MEMORANDUM ON REGIONAL POLICY IN THE COMMUNITY

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Memorandum on regional policy in the Community

Proposal for a Council decision on the organization of Community instruments for regional development

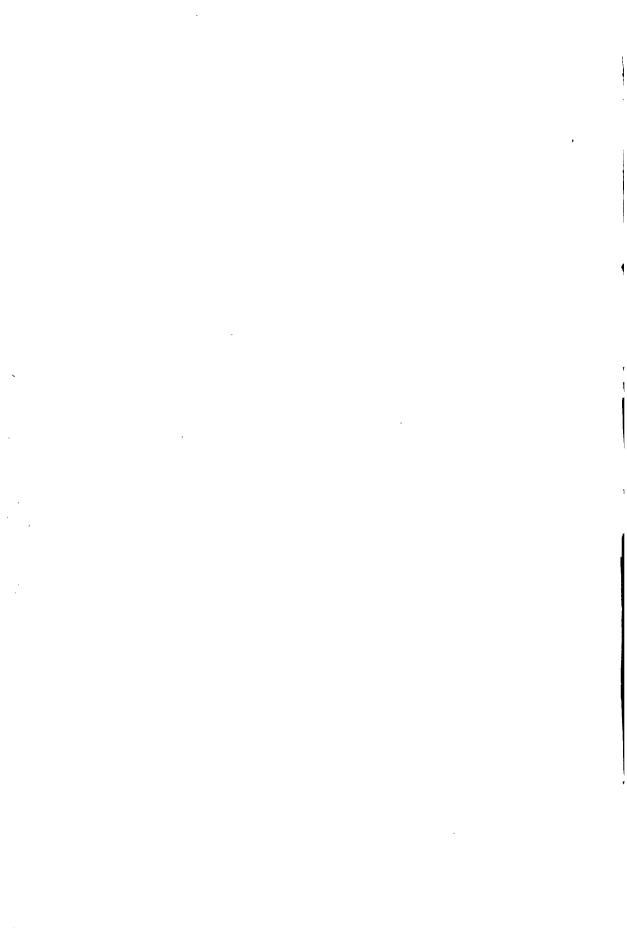
(submitted by the Commission to the Council on 17 October 1969)

The document transmitted by the Commission to the Council comprises:

- (i) Explanatory Memorandum (published in Chapter I of Bulletin No. 11-1969);
- (ii) Memorandum on regional policy in the Community (see page 4 of this Supplement);
- (iii) Proposal for a Council decision on the organization of Community instruments for regional development (see page 55 of this Supplement);
- (iv) Annex I regional policy in the several member countries of the Community;
- (v) Annex II an analysis of regional development in the Community.

The whole document will eventually be published in a single volume.

Memorandum on regional policy in the Community



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Regional map of member countries of the European Communities

INTRODUCTION

1. This is the age of the organization of modern societies in large economic areas, of which the Common Market is one of the most original examples; and yet the regional dimension of problems, in the social and economic spheres and in institutional matters, is forcing itself more and and more on the attention of all countries.

How is this phenomenon to be explained? And, more specifically, how do regional policies and the construction of the Community tie up?

Taking these general problems as its starting point, the Commission here puts forward a number of ideas on some of the fundamental problems of regional policy in the Community.

2. The Commission's thinking is based on lessons drawn from experience gained in the Member States and by the Community itself — experience which is recapitulated in two annexes surveying the situation on the basis of available data.

Annex I is a survey of the action taken in each of the Member States to solve the regional policy problems they have to cope with. A survey of this kind cannot claim to be exhaustive. Its main purpose is to permit a more direct and objective comparison of the instruments employed in each of the Member States.

Annex II brings together a number of statistical data presented in the most uniform manner possible, in order to give an initial idea in Community terms of regional development in the Member States. The nature and limitations of the data given are made clear. The inadequacy of regional statistics, in particular their lack of uniformity, is well known; considerable efforts are necessary in this field. With the data presented here it will be possible to specify the ways in which the machinery for keeping track of regional development can be improved.

3. In submitting its views, the Commission does not claim to be innovating. Its viewpoint accords with the ideas underpinning regional policy measures already adopted at Community level and in the Member States.

For many years now the Member States have been tackling the problem of the regions. Much has been written on the economic, political and social aspects, and the subject has been thoroughly researched; achievements have been considerable, and more is being done from one day to the next.

At Community level, the Commission's first regional policy memorandum was submitted to the Council on 11 May 1965, following on from the work done at the Conference on Regional Economies in 1961 and carried further in respect of certain points by three working parties of government experts. The First Medium-term Economic Policy Programme, issued in 1966, contained a chapter on regional policy, which stressed the need to implement a series of mutually consistent measures in this field by means of multi-annual programmes designed to facilitate in particular the co-ordination of the instruments employed by regional, national and Community institutions.

One of the main points made in the Programme was that it was necessary for the regional policies of the various countries to be "confronted" and if possible co-ordinated at Community level; it was considered essential to integrate regional programmes in general economic policy and to bring them into line with policy for the main sectors of the economy, in particular industry and agriculture. It was felt that one of the best ways of furthering the development and adjustment of regions in difficulties was to improve infrastructure in the broad sense and to build up growth points.

A special effort should be devoted to the establishment of major European transport routes. In order to make financial aid as effective as possible, it should be granted only to underprivileged regions offering the best opportunities for development to financially sound undertakings, and it should be temporary. The Programme also stressed the need to improve rational statistics and programming methods.

This First Medium-term Economic Policy Programme has received the blessing of the Governments and constitutes the basis for pursuing and giving effect to Community action. The purpose of this Memorandum is to state and develop what has been achieved and to seek ways of giving impetus to the implementation of regional policies conforming to the Common Market's needs.

4. In the Commission's eyes, the integration of the aims and instruments of regional policy in joint efforts to promote the completion and development of the common market has not yet gone far enough.

Does this situation arise, perhaps, from the fact that regional policy appears at first sight to involve, more than any other policy in the economic and social fields, essentially national problems? The fact that the economic and social problems facing the Member States must increasingly be tackled at both Community and regional level in itself shows that this way of looking at things cannot be entirely correct.

5. This is the background to the Commission's choice of subjects. The Commission believes that these subjects, by bringing out more clearly the features of regional policy, will enable the problems to be thought out constructively with the Member States.

Once the matter of regional policy has been put into a Community perspective, thinking will be directed gradually towards the definition of the aims of regional policy and the general organization of the measures to be applied. To this end it will be necessary to decide in advance the exact specific area to be covered, i.e. the scope of regional policy.

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CHAPTER I

REGIONAL PROBLEMS IN THE COMMUNITY

A. At Community level

1. A great diversity of geographical locations and features and of activities; a great wealth of firmly rooted political and cultural traditions; a variety (which in many cases is very great and in some is increasing) of economic situations in the different regions and of levels of income among the populace; but also generally high population densities, great similarity of aspirations among the people of the various regions, identical problems in the face of technical change and competition from outside the Community: these in brief are the two faces of the Community's economic and human geography, the two faces of the regions making up the Member States.

Seen from the regional standpoint, the specific problems look as numerous as the regions themselves, and within each region they can be further diversified at will.

Seen from the Community angle, the problems fall into groups according to points of similarity, giving us a few main types of region — all of which, however, are affected by the technical, economic and social changes in progress.

2. The problems of regional policy, then, arise at the various levels of economic and social organization. Regional policy is what results from the interaction of the impulses exerted at each of these levels in the spheres concerned.

Now which are the spheres in which impetus should be brought to bear by the Community?

Even more than other branches of economic policy, regional policy is clearly the concern of the public authorities in the Member States. The measures it involves fall directly under the political, cultural, administrative, sociological and budgetary organization of the States. Regional policy forms an integral part of the system of internal balances on which the State is based.

But the characteristics of the Community's structural geography and the changes in the technical, economic and social order, which are a phenomenon common to all the Community countries, are among the points to be taken

into account in implementing the regional policies of the individual countries and all the policies on specific fields which go to make up economic and social policy in the Community. The common policies and co-ordinated policies which the Community's institutions have to promote necessarily have, at Community level, a regional aspect as regards both their terms of reference and their implementation.

These common problems constitute the back-cloth to the body of ideas submitted in this document. They are among the typical features of the regions as they are today, as they have evolved in the past, and as they are likely to develop in the future. They tend to underline the importance of converging solutions being found.

B. Types of region at Community level

- 1. Given the multitude of factors that characterize the different regions (population density and structure, geographical situation, per capita income, nature of activities, vocational training and standard of education, the dynamics of the region, etc.), any classification that does not take into account all these points will be highly arbitrary. Apart from the difficulties especially the statistical difficulties encountered in isolating and measuring these different factors, a typology of the regions at Community level would suggest at least at the current stage of thinking concentrating on factors closely connected with the economic and social problems with which the Community is most directly concerned.
- 2. Even a simplified breakdown into three types of region industrialized, semi-industrialized and predominantly agricultural permits some of the main regional problems facing the Community to be grasped.

The industrialized regions are marked by a high degree of industrialization (higher in some places than in others) a small number of people engaged in farming (under 10% of the labour force), developed infrastructure and considerable tertiary activity; the population density is quite high (over 200 persons per sq.km). These regions occupy some 16% of the Community's area—over two thirds in the Benelux countries and about a third in Germany, but less than 10% in France and Italy; they contain about 75 million inhabitants, i.e. a little over 40% of the total population (the proportion is highest in Benelux, where it is about 90%, followed by Germany with over 60%, France some 30% and Italy under 20%).

The semi-industrialized regions are beginning to be industrialized, with about 15% of their population engaged in farming, fairly developed infrastructure and relatively small tertiary sector. The population density is about 150 persons per sq.km. These regions occupy about one third of the Community's territory — some 20% in France, about one third in Italy and the Netherlands and nearly two thirds in Germany; they account for about 55 million persons or 30% of the population, the percentage being highest in Italy and Germany (40% approximately) and some 20% in France.

The predominantly agricultural regions mostly lack autonomous industrial activities; those engaged in farming account for 20-40% (or even more) of their total labour force; their infrastructure is underdeveloped, and their tertiary sector may be relatively large but is hinged for the most past on agriculture. More particularly, their infrastructure and tertiary sector are often ill-suited to the changes which the economy in these regions would have to undergo. The population density is relatively low (under 100 persons per sq.km in most cases). These regions cover over half the area of the Community (some 55% in Italy and about 70% in France) and contain about 50 million inhabitants (a little over 25% of the total, though the figure exceeds 40% in France and Italy, as against only 6% in Germany).

3. The limits of the classification are clear. Within the three main types of region, considerable differences can be observed which stem in particular from their geographical location, from the degree of dynamism of the dominant economic sector or from the distribution in the area of the activities and average population densities taken as a basis for the classification.

In each of the three types of region, a distinction must be made between those that are in decline or are simply marking time and those that are growing. Furthermore, the categories described above will gradually be filled out in the light of developments, particularly when the objectives of regional policy are examined or certain more specific factors are taken into consideration.

This classification of the Community regions, however, shows immediately that problems of an identical nature, if not of the same magnitude, are to be found in all the countries; likewise, in many cases national frontiers cut across regions belonging to the same type and posing similar problems. These points of similarity are such as to allow converging solutions to be sought jointly.

