

Presentation by Jacques DELORS

THE ROLE AND POSITION OF REGIONS IN A RENEWED EUROPE

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The theme chosen for the Symposium today might seem surprising and a little out of touch – even marginal –, given the current importance of the IGC and the enlargement negotiations.

However, at each significant step in the European integration process, it is vital to stop and consider the role of the regional and local players. This will be immediately obvious to anyone concerned about progress in the European model of society, in democracy, and in Europe's prosperity. Should anyone be in doubt, the paper prepared by Professor Zijderveld provides a stimulating demonstration of the numerous questions raised by a "regional interpretation" of recent events. I noted that he has suggested no fewer than seven issues for discussion.

In introducing our debate on the role and position of regions in a renewed European Union, I know that I am tackling a question that often provokes emotional – and sometimes dogmatic – exchanges. Recent developments, particularly in my country with regard to the future status of Corsica, have shown how much controversy this question can generate, and I have no intention of adding my two-cents.

Nevertheless, I long ago acquired convictions – and I intend to defend them – on how important it is to have balance within society, and for the individuals who comprise it, not to lose touch with their roots. I also firmly believe in the dynamic value of local and regional initiatives and the strong asset that lies in the diversity of Europe's local areas. The ideas that I am going to present may not, therefore, be shared by everyone. But unless I am mistaken, that is what the organisers are expecting. They are hoping that the conflicting views set out will clarify certain issues and identify new avenues for future work and progress.

I will begin with an observation on which everyone will surely agree: we have come a long way since the 1988 reform of the Structural Funds.

In the space of just one decade, Europe's regions have asserted themselves by making use of the opportunities offered by the Union. I think, however, that we should not overestimate these achievements or use this success as a reason for changing the rules of European integration. To avoid any ambiguity in the forthcoming discussion, I would like to remind participants of the principle that the Union is not entitled to interfere in the constitutional affairs of its Member States.

While an enlarged European Union must be built in closer cooperation with its regions, it must continue to respect the institutional diversity of the Member States. The sustainability of a greater Europe depends just as much on the cohesion and involvement of its constituent regions as on its ability to respond to new governance problems.

1 – MEASURING THE DISTANCE COVERED

The concept of involving regions more directly emerged in 1986. The Commission had included this as one of the key new features in its document "Making a success of the Single Act". The economic integration process launched by the internal market was beginning to have positive effects for companies, Member States, and citizens. However, the regions were not in a position to reap their share of benefits. With the accession of Portugal and Spain, the number of Union citizens with an annual income 30% below the Community average rose from one in eight to one in five.

The purpose of the 1988 reform was to increase support for the regions' efforts to achieve industrial conversion or close their development gap. The doubling of the Structural Funds was complemented with new rules on multiannual programming and a sort of "partnership agreement" between the Community, the Member States, and the regions. We took a gamble by offering more scope for local initiatives, and by giving the regions more responsibility to organise their own development. It has undoubtedly paid off for European integration.

The regions have played an active part in the economic development of the Union and the fight against unemployment. They have also demonstrated their ability to innovate in the technological, financial and environmental spheres.

The Structural Funds have made a considerable contribution to reducing regional disparities. While considerable progress towards convergence was made between the 15 Member States, even more was achieved in the 25 poorest regions. Their per capita GDP rose from 52% of the Union average in 1986 to 59% in 1996. The wealth gap between the regions where development lags behind ("Objective 1 regions") and the others has also markedly diminished. Per capita GDP in these regions, which stood at 64% of the Community average in 1988, reached 68% in 1996.

With regard to unemployment, the results have been less impressive. The regions most affected in 1986 are still experiencing persistent difficulties. Since 1989, however, the unemployment rate differential between areas undergoing industrial conversion ("Objective 2 regions") and the rest of the Union has decreased. More generally, rural areas and areas affected by industrial decline have succeeded in achieving economic diversification.

