2 Influence of Community Policies on the Territory of the EU

2.1 Growing Importance of EU Policies with Spatial Impact

(27) Successive Treaties (Single European Act, Maastricht and Amsterdam Treaties), have led to the territorially significant sectoral policies of the EU having a stronger influence on the elaboration and implementation of national and regional spatial development policies and thus on spatial development in the EU. “Spatial impact” or “regionally significant” means in this context that Community measures modify the spatial structure and potentials in the economy and society thereby altering land use patterns and landscapes. In addition, these measures may influence the competitive position or spatial significance of a city or region within the European economic system and settlement pattern.

(28) The following are the most important treaty headings providing the European Commission with the basis for action with implications for spatial development in the EU:

1. Community Competition Policy;
2. Trans-European Networks (TEN);
3. Structural Funds;
4. Common Agricultural Policy (CAP);
5. Environment Policy;
6. Research, Technology and Development (RTD);
7. Loan Activities of the European Investment Bank.

(29) Particular significance is attached to the Structural Funds, the Trans-European Networks and environment policy, since they have the most direct effect upon development activities in the European regions. The spatial development concepts set out in the Treaty on European Union of 7 February 1992 (especially the aim of cohesion) as well as the linked increase of competencies, in particular for the Trans-European Networks (Art. 129 b of the EC Treaty), for economic and social cohesion (Art. 130 a of the EC Treaty) as well as for the area of the environment (Art. 130 r-t of the EC Treaty). In the Amsterdam Treaty, concluded on 2 October 1997, a harmonious, balanced and sustainable development is acknowledged as one of the essential aims of the European Community. The promotion of social and territorial cohesion is, within their respective competencies, a Community and Member State task. Article 2 of the Amsterdam Treaty emphasises the significance of environmental protection and of improvement in environmental quality as Community tasks.

(30) The Common Agricultural Policy (CAP) and the Structural and Cohesion Funds, are from a financial perspective, the most important policy measures of the EU (see Fig. 6). 83% of the 80.2 billion ECU of the EU budget was allocated to these two areas in 1997.

(31) In most cases, the objectives of EU policies - as defined in the Treaties – do not have a spatial character. Yet they have a significant impact on the territory of the EU. The spatial impact depends on the specific method of intervention - whether it is of a financial (e.g. income support, regional and horizontal structural measures, sectoral measures such as research programme financing), legislative (e.g. competition rules, market liberalisation, environmental legislation, market-based instruments) or planning (e.g. trans-European transport and energy networks) nature. EU planning directives, for instance the directive for the establishment of a coherent integrated biological network, intervene in land use. In addition, a number of Community policies directly influence the behaviour of economic players. Moreover, their actions are partly determined by market

![Fig. 6: EU Budget 1997](source: Europäischer Rechnungshof, Jahresbericht zum Haushaltsjahr 1997)
forces, which are in turn reinforced by the Single Market. The diversity of the methods of intervention of Community policies means that it is difficult to measure spatial impact. The ESDP can be an initial basis for assessment.

2.2 EU policies with Spatial Impact

2.2.1 Community Competition Policy

(32) Competition policy is the key agent in the integration of individual national markets into a common European market. A series of rules were set up at the Community level. They serve to avoid cartels and abuse by market-dominant enterprises, to control mergers and acquisitions of firms, and provide a framework for state aids.

(33) Competition measures have effects on the geographical distribution of economic activities and on patterns of trade throughout the EU. For example, market liberalisation can increase the competition between cities and regions often in favour of areas with better locational conditions.

(34) Commission policy recognises that there is a need to intervene to ensure equilibrium between competition and general interest objectives. For example, in the telecom and postal markets, liberalisation is complemented by provisions to ensure a basic universal service in all regions.

(35) Community state aid policy has an explicit spatial dimension. Whilst centred on the principle that state aid is generally incompatible with the common market, it nevertheless accepts that certain categories of aid may be justified in exceptional circumstances. One such category is state aid to support the economic development or conversion of assisted regions. In order to improve the coherence between its state aid policy and the objective of economic and social cohesion, the Commission has attempted, in recent years, to concentrate state aid on the least favoured regions and to maintain a differential in aid intensity between regions to allow the weaker regions to compensate for their structural handicaps.

