

European Union Regional Policy

Jean Malais (MPhil)

Master of Philosophy and Candidate to PhD in Economics at the School of Doctoral Studies, Iles Internationales Université (European Union)

Dr. Henk Haegeman (PhD)

Chairman of the EU Analogue Standards Certification Committee at the Isles Internationales Université (European Union)

Abstract

An examination of the goals and operation of a European Union regional policy to address income inequality among member regions

A broadly held view holds that regional planning in Europe has developed within very distinctive legal and administrative frameworks i.e. British, Napoleonic, Germanic, Scandinavian and East European. In most of the Continental Europe especially within the Federal states there is a view that local and regional authorities possess a general power over the affairs of their communities, in the United Kingdom notwithstanding the requirement to provide public services on a local degree as agents of central governments. The responsibility to do such is dependent on the concept of basic structure in case of local authority is powers conferred upon it by the centre.

Key words: European Union, Economics, Policy, Regional Perspective, Income Inequality, Equality Assessment

The European Union – EU, although among the most affluent regions of the world, is marked by strange income inequalities at the internal level and opportunity between its different regions. The inclusion into its fold of 12 new member nations since 2004 with incomes far lower compared to the EU average, has stretched the difference. Hence, setting up of a regional policy will help transfer resources from the rich to the poor areas. It is not only a mode of financial cohesion, but also a strong force with regard to economic forms of integration as well. Foraging a regional policy in the EU will help in the solidarity as the policy is targeted to benefit citizens and areas which are economically and socially disadvantaged as against the averages of EU. Besides, it will also ensure cohesion as imminent positive benefits will accrue for everybody in narrowing the income and wealth differences between the poorer nations and regions as also those who are better off. There are huge differences in levels of affluence between and within member states. The ten major dynamic areas of the EU were marked by a level of affluence, calculated by GDP per capital that was almost thrice higher compared to the ten least developed areas. The most prosperous areas are all urban areas that include London, Brussels and Hamburg. (Overview of the European Union activities regional policies, 2007)

The vibrant impact of EU membership, in concert with an enthusiastic regional policy has brought practical results. The case in point is Ireland. It's GDP that was about 64% of the EU average at the time it had joined in the year 1973 is nowadays considered to be one of the maximum in the complete Union. With regard to the important post-2004 main concerns of framing of a regional policy is to enhance the living standards in the new member states to nearer to that of EU average as early as possible. The EU had managed a healthy regional development policy since 1975, relocating funds from the well heeled member states to poorer nations and regions through the EU's structural funds. Spending from these funds was responsible for nearly a third of the EU budget in the period from 2000-2006. Among the larger beneficiaries were nations like Greece, Spain, Portugal, Ireland,

Southern Italy and the eastern region of Germany. The EU has used the entry of these member states to reorganize and restructure its regional spending for which the new rules are applicable for the period from 2007 till 2013. (Overview of the European Union activities regional policies, 2007)

It is during this period that the regional spending is proposed to climb to 36% of the budgetary provisions of EU which translated in cash terms amounts to spending of over seven years of 308 billion euros. The primary objective is promotion of growth enhancing stipulations for the overall EU economy and focus on three objectives of convergence, competitiveness and cooperation. The recent approach is called as Cohesion Policy. The joining of the comparatively poor new nation members implies that the main concentration in the forthcoming period will be on them and the areas of the other EU states having special needs. Based on the present estimates, the 12 newly admitted nations will get 51% of the net regional spending in the years between 2007 and 2013 regardless of their representation being less than a quarter of the total population. (Overview of the European Union activities regional policies, 2007)

EU policies are just as workable solution since the member states are keen to render them. Member states stand spanning the policy process impacting the quality of policies shaped in Brussels and their consequence as they are implemented in Europe. Their wishes and their points of agreements and the priorities blend to constitute potent forces in designing the EU policy. The dynamics of EU policymaking lies on the axis on a search for consensus among the member nations. The agreements can be increasingly indefinable at the time when member states have extensively different traditions or practices appropriate to the policy sphere. The greater diverse the behaviors to be regulated, the more hard it becomes to design transparent regulations. (Roberts; Springer, 2001, p. 27)

In case the policymaking happens to be collective action followed by the member states, policy implementation will be an individual action by them, and that action is given color by the individual country's independent culture and legal

system. As their individual action are purportedly to deliver homogeneous results, the differences and resemblances among the member states thus come to be important factors to regard in the study of the EU regional policy. The research professionals who took part in a vital study of EU regional policy consented that every member states has in place its own independent pattern of execution emanating from the norms linked with executing national laws. (Roberts; Springer, 2001, p. 27)