As the regional effects of technical, economic and social changes are examined below, the classification will be shown to be rather less static than it now appears to be.

C. Common characteristics of the regional impact of technical, economic and social changes

(a) DEVELOPMENTS OVER THE LAST TWENTY YEARRS

Censuses and estimates carried out in the period 1947-62 show that in the Community as a whole the number of people engaged in farming dropped from about 34% to 18% of the total working population, while numbers engaged in the secondary sector went up from 34% to 44% and those in the tertiary sector rose from 32% to 38%.

At regional level these variations in the structure of the working population differed in intensity according to economic structure; throughout the Community, however, all regions of any one type registered the same trends.

For example, the regions that in 1950 or thereabouts had had the highest rates of employment in the primary sector showed, with rare exceptions, the largest decreases and the smallest increases in total working population or population gainfully employed. In most cases the decline in total employment was accompanied by emigration and a rising average age of the total population.

At the same time there has been a marked drift to the towns. The population of communes with under 5 000 inhabitants, which are predominant in agricultural regions, has become a relatively smaller share of the total population. For communes with less than 1 000 inhabitants there has even been a decrease of population in absolute terms.

All the industrial regions in the Community whose economic activity is dependent on certain traditional industries have been confronted with serious problems of adjustment. The protracted maintenance of existing structures has caused in these regions a general decline of economic activity, emigration and a growing proportion of old people.

Regions with a predominance of tertiary activities, which very often coincide with the urban, industrialized regions are likewise grappling with a wide range of problems — either co-ordination of economic activities or adaptation of their infrastructure. One feature is common to all the big conurbations: their centres tend to become depopulated and population growth is concentrated in the outskirts.

(b) OUTLOOK

The outlook for the future, both in general and in individual sectors, already distinctly suggests that the features and trends mentioned and their implications for the regions will become more accentuated with time.

It seems safe to assume that, as a whole, the Community's economy will enjoy a sustained growth in the ten or twenty years to come; if in the process anything goes wrong and essential economic equilibrium is jeopardized, the public authorities have the means at their disposal to remedy the situation. But it must be understood clearly that this sustained growth presupposes certain far-reaching changes, particularly in the form of amalgamation of firms, greater specialization of workers and automation.

According to the first set of estimates for the medium term, it is probable that between now and 1980 the Community's growth rate will be no more than slightly under the current rate of 5% (account being taken of a reduction in working hours). The Community's population will probably increase at about 0.8% per annum, i.e. a little more slowly than in the past, despite the expected lengthening of the average span of life. In any case, the Community's population is likely to pass the 200-million mark by 1980. Because of a rising average school-leaving age, the available working population (72.5 million in 1967) will probably increase at a slower rate than total population — perhaps by 0.5%.

Looking at the structure of employment, whether one refers to the various projections that have been made or to the economy of the most developed countries, everything suggests that all in all the changes of recent years will continue. An increasing pressure for more and more rapid changes must be expected.

The Community's farming population, which still exceeded 20% of the total working population in 1958 and had dropped to approximately 15% in 1967, will — in view of the trend and of programmes designed to facilitate change — have its share further reduced by over half between now and 1980. The industrial sector, which at present absorbs some 44% of the total working population, may, as automation continues, have its share reduced somewhat in the coming years. The tertiary and quaternary sectors, in which it is difficult to assess productivity gains, would consequently employ a growing proportion of the working population.

Within each of these sectors, switches from one branch to another will be more and more numerous as the production process becomes increasingly sophisticated. It is essential to be able to forecast these changes in broad outline if we are to assess how big an effort must be made (and along what lines) to create new jobs and to locate them in specific regions.

Even without complete and consistent forecasts, extrapolation of the trends in the various industries suggests that some of them, in particular electricity, aircraft, the space and nuclear industries, plastics and chemicals may maintain

an increasing employment rate, especially as in the Community some of these activities are not very highly developed at present; on the other hand, a considerable reduction of the level of employment must be expected not only in certain declining industries, such as mining and quarrying, but also in some industries where the market is still growing. Lastly, some industries, such as the motor industry, will probably reach their maximum in terms of employment.

Economic growth will not be the same, then, all along the line. Quite the contrary: various — mostly capital-intensive — industries may expand very considerably where they are able to bring out new products and adjust their output to the size of the market. Growth in these industries may be such that in the long run the number of new jobs they create or give rise to may exceed those resulting from labour-intensive industries.

D. Importance of converging solutions

The fact that the same technical, economic and social changes are taking place in the several Community countries and affecting types of region to be found in each of them is reflected in a growing similarity of regional problems in the Member States and calls for converging solutions to be sought jointly.

Throughout the Community, for example, certain industries are moving to the coast for reasons that may be economic (shipping facilities) or technical (need for large quantities of water). The example of steelworks located by the sea is a familiar one; that of chemical plants is less clear-cut but significant nevertheless; the example of the most recent nuclear power stations is likewise of some importance.

The Community's increasing dependence on raw materials from non-member countries, together with the return trade in exports, and more generally the expansion of trade due to growing specialization, is tending to swell the number of industrial plants close to the sea. This feature is, of course, additional to those arising from the economic, technical and social changes referred to earlier.

Taken together, these technical, economic and social changes constitute one of the essential elements of the various aspects of economic and social policy — general economic policy, or industrial, agricultural, energy, transport or other policy.

In a common market, all these facets of economic policy must, as the Treaties themselves say, be the subject of common policies or at least co-ordinated policies.

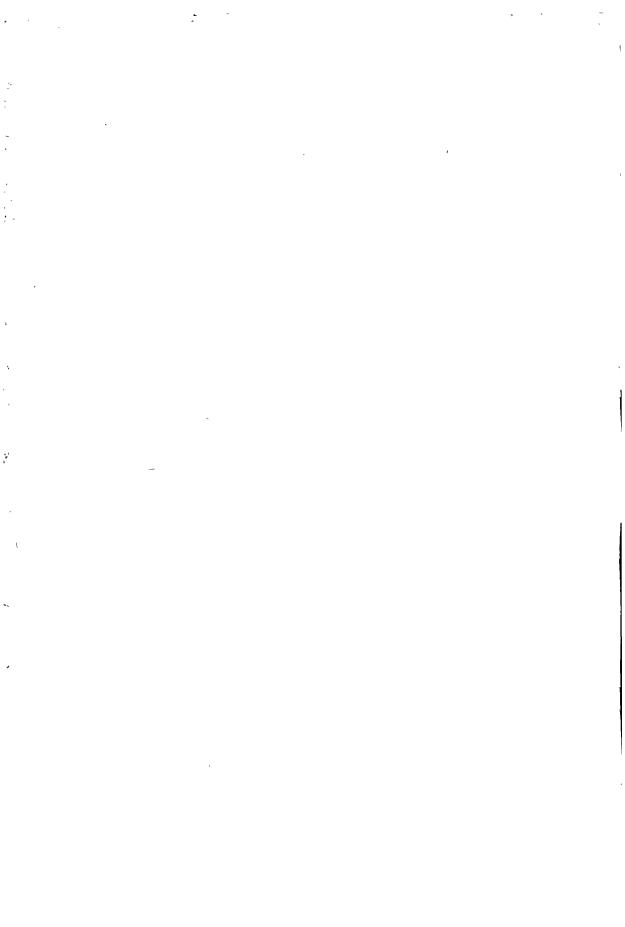
Given the regional aspects that these changes necessarily involve, co-ordination of such policies would be incomplete — and this would be serious — if regional policies were not also co-ordinated.

That such co-ordination is insufficient is clear from the way continuity of transport infrastructure is lacking at the national frontiers; it is also evident from the tendency for activities to be concentrated in regions where expansion is already most vigorous and from the way each Member State endeavours to outbid the others in offering aids to facilitate the establishment of firms in regions within its borders that it wishes to favour.

Both firms and governments are prompted by competition to seek the quickest returns. Besides the fact that this manner of going about things is particularly costly in aids, it cannot pretend to be a true long-run policy. These points will be developed further when we examine the aims and instruments of regional policy in the Community.

It is already evident from these trends and the magnitude of the changes to be faced at Community level that the lack of co-ordination of regional policies is damaging to the very interests of the Member States. In regional policy, as elsewhere, improved co-ordination should prove that the interests of each and everyone are best served by obtaining the maximum advantage for all through a policy framed jointly.

Such is the basis for the ideas that now follow. Before, however, examining any guidelines the Community may lay down as a means of solving all these problems, we must specify clearly what the field of regional policy is — what its scope is.



CHAPTER II

THE CONCERN OF REGIONAL POLICY

1. Although regional policy is a topical issue — or perhaps even because of this — it is not always quite clear what regional policy is concerned with.

Despite its apparent precision, the concept of the region as it is usually understood, with the institutional and administrative limits it implies, is generally too vague. All the problems that a community encounters are to be found at regional level. Which of these problems are in fact the chief points at which regional policy is to be applied — those on which the policy as a whole depends and which in essence constitute its subject matter?

Beyond the institutional, administrative and geographical limits which come to mind immediately, it is important to understand what accounts for the most basic realities of the region.

It would appear that if the region is seen as an entity constituted by a group of communities which in varying degrees are closely linked by the effect of a number of factors determining location, this makes it possible to account both for the characteristic features of the traditional regions and for the changes they are undergoing.

This approach, which is an operational one, brings out both the population element and the location factors. It immediately draws attention to the role played by the location factors.

2. What is the nature of the factors determining location? What is their importance? How do they develop? How does the organizational framework on which the personality of a region depends react to such developments? How do the communities making up a region react to them?

The factors which determine the location of communities and economic activities are manifold and constantly on the increase as sociological changes lead to an increasingly diversified pattern of human needs.

It is not intended here to analyse these factors in their entirety, nor to list them all.

What the Commission wishes to stress is that among these factors there are some that are particularly decisive: they constitute genuine requirements that

basically govern the economic and human, and often also administrative, pattern of our society.

Regional problems as a body can therefore be subsumed in a number of questions concerning the factors that affect location.

In fact, it would appear that the real task of regional policy can be defined as follows: regional policy is concerned with the facilities that govern the location of economic activities and people, in the light of technical and economic requirements, human needs and aspirations and the characteristics of the areas in question.

Now, one of the most significant elements in the fundamental change now taking place in our society is the transformation which these very requirements of location are undergoing.

The analysis to be made of this suggested definition will also lead us to stress the fact that the task of regional policy is a permanent one and that the public authorities have an increasing responsibility for organizing and implementing this policy.

A. Changes in the technical and economic requirements governing location

1. There is no need to linger over the natural constraints that have always had their impact on location. It is common knowledge that for centuries factors such as the nature of the soil, the configuration of the land, climate and water have exerted a decisive influence on the pattern of settlement and even on the social organization of communities in an essentially agricultural society — communities which formed the basis for the administrative structure of our countries. Similarly, in the industrial society the same constraints have made themselves felt until recently, augmented by factors like the location of sources of energy, raw materials, waterways, port facilities, etc.

The essential point that needs stressing is that together these various constraints have shaped the economic and human geography of our societies. Situations have developed, together with the inertias inherent in them, which have served as a basis for the administrative and also economic organization of our States.

