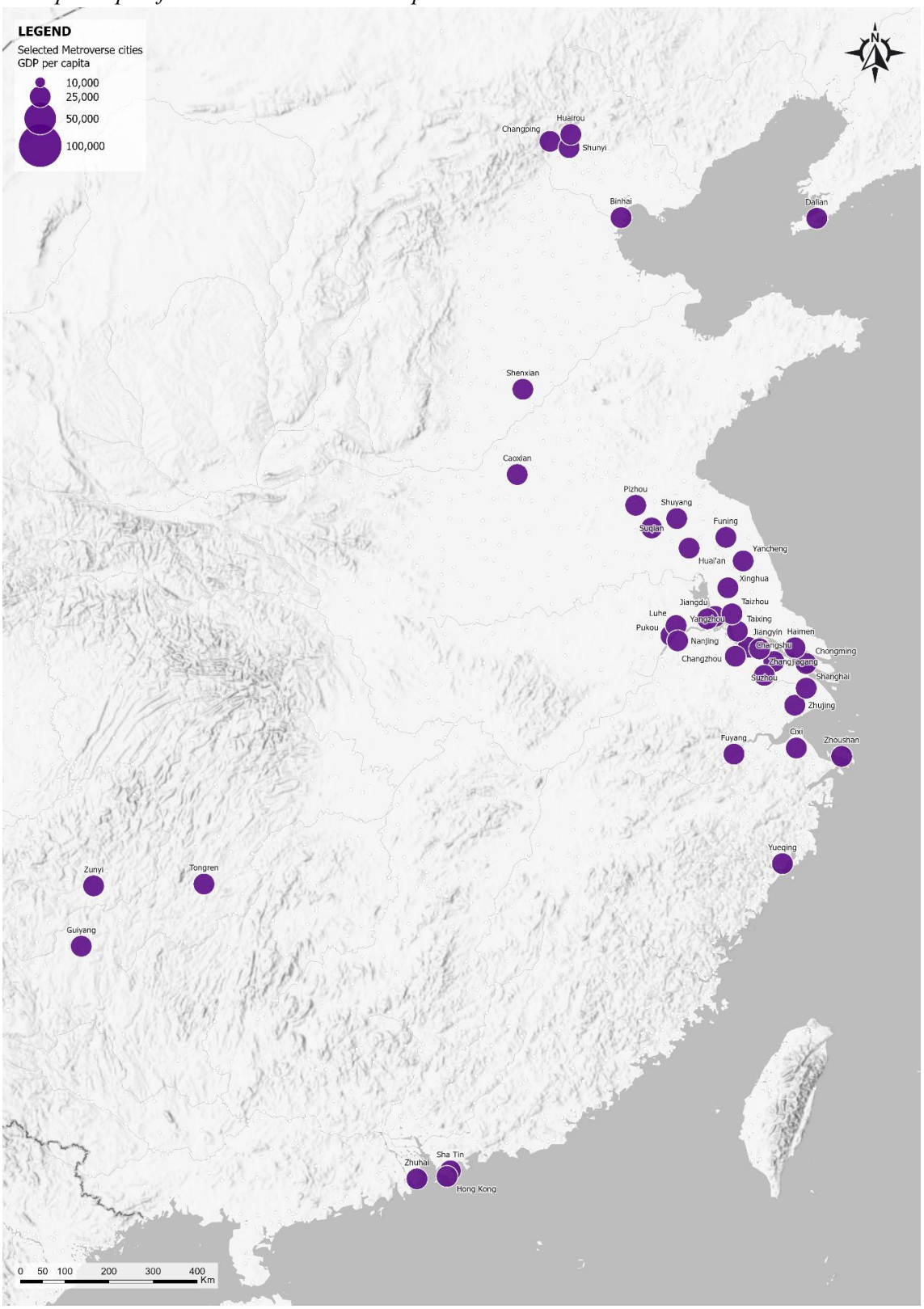
GDP per capita for METREX members



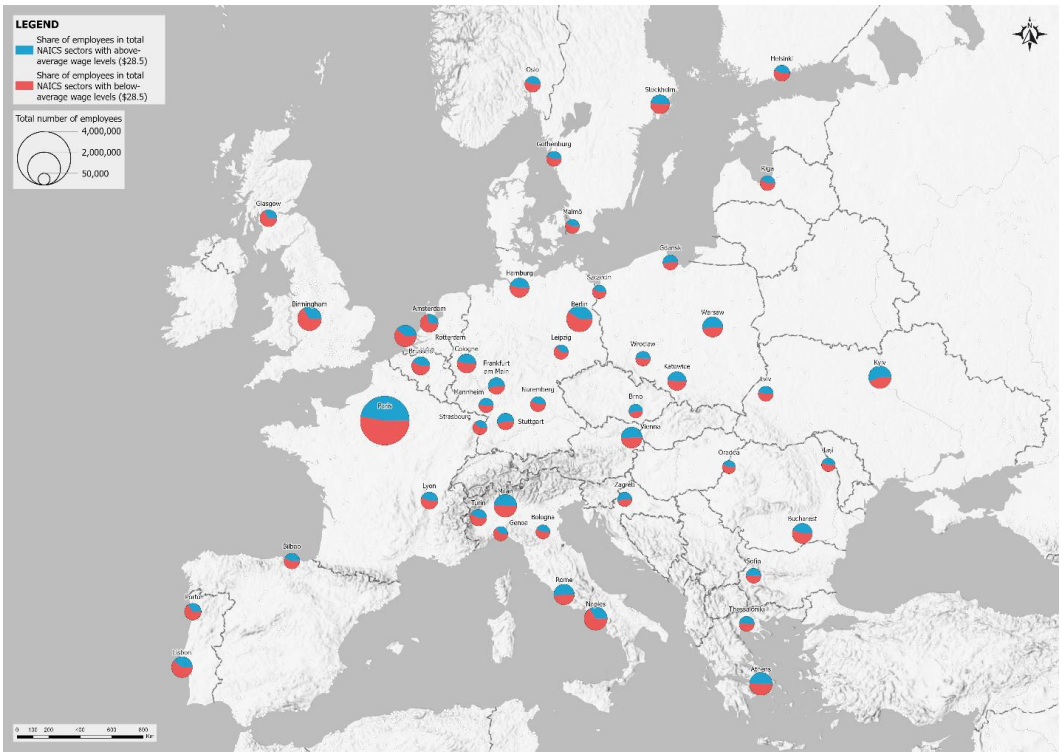
GDP per capita for selected US metropolitan areas



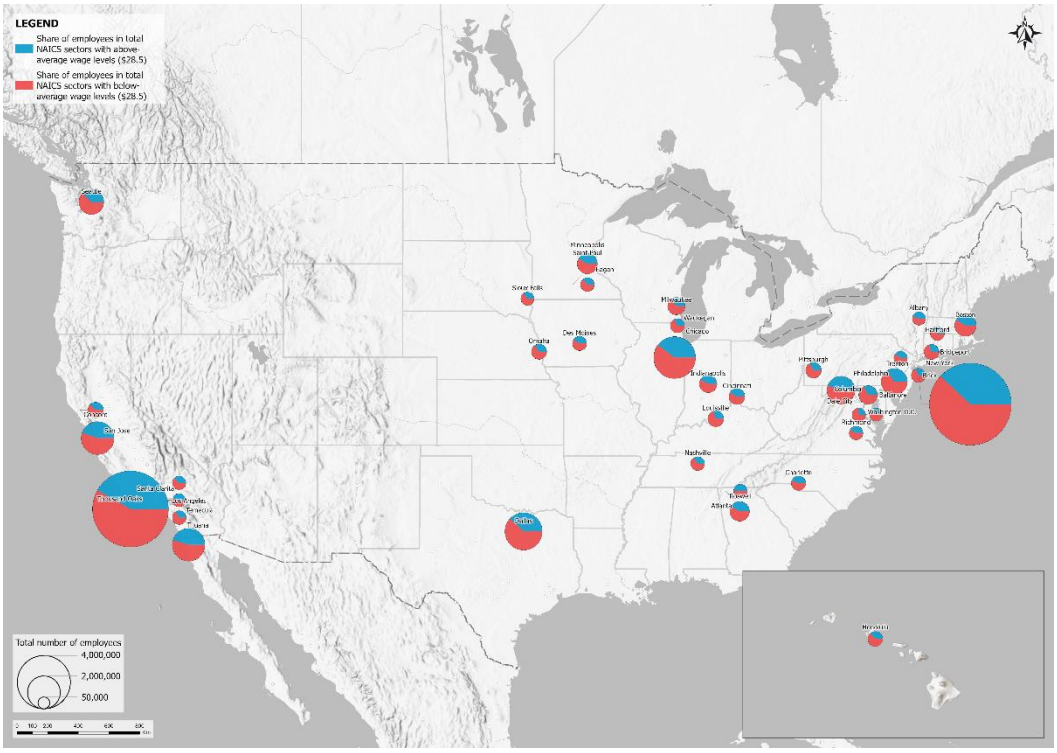
GDP per capita for selected Chinese metropolitan areas



