EC Regional Policies

5th Periodic Report

Fact Sheet 15.02.1995 EN

Outlook for the regions: growth, competitiveness, employment

A summary based on "Competitiveness and cohesion: trends in the regions", the Fifth Periodic Report on the social and economic situation and development of the regions in the Community.

The periodic reports of the Commission provide an overall perspective on cohesion, regional policy and the challenges facing the regions. This document is a synopsis of the fifth periodic report - the latest in the series which appear at three-yearly intervals.

The objectives of the Report are threefold:
- to analyse the situation and trends in the regions and to take stock of progress made so far in closing the gaps between the most and the least advanced regions of the Community;
- to examine some of the explanations for regional disparities;
- to assess the prospects for regional convergence and cohesion over the years to come.

The report was prepared in advance of the 1995 Community enlargement, although analyses of the regional situation in the three countries concerned - Austria, Finland and Sweden - are included. It was compiled in parallel with the work on the new development strategies for the Community's less developed ('Objective 1') regions for the period 1994-99. Much of the information it contains informed the negotiations on priorities to be included in the development programmes for these areas.

The Commission also has a duty under the Maastricht Treaty to produce a three-yearly report on social and economic cohesion. The first such report will appear in 1996 and the Fifth Periodic Report contributes to this work.

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Competitiveness, growth yes! But I do not want economic growth which leaves part of our population out. I do not want growth which widens the gap between regions.

Jacques Santer, President of the European Commission addressing the European Parliament in Strasbourg, 17 January 1995.

Background

In the period 1994-99, the Community will spend ECU 150 billion (1994 prices) on structural actions. This is equivalent to an average of ECU 68 million per day. The purpose of these funds is to improve social and economic cohesion and decrease regional disparities. The aim of reducing regional disparities took on added significance at Community level with the 1988 reform of the Structural Funds. The reform introduced a new vision for tackling regional problems and represented the decision by Member States that the Community should be more than a free-trade area. The new regional policies were, in effect, a recognition that:

- a genuine Community cannot tolerate large differences in the standards of living of its citizens or in the economic opportunities open to them;

- the Single Market, while bringing new opportunities to the regions, creates a risk that the weaker and less competitive regions might fall further behind.

The agreement reached between Member States in the Maastricht Treaty marked a further step on the road to European integration. The commitment to the reduction of regional disparities - previously seen as an accompaniment to the implementation of the Single Market - was reinforced and economic and social cohesion became one of the essential priorities of the Union alongside economic and monetary union and the completion of the internal market.

Next Steps

Cohesion Policies and the 1996 Inter-governmental Conference

In 1996, the Member States of the (enlarged) European Union will hold an Inter-Governmental Conference to review the Maastricht Treaty. The Conference is certain to have a demanding internal and external agenda for its discussions on the future priorities of the Union. A key element of the internal agenda is the future of policies to promote economic and social cohesion in an enlarged, and enlarging, European Union.

The Fifth Periodic Report is intended to provide some of the information for this reflection.

Just how great are regional disparities in the 1990s?

GDP per head

In 1991, the ten most prosperous regions (out of a total of 180) had a GDP per head 3.5 times greater than the 10 least prosperous regions. When the new German Lands are included the factor rises to 4.5. There has been a very gradual narrowing of disparities which has been more perceptible between Member States than between regions. Good overall progress has been achieved in some of the weakest Member States - Ireland, Spain and Portugal have been catching up on the levels of GDP per head in the rest of the Community. In Spain, the fifth largest Member State in terms of population and the second biggest in geographical terms, development has been uneven and the fastest growing regions have tended to be those on the eastern coast as well as certain central and southern regions. The Greek economy had, until recently, been falling further behind. In 1993, GDP per head was 22-24% below the Community average in Spain and Ireland, and 40% below in Portugal, Greece (revised statistic) and in the new German Lands.