These are basic political, cultural, administrative, economic and social facts which must be taken into account wherever action is contemplated under regional policy. As a result of this process, people have settled in a certain way: this is the point from which all regional policy stems.

2. Now these constraints weaken and the nature of the location requirements changes rapidly.

For a growing number of activities in modern society, the natural constraints of location are becoming less and less important; even for the most traditional activities their influence is diminishing as certain factors of production become highly mobile and as developments in transport create new supply conditions and widen markets to an extraordinary degree.

When advances in sea transport give new significance to location on the coast, when the type of climate takes on increased importance — two phenomena linked to geography — this is not so much a question of constraints as of natural advantages between which there can, incidentally, be a choice.

The economic activity of communities is increasingly liberating itself from the constraints of physical geography.

It is well known that the location of activities is becoming more and more a matter of choice. The important thing is to draw all the relevant conclusions.

3. One point to be realized is that new requirements are taking the place of the natural constraints which are weakening.

Technical requirements and the need for economic efficiency have created a situation where, in respect of a growing number of activities, it is hardly possible to consider a location which does not satisfy a number of conditions as to the density and nature of the infrastructure, the density and nature of public amenities and, more generally, an environment with a minimum of economic fabric that will provide external economies, the effect of which is often decisive.

It is generally realized that very special importance attaches to infrastructure as a factor in location. But there has to be agreement on the definition of infrastructure. It not only covers means of transport, communications and telecommunications — infrastructure in the classical sense: it also includes housing and all the facilities which enable urban centres to fulfil their multiple functions, with all that this means in terms of services and environment for man, the place where he lives, his work and his recreation. It includes a whole network of public amenities ranging from the classical services, such as supply of water and electricity, to the less common services generally designated higher tertiary or quaternary (universities, research and training centres, computers, etc.). It also comprises all the factors that help man to live his life more fully such as the development of his natural surroundings, cultural amenities and recreational facilities.

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Surveys carried out among heads of enterprises, banks and also public authorities have shown, for instance, that in the choice of location the factors relating to infrastructure in the broad sense used above carry at least as much weight as, and often more weight than, other factors which can be seized and assessed more directly, such as taxation, investment assistance and interest rate rebates.

External economies — the benefits which derive from a combination of factors without costs arising for them — are incidentally a very important element in the choice of location or the development of economic activities. Now external economies will not appear until the development of infrastructure — as defined above — and production activity has reached a certain level. In point of fact, regional policy could also be centred on the external economies that are to be made possible.

All in all, these requirements in respect of location are at least as imperative as the natural constraints.

B. Changes in human needs and aspirations

1. One of the main things that these new requirements show up clearly is that, increasingly, the most important contribution to development comes from the size and the skills of the working population. For a long time, natural resources were the decisive factor and attracted people to certain areas. Now, however, the presence of a large and skilled population with a great ability to produce and adapt to the most sophisticated techniques is becoming the factor of prime importance.

This change can be seen in striking measure in the recent development of certain nations. For the countries of the Community, where although the population is most unevenly distributed there are no wholly deserted areas, and where certain regions are very densely populated without their inhabitants being very productive, the point is one that holds out great promise: this is a particularly important aspect for any kind of regional policy.

There is a need to bring about a major change that will establish this priority and ensure that as many people as possible are equipped with the highest possible skills.

2. In addition to this requirement, which arises directly from economic changes, people also have a growing need for the amenities of civilization.

During the past ten years — a relatively short period — the rise in real incomes has been such that the satisfaction of people's primary and secondary needs is taking up a smaller and smaller share of their incomes.

As against this, their tertiary needs, such as health, cultural activities and recreation, are accounting for a growing proportion of expenditure. Their need for natural commodities such as air, water, land and green belts is felt all the more strongly where they cannot be satisfied in the large urban centres. The development of all these needs and the fact that they have spread to all walks of life is radically modifying the classical view of what infrastructure is needed for the life of a group of people.

Some areas which do not come up to the mark in this respect may for that reason be completely out of the running in the competition even to retain dynamic economic activities and people; conversely, other areas which already meet these conditions can immediately exert a particularly strong pull on business and people.

The development of human needs and aspirations is, then, a decisive factor in regional policy. The success of all that can be done to guide industry in the choice of location depends on whether this development is taken into account.

C. Changes in the economic characteristics of areas

Depending upon the growth techniques of the time, different areas have been favoured at different points in history: they may have had the advantage of possessing ports on estuaries or large river valleys when trade became important, or mining regions in an industrial economy based on coal and steel. Today, the development of techniques and of people's needs should be conducive to more balanced use being made of all the resources available in areas offering as much variety as the Community.

Advances in sea transport are, for an area that possesses unusually large stretches of hospitable coast, an asset that is all the more promising as the Community's economy, which lacks sufficient raw materials of its own, can grow only by steadily stepping up its participation in the world economy. Production facilities are increasingly located in ports; behind the ports, the major inland transport arteries, which thanks to modern technology can be used at full capacity and linked to each other, add further to the accessibility of the Community's territory and its opportunities for participating in world trade.

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Owing to developments in land and air transport, the many regions in the Community which attract people because of their geographical situation or their climate receive a fresh impetus from motorways and air facilities on the doorstep, tomorrow from the air-cushion vehicle and innovations in rail transport, and from the distribution of energy. These developments will also make it possible to reintegrate into economic and social life large areas which have been or are now losing population because of the weakness of their agricultural structure but may be able to satisfy people's new needs and aspirations.

Covering a comparatively small area and showing an unusually balanced pattern of sea, mountains and open country, greatly enriched by a long period of civilization, the territory of the Community has features which, given the opportunities of the modern technologies, can provide a particularly favourable setting for economic and human progress.

D. The continuing role of regional policy

Change has become part and parcel of our society. It feeds on the variety and the constant spreading of human needs, on technical innovation and competition in the business community.

Regional policy, therefore, is not concerned with a passing phenomenon that is the result of an excessive reluctance to change the accepted ways at a given moment of time: the need for adaptation is a permanent one. The various activities being carried on in the various regions constantly need to be reexamined. Nowhere is there a region, not even among the most advanced ones, which is not facing or will not at some time face problems of change and adjustment to new technical and economic conditions.

There will always be a role for regional policy to play. This also means that measures of regional policy are a matter of the greatest urgency since any delay adds to the handicap that must be overcome.

E. Growing responsibility of the public authorities

1. In general, the problems that must be solved to meet these conditions with regard to location are matters for the public authorities at the various levels or at least of semi-public bodies. The changes that occur in location requirements therefore lead to very radical changes in the balance of the public authorities' economic and social activities.

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As long as the natural constraints were decisive, the economic and social function of the public authorities could be concentrated chiefly (except for such differences as stemmed from questions of doctrine) on the principal mechanisms of the economic and social system, the objective being to ensure that they operated properly and to make good whatever harmful effects they might have, either for economic or for social reasons.

As structural changes make themselves felt and, in respect of location, new requirements take the place of the natural constraints, a new economic and social role is developing which in fact is adding a new dimension to the economic and social role of the public authorities.

This is, in actual fact, the deeper reason why ideas and measures concerned with regional matters are having such a vogue in all modern States. In an economy subject to change, i.e. in any modern economy, regional policy comes to rank prominently among the economic and social policies of the public authorities.

2. This has important consequences. One of them is that the way in which the regions are delimited and actively integrated into the national economic system, i.e. the way in which they are organized into genuine operational units for economic and social policy, will depend more on action by the public authorities than on traditional factors and the data of history or economic developments.

Without the infrastructure, the public facilities and, more generally, the environmental conditions required for the exercise of modern economic activities and for the satisfaction of people's need for the amenities of civilization, a region cannot constitute an operational unit in economic and social policy, even if it has been well established along traditional lines. If, by contrast, the public authorities at all levels take joint action to see that these conditions are met, this will foster the creation of such an operational unit, which in turn will induce the revival or creation of the necessary economic activities and will inject new vigour into administrative structures and cultural life — all of which are things that give a region its personality.

These conditions are absolutely essential to back up the work of those whose aim is to promote the development of their region, helped by their attachment to it, their ingenuity and their dynamism — factors without which it would be impossible to bring about the necessary changes.

The growth in the responsibility of the public authorities is something that also affects the regional and local authorities. It is important that they too should be able to initiate action in the best possible circumstances. In many

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cases regional equilibrium in the Community may depend on the action they take. There must therefore be facilities for encouraging such initiatives; fitted into an overall plan, they should help to ensure that whatever measures are adopted are more effective.

Private initiative, benefiting from the backing which the public authorities provide by improving the facilities governing location, will then be able to play its full role in promotion and development.

3. The region, then, can no longer be considered just an entity that has evolved with the passage of time; it will increasingly be the result of initiatives taken by its dynamic forces, backed by an active policy on the part of the public authorities in respect of the facilities that govern the location of modern society's economic activities and hence of communities.

This already reveals what the objectives of regional policy must be.

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CHAPTER III

THE OBJECTIVES OF REGIONAL POLICY

As was outlined in the previous chapter, the nature of location factors is undergoing a change, the result of which is that location is increasingly a matter of choice. Unlike natural constraints, over which we have no control, the new conditions that govern location may to a very great extent be the result of deliberate action, of a policy for which there is a permanent need and for which the public authorities are responsible.

It is precisely this that constitutes regional policy, the objective of which is thus quite clear: the objective of regional policy is to establish, develop and operate the facilities needed for the location of economic activities and people, in the light of technical and economic requirements, human needs and aspirations and the characteristics of the areas in question.

Along what lines should the fulfilment of these objectives proceed? What kinds of action can be carried out, bearing in mind the geographical characteristics of the Community's economic structures? These are the main problems examined below. First of all the general objectives of regional policy will be defined, after which the specific objectives for the regions of the Community will be examined.

A. The general objectives of regional policy

Regional policy, being one aspect of economic policy and social policy, naturally shares their objectives: economic optimum, welfare and human development. In pursuing these objectives it makes use of material supplied by forward analysis and sociological analysis; it seeks to involve the whole community in the fulfilment of these objectives.

(a) THE OBJECTIVES OF REGIONAL POLICY ARE DIRECTLY GUIDED BY FORWARD ANALYSIS

Since regional policy action mainly concerns the establishment and operation of infrastructure facilities and, more generally, the environmental amenities for productive economic activity, the investments it involves are usually heavy. These are not investments which will pay for themselves in the short term, especially as major private investment projects will normally depend on them

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in turn. It is essential that their technical and economic efficiency should be sufficiently long-lasting.

Moreover, if there is greater freedom of regional action in view of the new requirements governing location, regional policy none the less entails a series of choices that will shape the society of the future. The choices must be made with due regard for as many technical, economic and human considerations as possible so that environments are created which accord with people's basic wishes and the ways of living and working which will keep up their creative drive.

Regional policy should therefore take account of the greatest possible number of years ahead, covering as many technical and economic developments as possible, and of the most fundamental data as to the type of society which is to be built. A period of twenty years may be considered suitable.

The objectives of regional policy are very largely determined, then, by the contributions of advanced research and futurology and by those of sociology.