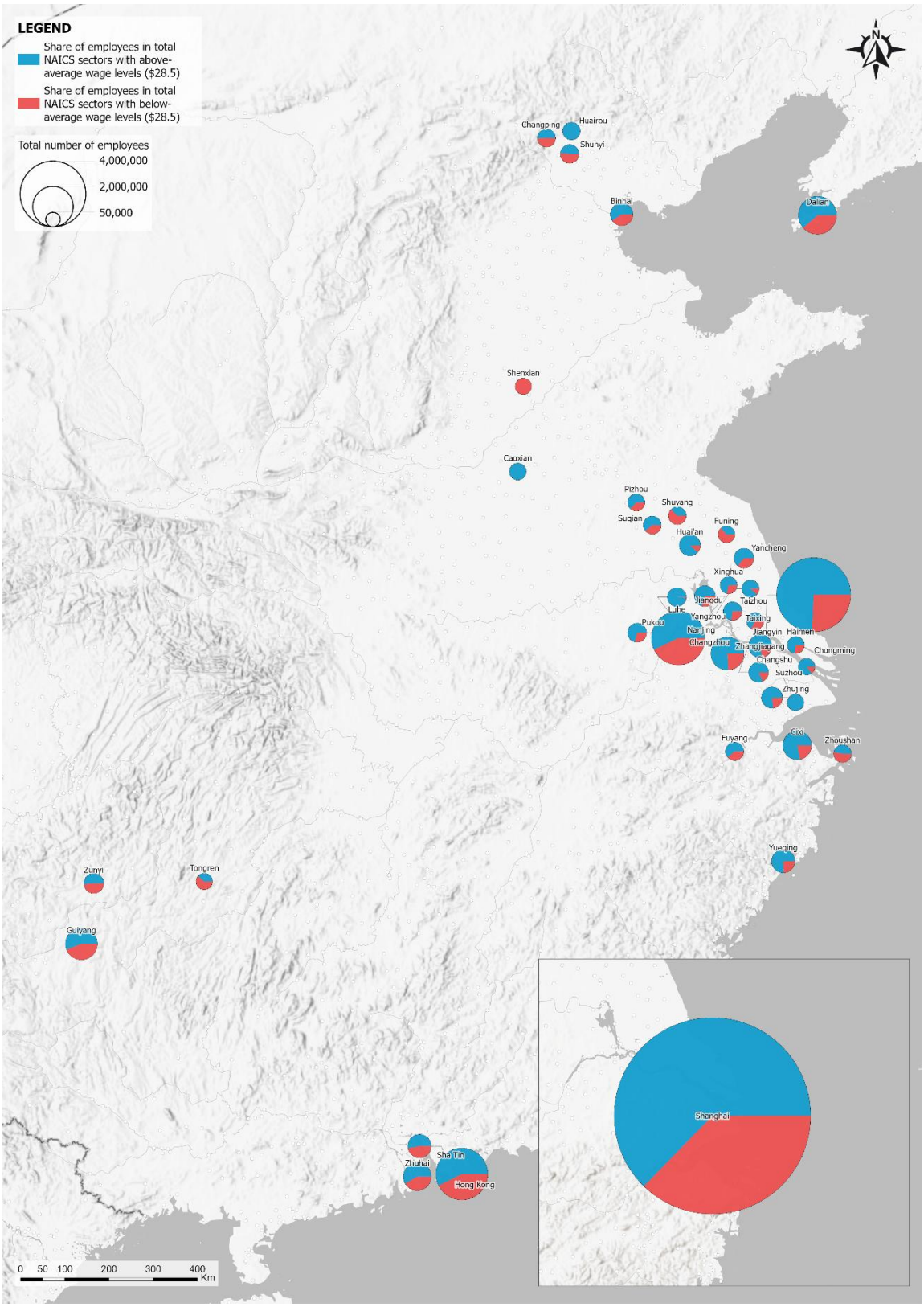
Share of total labor force engaged in sectors with above-average salaries, for METREX members



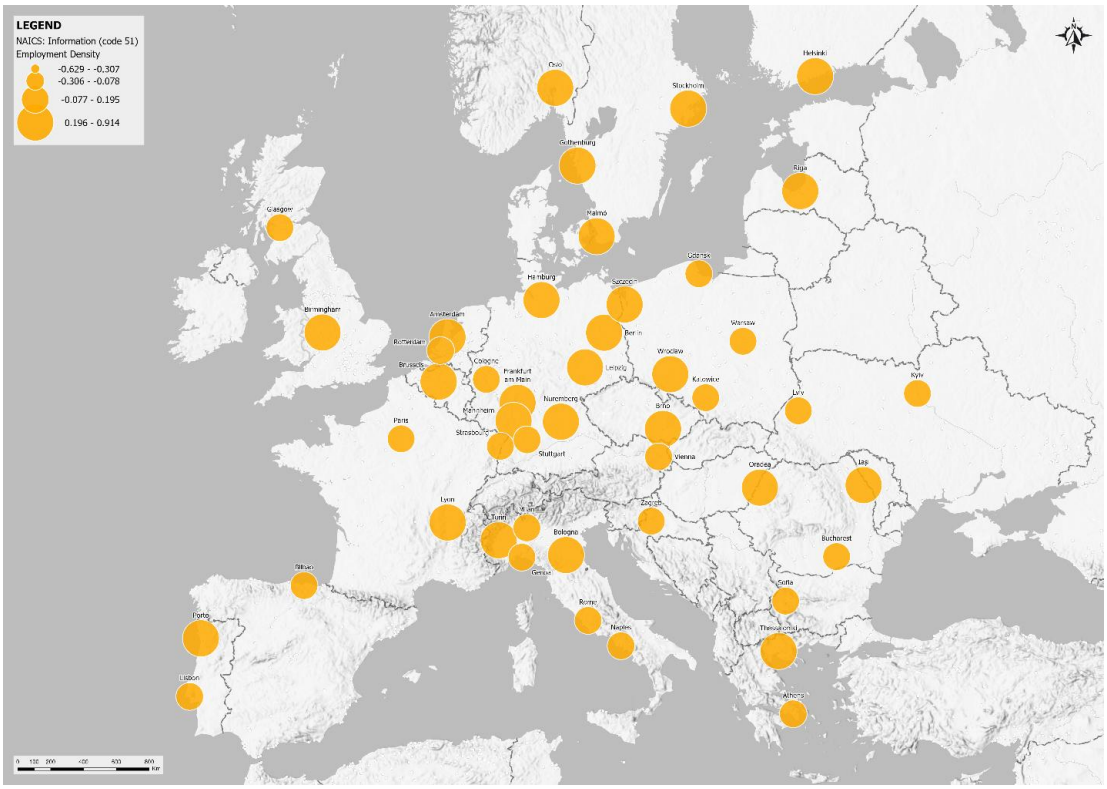
Share of total labor force engaged in sectors with above-average salaries, for selected US metropolitan areas



