Regionalisation and the European Union: Theories and Practices

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Regions as sub-national levels gain an increasing strategic role within the European Union. On the one hand, regions are perceived as modernisation factor, necessary to implement the ambitious objectives of the so-called Lisbon programme, facing harder global competitions and social uncertainties. Aiming at both competition and social cohesion needs tailor-sized strategies at the decentral level, engaging citizens in their own affairs. On the other hand, there are bottom-up movements to gain more regional autonomy pushed by specific regional culture and identity. The funding system of the EU has supported the regions, mainly addressing its financial means to the lowest developed regions to reduce the gap between the prosperous and poor ones and contributing to social peace in Europe. Nevertheless, regionalisation not automatically leads to a harmonious development in Europe but must take welfare chauvinism and eroding solidarity between the rich and the poor regions as well into account.

Keywords: Decentralisation, Modernisation, Lisbon-Strategy of the EU, Competition, Social Cohesion

I. THE INCREASING RELEVANCE OF REGION

Regionalisation is not only a topic concerning supra-national collaboration aiming at a common market, joint security policy and the like, but also a movement toward strengthening the sub-national level because of several advantages, and following top-down as well as bottom-up strategies. This article will focus on this sub-national level of regions that means the existence and creation of political-administrative units as part of a nation-state beneath the central level. It will discuss the role of the regions in implementing the concept of EU politics under the perspective of democracy, competitiveness and social cohesion. Yet to start with a general problem, the above given distinction of the region as a sub-national unit does not contribute effectively to avoid fuzziness of the meaning of
‘region’ and ‘regionalisation’. The stronger use of territorial principles since the mid 1980s is, according to Keating (1997: 383) ever-present but often vague. On the whole, the core concepts of ‘regionalisation’ remain highly indistinct concepts, open to many interpretations and usages with relationship to various-economic, political, social, environmental-aspects. Nonetheless, in a broader understanding we may define regionalisation as a process of enhanced autonomy and shared powers for the regional and local level within the nation-state, possibly, but not necessarily leading to federalism which includes constitutional rights of self-administration and own finances.

Regardless of the rather nebulous term, globalisation has given new relevance of the regions, because the role of state has reshaped. National governments have proved incapable of responding effectively to and managing the new global processes, especially following the deregulation of the 1980s. States seem to be losing power to the global market place and to trans-national regimes. The slogan “market replaces state” or “Adam Smith triumphed over Marx” additionally indicated the decreasing role of the nation-state which was enforced through the collapse of the former socialist regimes with the beginning 1990s. At the same time states were undermined by new local and regional cultural, social and political movements. Thus, modern governments are devolving powers down to the local and regional levels and up to international institutions. On the whole, we are moving towards a new system of multi-level governance, including all levels of political authorities and the civil society.

Furthermore, globalisation and eroding borders has led to a greater competition among regions and cities. This linking of the global and regional/local is sometimes referred to as ‘glocalisation.’ To cope with the changes—in many cases with less regional aid programmes of the national governments—some regions adopted new models of regional development and attempts of new collective actions that develop their endogenous potential (CoR, 1999: 9-10). "New systems of production, with distinct relationships among the market, the polity and culture, may be emerging not at the level of the nation-state, but in the regions, themselves tied ever more directly into European and global markets" (Keating, Loughlin, Deschouwer, 2003: 2).

The region as category of social modernisation has become a solid part in politics and science for a long time. The largely perception of it concerns first hand the objective of enhanced opportunities for participation of the citizens at the regional and local level. Yet, even under this aspect the processes of democratic decentralisation can’t be sufficiently understood, if not taking the diverse political, economic and cultural motives and impulses into account, which either push or block the shift of powers from the nation-state towards sub-national units. Mainly the economic context (keywords here are globalisation, competition, and modernisation of steering capacity), but additionally strong demands for cultural autonomy of minorities are to be noticed. These factors and forces can occur in
forms of top-down or bottom-up strategies, yet this article will concentrate on the top-down strategies of the EU.

II. POLITICAL, ECONOMIC, AND CULTURAL MOTIVES BEHIND DECENTRALISATION

Decentralisation is any of the various means of more widely distributing decision-making to bring it closer to the point of service or action. It occurs in a great many contexts in the economic world as well as in the political one, each of which could be said to study mass decision-making by groups, too large to consult with each other very directly. Of course, there are similarities when comparing the wanted effects of decentralisation in different fields of society. Most of them claim for more autonomy and at the same time for gaining more efficiency and minimizing the costs of centralised organisations. Centralised organisations are accused to be too far away from the given challenges and processes and more or less unable to match the necessary rapid changes. Yet, following the core meaning of democracy, people want to decide about their own destiny. In the context of the EU, it has been argued that the bureaucratic mega-machine of Brussels stands for less democracy and being too far away from the EU citizens and the smaller political units, which want participation more directly. The principle of subsidiarity, which was established in the EU by the Treaty of Maastricht (1992) indicates that the EU responded to some extent to these demands.

In addition, the bottom-up approach was supported by a concurrent top-down strategy of both EU and nation-states. Beginning since the mid 1980s, we find an increase of attempts and practice of functional strategies intending to reduce central states’ overload of challenges and social problems caused by the impact of mass unemployment under the harder conditions of the ongoing global deregulation and competition by handing these problems over to the next level. In a more positive concept, this relatively new intention of top-down decentralisation aims at achieving more innovation capacity for the sake of tailor-made development strategies at the regional level. This would provide a greater opportunity to engage the citizens and regional universities and scientific institutions with their special knowledge, as well as regional enterprises together with the regional political institutions in a joint discussion and efforts on problem solving. In the end, the results of this decentralisation process could be found in a higher performance of matching the economic, social, and ecological challenges accompanied by gaining a higher grade of acceptance by the electorate, when being more engaged in matters of their own affairs. To some extent, this can be learned by the new institutional reforms concerning regionalisation in Italy, with a major role of Emilia-Romagna as motor and speaker of the Italian regions (Grasse, 2005: 304-317).