2.2.2 Trans-European Networks (TEN)

(36) The EU Treaty obliges the Community to contribute to the organisation and development of Trans-European Networks (TENs) in the areas of transport, telecommunications and energy supply infrastructure. This mandate should, in particular, serve the Community objectives of a smooth functioning of the Single Market as well as the strengthening of economic and social cohesion. In order to fulfil this mandate, the integration of national networks, as well as access to the networks, should be improved, particularly by connecting insular, landlocked and peripheral areas to the central areas.

(37) TEN-transport measures are the most relevant in spatial development policy and in financial terms. They focus on a well functioning and sustainable transport system. The concepts for the development of the networks were laid down in Community guidelines. It comprises the various transport infrastructure networks, traffic management systems and positioning and navigation systems. TEN–transport measures absorb more than 80 % of the total TEN budget. A large part of the investments in TEN-transport (about 25 % in 1996/97) is currently concentrated on high-speed railway lines, often connecting major conurbations (see Map 2). Cities close to high-speed transport stops and with a comparatively poor connection until now are likely to benefit most from these investments. In addition, in areas with a high volume of long-distance road traffic, high-speed lines may offer an incentive to shift increasing shares of traffic to the railways, thus helping to relieve road congestion and improve the environment. Indeed, rising traffic levels, in particular on road and air networks, are threatening the competitiveness of some central areas in the EU. It is becoming increasingly clear that increases in traffic can no longer be managed by expansion of road infrastructure alone. Spatial development policy and urban development measures have a role to play in influencing the behaviour of local business and the population in order to improve the possibilities for a shift from road traffic to the environmentally friendly transport modes, local public transport, cycling and walking. A multitude of different initiatives are also required in long-distance traffic, in particular by increasing the shift to rail, inland waterways and coastal and maritime transport.

(38) Modern telecommunications technology and services offer the possibility of supporting development in rural or inaccessible regions. They can help overcome spatial disadvantages and improve lifestyles, as well as local conditions for economic activities through teleworking, distance learning and teleshopping. The promotion of new innovative telecommunications services and applications is one of the objectives of trans-European networks, which are likely to have an impact on spatial development. Initial signs of liberalisation, however, indicate that competition and commercial use are steering investment towards areas with high demand, since they appear to be the most promising. More remote regions with little market potential are threatened by
further decline. Community initiatives are designed to ensure the availability of universal services at reasonable prices, in order to counteract this development. Yet the availability of information and communications technologies alone is not sufficient to produce positive regional developments. Other preconditions include, for example, the level of qualifications and training or the promotion of public awareness of the potential of the information society. Despite considerable progress in recent years, spatial differences in telecommunications still exist both between regions in centrally situated Member States and cohesion countries as well as within Member States themselves.

(39) TEN measures in the energy sector influence spatial organisation through two main mechanisms: the production and transmission of energy influencing land use and the distribution of energy and consumption technologies influencing the organisation of the territory via induced changes in consumers’ behaviour. For both electricity and gas trans-European networks, the routing of lines or establishment of power plants, for example, fundamentally impact on local planning. This may raise difficulties linked to complex ratification procedures, varied technical and ecological constraints and acceptance on the part of the population. In addition, gas supply networks require important local storage capacities, usually in underground storage facilities whose location follows geological criteria, which limits the available options for spatial development. Particularly promising, from a spatial development perspective, are renewable energies (they represent on average 6 % of the total EU
consumption). On the one hand, they help to reduce the environmental impact of the energy sector. On the other, they favour power system decentralisation and locally applicable solutions more or less independent of the distribution network, thereby reinforcing the flexibility of the system and the economic power supply to remote areas.

2.2.3 Structural Funds

(40) The Structural Funds – and the European Regional Development Fund (ERDF) in particular – follow the objective of economic and social cohesion (as measured by traditional macroeconomic indicators). The First Report on Economic and Social Cohesion concluded that disparities between Member States have tended to decrease, but at the same time regional concentration of economic activities is increasing. This is related to the lack of mechanisms for spatial co-ordination. The latter could substantially contribute to a more balanced distribution of economic activities. For this reason, increasingly, spatial typologies are being used to frame the interventions of the Funds (for example, urban areas), in addition to traditional subsidising.