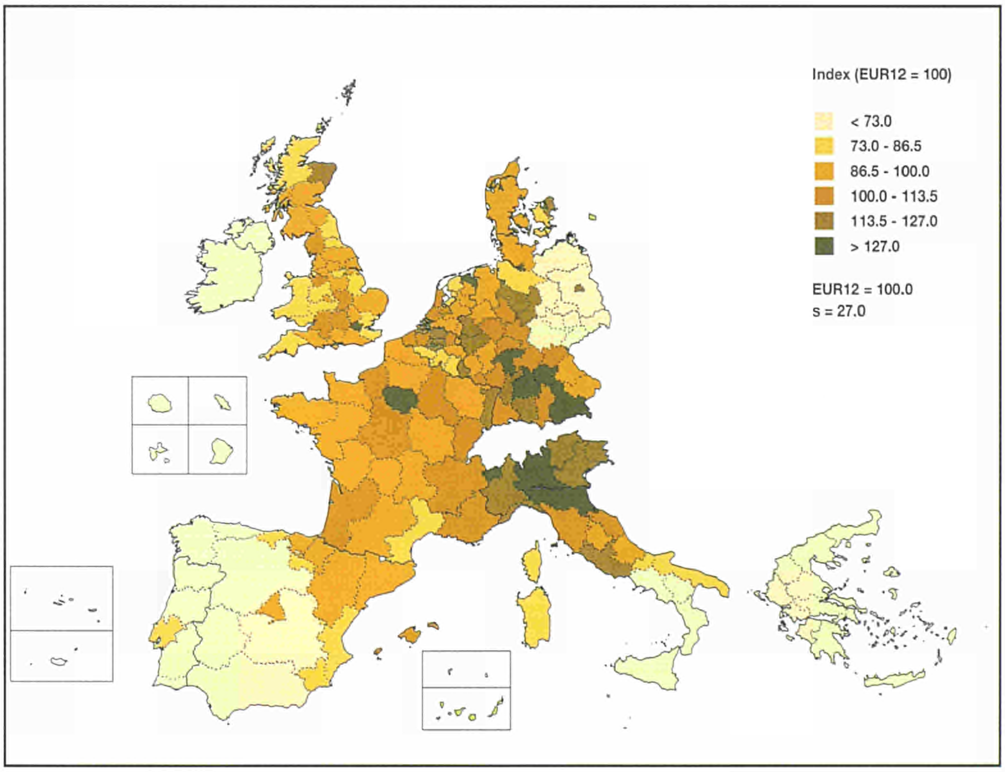
In general, the Objective 1 regions have been growing faster than the Community as a whole. This suggests some success in the measures that are being taken. Studies indicate that the Structural Funds have contributed an extra 0.3 to 0.8% points to the annual growth rate between 1989-93 in the four weakest Member States.

Border regions experience a wide variety of economic circumstances. Certain border areas close to the economic centres of the Community have very promising prospects with the completion of the Single Market. It is within individual Member States that patterns tend to emerge: there is a tendency for border regions to be poorer than the rest of the country in which they are situated.

Unemployment Rates

There are wide disparities in unemployment rates between the regions of the

Gross domestic product per head (PPS), 1991



Structural Aid from the Community

To promote overall harmonious development, the Community has adopted (in line with the 1986 Single European Act and the 1993 Treaty on European Union) a policy focusing on economic and social cohesion with concentration on non-repayable financial assistance on five priority objectives.

- Objective 1: structural adjustment of regions whose development is lagging behind

- Objective 2: economic conversion of areas seriously affected by industrial decline

- Objective 3: combating long-term unemployment and facilitating the integration into working life of young people and those threatened with exclusion from the labour market

- Objective 4: preventive measures to combat unemployment associated with industrial change

- Objective 5a: structural adaptation of agriculture and fisheries

- Objective 5b: economic diversification of vulnerable rural areas.

Objectives 1, 2 and 5b allow Structural Fund part-financing of measures in certain eligible areas. Measures part-financed under Objectives 3, 4 and 5a may be implemented throughout the Community.

The Cohesion Fund

The Cohesion Fund, established under the Maastricht Treaty to work alongside the existing funds, is designed to smooth the way towards EMU for the Member States whose per capita GNP is under 90% of the Community average (Greece, Portugal, Ireland and Spain). It supports projects in the field of environmental protection and trans-European transport networks throughout these countries. ECU 15.5 billion (1992 prices) has been earmarked for the fund for 1993 to 1999.

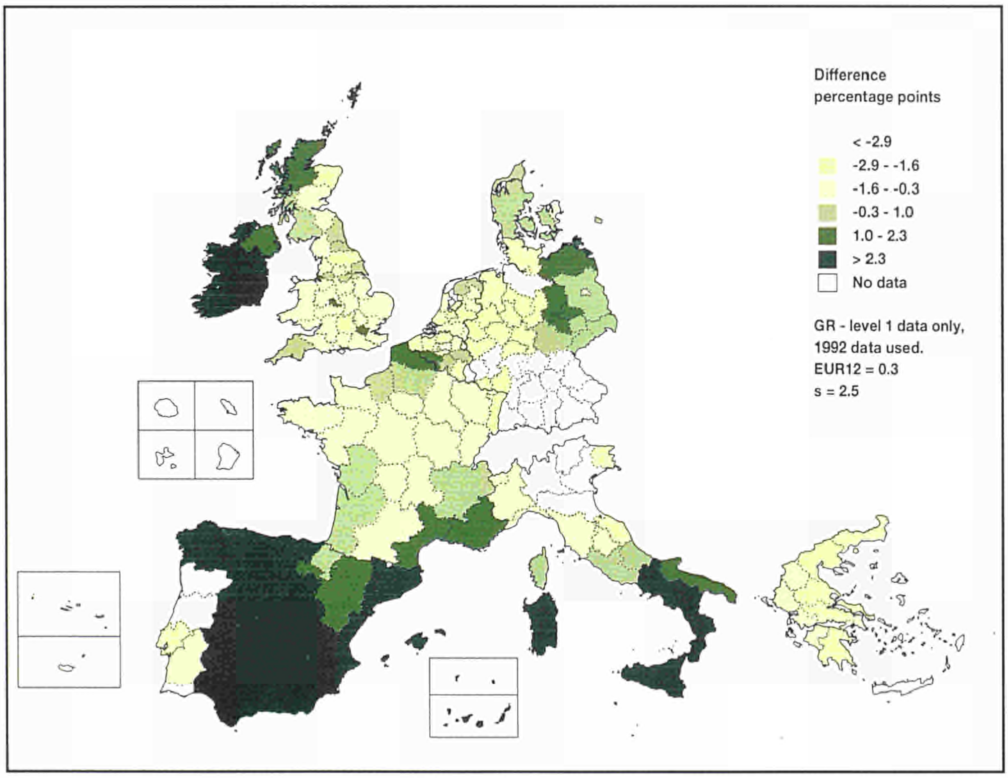
The four beneficiary countries of the Cohesion Fund also receive solidarity grants from the main members of the European Free Trade Association (EFTA) under the financial mechanism of the European Economic Area (EEA). In addition, the European Investment Bank (EIB) makes a contribution to strengthening social and economic cohesion. In 1993, it allocated more than ECU 15 billion in loans to regional development.