Considered as a strong political priority, the fight against unemployment even resulted (in addition to the tripartite agreements at national level) in the signing of agreements between regional authorities and the two sides of industry in Sweden (Dalarna region), Germany (Bavaria and North Rhine-Westphalia), Austria (Oberösterreich and Salzburg) and Belgium (Flanders and North Brabant).

Thanks to the Structural Funds, the regions also learned about new financial instruments, and launched policies involving new technology and the environment.

At this year's Lisbon Summit, there was much discussion about support for SMEs and venture capital. Many regions that are prosperous, dynamic and/or have an industrial tradition, such as Bavaria, Flanders and Wales, have implemented programmes to help SMEs. Other equally interesting experiments can be noted in areas such as Corsica and the Basque Country, for instance.

The spread of new communication technologies is, fortunately, not limited to the rich regions at the centre of the Union. In rural areas, the examples of telecottages in the Highlands & Islands of Scotland and Limousin in France show a strong regional commitment to identifying new paths for economic development.

With regard to sustainable development and environmental protection, we tend to think of the large prestige projects decided at national level. Yet we should not underestimate what has been achieved on the initiative of the regions or local authorities. Examples include crossborder cooperation (the European development Pole at Longwy), exploitation of tourist potential (in the UK's Rye Valley and France's Lot Valley) and industrial conversion and depollution (in the lower Seine Valley in France and the new German *Länder*).

Although the Structural Funds account for only 0.46% of Community GNP, their effects on the learning and dissemination of new techniques for public-sector local administration have been considerable. For instance, the "institutional partnership" between regions, Member States, and the Union was enhanced by greater participation of those involved at grassroots level.

By encouraging local authorities to cooperate more closely, and by maintaining a direct dialogue with networks of towns and regions, the Commission has contributed to spreading common principles for improving public-sector administration and regional competitiveness. With the Community initiatives such as LEADER, INTERREG and URBAN, cooperation between project promoters in general, and local and regional authorities in particular, has been greatly encouraged.

The rise in power of regions was given a formal basis further to the Maastricht Treaty with the creation of the Committee of the Regions in 1993 and its establishment in 1994. The Committee has gradually taken its place in the Community's institutional framework alongside the Parliament, the Council of Ministers, the Commission and the Economic and Social Committee. We must ensure, however, that excessive consultation does not defeat its own ends. In other words, the institutional relations still need to be clarified.

2 – REALISING THE LIMITS TO THE CURRENT SYSTEM

In spite of its efforts, the Union has not succeeded in preventing competition between the regions and the emergence of new inequalities on a smaller geographical scale.

We are, for example, seeing a growth in inequality between urban centres, in particular capital cities, and the most remote regions. In Spain, the disparities between Catalonia and the Valencia region have increased, as have those between, on the one side, Emilia-Romagna and Veneto, and on the other side, Calabria and Campania in Italy. In the United Kingdom, the traditional rivalry between Manchester and Liverpool (50 km apart) explains to a large extent the continued deterioration in Merseyside's economic and social situation. In some cases, large cities (such as Barcelona, Lisbon and Toulouse) have prospered at the expense of their surrounding areas, which are experiencing depopulation and are progressively declining economically.

To attract inward investment, the regions feel the need to deploy a range of new – and expensive – promotional devices. In addition to being near communication routes, natural resources and a largely populated area, they must be able to offer a supportive network of companies and research institutes, skilled and flexible labour force, and easy access to information technology.

Generally speaking, this competition is a zero-sum game, as the regions can only "steal" companies from one another, with no increase in total wealth. In addition, it reduces diversity and induces standardisation. The same types of warehouses and industrial zones can be found on the outskirts of nearly all European cities.

As regards interregional cooperation as well, apart from the exceptional case of the Euroregions, the contribution of the Structural Funds seems unclear. The results of EU-sponsored crossborder cooperation still depend to a great extent on geographical and historical circumstances. Along the very long borders, where trade is hindered by natural obstacles (mountains, the sea, etc.), or where political barriers have long prevented any economic or social relationships, practical results are, for the moment, disappointing. In some cases, central government is partly to blame, by wanting to manage everything from the capital city. All too often, however, it appears that the impetus given by the Structural Funds is short-lived, and that cooperation lasts only while there is an obvious economic incentive. For example, the "four engines of Europe" (Catalonia, Lombardy, Baden-Württemberg and Rhône-Alpes) are only an expected alliance of the leading industrial regions in Europe. The remarkable cooperation around the Baltic is based on a historic alliance which owes little to Community support.

