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THE ROLE OF THE COMMUNITY'S REGIONAL POLICY

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"Our regional policies play a significant role in the options for our future. Our approach to compensating the disparities between regions will cement the foundations of Economic and Monetary Union. It will also give us valuable expertise and experience for shaping new relationships with Eastern Europe."

Speaking today in Palermo at a conference on Southern Europe organised by the Italian Socialist Party, Bruce Millan, Commissioner for Regional Policies, addressed the future of Community regional policy, particularly in the light of Economic and Monetary Union and the developments in Eastern Europe. The following are extracts from the speech

on EMU:

EMU inevitably raises the question about the future of regional policies and financial transfers relating to cohesion. I would like to stress three points:

First, that cohesion is based on the perception that the distribution of the overall costs and benefits of greater economic and political integration must be sufficiently equitable;

Second, that Monetary Union and market integration cannot be relied upon by themselves to bring about a reduction in regional disparities. On the contrary, as stated in the Delors report, historical experience suggests that in the absence of countervailing policies the overall impact on disparities could be negative;

Third, that given the size of regional disparities in the Community and the continuous adjustment to economic developments, strengthening cohesion will require sustained long-term efforts.

These considerations suggest that, as in the past, further steps towards economic integration and the pooling of sovereignty involved in EMU will require an additional commitment by the Community to accelerate the catching up of the regions lagging behind and to promote balanced development throughout the Community. In the absence of mechanisms which will make a substantial further contribution to strengthening cohesion, it must be doubtful whether agreement on the monetary union and fiscal policy coordination aspects of EMU can be reached.

on Eastern Europe:

I attach great importance to the success of our new regional policy in the development of cooperation between the Regions and cities of the Community and at the end of last year we launched exchange schemes covering a large number of Community regions and cities. We are also supporting the establishment of networks between groups of regions and cities for specific joint economic objectives.

These ideas for inter-regional cooperation can be also extended to cover a new field of Community action, namely to assist the regions and cities of Eastern European countries to develop their own system of decentralized administration as well as to cooperate with the Community's regions for the promotion of Economic Development.

This type of support for the countries of Eastern Europe will be as important for those countries as will financial help. Their needs are great, on a par in many cases with those of our poorest regions. But they will need to develop new structures and new ways of working if they are to absorb effectively the funds from the Community and elsewhere, and of course the needs of the individual countries vary enormously.

I think our experience in the implementation of Structural Fund assistance inside the Community shows that the success of our efforts depends very much on good coordination between all those involved and on the solidity of the regional and local administrations in the areas concerned. This is all the more important in Eastern Europe where the Commission has been assigned a coordinating role in G24.

It would therefore seem to me that one of the most useful channels for such aid might be through promoting the establishment of Regional Development Agencies such as exist for example in Ireland and Scotland. While acting on behalf of the National Government these agencies have the advantage of being able to tackle the structural problems of a Region in a flexible and an integrated fashion - something which is very difficult to achieve by programmes of assistance which are managed by highly centralised national ministries in ex-state trading economies. The agencies would also ensure effective coordination between grant aid and bank lending through institutions such as the EIB and BERD.

Last week those of us who attended the Congress in Berlin of the Confederation of the Socialist Parties heard at first hand the concerns and aspirations of the nascent socialist and social democratic parties in Eastern Europe. East Germany and Hungary face elections next month, the others later. Only when these countries have democratically elected governments can we discuss with them, as equals, what they want to achieve in the medium and long term and how we can help. Until then we can offer our ideas but we cannot impose them nor should we seek to do so.

Developments in Eastern Europe and the Community's willingness to assist these countries with substantial financial resources have raised concerns in certain Member States and regions that the increasing resources earmarked by the Structural Fund reform may be at risk. There is, of course, no risk that the decision on the doubling of the funds by 1993 will not be respected. But we must see that these resources are used effectively especially if we are to argue, as I certainly will, that Community support to the weaker Member States and regions should be reinforced and not diminished after 1993. However, such reinforcement will be all the more