Community. In 1993, the 10 regions with the highest unemployment had an average rate of 25.3%. This is 7 times the average for the 10 lowest regions where the rate averaged 3.6%. Unemployment rate disparities have been increasing steadily since the beginning of the 1970s with the exception of a short period at the end of the 1980s when there was a fairly rapid rate of creation of new jobs and a widespread fall in unemployment rates. Since then, however, new job creation has dropped off and has not been sufficient to keep up with the demand for new jobs from the growing labour force. In the two years to 1993, the Community lost 3 million jobs in net terms and 1994 saw a further contraction. Community unemployment rates have returned to record levels - over 11% - and regional disparities are now wider than ever.

The high unemployment rate in the Community as a whole was a motivating factor for the Commission White Paper: Growth, Competitiveness and Employment. The analyses of the Fifth Periodic Report clearly show that there is a strong regional dimension to the problem of unemployment.

Regions eligible under Objective 2 of Community regional policy - the old industrial areas with high rates of unemployment - have made encouraging progress in arresting decline and generating new employment more quickly than elsewhere in the Community: the unemployment gap between these regions and the rest of the Community has narrowed substantially since the mid-1980s. Objective 5b regions - the Community's rural problem areas - have also made some headway with the rate of new job creation being equal to the EC average accompanied by a narrowing of the unemployment gap.

Change in unemployment rate, 1986 - 1993



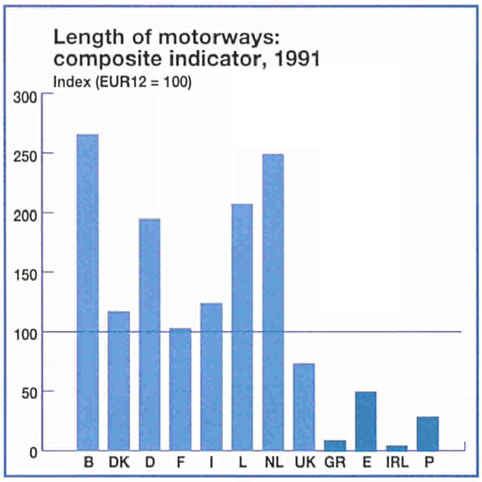
Regional Competitiveness

Disparities in economic performance between the regions are explained by a wide variety of factors, some of which have been considered in previous Periodic Reports. The Fifth Periodic Report examines regional differences in infrastructure and human resource endowments and in research and development capacity. These are factors which modern firms themselves identify as key ingredients underpinning their competitiveness.

Infrastructure

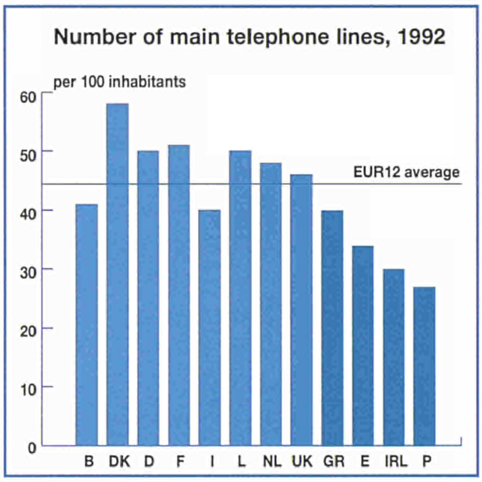
The statistical data point to often massive gaps in infrastructure endowments in the Community between the North, on the one hand, and the South and Ireland, on the other. Compared to the rest of the Community, the regions of Greece, Spain, Ireland and Portugal tend to have less extensive road networks (especially motorways), fewer and more outdated railways, fewer telephones lines, poorer access to energy networks and are less likely to be connected to clean water and waste systems. The differences remain stark even after allowing for differences in population and land size.