And it would be just as naïve to believe that the rise in power of the regions has had only beneficial effects for Europeans.

It is true that for 20 years we have experienced *de facto* decentralisation, which has brought the institutions closer to the people, and improved the effectiveness of public services by ensuring that they are better adjusted to local needs. In some countries, however, the reform of public administration and of local political institutions still remains to be done. It is not uncommon to hear companies and non-profit organisations complain that the only practical outcome has been an additional layer of bureaucracy.

While the 1990s were marked by a renaissance of regional cultures and local dynamism, Europe also experienced another less endearing political development: exacerbated regionalism. The risks that this phenomenon entails should be neither underestimated nor exaggerated. The dangers can arise from intolerance towards foreigners, arrogance, an overcautious attachment to the past, and ethnic excesses. These dangers threaten the advanced regions that have benefited from their integration into the Union just as much as those that remain behind.

Overall, the regions are good at making their voice heard in the Community institutions; for example, they were very active throughout the negotiations on Agenda 2000. We have to regret, however, that they seem to be making more demands than contributions.

3 – RESPECTING INSTITUTIONAL DIVERSITY

The initial belief that the local, regional and municipal authorities would become the new engines driving European integration has been confirmed over the years. But of course, the Union has never attempted to take advantage of this to impose a single regionalisation model.

The Union effectively banked on the potential of local initiatives just when economists demonstrated that globalisation could present new opportunities for atypical areas. Far from imposing a single model of development necessarily based on the exploitation of natural resources and the construction of large-scale infrastructure, globalisation allows "shortcuts" through the use of new information technology. It redefines the conditions for competitiveness. Where what matters are economies of range, rather than scale, the winners are those who can respond quickly and adapt to a greater variation in demand.

Sociologists took the analysis one step further by showing that economic success draws its strength from the diverse political and cultural components of local society. They accordingly coined the concept of "social capital", defined as all the institutions, customs, and relationships of trust that are conducive to cooperation. This approach has reinstated cultural diversity as an asset in economic competition. From this viewpoint, Europe has an unrivalled advantage, thanks to its skilled population and democratic, and cooperative tradition. Europeans are attached to their villages, towns and regions, and have shown that they can organise to develop solidarity and innovate to bring their projects to a successful conclusion.

Local initiatives are an increasingly significant feature of the European model. For example, the success of cooperation at the subregional level include:

- the LEADER programme, which involved over 800 small rural areas in the period 1994-1999, and
- the Territorial Pacts for Employment, which provided an effective means to combat unemployment in 89 regions. In the three years from 1997 to 1999, 54,400 new jobs were created through these new forms of local partnership.

Local dynamism also has effects on how society is organised and expresses itself politically. During the past 10 years, we have seen the development of new ways of combating social exclusion, unemployment and insecurity, and new ways of improving services to the public. By calling directly on the population to state their needs and participate in managing programmes, the local authorities have increased the effectiveness of their intervention and established their legitimacy. This empowerment of the people is breathing new life into local democracy by establishing ongoing and active dialogue between elected representatives and the citizens.

With respect to institutions, the guiding principles of European integration remain diversity and subsidiarity. The Union currently comprises 215 regions, whose differing statuses reflect the history, culture, and constitutional principles behind the regional organisation of each Member State. Some regions have long brought together particular communities or ethnic groups, while others were created as administrative divisions to exercise powers delegated by the central government.