The requirement for a European regional policy has evolved with the integration process and the broadening of the Union as regards terms of relationships. The Werner Report in 1971 backed the movement towards economic and monetary union by 1980, and observed that continuous regional disparities within the EU would weaken the achievement of the European Monetary Union. Besides, apprehension was also allayed that added integration would really itself trigger more disparities between the central and peripheral areas. Thus was necessary to execute to regional policy for promoting convergence among the European regions and to guarantee that EU integration would not create any fears as some regions would be excluded. Such an apprehension regarding rising disparities came to be brighter with the accession of the Republic of Ireland and the United Kingdom in 1973 that was immediately followed by the building of the European Regional Development Fund --ERDF in 1975. The EC considers its regional policy not as mere transfers but instead as a tool to underpin the economic base of the recipient areas and to foster regional convergence. (Bouvet, 2006, pp: 3-4)

The Regional policy, which is creation of the EU's acknowledgment of the economic disparities between its central and peripheral areas which was known as the European Community, has risen in political and economic significance from the beginning of 1975. Since the very beginning, the Regional Policy was planned not just to minimize regional economic variations, but to strengthen regional and national support for European integration in general as well so as to foster cohesion both to the EU as also its regions. During the initial decade of the Regional Policy, the EU

gave funds to the member state governments, and these state authorities were determined as regards the best ways in which to make application of the money with some constraints. The Commission acted in its entirety as a funding body. Changes during 1988 established the ideals of partnership in governance. (Wilson, 2000, p. 34)

In fact, this reform gave a powerfully homogeneous regulatory perspective in very diverse national contexts by demanding that the commission, national governments and the authorities at sub-national levels cooperate in the design and execution of the EU regional programs in short as also long terms. This restructuring was a holistic endeavor to usher the regional authorities in as active partners if not equal partners with the EU and their state governments to lower the regional variations throughout Europe. It looked forward to make the action of the EC more transparent in the member states, as a reaction to the felt absence of accountability in the EU's democratic deficit. Therefore the commission decided to get local actors in the decision making that is important to regional development. The reforms were also planned to guarantee that the national governments were utilizing the EU money as a supplement and not as replacement for the national development funding. During the later part of 1990, this became to be called in Euro-speak as the problem of 'additionally' i.e. EU regional funding must never be expended instead of national funds, but as a supplement to them. (Wilson, 2000, p. 34)

The regional policy varies in a lot of respects from other policy areas on the social agenda of the European Community -- EC. For instance, it is the sole policy on which funds is required to be disbursed in favor of its clients and it happens to be the only one in case of which the EC has made a new institution, the Committee of the Regions. In a lot of aspects, nevertheless, regional policy adjusts to the profile of other policy areas on the social agenda front. It has been built to fulfill the social requirements and it joins the EC with its citizens. Hence, a successful regional policy would help in the enhancement of the social legitimacy of the EC. The framing of the EC regional policy caters to several objectives i.e. political, economic and

social. Its beginning originates from the economic model of the 1950s and also the 1960s as also from the political bargains struck during the negotiations for the EEC. National economic planning was extensively accepted in postwar Europe with the French indicative planning fostering a much accepted model of the government and the private sector joining hands in the modernizing the economy. Several European economists considered that the public policy and public money could be combined to shape a greater rational and a more reasonable economic system. (Springer, 1994, p. 72)

The significance of the European public policy for the EU member states has gone up in the last fifteen years. Especially, the association between the national and sub-national government has undergone change a great deal. The coming of the "Europe of the Regions" is no more a buzzword, but rather a vital reality in the EU. Of course, the European Commission found in the regional governments a crucial supporter in fostering the Single European Market -- SEM and in doing so; it lessened the resistance of a lot of national governments to implement the SEM and Economic and Monetary union -- EMU. And this partnership has been the strong point of European regional policy. The keystone in the process of regionalization across the EU is a rising conviction that thriving economic development in an area is functionally linked to its institutions, as regards the network of associations purportedly in support of business innovation. The primary institutions of governance regardless of the European Commission itself, member-states, or the regions inside them act as if business development is in general associated functionally to the mesh of regional institutions. The reason for this is connected with the social scientific research. In case of any event, the impact of the EU on every aspect of regional policy has been distinctly visible for some years and particularly more recently in the European Spatial Development Perspective -- ESDP on which there was a general consensus by the Council of Ministers. (Magone, 2003, p. 114)