For example, the provision of motorways in Ireland and Greece is less than 10% of the Community average. In Portugal, there is an average of only 27 telephone lines per 100 inhabitants - half the density of most northern regions. In Portugal and Greece, only 10% of the population is connected to a waste water treatment facility (a particular difficulty given the importance of tourism in these areas) whereas the figure is over 80% in most northern Member States.



The Report shows that infrastructure gaps are narrowing, albeit very slowly, thanks to proportionately higher levels of investment in most of the weakest regions. Particular significance attaches to the completion of trans-European networks in communications and energy which requires investment in strong and weak regions alike. The Report shows that the realisation of trans-European transport networks would reduce some of the effects of peripheralisation, producing some of the largest reductions in travel-time between the most peripheral regions and Europe's main economic centres.

With regard to telecommunications, the poorer Member States and regions enjoy relatively high penetration rates in digital services - a welcome result of the late development of the networks - which will help them to participate more fully in today's 'information society'.



Human Resources

Disparities exist in levels of education and training in the Member States and regions. Again there is evidence of the traditional split between the North and the South, although the differences are less systematic than this implies.

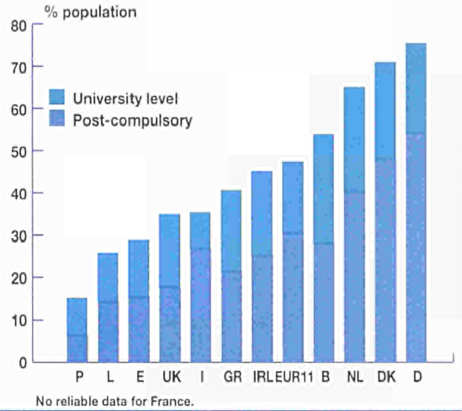
The development of basic infrastructures is clearly a matter of priority for the Community's poorest regions. Accordingly, in the new development programmes for Objective 1 regions, basic infrastructure will be allocated around one-third of total financial resources.

A well educated and trained work force is a prerequisite in strengthening competitive advantage. Disparities in human capital endowments in the Community are still very wide.

The educational level of the workforce remains a fundamental indicator of the availability of human capital and there are substantial differences in this respect between Member States and regions. Whereas most of the present adult population in the prosperous northern regions have completed secondary education, this is not the case for three-quarters of Portuguese adults, two thirds of Spanish adults and half of the adults in Greece. Although virtually all of today's generation of young people in the Community receive a secondary education the disparities at the level of the adult population as a whole will disappear only very slowly over time.

Virtually all of today's generation of under 15 year-olds in the Community receive a full primary and secondary education, but there is still a significant burden from the past.

Educational attainment of population (25-64) in the Member States, 1991



Much of the drive to improve the skills-base of the regions has concentrated on the age-group 15 to 19 years where rates of participation in post-compulsory education and training have been increasing significantly. Some of the poorer Member States and regions such as Ireland have relatively high rates of participation whereas the UK, a prosperous Member State, has a much lower participation rate. In Northern Member States, in general, a higher proportion are engaged in technical and vocational training whereas in the weaker regions academic forms of education tend to predominate.

Human resources are accorded considerable Community support with just under 30% of total available resources.

Research and Technological Development

The lowering of costs, improvements in quality and the ability to respond rapidly to market demands are all vital in continually changing and competitive European and global market places. In short, the capacity to innovate in regard to both products and processes is an important factor in enhancing the competitiveness of Europe's regions.

There tends to be a clear correlation between levels of research and technological development (RTD) and the capacity to innovate. The lagging regions tend to perform less well in both. This is reflected in lower expenditures on RTD, a lack of qualified personnel and lower private sector involvement which is linked to other factors such as more limited access to venture capital.

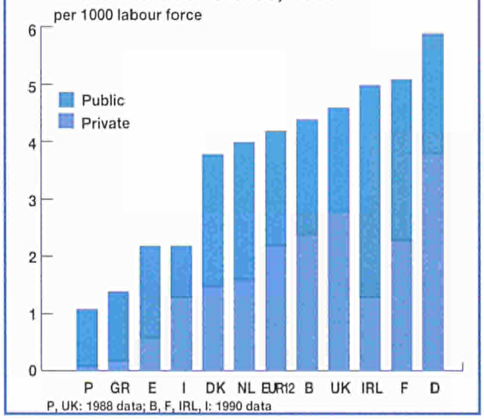
A standard measure of the level of RTD activity is gross expenditure on R&D (GERD) expressed in relation to GDP. The four weakest Member States in this respect - Greece, Ireland, Spain and Portugal - have levels which are less than half the Community average at just over 2% of GDP.

The proportion of RTD activity taking place in the private sector can provide some indication of the pace of economic modernisation. Whilst the proportion of private sector involvement has increased in Spain and Ireland, levels remain very low in Portugal and Greece.