If we consider regions to be the level directly below the nation-State, we can (according to the AER¹) make a distinction between six categories:

- the regions that have the characteristics of a State, such as the German and Austrian *Länder* and the regions of Belgium;
- the regions with considerable political and administrative autonomy, as found in Spain, Italy, Portugal (the Azores and Madeira), Denmark (the Faeroe Islands) and the United Kingdom (Scotland, Wales, etc.);
- the decentralised regions of France and the Netherlands;
- the regions that have the characteristics of a district, *département* or county, in Denmark, Finland, Greece and Sweden;
- the regions with devolved powers in a highly centralised State such as the Republic of Ireland;
- and lastly the areas that do not have the characteristics of a region, in England and Portugal.

Beyond this diversity, the approach adopted by the Structural Funds focuses primarily on effectiveness and openness. Considering that implementing and monitoring intervention is primarily the responsibility of the Member States, the Commission is concerned only with ensuring that the procedures guarantee decentralised implementation and healthy management of the Community programmes. What it wants is a partnership that can allow it to draw the lessons of the experiments carried out under the Structural Fund policies.

If we consider the results of the cohesion policy, we see that they are completely independent of the Member State's regional organisation. Ironically, we even have a situation where the greatest successes were registered in the most centralised countries. It certainly seems that the choices of strategy had a greater influence than the institutional structure. In this respect, I am thinking in particular of Ireland and Portugal, two admittedly medium-sized countries.

I will deal briefly with the case of Ireland. To fight social exclusion and to exploit the endogenous potential, the government established 35 area partnerships composed of equal numbers of representatives from the government departments, the two sides of industry (trade unions and local employers' organisations), and non-profit organisations. This somewhat unusual make-up, which did not include local politicians, proved very effective.

We must therefore take a pragmatic approach to the relationship between the Union and the regions: a cooperation that has proved itself and deserves to be encouraged, but is not driven by any specific gears. Although we need to increase the regions' involvement in progressing towards European integration, and the Union's enlargement to the East, we must not necessarily assume that these advances are linked to any particular form of regionalisation.

4 – INVOLVING THE REGIONS IN PROGRESS TOWARDS A GREATER EUROPE

The accession of the 12 central and eastern European countries currently under negotiation will produce considerable changes in both quantitative and qualitative terms (an extra 105 million inhabitants and 1 million square kilometres). This prospect compels us to reconsider the institutional framework we are now using with 15 members. Some progress remains to be made for ordinary Europeans, companies and non-profit organisations to play a full part in the enlargement and to stop thinking that it is the exclusive concern of national governments and EU institutions. Without underestimating the legal and financial framework already established, and the progress already achieved, the regions must be involved in this project to a greater extent.

Adoption of the Community's full body of legislation (the "Community *acquis*") does not require the applicant countries to follow any particular regionalisation model. In this area, I believe considerable caution must be applied. Subnational regional division would probably not make much sense in a

¹ Assembly of European Regions

number of these countries (notably Malta and Cyprus, but also to some extent the three Baltic countries and Slovenia), given their limited geographical size and population. Additionally, we should not underestimate the legacy of history. Not all types of regionalisation are acceptable to all people. Under Communist rule, regionalisation often meant closer observation rather than increased democracy. And in the context of the recent creation of certain Nation-States, national governments were sometimes viewing the local authorities as competitors, presenting a threat of break-up or polarisation along ethnic lines. While decentralising policies is generally welcomed as an effective means of enabling those on the ground to take part and control the development of their own region, there is not necessarily any consensus on the institutional changes required.

Within the framework of the 1999 Berlin agreement (Agenda 2000), financial instruments were established to help the applicant countries carry out structural reforms and prepare for accession. The three preaccession instruments are closely related to the Structural Funds. Even if the funds at their disposal are limited (22 billion euros over seven years for the 12 countries), they are good learning tools for the governments and regional authorities of the applicant countries. They will help the people in those countries begin to see the practical effects of European solidarity.

We also know that decentralised cooperation is already well advanced, particularly in the framework of the INTERREG programme and its provisions for crossborder cooperation between regions along the Union's external borders. The existing regional associations² have extended their membership to include representatives of local authorities in the applicant countries for a number of years now. They have thus enabled them to play a part in shaping the programmes and even, in some cases, to clarify their expectations.