Hence, regional policy involves a considerable amount of speculation on new structures, calling for boldness in forward planning and great flexibility.

Whereas the conventional type of economic policy can rely on machinery allowing increasingly detailed assessment of the consequences of the options made, the scope of regional policy is far less well-defined, since its mechanical effects are often difficult to grasp and evaluate; consequently, the political aspects of selection play a much greater part.

(b) REGIONAL POLICY SEEKS MAXIMUM INVOLVEMENT OF THE WHOLE COMMUNITY IN THE ACHIEVEMENT OF THE ECONOMIC OPTIMUM

1. If the entire community is to be involved as far as possible in the achievement of the economic optimum, we must first of all ensure that actual or potential unemployment in certain regions, resulting from current or future changes, can be absorbed or prevented in conditions compatible with the increasingly keen competition to which the Common Market as a whole is exposed.

The objective of procuring productive employment for the working population of all regions is an economic and social necessity. It is only by ensuring that all regions enjoy the fullest possible employment that sustained economic growth can be guaranteed.

This should be done, however, with a view to enhancing the overall competitiveness of the Community economy. At present, with economic activity in

the Community's constituent countries and regions subject to increasingly severe conditions of competition, not only between one country and another within the Common Market but also between Community and non-Community countries, this requirement has top priority.

To reconcile the requirements of job creation with those of the competitiveness of regional economies is a difficult task, then, but one of primary importance for regional policy.

- 2. This task is the more difficult in that change is often opposed by two kinds of inertia, and these tend to have a combined impact:
- (i) The overall geographical inertia of population groups, which exists despite the fact that the geographical inertia of individuals in the group varies with region, type of occupation and age group;
- (ii) A certain economic inertia due chiefly to the inadequacy of the educational training facilities at the disposal of the people and to lack of involvement in the decisions on and use of the necessary financial resources.

In addition, because of the territorial and geographical characteristics of the regions, willingness to accept these changes varies substantially from one region to another.

So there is a particularly sharp conflict here, and it is one of the major problems of our economies and, more generally, of the organization of our society: the regions are unevenly prepared, but also unevenly suited, for carrying out the necessary adjustments.

The disparities between the regions and the strains caused by the very similar human aspirations and needs in very different regional situations are one of the clearest illustrations of this conflict, the solution of which is one of the main objectives of any form of regional policy.

3. This regional policy objective is a major element in economic and social policy targets.

Although it is true that good aggregate growth implies that the economy as a whole is running well, merely to state in general terms that growth will ensure full employment of the factors of production, save for a few frictional unemployment problems, is inadequate: there may well be equilibrium, but this does not mean that the economy is being managed under optimum conditions.

This is the whole problem of the quality of growth: an economy may very well give the illusion of growth for a time if GNP growth rates are high; this is

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the case where certain industries or regions have relatively high costs, given the conditions of international competition, but where activity can nevertheless be carried on thanks to protection or transfers of various kinds; it is also the case where investment goes into the maintenance of existing structures rather than their adaptation to new techniques and the manufacture of new products yielding a higher value added.

The rift between high-quality growth and purely quantitative growth shows up in the form of underemployment of part of the population, which is revealed in its relatively small contribution to the formation of the national product and what are often substantial transfers of various kinds tending to narrow the disparities between the share in production of and the share in consumption of the national product.

In certain regions there may even be emigration (of the working population in particular), and this, besides the human harm it causes, may go so far as to be a decisive handicap for the life of these regions and a capital loss for the Community itself if, as still happens, the emigrant workers leave the Community altogether.

The rift also reveals itself in inflation: one of the fundamental causes of periods of "overheating" is the heterogeneity of structures, especially regional structures. For advances in living standards spread by means of information media and advertising much more rapidly and much more homogeneously than real gains in productivity.

People in the less productive regions thus seek to participate in the consumption of products and services by causing transfers — either organized or mechanical and uncontrolled.

When their participation in consumption has no economic counterpart in an adequate increase in overall productivity, we have a general disequilibrium between supply and demand.

Within certain limits, transfers of income encourage expansion, particularly when they lead to a structural improvement which cannot take place spontaneously; on the other hand, when the effect of the transfers is greater than the region's adaptation potential, it gives rise to an inflation factor.

It is not desirable, and it would in any case be difficult, to limit the spread of advances in living standards: structures must therefore be adjusted in order to keep transfers to the minimum. Participation in consumption will then have its counterpart in participation in production.

These developments, moreover, clearly underline the limitations of the objective of reducing income disparities between the regions: freedom of choice as

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regards location is not so complete as to imply that anything can be produced anywhere.

4. So regional policy should take into account the inertias and the geographical characteristics which come into conflict with the need for change. It cannot resolve this conflict with the requirements of the economic optimum by accepting maximum inertia; this would do serious harm to the necessities of economic management in a changing society — to the detriment of everyone, including those immediately concerned.

The most difficult task of regional policy, then, is to find the necessary compromises within reasonable cost limits in order that the potential, particularly the manpower potential, of each part of the territory in question is used to the full in productive economic activity on sufficiently competitive terms.

To this end, regional policy should, more particularly, enable the people to assist in their own development by eliminating the causes of economic inertia — by extending educational and vocational training facilities, by increasing their participation in the decision-making process, and by mobilizing and utilizing financial resources at regional level to a degree that will ensure the consistency of decisions at a general level.

Drawn along by changes in industrial society and facilitated by overall growth, regional policy is in fact essential to the success of these changes and to the quality — which implies the success — of overall growth.

5. These arguments of quality and quantity clearly show the links between regional policy objectives and the objectives of the other segments of economic policy — for instance, those applying to individual industries.

Regional policy objectives should be very closely wedded to the quantitative and qualitative objectives of the policies for individual industries which make up economic policy. However, since the main objective of regional policy is to establish and administer the facilities that will bring industrial activity to a given region, the success of the several industrial policies, and more generally of growth policy, depend to this extent on attaining the objectives of regional policy.

B. The specific objectives of regional policy in the Community

These being the general objectives of regional policy defined in relation to its function in economic and social policy, we now have to apply these

principles to the regional structures of the Community as revealed by the description contained in Chapter I.

In so doing we must take into consideration both the general problems of the common market, with due regard for the effects arising from its operation, and the problems of each of the types of region described in Chapter I.

(a) REGIONAL POLICY'S CONTRIBUTION TO THE COMPLETION AND DEVELOP-MENT OF THE COMMON MARKET

The basic objective of regional policy applied to the general problems of the common market is to help improve the harmony of regional structures in the Community, firstly in order to combat the mechanical effects which tend to develop owing to the mere fact of opening internal frontiers, and secondly in order to permit the implementation of common policies and to create the maximum external economies for each of the regions.

1. It has already been noted that an immediate consequence of opening frontiers is an accentuation of tendencies towards geographical concentration. Firms are induced to seek in competition the immediate conditions which are best for their business and more particularly for siting their business. The result is concentration towards already industrialized areas, which satisfy the conditions of efficient location better than others.

In certain cases, therefore, the gradual completion of the common market tends to aggravate the excessive and injurious disparities in the geographical distribution of production which the regional policies of the Member States are seeking to remove. Once the common market is fully established, therefore, efforts must be made to distribute production more evenly in the light of the effects that eliminating internal frontiers will have. This applies as much to activities in the tertiary and quaternary sectors as to those of the secondary sector, which means tackling problems of urbanization and the spread of urbanization over national territories, problems of communications and ports, etc.

If regional policies did not take these new facts into account, there would be an automatic allocation of activities according to the comparative strength of unevenly endowed and developed regions, their inequalities being accentuated by the opening-up of markets, though there is no reason to think that such an allocation would be favourable either for the economic optimum or for the welfare of the people.

The problem goes considerably beyond the frontier regions, which in the first instance seem to be the most directly concerned since it is there that the change brought about by the elimination of customs duties has the most visible effects. In point of fact, the differences resulting from organization systems, particularly in the economic and social field, are immediately apparent in these regions; the consequences of faulty harmonization of the components of the economic and social system are more directly felt in them. However, it would be a mistake to think either that it is possible to eliminate frontiers merely by regional policy action or that it is conceivable to develop these regions along privileged lines which would, as it were, transfer the changeover between economic systems to the periphery of the regions. Moreover, with modern means of transport and packaging, direct competition now extends or will soon extend to all the regions of the Community.

It would also be wrong to think that general economic growth would automatically enable the problem of the inadequately developed regions to be solved, the more so in that the completion of the common market adds a further dimension to the problem. If a suitable regional policy does not enable us to make up the economic disparity in these Community regions and thus solve the problem of employment, in the long term they may in one way or another slow down or even halt overall economic growth.

It is therefore necessary to find solutions to the problems arising in these regions which are compatible with the necessities of economic growth and the Community's competitive position.

2. The common policies and the co-ordination of economic policies required by the Treaty are inevitably obstructed by the heterogeneity of regional structures in the Community.

Clearly, joint policies for individual markets are the easier to implement the more homogeneous the structure to which they apply. Similarly, common market policies or the co-ordination of market policies are so much easier to elaborate and implement if the regional structures to which they apply are more or less equally fit to take them. On the other hand, wide structural differences between regions or an uneven spread of heterogeneous structures among the Community countries are likely to constitute a significant obstacle to the implementation and the success of such common policies.

If a common policy is established on the basis of structures that are already partly outdated, it may provide short-term advantages for the most favourable structures (which thus benefit from that circumstance), but it accumulates

costs and handicaps to the detriment of the community which gradually become intolerable.

The cost of common policies, which is borne by the member countries, weighs more heavily on those countries where unsuitable structures are the most numerous, and in time this gives rise to disequilibria which are bound to have serious repercussions throughout their economic systems, i.e. on the value of their currency and ultimately on the equilibrium of the Community in all its aspects.

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Consequently, when structures are as diverse from the regional point of view as they are in the Community, and when the policies for individual industries affect these varying structures, the structural aspect of these policies must be planned and applied with an eye to the importance of improving the balance of regional structures: any policy for the structure of a specific industry — agriculture, transport or whatever — contains a regional policy aspect.

The establishment, development and operation of facilities bearing on location, which are the objective of regional policy, must be sufficiently co-ordinated at Community level to obtain that balance in regional structures which is a prerequisite for the successful establishment of common policies and the co-ordination of economic and social policy.

Unless such co-ordination takes places, the objectives of the Common Market may be compromised and the Member States will be led, as certain phenomena show (escalation of aids), to accentuate the disparities between the various regions, and this would conflict with the policy which they mean to pursue.

On the other hand, better co-ordination at Community level of regional development policies should permit each region, when backed up by the others, to obtain external economies which will maximize the effectiveness of investments made there.

Just as industries seek to find a place in an environment that will stimulate growth, so the development of regions needs to be organized in the context of the development of the neighbouring regions and the Community as a whole. The gradual completion of the common market is increasingly making the whole Community the essential economic yardstick; and this applies more particularly to the regional policy aspect of structure policies.

(b) OBJECTIVES FOR THE DIFFERENT TYPES OF REGION

The general objectives of regional policy have been defined above, and we have just discussed how it is to contribute to the development of the common market; regional policy must also be aimed at ensuring that at least some of

the effort to be expended in developing each region comes from the region in question, with less and less dependence on aid and initiatives from outside.