Further difficulties for the less advanced regions lie in the lack of capital available for innovative projects. Such projects typically carry the highest risk but also tend to yield the highest return - both to the firm and to the region concerned.
A particular difficulty appears to reside in the lack of 'receptiveness' to innovation: an inability on the part of firms - often SMEs - to identify and seize potentially profitable opportunities for innovation.

Although some of the weaker states have made great strides in this area there is

Scientists and engineers in the Member States, 1989



further work to be done in encouraging their involvement in RTD programmes. But direct involvement in basic research may not be the most direct and cost-effective way to improve business and regional competitiveness and the rewards may be proportionately greater by emphasising technology transfer and the promotion of innovation in new products and processes. Actions should aim to benefit from synergies nationally and internationally through improving diffusion networks. Experience suggests that for such actions to be successful there has to be a flexible approach based on partnership between the public and private sectors with strong participation by local actors.

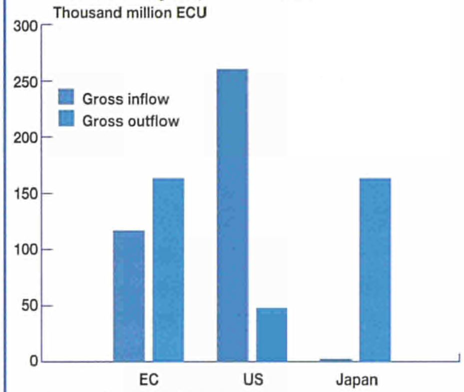
The Role of Foreign Investment

The Community's weaker regions need more investment in modern productive activities. Inward investment, from other Member States and from third countries, can be an important source of new activity. With the creation of the Single Market, countries such as the USA and Japan, as well as EFTA, have been investing heavily in the Community - the (gross) inflows amounted to some ECU 120,000 million between 1986 and 1991.

The comparative volumes of inward investment can be very significant, often greater than the flows to the less developed regions under the Structural Funds. For these regions, most investment comes from their Community partners - a sign of increasing economic integration in itself - while a high proportion of investment from third countries goes to northern Member States such as the UK and France which themselves are major investors outside the Community.

Inward investment in the regions is not, however, a replacement for the Structural Funds which play a key role in helping to create the conditions to attract new activities by providing modern infrastructure, qualified labour, support networks of SMEs and so on.

FDI flows in and out of the Community, US and Japan, 1986-1991



Current prices and exchange rates.

Efforts to promote productive activity in the regions have been given top priority in Objective 2 and 5b regions and occupy an important role in Objective 1 regions. In the latter, nearly 40% of total resources in the development programmes for 1994-99 will be allocated to this area. The attraction of foreign investment features among a number of measures which will be co-financed to improve the productive base of the regions.

Apart from the major inward and outward flows of foreign direct investment (FDI) between the Community (of the Twelve) and the rest of the world there are also important flows, estimated at ECU 150,000 million (1986-91), between Member States themselves. These flows, which have increased over time, are clear evidence of the growing economic integration of the Community. Net receipts of FDI from all sources expressed per head of population are positive for all four of the poorest Member States and the figures for Ireland, Spain, and Portugal are the highest in the Community. The net inflow to these countries was some ECU 43,000 million, 1986-91.

Community Structural and Regional Policies 1994-1999

The Community's response to regional problems has taken the form of policies of structural adjustment targeted on areas with different types of development problems. Resources available for the Structural Funds will increase steadily over the course of the period up to 1999, from ECU 21 billion in 1993 to ECU 30 billion by 1999 (1992 prices), an increase of 41% in real terms, reaching the equivalent of around 0.5% of Community GNP. An important part of the total figure is the newly-created Cohesion Fund to provide additional aid to Spain, Greece, Ireland and Portugal for environment and transport networks. The funds for structural policies will amount to three times their real value in 1989.

As well as development programmes in the traditional sense, Community Initiatives such as INTERREG II, to promote cross-border economic integration and development, play an important and expanded role. The lessons from these actions are often later fed into the broader Structural Fund interventions.

Alongside the significant rise in the total volume of assistance made available for structural adjustment, the concentration of resources on the worst affected regions has become even more marked. Objective 1 regions are to receive a rising share of total funds available, from 65% in 1993 to 73% in 1999, with the four poorest Member States - Greece, Ireland, Portugal and Spain - accounting for 54% of the funds by 1999 (including the Cohesion Fund). Expenditure on the other Objectives will therefore decline in relative terms, although set to rise in absolute terms.

In terms of population covered, the proportion for the Community of Twelve as a whole for all the Objectives has risen from 43% by the end of previous planning period in 1993 to nearly 52% at the start of the new planning period in 1994. Half of the increase is due to the inclusion of the new German Lands under Objective 1, while the rest is explained by the economic effects of recession and restructuring in certain areas, the reform of the Common Agricultural Policy and accords under GATT.