But we have a long way ahead of us. The specific features of the regional level, and its role in expressing political, economic and social reality, must be better understood by the applicant countries. This learning process can be achieved only by joint participation in projects and by comparing notes so as to produce positive emulation. The new types of local democracy must be further explained, tested, and shared.

The Union's regions have an experience of democracy and administration that they should be proud to communicate. I am thinking in particular of "public virtue" in regional and local administration. In Europe, unlike other parts of the world, "public virtue" is not limited to NGOs, which nevertheless do an admirable job. Rather this "public virtue" is a valuable asset of our history and a product of the European social market economy model. It makes it possible to express a general interest that is more than the sum of all individual interests, it involves putting cultural or human aspirations before purely economic considerations, and it is concerned with sustainable development and solidarity between areas. This brings me to the last point of my presentation.

5 – A NEW APPROACH TO GOVERNANCE

In the future, the Union will not only be faced with problems related to the accession of new countries; it will also have to deal with its own internal challenges.

I believe that there are fundamental actions that we must take to respond to the three most pressing problems of governance facing the enlarged Community: the drop in confidence in politics, the harmful effects of our development model on our common territory, and the tensions arising from the new social and regional forms of inequality.

To an increasing extent, the Union's democratic legitimacy is being called into question. The Union is not alone in the dock: people's distrust for professional politicians, who seem cut off from the real

² Assembly of European Regions, Council of European Municipalities and Regions, Conference of Peripheral Maritime Regions of the EC

world, is clearly apparent at all levels of government. Given the complexity of the issues, government decisions and the reasons behind them seem increasingly obscure. This widening gap between the governed and the governing is playing into the hands of certain populist political movements.

It is therefore imperative to ensure that the Union operates more democratically, and to lay down an active form of subsidiarity based on new rules of coordination between sectoral policies, regions and national governments. Mr Romano Prodi, President of the Commission, is currently working on this project.

Within a single economic area, we cannot ignore the question of regional development. If regional planning is left to free market forces, and if priority continues to be given to sectoral policies, the tendency towards polarisation will certainly prevail, thus reducing opportunities for outlying areas. If, in contrast, we accept the need to achieve sustainable development within the Community, a coordinated strategy needs to be worked out. In other words, we must reflect on how to organise regional governance and we must consider the political, institutional and financial means of encouraging bottom-up initiatives.

This brings us to the third challenge encountered by the Union, the organisation of new forms of solidarity. In the medium term, we can clearly expect new forms of inequality to emerge:

- Between generations. This is commonly referred to as the "demographic time bomb" – a reduction in young and productive labour force combined with an excessive burden of retired people.
- Between social groups. Once the 12 applicant countries have joined, social exclusion will probably be due less to being denied access to employment than to belonging to an ethnic minority or being an immigrant.
- Between areas at local level. The problems are liable to be particularly acute along the fault lines between prosperous and less prosperous areas, at the external borders of the Union, in outlying areas, and in certain districts of large cities.

We are still terribly short of ideas and funds with which to face these challenges. It is unacceptable that a renewed Union should give up the principle of solidarity just because it is about to receive new members that are too expensive. The Community must be given resources in proportion to its goals. How can regions help the Union meet these challenges? I can see two types of contribution they might be expected to make. They should act as information multipliers, explaining decisions that come from above, and conveying the aspirations and new ideas coming from below. They should also take action at their own level, to improve regional governance and mobilise the enormous potential hidden at the local level.

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I would like to conclude with a word about the approach I have taken to the subject of the role and positions of regions in a renewed Union. I have – deliberately – avoided addressing institutional issues because, as I think I have shown, they are well outside the scope of the cooperation that has developed between the Union and the regions since 1988. To be precise, they are of a different nature.

I am convinced that the greater Europe must be built together with the regions. This is an essential condition for enlargement to succeed. For all that, however, I believe we must remain faithful to the Community method, based on pragmatism and modesty, that has largely proved itself valuable.