For instance, a region depending on a single product, or perhaps a single sector, whether primary, secondary or tertiary, usually lacks the creativity which might stimulate variety and confrontation of needs, experience and disciplines. Some degree of diversification, which of course does not rule out specialization, unless it be specialization in only one of the three main sectors, is therefore necessary. Diversification is in fact a reflection at regional level of the general objectives to be pursued within a common market in order to establish better structural balance between the regions.

In order to specify the regional policy objectives for the various types of region described in Chapter I, it is necessary to take into account the trends to be discerned in the relative share of the various sectors of activity, more particularly developments in the transport industry and those which are increasingly affecting the distribution of industry and population in a given geographical area and leading to urbanization.

1. The response to the great changes, present and future, in the nature and location of activities

(1a) There is a general change which is affecting the development of the main sectors and which points up the importance of carrying out the major infrastructure projects which the change involves.

The tertiary and quaternary sectors will gradually attract the activities, and therefore the jobs, which are withdrawn from the other sectors.

This is because physical productivity per worker in the primary and secondary sectors, owing to the increasingly advanced mechanization and automation of all the physical tasks of production and even of administration, tends to increase more rapidly than production requirements. These sectors therefore release manpower. This trend is very advanced in the agricultural sector; it is on the increase in industry.

On the other hand, the potentialities of the advanced tertiary and quaternary sectors — in particular research, on which depends progress in all sectors — are quite different. The products of these sectors are not in themselves mechanizable (despite the fact that they utilize highly sophisticated and very powerful facilities). Moreover, they usually develop without any break of environment or movement of population from situations which may be very diversified, such as tourism on rural, roadside, mountainous or historical sites,

social services, medical services and general education where people are already located, specialist education and research where they can be combined with certain activities to which they can be applied, culture and art where the best combinations occur between the resources of civilization and certain advantages of site or climate.

Furthermore, the advanced tertiary and the quaternary sectors respond to the rapidly growing and virtually unlimited needs for diversification and quality of a civilization which is gradually freeing itself from the physical tasks of production and devoting itself to the exploration of the universe and to human development.

Such advantages are decisive factors in longer-term regional development plans.

All these transfers from one sector to another require changes in occupational skills, often in economic mentality and sometimes in ways of living. Both transfers and changes will have to be accompanied, if not preceded, by a very considerable adaptation and development of all kinds of infrastructure.

This will give regional policy objectives a particularly favourable field in which to be applied, and at the same time they can be organized in such a way as to solve employment problems without any serious hiatus.

The time it takes to make transfers from sector to sector and for people to adjust to the transfers may be quite long; on the other hand, the construction of much of the infrastructure needed to prepare and accompany transfers calls for a labour force which despite mechanization is much more numerous in relation to the value of the product than in other sectors and which for the most part possesses skills that obviate the need for a long period of further training.

Regional policy will consequently be able to link up the task of guiding regional activities towards the more productive sectors with the infrastructure improvement needed for these sectors. This would make it possible to maintain employment levels and avoid the risk of depopulation which would jeopardize the future.

This might reconcile the need to harmonize structures, the need to develop different sectors and the exigences of employment; so regional policy can help in the field to produce a harmonized synthesis of industrial development policies, social policy and economic policy in general.

(1b) The change affecting intercontinental transport, and more particularly transport by sea, considerably reduces — in economic terms — the distances separating the continents. Even within the Six, in terms of cost, certain

distances are greater than those separating the Community from some large overseas industrial countries.

The objectives of regional policy should take account of this situation, the effects of which are to transform the economic potentialities of the Community's peripheral regions (more particularly the coastal regions) and to establish an equilibrium that is different from the Community economy as a whole.

One of the objectives of regional policy, then, is to exploit this situation and these potentialities.

This applies primarily of course to the coastal regions. Admittedly, the mere fact of being a coastal region is not in itself a sufficient condition for prosperity: external trade alone cannot constitute the basis for an economic entity sufficiently balanced to face the hazards of the world market. On the other hand, economic activity oriented towards the rest of the world can be a powerful catalyst for the development which these regions can achieve in conjunction with the economy of the inland regions. However, the appropriate infrastructure must be provided so as to facilitate the exploitation of the potential inherent both in the region and in all the internal and external links. Here we find the same connection as before between the longer-run objective and infrastructure, and the same advantages apply, especially in respect of continuity of employment.

The same holds good in varying degrees for many regions because of the geographical configuration of the Community, few parts of which are unaffected by international competition via the sea. In certain regions this situation calls for radical adjustment not only of economic structures but also of economic mentalities and behaviour.

(1c) Lastly, we are familiar with the increasingly marked tendency for the population to turn towards an urban way of life. This phenomenon is closely linked with the growth of the tertiary and quaternary sectors and entails research, in the light of existing and likely progress in means of transport, as to what forms — mainly in respect of space — urbanization is to take in the future.

One of the objectives of regional policy is to ensure that the trend towards urbanization operates within each region as far as possible without excessive concentrations (both from the economic and from the human point of view) and with conurbations suitably distributed throughout the regions in accordance with their economic potential and the various services rendered by the cities. Here too, a whole network of proper infrastructure facilities, in partic-

ular housing that is both quantitatively and qualitatively adequate, are necessary both for the conurbations and for the links between them; here again, we have the same connection between the longer-run objective and the employment contributed by the planned infrastructures.

The urbanization objective calls for replies to numerous questions, in particular:

- (i) What will be the component parts of the various types of city in the light of the functions expected of them, principally in the economic and human domains?
- (ii) How will the different types of city complement each other, and what are the links to be between them?
- (iii) How will they be linked with the areas in which their influence is felt?

The vast majority of people in all the Community countries are turning towards an urban way of life, so this is a considerable problem of common interest.

These then are the three general trends which largely determine what the objectives of regional policy should be in view of the need to promote the development of the various types of region.

2. Application to the various types of region

A distinction has been made between three types of region within the Community: industrialized regions, semi-industrialized regions, predominantly agricultural regions. What are the specific objectives for each of these types of region?

(2a) The industrialized regions

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Generally speaking, the problem for these regions is to keep up sufficient drive to maintain the momentum of growth along the lines suggested by foreseeable changes.

More particularly, development in the advanced tertiary and quaternary sectors should be such as will facilitate the appropriate links between industry, research and the academic world. Jobs created in the sectors to be developed must be open to workers released by the cutback of employment in other sectors, in preference to calling on additional manpower which would prevent the re-employment of such workers.

This means that excessive concentration must be avoided, both in these regions and in the conurbations with their economic and human drawbacks. Drawbacks of this kind already exist in certain regions. The difficulty met by regional policies in remedying these situations should make us careful not to allow them to develop.

It also means avoiding certain economic and social situations such as are found in regions depending on a single industry which have not adapted themselves to changes in the industrial sector. In these regions, of which there are a number in the Community, the situation often requires not only a complete reorganization of industry itself and a diversification of activities but also a radical reform of even the most conventional infrastructure facilities. These regions are sensitive areas for regional policy. It is essential not only to remedy such situations but also to prevent others from arising.

It should be noted in conclusion that where there are agricultural activities in the industrialized regions, the structural reform which they may have to undergo does not usually raise employment problems which are not susceptible of rapid solution, except in the case mentioned above of regions with a single industry.

The attraction of industrial centres may even lead to manpower shortages in neighbouring agricultural regions.

(2b) The semi-industrialized regions

These Community regions are either an adjunct to the industrialized regions or are located along the major waterways or on the coast.

Depending on their geographical situation, the stimulus which they receive and the objectives which regional policy may have with regard to them differ to some extent.

(i) When these regions are adjacent to industrialized areas, they may in themselves constitute an essential factor for equilibrium, and this function of complementing the industrialized areas should be developed.

In these same regions, two circumstances may lead to other objectives:

a. When the adjacent industrialized region lacks diversity and includes declining industries. In this case, industrial diversification and balance in diversification, with due regard for developments in industry and the problems of urbanization, must be sought within the complex formed by the two types of region.

- b. When the semi-industrialized region itself contains a substantial agricultural sector or when one or more neighbouring regions show a predominantly agricultural structure requiring reform. In these cases the industrialization of the region should be encouraged and diversified in conjunction with agricultural production, or else it should be linked in the industrialization process with the adjacent agricultural regions, which it might be able to complement with certain industrial activities or services.
- (ii) For the semi-industrialized regions situated along the major waterways, depending on circumstances the objectives may be of the same type as those for the semi-industrialized regions in point (i) above, or those of the coastal semi-industrialized areas in point (iii) below.
- (iii) The coastal semi-industrialized areas will proceed to the industrial stage the more easily if they are capable of taking large-scale intercontinental transport facilities.

Apart from the infrastructure required for this development, the problems of training manpower and executives to the level of skills obtaining in competing industries on the world market must be one of the priority objectives for the development of these regions.

Naturally, the objectives arising from the proximity of non-industrialized agricultural regions as mentioned above are directly transferable to these regions.

The structural changes required in agricultural activities existing in these three types of semi-industrialized region will normally be facilitated by the industrial activity in existence or being developed. The changes will usually be less simple than in the industrialized regions. It will thus be necessary to promote them by an increased effort to industrialize and to develop the tertiary and quaternary sectors. Infrastructure projects will have to be put in hand if this development is to be promoted, and the advantage in terms of employment which such projects provide during the phase of change is obvious.

(2c) The predominantly agricultural regions

There are several sub-types among these regions:

(i) There are first of all those regions which will remain predominantly agricultural; these are the regions where agricultural activity can provide the working population with much the same income as is provided by the other sectors of activity. For these regions, regional policy objectives are additional to those of agricultural structure policy. The aim is to develop industrial activities and services directly linked with agricultural production and to

concentrate them in a series of urban centres which should be organized to permit the entire population of these regions to enjoy a modern way of life.

(ii) At the opposite pole are the regions where agriculture is unlikely to develop satisfactorily and where it is not reasonable, either, to expect to start up profitable industrial activities.

In this case the objectives adopted may be to use the natural situation of these regions to meet certain needs: health and welfare centres, tourism, resorts, and possibly specialized research centres. The development and planting of forests will of course be encouraged as much for their economic value and their regulating effect on climatic conditions and water resources as for their amenity value.

The importance of tourism, health and welfare centres and resorts, in a society where incomes are going up, warrants the appropriate investment in infrastructure in these regions. These activities, which cannot easily be mechanized, are of a kind directly to provide employment and a new trade for considerable numbers of workers and indirectly to make it possible to maintain, if not to expand or create, urban centres capable of themselves becoming sites suitable for numerous intellectual and cultural activities. Such a development may not only stop the drain of population from these regions but, as has been observed already in some cases, may even reverse the demographic trend. It is possible that in these circumstances certain forms of agricultural activity (e.g. large-scale businesses and combined forestry and pastoral agriculture) may continue side by side with activities specifically linked to tourism (e.g. upkeep and development of natural amenities).

(iii) Between these two extremes, the other regions which are currently agricultural must undergo radical structural reform and a substantial diversification of their activities.