The accession of the three EFTA countries will not contribute to a general widening of regional disparities between Member States. Nevertheless, certain regions within these countries will be eligible for Structural Fund assistance. The allocation of Objective 1 status has been agreed for Burgenland, Austria and Objective 2 and 5b areas will also be defined in the newly acceding countries in due course. Meanwhile a new category of aid, Objective 6, has been created for the most peripheral regions of extremely low population density in Sweden and Finland.

The total population covered by Structural Fund assistance in these countries will reach 1.3 million and the regions will receive ECU 741 million (1995 prices) between 1995 and 1999.

The Community Initiatives

The Community Initiatives are special financial instruments of structural policy. Proposed to the Member States they seek to develop innovative measures addressing problems with a particular impact at European level.

INTERREG II - cross-border cooperation and European energy networks.
LEADER II - innovative approaches to rural development.
REGIS II - the most remote regions into the Community.
EMPLOYMENT contains three interdependent strands: NOW - equal employment opportunities for women; HORIZON - occupational integration of handicapped and disadvantaged people; and Youthstart - occupational integration of young people without qualifications.
ADAPT - adapting workers to industrial change.
RECHAR II - economic conversion of coal-mining areas.
RESIDER II - economic conversion of steel-producing areas.
KONVER - diversification in areas dependent on the defence industries.
RETEX - diversification in areas dependent on the textile industry.
Textiles and clothing in Portugal - modernisation of the textiles and clothing industry in Portugal.
SME - improvement of the international competitivity of small and medium-sized enterprises.
URBAN - economic and social regeneration of urban areas in crisis.
PESCA - diversification of areas hit by the crisis in the fisheries sector.

Incentives to Business - Regional Policies in the Member States

Community regional policies operate independently from, but alongside Member States' own regional policies, and these have been subject to much change over recent years. Regional business incentive schemes play an important role in these policies and the northern Member States have been tending to move away from large-scale, automatic support in favour of a more selective approach emphasising the development of the business environment in their less favoured regions, encouraging small-scale enterprise and concentrating on urban areas. Meanwhile, in the southern Member States and in Ireland expenditure on regional incentives has increased, maintaining extensive geographical and population coverage in regional business development schemes with the expenditure per head reaching the levels in the North - thanks in part to contributions from the Community under the Structural Funds.

Of course, regional policies are only one way in which Member States support the business sector. Northern Member States, in particular, tend to offer businesses a wide range of measures - which are not regionalised in the first instance - to promote research and development, marketing, export sales, etc, which southern Member States cannot match for budgetary reasons.

Outlook

The prospects for the regions lie within a complex matrix of internal and external factors which include general economic circumstances, demographic shifts, changes in employment patterns, the future enlargement of the Community, developments in neighbouring countries as well as the effects of national and Community policies. The Report provides the elements for an understanding of how these factors could affect the Community and its regions over the rest of the decade.

Brighter prospects for the economy

With the increase in resources available for regional policies for the period 1994-99, the weaker regions have a renewed opportunity to close the gaps with the rest of the Community. The experience of the Community's weakest regions confirms that structural change is a slow process. Nevertheless, there are encouraging signs of accelerated growth and economic convergence in many of the regions targeted by regional policies. But a significant degree of catching up will take decades rather than years. Experience has shown that regional disparities tend to respond favourably to improvements in the general economy. In this regard, circumstances are looking up: in the course of 1994, economic recovery has become widespread with growth expected to reach 3% for the Community as a whole in 1995 and 3.5% in 1996.

But less hope for the jobless in the regions?

One of the areas of deepest concern relates to the Community's wide unemployment rate disparities. The outlook for an improvement in this area is clearly linked to overall economic performance. Estimates suggest that, for the Twelve, economic growth needs to exceed 2.5% a year just in order to keep unemployment from rising. The Community has consistently failed to sustain this in the first few years of the 1990s. With economic recovery becoming more firmly established in 1994, prospects for the labour market can also expect to improve in general. But the long-term restructuring

Many of the Objective 1 regions which have shown improvement in terms of GDP have also managed to increase productivity which is necessary for improving their underlying competitiveness. This has meant that employment has not expanded at the same rate. In addition, the labour force in these regions has grown and as a result unemployment has increased significantly since the mid-1980s. In 1993, one in six of the labour force in Objective 1 regions was out of work, 50% above the Community average.

For the lagging regions it remains a long-term challenge to catch up with the stronger regions of the Community. For example Ireland, which has sustained a rate of growth of some 1.75% points above the Community average since the mid-1980s, would have to sustain this differential for a further 10-15 years to achieve the Community average GDP per head. For most of the poorest Member States it will take much longer to catch up because they start from a lower base than Ireland and are growing at a slower rate.

Likewise, Portugal would have to sustain its differential of one-half of a percentage point for over 20 years to reach 80% of the Community average GDP per head.

process in the industrial sector is likely to continue for some time to come however and this will have a serious impact on many regions including some of the less-developed regions and old industrial areas. Agricultural employment remains in long-term decline.