At this juncture, it is important to analyze whether trade as also monetary forms of integration

in Europe involves the threat of gaping inequalities within the areas. In order to understand by investments committed with regard to policies pertaining to regional in Europe which now represents a third of the budget of the community and constitute the second biggest issue following the common forms of agricultural policy, the answers provided by the governments as well as the EC is a resounding 'yes'. The fast proliferation with regard to the spending concerning regional policy has been underway from the time of the accession of Portugal as well as Spain. This, after including Greece resulted a broadening of income disparities among the affluent and the poor nations of what was known as the EC. The negotiation as regards the inclusion of the two Iberian nations led to a rise in the resources meant for the regional policies from the level of ECU 3.7 billion in the year 1985 to that of ECU 18.3 billion in the year 1992. The actual investments committed with regard to regional policies in case of these nations were considered to be really greater since the EU needs that its transfer need to correspond national forms of spending. The national policies pertaining to the region have also been vital in some countries like Italy, France and Germany. The widening of the EU to the Central & eastern European nations, in which the per capita GDP levels are considered to be really lower compared to the four cohesion nations would spell important revamping of European regional policies. (Martin, 1999, pp: 1-2)

The Regional policy of the EU is founded on the financial solidarity between the member states whose contributions to the Union budget is given to the less affluent regions and social groups. For the period between 2000-2006, these transfers will contribute to a third of the EU budget which translated to absolute terms comes to 213 billion Euros. 195 billion Euros will be expended by the four Structural Funds and 18 billion Euros by the Cohesion fund. The important contribution of the Structural Funds is that they finance multi-annual programs that constitute strategies programmed in a partnership with the regions, the Member States and the EC. The primary objective of the program is to (i) develop infrastructure, like transport and

energy (ii) extension of telecom services (iii) provision of assistance to firms and provision of training to workers (iv) Disseminate the tools and knowledge of the information society. (EU Regional Policy after enlargement, 2003)

The primary instrument of EU Regional Policy, the Structural Funds is expressed around three objectives. Among this the first one lies in extending the progress as well as structural adjustment with regard to the areas wherein growth has not been considered to be of satisfactory level. The second objective is supporting the economic and social conversion of areas encountering structural problems. The third objective lies in assisting the adaptation and modernization of policies and systems of education, training and employment. The NUTS 2 regions that is eligible for objective 1 are among those with a GDP per capita lower than 75% of the EU average. The Cohesion Fund is needed make provision of additional 18,000 euros over the period from 2000-2006, in this situation for nations such as Greece, Ireland, Portugal and Spain. Regardless of the expression of the European regional funds under various purposes, it is not always distinct what the objectives comprise. The initial and fundamental issue for a good design of regional policies is to define the objectives in a distinct manner. The decision to be arrived is whether there is a need for homogenization across space of some total measures like per capital income, unemployment or rates of employment, or health and education indicators. (Puga, 2001, p. 50)

Besides, the issue also remains as to whether the first objective of personal fairness, similar people possessing similar opportunities in different regions. It is therefore important that making clear as regards the regional policies constitutes the first step. Subsequently, there is a need to search for optimal policies to attain those objectives. Prior to taking into account the possible tools, this needs decision on the direction of interference. The issue remains whether the amount of regional heterogeneity provided in the absence of regional policies very high or very low. The overall assumption lies in that the policy must look forward to lower regional disparities by concentrating on

the poverty stricken nations. Nevertheless, the degree to which this must happen is not evident. (Puga, 2001, p. 50)

Regardless of what is happening, inconsistencies exist between the European regional policy and national state-aid policies. Debating within a regional competition perspectives, it can be differentiated between the macro and the micro-level. On the macro-level, inclusion for instance infrastructure and education, the European outer fringes lies at a distinct disadvantage as against the main member states. On the micro-level concentrating on direct support to the productive sector, European state-aid regulation establishes a hierarchy. As per Article 92 of the EC treaty, the countries that are not favored and regions facing decline in industrial segment are permitted to use region-specific state aid so as to draw mobile factors of production. (Steinen, 1991, p. 30) _

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For effective functioning of the regional policy, the need of the hour is a Director General who will be appointed and will have the following (i) good understanding of the cohesion policy (ii) overall good experience of financial, budgetary and administrative management (iii) experience in projects and or program preparation and management would be useful (iv) superb communication and negotiation proficiencies (v) established capacity in managing, coordinating and motivating a team (vi) good working knowledge of both English and French would be an asset. (DG Regional Policy, 2004, p. 31)

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