For these regions, whether agricultural reform can be carried through depends in practice on whether a new economic fabric can be established that does in fact include these diversified activities. Generally speaking, efforts to encourage the establishment of business activity will have to be based on the creation of a whole system of modern infrastructure in the widest sense.

The objectives of regional policy will obviously be affected by the geographical situations of these regions:

a. If they are coastal regions, the configuration of the coastline and the available or potential port facilities will sway the decision either towards tourism and fishing activities or towards industrial activities, account being taken of the opportunities already mentioned in connection with changes in intercontinental transport links.

b. If they are inland regions, the environment constituted by the neighbouring regions must be exploited in order to organize complementary activities designed to create the type of industrialization desired and the development of tertiary and quaternary activities for a group of regions. Because these regions usually have a fairly low population density, the development and distribution of urban centres and the links between these centres are of special importance. Given the cost of infrastructure facilities, which often have to be created from scratch, there are not only sociological and economic but also financial reasons for grouping regions in this way.

In turn, then, we have analysed the general objectives that any kind of regional policy must have if it is to make a contribution to economic and social policy in general, regional policy's contribution to the completion and development of the common market, and finally the specific objectives which regional policy may adopt in the light of the broad categories of region.

These are, of course, general guidelines which should be applied in accordance with the characteristics and situation of each region, bearing in mind its immediate environment and the economic system of which it is part.

However, the common features found indicate how a regional policy may be contemplated that is suited to a market where greater harmony and a better equilibrium of structures are proving increasingly necessary, while human requirements are becoming increasingly similar.

It now remains to consider the problems connected with the instruments of regional policy.

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CHAPTER IV

GENERAL PATTERN OF REGIONAL POLICY INSTRUMENTS

The instruments of regional policy range from studies of one or more regions to detailed development programmes, which can take the form of a plan, employing a large variety of measures.

There is obviously no question of listing all these instruments here or of attempting to assess their advantages and disadvantages. In any event it would be well to realize that such assessments are necessarily of limited value: whether measures are effective or not depends as much on the way in which they are combined and where they are applied as on the intrinsic nature of the measures themselves.

The purpose of this chapter, then, is to put forward a number of ideas which may help to bring about a greater co-ordination of regional policies.

In general terms, action in the regional policy field must be made more effective by improving the way in which measures are combined. The amount of work to be done and the amount of money to be spent means that a determined effort is needed to avoid a dissipation of effort and funds which might well be encouraged by the multiplicity of problems to be solved.

At the same time, no measure which could help to achieve the objectives of regional policy can be overlooked.

A. Towards more rational financing

(a) INVESTMENT EXPENDITURE

1. With all instruments of regional policy large sums of money are at stake. This money represents investment expenditure on amenities and on training. Most of it is slow to show results, and the time lag can be considerable.

It must be understood that this expenditure does not give regional policy a budget of its own. What regional policy does is to encourage a specific pattern in public investment that has repercussions on the activities of private investors;

it is a way of deciding how monies voted are to be spent. This fundamental idea refers back to Chapter II (on the concern of regional policy), which pointed out how the economic and social roles of the authorities are changing because of the incidence of regional structures on economic growth.

2. A rough and ready estimate of the funds to be mobilized to facilitate structural change in the regions — this change being a precondition for the strength, quality and continuity of economic growth and social advance — can be produced by comparing trends over the last ten years with developments forecast for the years ahead. The classic and practical way of approaching this problem is to view it in terms of job creation.

Statistics for the years 1956 to 1966 show that the net annual average number of jobs created in the Community over this period was about 900 000.

This figure represents the net position. It allows for the increase in the population gainfully employed and for net movements between the main sectors, some of which show an increase, others a decrease, in job numbers.

Estimates for the next ten years — allowing for population trends in the Community, transfers between sectors now taking place or likely to take place in the years ahead (based on information available for the major industrialized countries and the USA in particular) — indicate that the net annual average number of jobs to be created could be of the order of 1 million for the Community as a whole.

It would appear, then, that the continuation, in a somewhat more intensified form, of investment activities by private firms and public authorities alike should be enough to meet the needs of forecast developments, assuming that growth is sufficiently sustained.

However, this estimate needs to be corrected on a number of points which give an entirely different picture.

First of all, this estimate is a Community one: no allowance is made for differences between the Member States, between the regions, between industrial activities within a given region or between available infrastructures in the different regions.

Secondly, as far as the necessary funds for facilities and training are concerned, the only net figure to hand is not sufficiently representative and can only give a minimum estimate of the expenditure involved. For a more realistic estimate, we should have to be in a position to assess the nature and extent of expected changes in the various industries within each sector. We should also have to

be able to establish how these changes will affect the various regions and what infrastructure will be needed in different regions to make these changes possible.

It has not been possible to produce this detailed industrial and regional information: apart from the difficulty inherent in estimates of this kind, no adequate statistics are available at present.

However, a number of general indications set out below reveal a trend which would indicate that the cost of facilities and training for each new job created will be higher than in previous years and that the cost of facilities and training to meet industrial change, not included in the net balances, will also be on the increase.

3. Changes within industry are aimed at ensuring the steady increase in productivity which is essential if firms are to remain competitive on the world market. This calls, among other things, for the more systematic creation of new products and the development of highly sophisticated production techniques involving greater research and a constant increase in the capital/labour ratio. This means that, for a given number of jobs, private or public investment in research, training and production machinery is considerably increased.

A look at the range of investment costs per job created will give some idea of the size of this increase: costs can range from 5 000 u.a. per job created in the traditional industries involving no special skills to more than 200 000 u.a. per job created in modern industries that are fairly highly automated.

4. In addition to these costs there is investment in the infrastructures which these modern industries need (information, telecommunication, research and training centres, etc.); these infrastructures are generally extremely expensive and therefore call for an additional effort by the authorities.

The infrastructure to be provided in the several regions cannot be directly assessed in the light of the overall pattern of job creation or by simple reference to the past. Allowance must be made for the type of region in which the pattern of industry is changing and for the existing infrastructure in these areas: farming regions offer a particularly striking example in this connection. What needs to be stressed here is the extent of the funds which the authorities and others will have to make available.

To get some idea of this, it should be remembered that the public investment needed to create one job may be up to five times higher than the private investment per job created, depending on the existing situation with regard to infrastructure and economic fabric of the different regions. Observations over the last ten years have shown that the average figure for the latter is 15 000 u.a.

These then are the main correcting factors to be borne in mind when estimating probable expenditure on the basis of net job creation. Although an estimate of this kind could not be produced for the qualitative and statistical reasons given above, it is nevertheless clear from what has been said that the investment — public and private — required in different regions over the years ahead must cost appreciably more than investment did in the past.

5. There is, clearly, a danger that the limits to the formation of savings and fixed capital will be reached at an early stage: to some extent programmes drafted at regional and national level will have to provide a range of options and priorities allowing actual achievement to lag behind the desirable rate of regional change and adaptation. An improved pattern of public spending and the introduction if necessary of incentives to encourage saving and the better use of savings would mean that the rate of implementation could be kept closer to that dictated by economic and social needs.

In the first place it will be seen that budgetary expenditure could, in time, be gradually reduced to a level considerably below that of recent years.

For instance, more than 1 500 million u.a. are spent in the Community as a whole each year just to cover the operating deficit of two main branches of activity (railways and mining). In agriculture, market support on its present bases will cost 2 300 million u.a. in 1969 (1).

These figures must be compared with total capital expenditure by all public administrations in Community countries, which were of the order of 14 000 million u.a. in 1966, excluding loans.

These are but a few examples — admittedly the most striking ones — of areas where there is room for greater rationalization in the employment of public funds. The Member States are endeavouring to avail themselves of these possibilities, but this will obviously take some time. The Commission feels, however, that because the changes to be effected are needed as a matter of urgency the authorities will be encouraged to take the most action possible in this matter of rationalization.

Secondly, the changes themselves, particularly changes in the pattern of investment, are almost certain to lead to new organizational forms (through the improved utilization of components, for example). This should make it possible to eliminate duplication of effort, to achieve a better return and consequently to save on existing facilities or to cut expenditure on new investment.

⁽¹⁾ The Commission's Memorandum on the Reform of Agriculture sets out to reduce this figure to 750 million u.a. by 1980.

Finally, the organization and implementation of regional policy should make it possible to encourage the people living in each region to take a more active part — each according to his capacity, perhaps through stepping up his savings — in plans for investment in their area.

To sum up, then, the funds to be mobilized are enormous and undoubtedly well in excess of those employed in recent years. But it looks as if a more rapid rate of change and more balanced regional structures could be encouraged considerably by improving the organization of financial resources and by using these resources along more rational lines.

(b) AID FOR REGIONAL PURPOSES

1. It would appear that the role played by the various forms of aid to enterprises — one of the instruments of regional policy in the Member States — is not always related to the requirements of structural adaptation.

In certain regions where infrastructure facilities have largely been adapted, aid can indeed be an appropriate incentive to offset temporary handicaps during the running-in period.

As against this, in regions where infrastructure and environmental conditions are still a long way from meeting requirements for the installation of modern industries, aid to firms bears no relation to the problems to be solved; indeed it is likely more often than not to lead to expensive disappointments without producing any genuine solutions.

In general the Commission stresses the need for action leading to a genuine adaptation of structures.

A favourable trend in this direction has made its appearance in the Member States, which are now attaching more importance to the creation and development of growth points. This is in fact the price of effective action, and aid to regional development should, to the largest extent possible, concentrate on these growth points.

2. Side by side with this, however, there is a trend towards escalation: the Member States and the different regions within each country are trying to outdo each other by offering higher and higher subsidies to firms to encourage them to settle in specific areas.

This rivalry is particularly harmful for two reasons:

a. In the first place — as was pointed out above — although aid may temporarily offset any shortfall in the facilities needed for the desired economic activity, it does not provide an area with the necessary facilities; it does not

get to grips with the real problem, which is the creation of those conditions which will attract firms to the area, and it may even slow down this process.

b. In the second place, rivalry leads to a waste of public funds: seeing that the incentive effect of aid depends on the margin of advantage created in favour of the region to be promoted, the advantage should be created at the lowest possible general level.

It is relatively easy to pinpoint the disadvantages of aid escalation but less easy to eliminate them.

- (i) First, it is difficult, even at national level, to establish what are the real disparities between the various regions when it comes to the conditions which govern the choice of location; psychological, climatic and other incalculable factors play an important part here.
- (ii) Secondly, at Community level there is the further problem of differing economic and social systems; no real answer will be found to this problem until it proves possible to create single market conditions within the economic union.
- (iii) Thirdly, the changes which have to be made in regional structures will take time, whether these changes are viewed from within a single Member State or from the Community angle; for this reason, infrastructure improvement and the provision of aid will often go hand in hand in regional development policy.

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(iv) Finally, a further difficulty is the obscure nature of certain general aid arrangements and of certain procedures within these arrangements.

But since, from the point of view of improved equilibrium in the regions, aid to firms is no substitute for the creation of those facilities which encourage firms to settle in a particular area, the dangers and wastefulness of escalating aid can be largely avoided. It seems legitimate in this respect to refer directly to what is required for the operation of the common market.