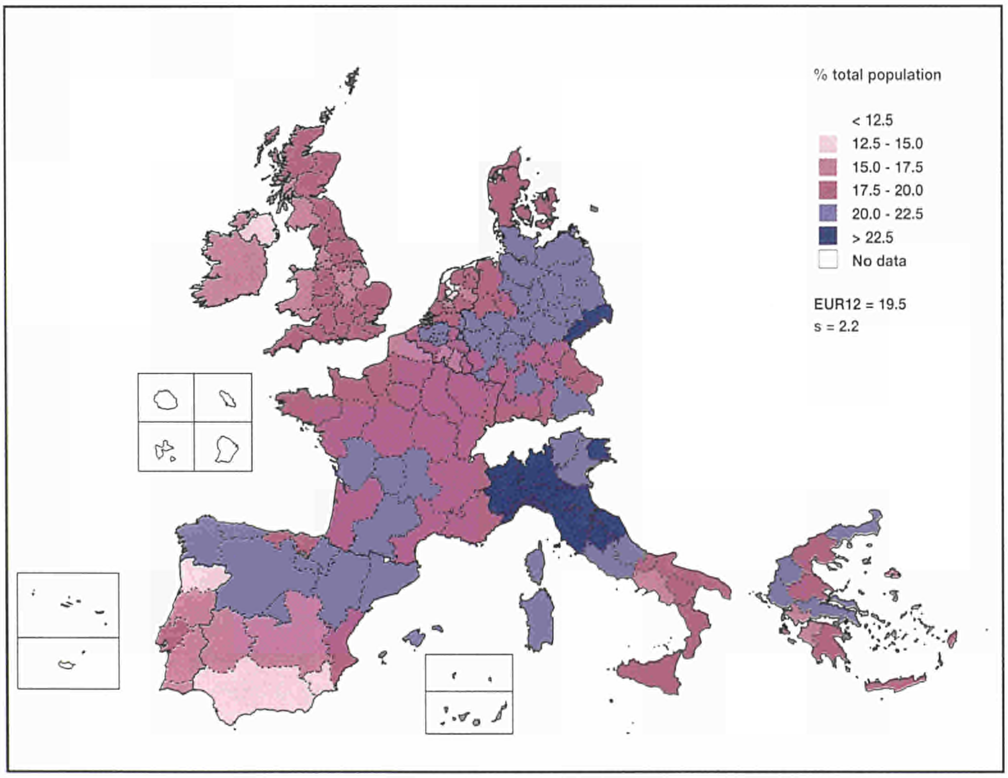
But it also seems possible that the Community's regions will be faced with a significant rise in population and labour supply over the course of the 1990s which will make it more difficult to reduce unemployment. Previous expectations had been that slow population growth over the 1980s would dampen the growth of labour supply in the 1990s. In reality, the population of the Union has continued to grow at similar or faster rates than those experienced over the last decade. Contributing factors are: increased inward migration from third countries; greater life expectancy; and a slowing down of the decline in fertility rates. It now appears that the overall population of the Community could increase by up to 19 million over the 1990s - equivalent to a slightly faster rate of growth than in the 1980s.

Higher inward migration than previously foreseen would swell the labour force as would a further expected increase in female participation rates. The Community's labour force could grow by up to 1% per year, similar to the relatively rapid growth of the last ten years.

Clearly, changes in the composition of the labour force will differ markedly from region to region. It is in the South of the Community and Ireland where there is the greatest potential for women to play a more important role in the labour force, at least in numerical terms. With unemployment rates already high in many of these regions, there is the risk that an increasing labour supply will make this into a permanent problem unless job creation can be pushed to historically high levels.

In short, the medium-term prospects for a marked reduction in unemployment, and in regional unemployment rate disparities, appear to be relatively unfavourable.

Estimated proportion of total population aged 65 and over, 2020
Median growth scenario



The longer term scenario for population is one of steady ageing in most regions with an average of one in five people aged over 65 years by the year 2020 compared to 15% today. This will have a clear impact on the availability of people of working-age in many regions notably in northern Italy and much of Germany, as well as placing additional pressures on health budgets, pensions and so on.

Economic and Monetary Union

One of the long term aims of the Community enshrined in the Maastricht Treaty is the achievement of full Economic and Monetary Union (EMU). The less developed regions stand to benefit, especially if they successfully pursue sound macroeconomic policies. However, this will require strict economic discipline (controlling inflation, reducing public debt, avoidance of exchange rate fluctuations etc.) which could prove painful in some economies at least in the short-term.
The additional resources made available under the Structural Funds and the Cohesion Fund will help to alleviate such difficulties.
It is essential, however, that the development effort is maintained and that macroeconomic objectives are pursued in a way which does not compromise the investment in infrastructure, labour force skills, etc., necessary for catching up.

The Integration into the Community of the New German Lands

For an area which added only 5% to total Community population, the new German Lands have had a marked effect on the economic profile of the Community as a whole, presenting a new challenge to the process of European integration in general and regional policies in particular.

