Contribution to the “Consultation of the public“ concerning the European Structural Funds and Cohesion Funds and questions of regional cohesion

The development of the European Structural Funds shows clearly its growing importance in institutional as well as in financial means. For the new Structural Funds Period 2007-2013 there is a new record amount of about 308 billion Euros. Just under 82% of those funds will be used in the Cohesion Funds. Therefore the aim of this period is clearly: convergence in terms of a catch-up-development to create homogenous, infrastructural standards for the economy and better conditions of living. This idea goes hand in hand with those published in the Lisbon-Strategy, to make Europe the most dynamic and most competitive region worldwide.

As the starting point of this contribution you should keep in mind one important characteristic of the European (economic) spatial structure. Although economic indicators suggest increasing convergence, especially of the new member states, these indicators (like GDP per capita) do not teach us about possible regional disparities. Within the new member states the massive concentration of economic activity in the capitals represents a widely spread phenomenon. In plain terms you could say: “convergence at the European scale, divergence at the regional (national) scale.”

One of the crucial questions is, if it is possible or if it makes sense to create a space which is mostly homogenous according to competitive infrastructure and accommodation-functions. In this text we follow the idea that it is necessary to let go the idea of this ideal type of a polyzentric space. Economic activity gives a certain structure to the space. Therefore phenomena like urbanisation, prosperity and economic growth, which are in large parts caused by migration processes, go hand in hand with shrinking cities and depopulated rural areas. Such developments reflect social realities which have to be taken into account within the European Regional Policy. The attempt to antagonise these processes could exceed the capacities of the Structural Funds. The impacts of the taken measures drain away in the area. The bottom line is that you don’t feel any changes. It seems to make more sense to bring forward a spatial functional differentiation.

At the same time a complete market-based competition between the regions has to be avoided at all costs. Political instruments for regional adjustment should be implemented as national rules. If necessary, a EU-guideline has to set the essential legal frame. A practical

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1 This term includes all different concepts of regional aid within the European Union.
example is the German Länderfinanzausgleich (financial balance between the states). Inter-regional and intranational competition definitely do have innovation and growth supporting potential. Although it needs to be avoided that some regions only serve as component-supplier in matters of human capital. If you keep in mind what was said about social realities this means that it is not the intention to stop migration processes. The point is that the regions which lose their population should receive a certain balancing support of the regions where people go to and where they contribute to regional growth. Basic infrastructure (education, traffic, environment, health etc.) should be kept up anyway. These compensations have to be implemented on a great extent at the national level, along with the financial means from the Structural Funds.

In this context one approach could be to classify (for instance with the ESPON program) structurally mostly homogenous regions. Best practise approaches could provide a basis to identify the most effective goal-orientated instruments. Such an intensive cooperation will cause economies of scale and knowledge-spillover effects. A lot of transaction costs could be saved.

In the course of the increasing exogenous pressure of competition and with regard to the Lisbon-Goals Europe has to turn its attention to the so-called soft location factors. In the medium term within Europe there will be an adjustment of factor prices. Within the worldwide system of division of labour the economic focus will be first and foremost on the supply of service, not on the producing industry. Keywords like education, know-how, innovation, service and hightechnology clusters will define the frame in which Europe faces competition. And in this case Europe has historic advantages. The negative impacts of turbo-capitalism do not become as evident as in other developed world-regions. (Old age) poverty, (juvenile) delinquency, violence but as well massive environmental pollution and problems such as an-alphabetism or health issues (e. g. HIV) are less prestering. Of course, these issues appear on the agenda and tend to become serious problems. But yet it is not too late to antagonize this trend. The standard of attractive and safe living conditions ought to be integrated in the spatial concept of Europe. In the medium term it will be these soft location factors that will structure and differentiate the economic spaces which tend to become more and more homogenous in times of globalisation. Actually, the idea of the welfare state should be deeply rooted and a supporting pillar in European (regional) policy.

Current societal issues mark the trendlinie for future subjects. Social and environmental standards will play an important role in the future according to location decisions of business companies. The European Union should strengthen its position at the cutting-edge of these
fields. The development of an educational system and health care which are free of charge should not be regarded as subordinated goals to be achieved in the future after economic development has taken place. According to these issues, the European profile has to be sharpened and with a vengeance certain standards have to be reached. The perspective has to be released from immediate short term competitiveness and profit maximisation. The period of the Structural Funds is with seven years long enough to implement medium-term planning. A politically and ethically clean commitment to social and environmental standards needs to go hand in hand with the Lisbon-Goals. This affects also the foreign trade and foreign production. The establishment of an environmental cluster could become an engine for growth. It is not only about the issue of new expansion potentials according to energy supply, but as well about sustainable production and protection of the environment. Furthermore, such a cluster could provide answers on urgent spatial economic questions. Ecological and biological production creates new markets for the European agriculture.

To sum it up, the message is that European competitiveness in an international context needs to contain components which are appropriate to generate a specific European image. In the first place high quality of living condition and an advanced level of social and environmental standards are by no means contradicting with economic attractiveness. Secondly, societal realities as the migration-processes that has been described before, should not be ignored. To deal with the challenges of a globalising world and the resulting (economic) pressure it is not neccessarily obligatory to create a mostly homogenous polycentric space. Thirdly, to face future issues it is very important to stress the dimension of sustainability. One popular example is the actual debate about climate change. Fourthly, the guidelines for the application of the instruments and financial means of the regional encouragement (structural funds) and structural policy of the European Union have to be in line with welfare state principals of solidarity. Actually, the proposed measures provide a proper answer to come up against emerging social polarisation and the resulting problems such as intensification of spatial disparities. Territorial cohesion and a high level of living standard can only be achieved by a *Europe of people*, not by a *Europe of economy*. Education, health and safe living conditions are the key to any economic success and sustainable growth.