To this end, and to enable it to assess the effects and the compatibility with the common market of general regional aid arrangements, the Commission in July 1968 made provision under Article 93 of the EEC Treaty for the introduction of a procedure for the prior examination of individual cases where aid reached the figure of 500 000 u.a. or more in subsidy-equivalent.

During the examination of arrangements for implementing this procedure, however, it became apparent that there was another solution: general regional aid arrangements could be harmonized and made more widely known. Work on this is now under way.

The ultimate aim of the aid policy which the Commission hopes to see emerging is greater overall harmonization based on the following principles:

- (i) Aid arrangements in all Member States should have the same incentive effect in regions with similar characteristics; the analysis in Chapter III above of the various types of region could serve as an initial basis for this. Analysis should make allowances for the situation in the regions as regards both living standards, employment and growth potential and the need to create the conditions which would attract economically sound activities to the area.
- (ii) The incentive effect of aid arrangements should, in each type of region, be subject to maximum and minimum limits on aid expressed as a percentage of total investment for each operation.
- (iii) Harmonized aid arrangements should be examined regularly by the Member States jointly with a view to adjusting them to any changes in the elements on which harmonization is based.

The co-ordination of regional policies will certainly make it easier to achieve this objective in the matter of aid.

3. Conversion aid can be regarded as regional aid if the firms which it helps to change over to other activities are engaged in the main economic activity in a region.

Experience in conversion and retraining gained with ECSC firms and their staff has already proved that the organizing machinery is highly successful in economic and social terms.

The key to the effectiveness of the measures introduced by the Commission is the interest rebate system. It was because of this system that the more rapid rate of conversion of ECSC plants which began in 1965 was maintained without major difficulty although relatively modest resources were used (2-3 million u.a.).

The Commission finds it extremely interesting that the trend in all six countries is towards a more and more sophisticated organization of the machinery for industrial conversion.

Appropriate reform of the Social Fund should make it possible to promote occupational mobility under the most favourable conditions.

It must be stressed, however, that aid for conversion would be even more effective if it could be backed by properly defined industrial forecasts.

4. Lastly, although ideally all aid should provide an incentive either to development or to adaptation and conversion, it may prove necessary in specific areas to provide some support on purely social grounds; in instances of this kind, however, the principle that support should be confined to the time needed to introduce the changes which are urgently needed must be constantly borne in mind.

B. Towards an improvement of the legislative and administrative framework of the economy

1. There are a number of general economic policy instruments which, although not regarded as instruments of regional policy as such, may have considerable repercussions on the facilities governing industrial location. These are provisions, regulations, and general arrangements which form part of the institutional framework of the economy.

Just as technical infrastructures and administrative systems were tailored to the needs of a society which was — as has been seen — subject to the traditional constraints on location, so the institutional frame of reference may still be marked by traditional structural situations and locations.

Where this is so, the new prospects of a free choice of location opened up by technology may be seriously impaired by these institutional, legislative or administrative frameworks. One might quote as examples: (a) transport rate systems, the effect of which is combined with that of the traditional infrastructure pattern; (b) pricing arrangements: whether these are based on producer prices, parity point prices or ordinary delivered prices, they allow in their different ways for the geographical distribution of markets; (c) tax arrangements, and so on.

However necessary it may be to provide temporary compensation for these distortions, there is no doubt — apart altogether from the problems of scale it poses — that this is not the best way of dealing with situations of this kind; it would be preferable to adapt the institutional framework directly to the new requirements of economic structures. Here is a fruitful field for study and reform.

C. Towards harmonized statistics and regional development plans

The need for reorganization which would make instruments more effective is also evident in connection with the compilation of statistics and when it comes to action.

1. The Commission considers that the regional studies to which it has contributed at the Member States' request are extremely valuable. Thanks to studies of this kind, it has often been possible to help in an effective way to improve the situation in the regions.

It feels, however, that care should be taken to ensure that further studies are not added to the numerous studies already provoked by every region in the Community. It admits that essential information is often lacking and that this explains the constant demand for new studies. Because of this, it is essential that co-ordinated and consistent steps be taken at Community level to produce this essential information on a joint basis. Systematic information organized along more efficient lines could then lead more directly to regional schemes, which are the true purpose of any regional policy study.

2. Similarly, regional policy measures would benefit from being grouped together in regional development plans. A tendency in this direction has moreover been noted in the Member States. A confrontation of programmes at Community level — particularly if border areas are involved — appears to be more and more indispensable. Where these programmes involve infrastructures which would benefit areas overlapping national frontiers — as is often the case — the greatest possible co-ordination must be sought at Community level.

D. Selecting priorities

The extent of the resources to be committed for regional policy action in the various types of region inevitably raises the general problem of priorities.

It looks, at first sight, as if the options can be summed up as follows:

- (a) Should priority be given to those regions which are experiencing the greatest difficulty, despite the fact that improvements in these areas will be the most expensive, will take the longest time to complete, and will be the slowest to show results?
- (b) Or, alternatively, should priority be given to regions where the problems are less serious, and where the resources utilized will yield the highest return as rapidly as possible?

Clearly, the most immediate economic calculation argues in favour of the policy which would result from the second alternative. This is the choice which is made, quite naturally, by private enterprises; it also causes the least disruption of the established economic order and is geared to providing funds necessary for structural and infrastructural improvement.

Conversely, social and political arguments militate immediately in favour of priority being given to the regions where the problems are largest, even if there is a danger of existing conditions of competition being seriously disturbed, even though the return on investment will be slow and perhaps uncertain.

The choice is less simple in practice: the alternatives are not always so clear-out, and the main point is to avoid the pitfalls along the way.

The natural predilection towards the immediate economic calculation must be prevented from allowing too much importance to attach to existing structures and infrastructures, which are the main factors determining established conditions of competition. It must not be allowed to lead in the end, mainly because of the natural inclination of private interests, to a widening of the gap between areas which are well-equipped and those which are not or whose facilities are not adjusted to the needs of the modern economy. The authorities, by introducing a number of cost items — notably items of social cost — and certain collective or individual objectives which cannot be given a market value into the economic calculation, should concentrate on the areas most lacking in economic, social and cultural facilities.

But too large a proportion of public investment must not be concentrated on operations where the return is very slow or even doubtful. These are likely to act as a brake on general economic development, and a cumulative process might be set in train which would gradually prevent the necessary resources being made available for schemes which are considered worth while. The authorities must constantly bear the needs of economic growth in mind; they should maintain growth conditions in the regions most likely to produce results and spread out those operations where the return is most uncertain.

Apportioning public effort in this way to avoid the two pitfalls discussed above should not be confused with such dissipation of effort as leads to a waste of resources.

It has been stressed again and again in the foregoing pages that action must be directed towards growth points. This is essentially a question of timing, and from it stems the need for a sufficiently sophisticated programming of regional policy as a whole. Hence, equilibrium would be all the easier to establish if there were Community-level confrontation.

Similarly, a number of priority regions in each member country on which available Community resources could be particularly concentrated might be picked out periodically at Community level by the Member States and the Commission.

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A new pattern of this kind, backed by jointly agreed procedures, should enable the Community to discharge as efficiently as possible its Treaty obligation to "promote throughout the Community a harmonious development of economic activities" while allowing for the requirements of the common policies and the co-ordination of economic policies, differences in existing structures and the great variety of regions which is a feature of the geographical make-up of the Member States.

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Proposal for a Council decision on the organization of Community instruments for regional development

Proposal for a Council decision on the organization of Community instruments for regional development

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof;

Having regard to the proposal of the Commission;

Having regard to the Opinion of the European Parliament;

Whereas, according to Article 2 of the Treaty, the Community has the task of promoting throughout the Community area a harmonious development of economic activities; whereas there are considerable imbalances between regions within the Member States and at Community level;

Whereas the measures referred to in Article 3 of the Treaty — the establishment of common policies, in particular an agricultural policy and certain aspects of transport policy, the establishment of a system ensuring that competition in the common market shall not be distorted, the co-ordination of economic policies — together with the implementation of a Community energy policy and an industrial policy, are indispensable if the gap between the different regions and the ground lost by the less-favoured regions are to be reduced; whereas, on the other hand, the co-ordination of regional policies will facilitate the implementation of these common policies;

Whereas the Treaties contain a body of provisions, particularly regarding action by the public authorities, aimed at helping to solve certain regional development problems;

Whereas, without prejudice to the obligations and powers resulting for the Member States and the Community by virtue of the said provisions of the Treaty, steps must nevertheless be taken to ensure that the measures contemplated by the Member States, which are responsible for drawing up and implementing regional development plans, converge along lines that will help towards attainment of the Community's objectives and that the choices to be made and priorities to be established are organized in a manner consistent with the requirements involved in establishing the common market and gradually approximating economic policies; whereas for this purpose a procedure must be arranged which will enable the Commission to gather all the information it must have in order to formulate any recommendations or opinions it deems necessary;

Whereas for this purpose it is indispensable that each Member State should examine, together with the Commission, the situation of the regions for which, because of the requirements and implications involved in establishing the common market and gradually approximating the Member States' economic policies, development plans should be drawn up, or amplified, and implemented as a matter of urgency; whereas the Commission and the Member State concerned must reach agreement on the order of priority in which the content of such plans shall be discussed;

Whereas discussion of the content of a plan between the Commission and the Member State concerned may involve the participation of other Member States; whereas for this purpose a Community framework must be set up in the form of a Standing Regional Development Committee comprising representatives of the Member States and of the Commission and constituting a body for joint consultation;

Whereas regional policy forecasts and general programmes prepared by the Member States, and more generally regional problems arising because of the common market and problems linked with the implementation of regional policies, in particular in relation to budget policies, must be examined at Community level in order to facilitate the finding of converging solutions; whereas the Standing Regional Development Committee is the appropriate body for doing so and for formulating any opinions on the subject;

Whereas, when the Commission, after discussion in the Standing Regional Development Committee, finds that the regional development plans submitted correspond to the operational requirements of the common market and to the needs of gradual approximation of economic policies, the Community's instruments must be capable of facilitating the implementation of those plans; whereas for this purpose interest rate rebates and guarantees granted by the Community for loans to help finance the plans constitute an appropriate form of aid; and whereas it is therefore necessary to set up a rebate fund and a guarantee system for regional development;

Whereas it is also desirable that, in the framework of the existing institutional rules, co-ordinated use should be made of the other instruments at the disposal of the Community by virtue of the provisions relating to the European Investment Bank, the European Social Fund and the European Agricultural Guidance and Guarantee Fund and also the provisions of Article 56 of the Treaty establishing the European Coal and Steel Community which are such as to help promote those development plans;

Whereas better acquaintance on the part of investors with the various data they need is likely to increase the efficacy of investments contributing to regional

development; whereas for this purpose co-ordination of information and, where necessary, the provision of fuller information should be promoted;

Whereas the instruments described above are needed for the achievement of one of the Community's aims; and whereas the Treaty has made no provision for the powers to act which are required for this purpose,

HAS DECIDED:

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Article 1

1. The Commission shall carry out a regular examination with each Member State of the situation of the regions for which, because of the requirements and implications involved in establishing the common market and gradually approximating the Member States' economic policies, development plans should be drawn up, or amplified, and implemented as a matter of urgency.