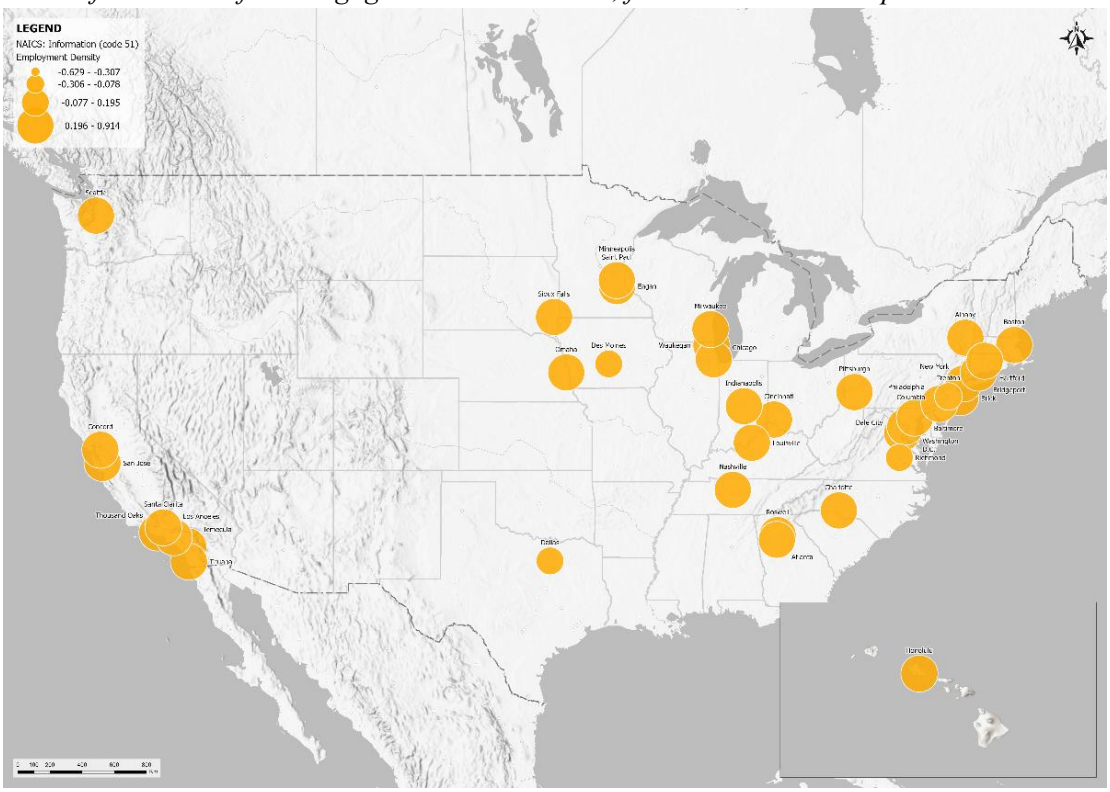
Share of total labor force engaged in sectors with above-average salaries, for selected Chinese metropolitan areas



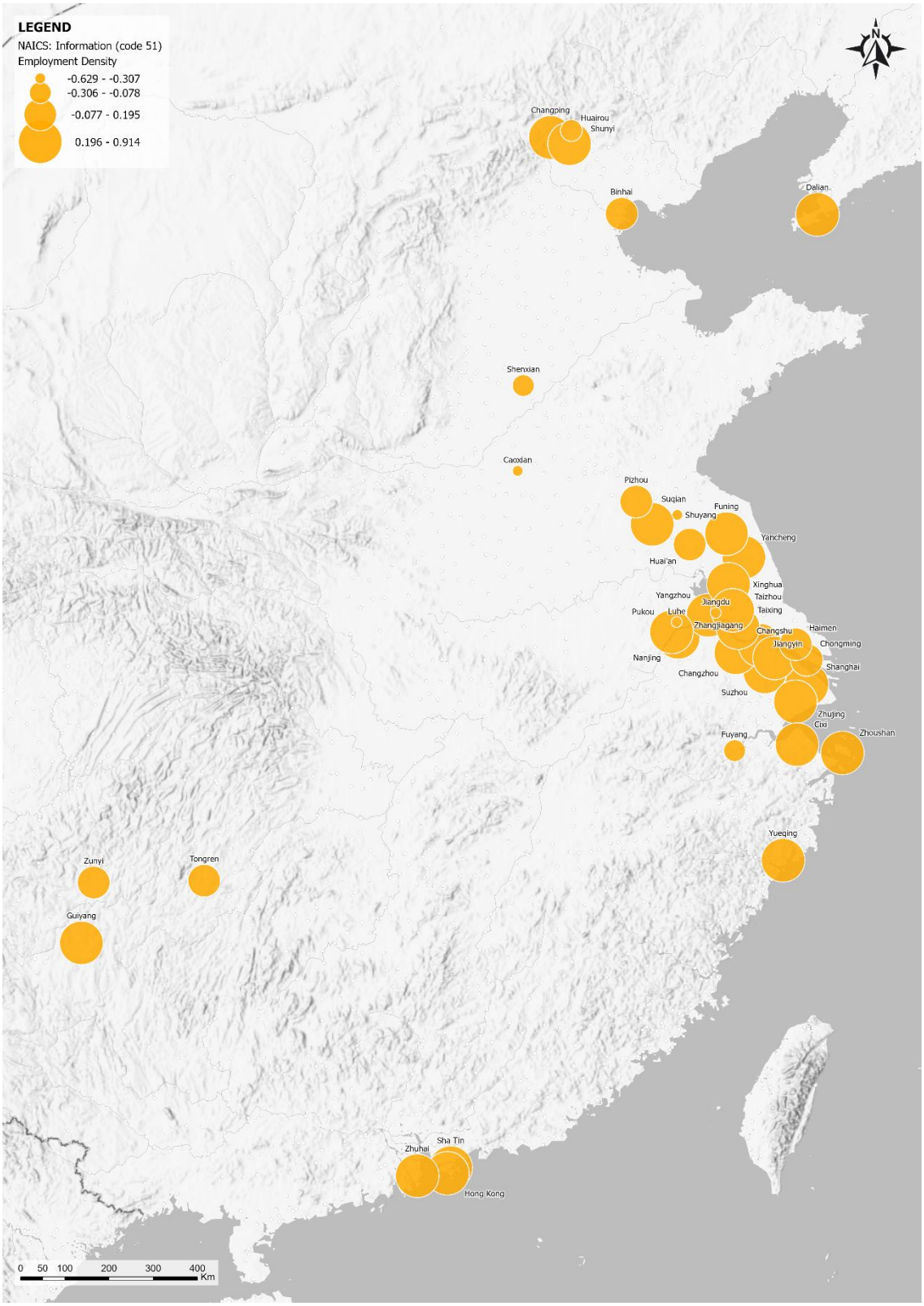
Share of total labor force engaged in the ICT sector, for METREX members