(41) Approximately 30-40 % of subsidies from the regional fund in Objective 1 areas\(^27\) are spent in urban areas. Measures in Objective 2 areas\(^28\) are often urban in nature in many Member States. Intersectoral measures are required to counteract the concentration of social problems, environmental damage, crime and economic decline in certain urban areas. Yet urban problems cannot be addressed in isolation. Rather, measures are required which look at urban centres as parts of a wider (regional) territory. This integrated approach needs to be further developed in the next generation of structural interventions.

(42) The programme-based system of the structural funds offers the opportunity to design integrated development plans. This is how spatial development policy opportunities can be better valued. The integrated approach is further reinforced by the principle of partnership, which mobilises, according to national rules and current practice, all relevant regional players in the decision-making process. This improves co-ordination of direct promotion measures with non-eligible projects.

(43) Coastal areas have been recognised as deserving special attention since they are, in part, subject to intense pressures and conflicts between competing land uses. The integration of the Financial Instrument for Fishery Guidance (FIFG) into the Structural Funds and the additional eligibility of Fishery Dependent Areas (FDAs) under the regional fund, marks a fundamental evolution from a sectoral policy into an integrated policy for coastal areas. Nowadays, more than 50 % of the financial resources available to the FIFG are devoted to structural measures in cohesion countries. In addition, the Community initiative PESCA contributes actively to redirecting people and firms of FDAs towards new activities and diversifying the structure of FDAs (restructuring harbours towards multi-activity areas of a maritime nature, combining fisheries or aquaculture with tourism, etc.).

(44) Community initiatives also contribute to the objectives of structural policy. From a spatial development standpoint, the Community initiative INTERREG is the most significant measure of the structural funds, as it provides an integrated approach to spatial development. Priority is not given to individual sectors, such as shipbuilding, mining or textiles, but is given to the relation between the factors influencing territorial organisation in an integrated development approach in border regions and larger transnational co-operation areas.

2.2.4 Common Agricultural Policy

(45) The Common Agricultural Policy (CAP) is primarily designed sector by sector to improve the productivity of agriculture. Following the reform carried out in 1992, financial assistance was handed out in return for setting aside agricultural land, with the result that between 1993 and 1994 about 6 million hectares of agricultural land were set aside. This initiative benefited, in particular, agricultural incomes in areas of the EU which were already being intensively farmed, since the sums paid were related to historical earnings. Areas in which there was less intensive farming tended to be disadvantaged, leading to an increase in the prosperity gap between individual agricultural regions.

(46) Studies on the spatial impact of the CAP on incomes, the labour market, infrastructure and natural resources reveal the close and specific relationship between agriculture and the countryside. In this respect, the CAP determines the development of many rural areas. Its impact varies a great deal from region to region depending on the specific environmental, cultural, and socio-economic conditions and partly on the types of production and market organisation.

(47) The intensification, concentration and specialisation of production in agriculture also has negative effects on spatial development: for example, monotonous landscapes, abandonment of traditional management methods, the use of large areas of wetland, moorland and natural rough pas-
ture, pollution of ground water by increased use of pesticides and fertilisers, and reduction in biological diversity. Attempts have been going on for nearly two decades to integrate agricultural policy with the broader economic and social context of rural areas. Experience has shown how diversifying farming into activities such as the development and marketing of high-quality products, agricultural tourism and investment projects related to the environment, which have hitherto been marginal, can open up new prospects and opportunities.

(48) A key part of the 1992 reform concerned the environmental aspects of agriculture. There are examples showing that programmes geared towards lowering the intensity of animal farming and increasing environmentally friendly farming methods have improved the environmental situation and brought financial gains. These programmes still account for only 3% of the CAP budget. At present, only 1% of the territory is being ecologically farmed; of this 75% is receiving EU assistance.

(49) A further reason why improved co-ordination between policy areas seems necessary for development in rural areas is that the enlargement of the EU and the continuation of world trade talks is likely to lead to greater competition in global markets, thereby, increasing the pressure to intensify production in certain regions. This may have considerable negative effects on the environment. In turn, agricultural activity in rural areas with a weak economy will continue to be exposed to economic pressure, thus increasing the need for better strategies for spatial development (including environmental management).

2.2.5 Environment Policy

(50) The Amsterdam Treaty further stressed the importance of environmental issues and the need to integrate environmental protection requirements into the implementation of Community policies and activities, with particular attention paid to the promotion of sustainable development.