Such urgency shall be presumed to exist for the following regions:

- (a) regions lagging behind in development, mainly because of the predominance of agricultural activities;
- (b) regions which are declining because of the trend of the predominant economic activities;
- (c) frontier regions, where the need for co-ordination between Member States is felt particularly strongly;
- (d) regions where there is structural unemployment.
- 2. Such examinations shall be carried out:
- (a) annually on the Commission's invitation the first examination to be undertaken within three months of the entry into force of this decision;
- (b) wherever a situation arises which, in the opinion of one or more Member States or of the Commission, calls for such an examination.
- 3. Where these examinations lead the Member State concerned and the Commission to conclude jointly that development plans for one or more regions should be drawn up, or amplified, and implemented as a matter of urgency, the Commission and the Member State concerned shall establish by agreement an order of priority for discussing these plans in accordance with the conditions set out in Article 4.

Article 2

If the examinations provided for in Article 1 fail to produce joint conclusions, the Commission shall retain the right to recommend at any time that the Member States draw up or amplify, according to the case, and submit for discussion under the conditions set out in Article 4 development plans to be implemented in certain regions.

Article 3

The regional development plans submitted for discussion must, at the very least, contain sufficiently precise information on:

- (a) the current situation and future trends (population, employment, regional product, structure by sector, infrastructure);
- (b) any action contemplated, together with a timetable and information on what authorities are responsible;
- (c) public financing and the outlook for private investment.

Article 4

- 1. The different aspects of the regional development plan shall be examined by the Commission with the Member State concerned, with due regard for the requirements and implications of the establishment and operation of the common market and the gradual approximation of the Member States' economic policies.
- 2. If the Commission or the Member State concerned so requests, the regional development plan shall be discussed in the Standing Regional Development Committee referred to in Article 8 of this decision. The Community aid provided for in Article 6 of this decision may not be granted without discussion in the Standing Regional Development Committee.

Article 5

Without prejudice to the powers vested in it by the Treaties or by provisions adopted in pursuance of the Treaties, the Commission shall, in the light of discussions it has had with the Member States or which have been held in the Standing Regional Development Committee, direct to the Member States

concerned, within a period of time to be agreed upon, any Opinions or Recommendations regarding regional development plans the main purpose of which is that account should be taken, from the economic and social angles, of:

- (a) the need for better co-ordination of measures adopted by the Member States, especially in frontier areas;
- (b) Community needs where improvements are made to infrastructure, in particular communications, oil or gas pipelines, ports, airports, and where natural sites and resources are developed;
- (c) the implications of policy on agricultural structure;
- (d) the demands of industrial policy in the common market and the need to avoid uneconomic production;
- (e) vocational training and guidance needs.

The Commission's Opinion may take the form of approval pure and simple of the regional development plan submitted.

Article 6

Besides through co-ordinated use of the instruments at the disposal of the Community by virtue of the Treaties, the financing of measures provided for by a regional development plan which has been submitted for discussion by the Standing Regional Development Committee in accordance with Article 4(2), has been approved by the Commission or is in conformity with the recommendations referred to in Article 5 may be covered by Community aid in the form of interest rate rebates or guarantees for loans made by the European Investment Bank or other financial institutions.

Article 7

1. A Regional Development Rebate Fund shall be set up. It shall be managed by the Commission and replenished by budget contributions.

The interest rate rebates shall be allocated by the Commission according to the terms and procedures it shall establish in conformity with the rules on the operation of the Fund and the principles regarding allocation to be laid down by the Council on a proposal from the Commission.

2. A guarantee system for regional development shall be set up. It shall be managed by the Commission and backed by the Member States according to

a scale of contributions to be decided upon by the Council on a proposal from the Commission.

The guarantees shall be allocated by the Commission according to the terms and procedures that it shall establish in conformity with the rules on the operation of the system and the principles regarding allocation to be laid down by the Council on a proposal from the Commission.

The ceiling for such guarantees shall be fixed annually by the Council on a proposal from the Commission.

Article 8

1. A Standing Regional Development Committee shall be set up under the Commission for the purposes set out in Articles 4 and 5 of this decision.

The Committee shall be composed of representatives of the Member States. The chairman of the Committee shall be a member of the Commission or his representative. The European Investment Bank shall appoint an observer. The secretariat for the Committee shall be provided by the Commission. Minutes shall be kept of the Committees' meetings and they shall be transmitted to the Member States. The Committee shall draw up its rules of procedure with the approval of the Commission.

2. In order to facilitate the seeking of converging regional policy solutions which contribute to the accomplishment by the Community of the task set out in Article 2 of the Treaty, the Standing Regional Development Committee shall examine the regional policy forecasts and general programmes prepared by the Member States, and more generally the regional problems arising because of the common market. The Committee may formulate opinions on the subject.

Article 9

In order to assess the financial backing for regional development action in the Community, the Commission shall examine regularly with the Member States the extent of the funds they contemplate allocating to regional policy action over a period of years.

Article 10

1. With a view to keeping private and public investors who might make a contribution to the implementation of regional development plans better

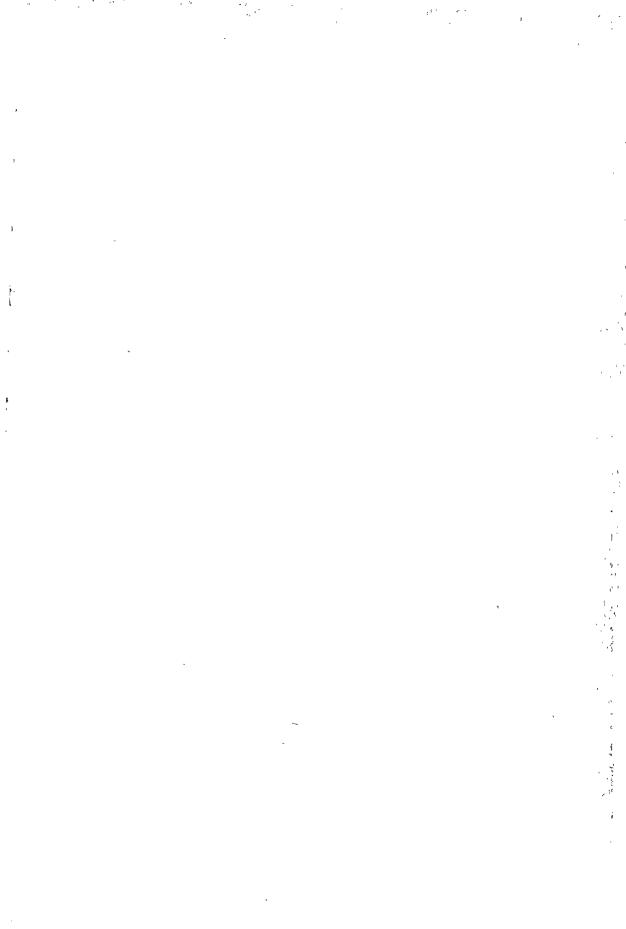
informed, the Commission shall organize Community-level co-operation between institutions and other bodies pursuing this aim in the Member States.

The Commission shall place at their disposal, subject to Article 214 of the Treaty, the requisite information on such regional development schemes, programmes, plans and measures in the Community as have come to its knowledge.

2. The Commission may promote the establishment or development of such institutions and other bodies where the existing information network is insufficient to cover more particularly those regions referred to in Article 1 of this decision.

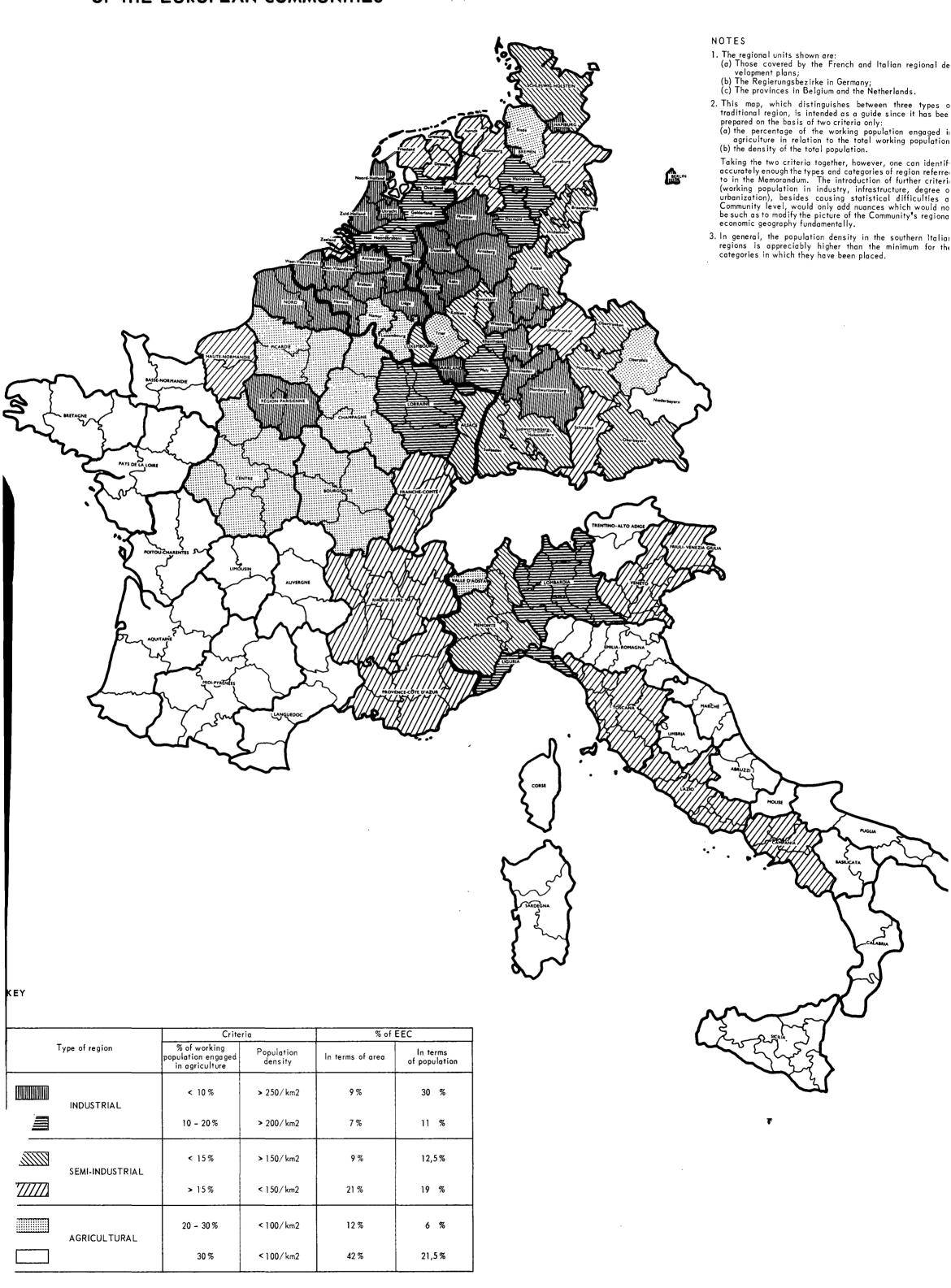
Article 11

This decision is addressed to the Member States.



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