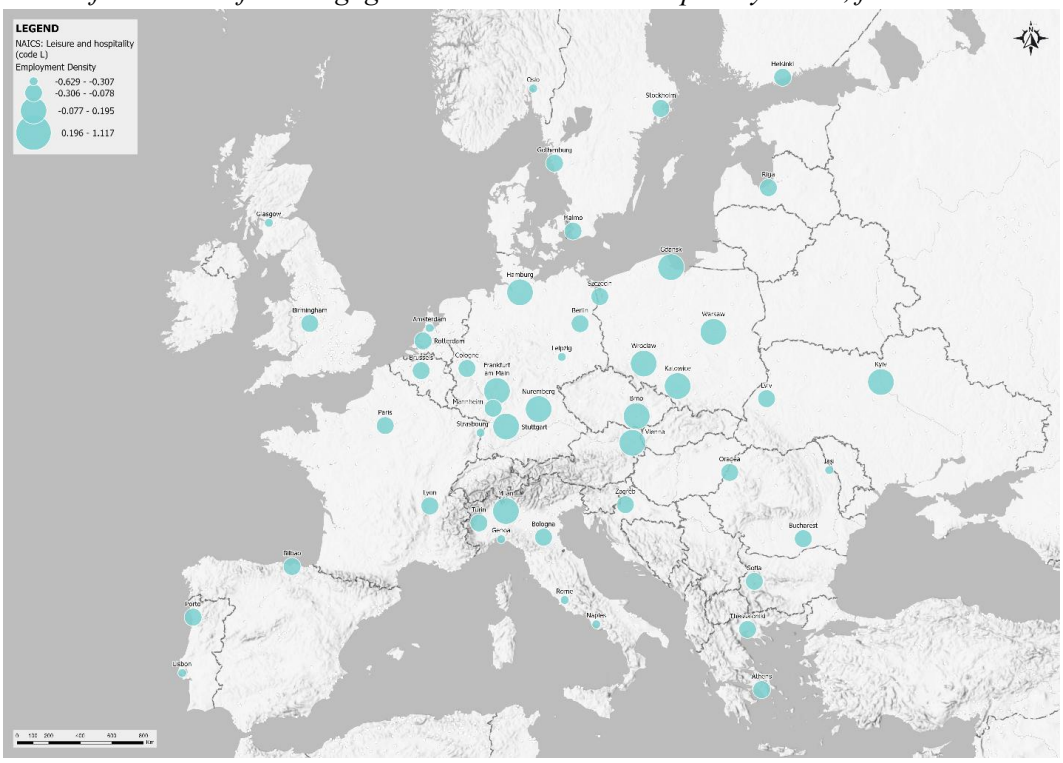
Share of total labor force engaged in the ICT sector, for selected US metropolitan areas



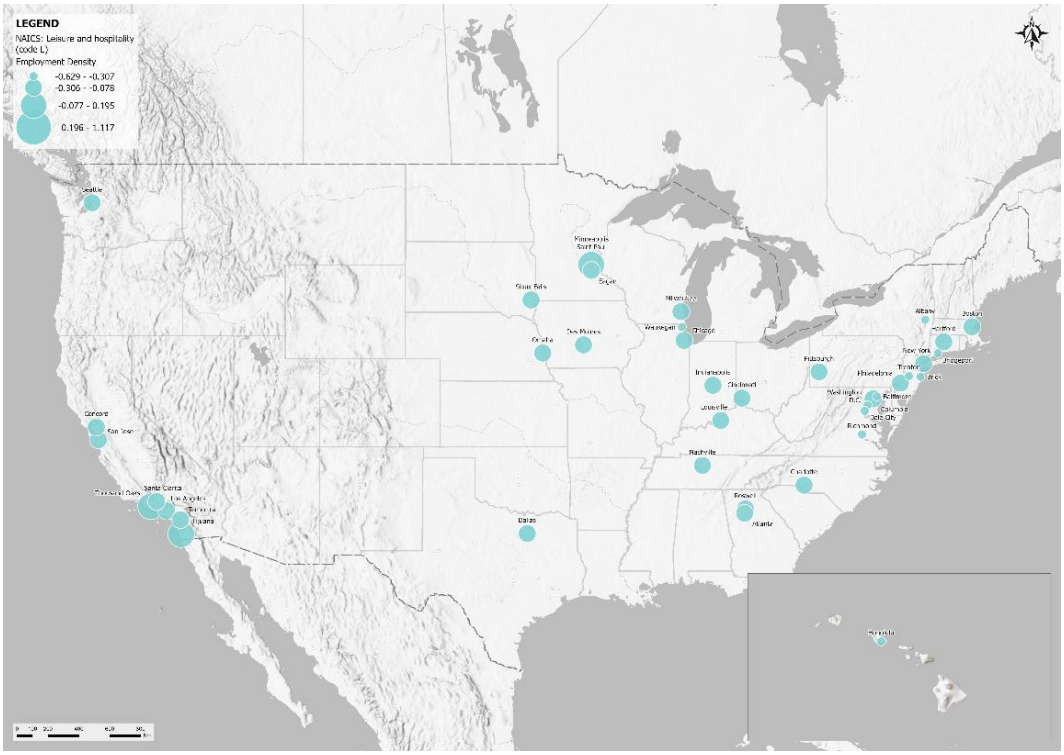
Share of total labor force engaged in the ICT sector, for selected Chinese metropolitan areas


LEGEND
NAICS: Information (code 51)
Employment Density
-0.629 - -0.307
-0.306 - -0.078
-0.077 - 0.195
0.196 - 0.914
N
Changping
Huairou
Shunyi
Binhai
Dalian
Shenxian
Caoxian
Pizhou
Suqian
Shuyang
Funing
Yancheng
Huai'an
Xinghua
Taizhou
Yangzhou
Jiangdu
Taixing
Pukou
Luhe
Zhangjiagang
Changshu
Haimen
Jiangyin
Chongming
Nanjing
Changzhou
Shanghai
Suzhou
Zhujing
Cixi
Fuyang
Zhoushan
Yueqing
Zunyi
Tongren
Guiyang
Sha Tin
Zhuhai
Hong Kong
0 50 100 200 300 400
Km

Share of total labor force engaged in the Leisure and Hospitality sector, for METREX members



Share of total labor force engaged in the Leisure and Hospitality sector, for selected US metropolitan areas



Share of total labor force engaged in the Leisure and Hospitality sector, for selected Chinese metropolitan areas