(51) The tasks of Community environment policy contain provisions which put particular emphasis on links with spatial development and, in particular, land use. For example, the EU-wide designation of protected areas is intended to give rise to a composite biotope system operating under the name of “Natura 2000”. This system consists of bird conservation habitats and species which should be protected, while taking into account socio-economic and regional requirements intended to preserve certain types of natural areas and specific varieties as well as re-creating stocks of flora and fauna. The EC Nitrate Directive is aimed at reducing existing nitrate pollution from agricultural land and preventing further ground water pollution.

(52) A variety of other Community activities have an indirect effect upon land use and spatial development, such as Directive 85/337/EEC, which stipulates that environmental impact assessments for large projects have to be carried out and published; the definition of a range of other directives defining quality standards for areas close to natural surroundings; and the regulations aimed at reducing emissions.

(53) Moreover, the Commission launched in 1996 the Demonstration Programme on Integrated Coastal Zone Management (ICZM) which promotes sustainable management through co-operation and integrated planning, involving all the relevant players at the appropriate geographic level. It represents a first attempt at the Community level to pursue an integrated territorial approach and to develop recommendations for a European strategy for integrated coastal zone management.

(54) Over the years, Community environment policy has paid increasing attention to the development of urban areas via legislation on waste and water treatment, noise and air pollution. For example, noise limits are often incorporated into national abatement laws and land use planning methods, thus influencing new infrastructure developments. Similarly, concentration limits for air pollutants can have direct impacts on urban development and industrial areas.

(55) Environment policy requirements are becoming important locational factors when it comes to setting up or relocating businesses. Community provisions may have, for certain Member States, considerable implications not just from an ecological point of view but also from an economic one.

2.2.6 Research and Technological Development (RTD)

(56) Organised around a multiannual Framework Programme composed of various RTD and demonstration programmes, Community RTD policy promotes co-operation with and between companies, research centres and universities with a view to reinforcing the scientific and technological foundations of industry and its competitiveness on the world stage. It also aims at co-operation with third countries and international organisations, diffusion and utilisation of RTD policy results and stimulation of training and mobility of the researchers of the Community.
(57) Projects being selected irrespective of regional criteria, the regional distribution of funds is shaped by the geographic distribution of top research and technology institutions across the cities and regions within the EU. Nevertheless, it would be premature to deduce from this that Community policy in respect of RTD ignores the less developed regions and concentrates exclusively on the highly developed regions with their strong economies, in which the majority of institutions receiving promotional assistance can naturally be found. For example, a remarkably high number of institutions which have been founded and funded during the last 15 years come from the less favoured regions of the Union. Moreover, training and mobility incentives for researchers in disadvantaged regions offer greater opportunities for co-operating with regions which have diverse research centres. In addition, specific programmes of the fifth Framework Programme are focusing on research in fields relevant to spatial development, such as “the city of tomorrow and cultural heritage”, “the sustainable management of agriculture, fisheries and forestry, including integrated development of rural areas”, or “sustainable management and quality of water” – to mention but a few.

(58) The new structure of the fifth Framework Programme will better support the development and implementation of various Community policies, including those having a clear territorial dimension. Structurally weaker regions can also be the target of Community research, technology and development policy. Experience shows (such as in Scotland or the new German Länder) that even economically weak regions are capable of attracting high-output research and technology centres and of “keeping them there”. Nevertheless, this requires close co-operation between local, regional and national players together with targeted regional/town/city marketing initiatives. The ESDP can act here as a framework for suitable co-operation.

2.2.7 Loan Activities of the European Investment Bank

(59) In recent years, the Community has also run structural promotion schemes increasingly outside its budget by issuing loans through a variety of EC institutions. The European Investment Bank (EIB) plays the key role here. With the same financial volume, loans can reach a larger number of target parties than grants. As loans have a greater “incentive effect”, a larger number of investment projects can be promoted. Contributions on the part of loan recipients in the form of interest payments and capital repayments also increase the efficiency of this in terms of economic policy. Finally, there is the opportunity to use loans for long-term projects, particularly for infrastructure projects. Their financing by means of loans has the fiscal benefit of growth effects within the wider economy which can be used for interest payments and capital repayments in the form of higher tax revenues. The main objective of the EIB is the promotion of the development of both infrastructure and investments in less favoured regions of the EU. For this reason, loans could contribute in a significant way to the managing of future enlargement towards the East by modernising the spatial structure. The low-interest EIB loans within the Community came to 84 billion ECU in the period 1991 to 1995, equivalent to around 90% of total loans issued.