The inclusion of the former GDR widened substantially regional economic disparities at the German national and Community levels and a massive programme of national and Community investment is now underway there. The new Lands, whilst being among the weakest economies of the Community, differ from most Objective 1 regions in that they are not agricultural economies but suffer from an inefficient and ageing industrial base.

The decline in industrial output and employment has been on an unprecedented scale since 1991 - by one-half and 40%, respectively. The re-orientation of the economy of the Lands requires massive structural, administrative, legal, social and financial changes.

With so much ground to make up, top priority is attached to the creation of new jobs, upgrading and replacing outmoded infrastructure and reducing technology deficits. The SME sector, virtually absent under the previous regime, must be developed. Encouragingly, the restructuring process appears to be already beginning to show some positive results: investment now accounts for 50% of GDP compared to 20% in the Community as a whole and GDP per head and employment have been rising.

The 1995 enlargement: a radically new regional geography for the Community

Three countries - Austria, Finland and Sweden - became full members of the Community in January 1995.

The geographical impact of this enlargement is quite dramatic as together these countries cover an area equivalent to 40% of the present Community although they only add 6% to the total population. The accession of Austria and Finland as well as German unification will create an entirely new and extensive set of border regions with neighbours in Central and Eastern Europe which is likely to affect developments in infrastructures, trade patterns, etc.

The three EFTA countries are relatively prosperous and in that sense they could be said to contribute to a shift in the economic centre of gravity of the Community to the North and East. On the other hand, the Nordic countries are not as prosperous as they once were. Finland's job market in particular has been badly hit - mainly through a collapse of trade with the former Soviet Union.

As new Objective 1 regions, the new German Lands will receive ECU 13.6 billion (1994 prices excluding the Community Initiatives) from the Structural Funds over the period 1994-99. The challenge is to produce competitive businesses and regional economies capable of generating the output and new employment necessary to bring standards up towards those enjoyed in the rest of the Community.

The full text of the Fifth Periodic Report - Competitiveness and Cohesion: Trends in the Regions has been published by the Commission. This 200 page document which is amply supported with comparative statistical data, graphs, tables and charts could be a useful tool for planners and decision-makers at regional, national and Community levels. It is available from the official outlets for Commission publications or by contacting:

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Regional policy in the Nordic countries responds to the particular problems of an extremely low population density and severe climate and has thus tended to focus on transfers to the remote North maintaining population, employment and incomes. To a large extent this specifically Nordic concept of regional problems has been transferred to the Community in the creation of the new Objective 6 of the Structural Funds.

Wider horizons: the regions in the Visegrad Countries

The Community's extended borders with central and eastern Europe alongside the huge changes that are taking place in these countries themselves will doubtless become more significant factors in the economic development of the Community. In addition, many of these countries have eventual membership of the European Community as one of their foreign policy objectives. Enlargement to the East would be no marginal affair however: the four Visegrad countries - Poland, Czech Republic, Slovakia and Hungary - have a combined population of 64 million, almost identical to the total of the present Community's four poorest Member States.

The Visegrad countries have all undergone dramatic economic transformation with the abandonment of central planning, leading to massive falls in output and employment in heavy industry as well as falling employment in agriculture. Meanwhile, there has been a rise in output and employment largely in private sector services.

Access to housing, health and education has become more unequal between social groups. Sharp regional disparities have also become apparent, with the capitals, major cities and western regions developing much more quickly than provincial towns and the east.

Initial projections that central Europe would attract very large amounts of foreign direct investment (FDI) have been largely disappointed. Investment has been substantial, but it tends to be concentrated in major conurbations and in automobiles, transport, finance, insurance and import-export services. National economies are also being influenced by privatisation programmes, and this has helped the private sector to make an increasingly important contribution.

The challenges of regional development in the Visegrad countries are much the same as the developmental problems faced in some of the weakest regions of the Community and are virtually identical to those of the ex-GDR. That is, there are problem regions suffering from single activity dependency such as a declining heavy industry, agricultural under-development, inadequate infrastructure, peripherality, environmental degradation, particular demographic pressures, etc. Meanwhile, the more dynamic regions tend to display a well-educated and highly-skilled workforce, diversity of employment, a convenient location for accessing markets and a reliable transport infrastructure.

Towards a coherent view of European territory as a whole

This disparate geographical picture of Europe underlines the need for a more coherent understanding of the use of its territory situated in a broadly-based, spatial planning framework. As well as the wide regional disparities highlighted in this report, other European-wide issues needing to be addressed include the problem of overpopulation and congestion in some areas and depopulation in others, the protection of the environment, the special needs of the periphery and the planning of trans-European networks. By definition these are issues which can no longer be properly addressed within a national framework: there is considerable scope for more cooperation in this area.

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This publication does not necessarily express the official views of the Commission. For further information, please contact: Mr L. Nigri, Fax: +32.2.296 60 03. Printed on recycled paper.