2.3 For an Improved Spatial Coherence of Community Policies

(60) Even though most Community policies have no immediate spatial character they are supported by a number of spatial concepts, which can be differentiated as follows:

1 Delimitation of areas eligible for financial support and determination of assistance rates
   These areas determine the interventions of spatial structural policies as well as the possibility of national financial aids with a regional purpose; such as, for example, the eligible areas under the regional fund.

1 Improvement of infrastructures
   Certain Community policies intervene by financing infrastructures which exert a direct impact on the territory. This is the case, for example, with the trans-European networks, in particular in the transport and energy sectors, both in their linear (e.g. motorways, high-voltage lines) and location-related infrastructure (e.g. centres for freight transport, power stations) aspects.

1 Using spatial categories
   A number of Community policies make use of spatial categories, for example in the implementation of legal provisions in the field of environmental protection (e.g. areas selected for protecting given habitats and species of fauna and flora under the network Natura 2000), in the allocation of specific aids (e.g. mountain regions, whose agriculture is also supported by a specific directive; and islands according to Article 130 a of the Amsterdam Treaty), or in the definition of certain items in the fifth Framework Programme for Research, Technology and Development.
Development of functional synergies
Within the framework of some Community policies, spatial elements are taken into account to establish functional interdependencies and to emphasise synergies. Thus, research in the field of transport considers interactions between the use of the territory and transport demand or the requirements of sustainable mobility concerning the choice of transport mode. Regional policy attempts to promote regional innovation strategies in line with local needs; energy policy is dealing with the exploitation of solar energy in harmony with town planning objectives.

Integrated spatial development approaches
Beyond the simple acknowledgement of functional interactions and the development of the synergies which can result, a number of Community activities try to develop integrated and multisectoral approaches with a strong spatial dimension. This is true of the Community initiative on Transnational Co-Operation in the field of Spatial Development (INTERREG II C); of the policy for the integrated development of rural areas (LEADER); and the Demonstration Programme on Integrated Coastal Zone Management (ICZM). Yet these ambitious integrated development approaches are still relatively few.

Local communities and regions feel the benefits to varying degrees of regionally significant policy expenditure undertaken by the EU as well as by Member States in accordance with Community-wide binding regulations. The spatial effects of Community policies do not automatically complement each other, in line with a more balanced regional development. Nor do they automatically correspond to the development concepts of regions and cities. Without a reciprocal fine-tuning process, they can unintentionally aggravate disparities in regional development if they are exclusively geared towards specific sectoral objectives. The Member States and the Commission consider the ESDP to be an instrument which can help to improve the co-ordination of Community policies. The earliest possible consideration of policy aims and options in the formulation and assessment of Community sectoral policies will have a positive effect on the development of local entities and regions. If local and regional authorities are on the other hand aware of the spatial effects of sectoral policy related decisions at EU-level, then they can react better to them.

Early consideration of the regionally different effects of EU sectoral policies is therefore necessary. Achieving the spatial development aims within the EU does not only depend on the available financial volume, but to an increasing degree on the early co-operation of spatially significant sectoral policies. In this respect, there is an urgent need to develop mechanisms for strengthening co-operation within the European Commission departments for ensuring the spatial coherence of interventions. Moreover, a systematic research and evaluation of the spatial effects of current EU policies by the Commission is necessary.

3 Policy Aims and Options for the Territory of the EU

3.1 Spatial Orientation of Policies

Because of development disparities and the way in which Community policies affect individual regions, local communities and regions of the EU are not automatically converging to a regionally balanced territory in the wake of EMU. It is, therefore, more important to take spatially differentiated measures and the opportunity presented by European integration to achieve sustainable and, thus, territorially balanced development of the EU.

For this purpose, the spatial development aims and policy options set out in the following chapters can be taken into consideration by all authorities and government agencies involved. Reflecting these aims and options in spatially significant sectoral policies at Community, national, regional and local levels can ensure that, besides the implementation of sectoral objectives, spatial development guidelines for the territory of the EU are also taken into consideration at an early stage in the policy process. These spatial development guidelines are as follows:

- development of a polycentric and balanced urban system and strengthening of the partnership between urban and rural areas. This involves overcoming the outdated dualism between city and countryside.