Paralleled to this relatively newly experienced decentralisation, but relatively independent from economic developments, we observe a renaissance of regionalism
as a bottom-up movement. Minorities of specific regions in which the identification of the residents with their region traditionally was high started with massive demands for more influence and autonomy, often combined with the request for cultural liberties-using their own language after years of oppression etc., like it was the case in Spain after the Franco dictatorship.

Thus, in reality we find a complicated mixture of top-down as well as of bottom-up strategies to gain more power at the regional level. As a result of these multi-faceted objectives and demands, we can say, that both at the national and European level, processes of regionalisation have augmented the importance of the region and its role in political, economic, social, and environmental development (Lagendijk, 2003: 1).

Decentralisation, last but not least, is theoretically bound to the process of learning and adopting democracy at the grass roots, supporting democratic culture and attitudes through more participation. To support democratic attitudes at the local and regional level is above all perceived as a necessary step in the former authoritarian countries of the socialist bloc, being now new member states of the EU. Of course, democracy has a variety of meanings, the most important of which are direct or participatory democracy and representative democracy (Held, 1987). In our context we put emphasis on the participatory aspects, ignoring other connotation like separation of powers or the doctrine of the Rights of Man and the Citizen at the French Revolution.

Political leaders acknowledge the increasing role of regions, like f.e. Danuta Huebner, EU-Commissioner for regional policy, who clearly named various reasons for strengthening the regions in the EU: First, the subsidiarity gains aiming at both, more participation and mobilising endogenous potential. Second, complex co-ordination of different activities such as financial engineering, public private partnerships or research consortia requires geographical proximity to institutions, authorities, capital, research or labour. Third, regions have become the primary spatial units where knowledge is transferred, local innovation systems built and where the competition to attract investments takes place “(Danuta Huebner, EU-Commissioner for regional policy, 26. 4. 2007). Theoretically it is obvious, investment is implemented by local and regional authorities who know best their constituencies and their needs, and who are more sensitive to local growth factors than central governments.

Nevertheless, the power issue remains and sometimes is blocking decentralisation. The cultural, economic and political objectives behind decentralisation are not easily to be reached, because there are mighty interests and blocking forces of traditional elites insisting to maintain in power at the central level as it was before. Furthermore, we cannot be sure about positive results in all cases of decentralisation and an enhanced influence of the regional level. It will not provide progress at all, which is mainly true when facing the widening gap between poor and rich regions, making the poor ones dependent on the willingness of the better-off to guarantee equal conditions for all by distributing their wealth. The
programs of the Lega Nord in Italy or the Vlaams Blok (Vlaams Belang) in Belgium clearly indicate the objection to further supporting the poorer regions. Thus, we should not neglect the threat of welfare-chauvinism.

On the whole, these new strategies for decentralisation aim firstly at re-gaining and improving political control and steering capacity by mobilising tailor-seized political strategies in the areas facing the diversity of challenges and problems. Secondly, the goal is to establish regional modernization regimes being more effective and more successful than given centralized decision-making. To reach these goals, a joint strategy to combine institutional reforms, culture, territorial identity and economic development are perceived as very efficient. So far democratization through decentralisation and efficiency, despite a widespread belief, are no contradictions, which what in due course of this article will be further explained.

III. THE HISTORIC CONTEXT: DEREGULATION AND REGIONALISATION

The willingness to hand over more power and responsibility to the sub-national units has to do with an “overload” of challenges and the failing capacity of the state to handle the problems effectively. Of course, the reasons why many western welfare states are presently exposed to an immense crisis, are diverse and complex. Nevertheless, there is no doubt that the existing economic problems with structural mass unemployment and the down-sizing of the traditional social security systems in Europe have to do with the changing course of the more globalized economy in the 1970s and the parallel ideological shift from Keynesian state interventionism and welfare orientation to the neo-liberal credo in the 1980s (Schmidt, Trinczek, 1999).

In the public we often are confronted with the belief that globalization is a process which occurred like a quasi nature force either as a threat or a chance since the late 1980s. Neither this date nor this characterizing is correct. Globalization is an older process, which some scientists date back to the end of the medieval times or even earlier but I like to locate the start of globalization in combination with the industrialisation process in the 19th century. What is a correct perception is that during the 1980s a new version of globalization found a widespread audience and support: that is its neo-liberal profile. Following the neo-liberal deregulation of world-wide trading and manufacturing of goods and services the political world changed, too. With evaporating borders and deregulation, promoted mainly by the International Monetary Fund, World Bank, and GATT/WTO, central states lost control over capital movements and transformed from welfare states to competition states.

This outcome perspective was not the intention when the World Bank and the IMF were founded in Bretton Woods 1944. Just the opposite, under the impressions left by of the world war and because of the conflicts between the industrial
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states and the lessons learned by the destructive phase of autarky in the 1920s, the new perspective and objectives for a post-war time were (of course, only inside the Western world) to guarantee and safeguard a peaceful livelihood together and to support each other in the case of financial or economic crisis. This changed fundamentally in the beginning of the 1970s.

Because the USA suffered from heavy economic risks (inflation and rising debt) among others caused by the costs of the Vietnam war, they quit the Bretton-Woods system with the consequence that since that time exchange rates of currencies were not longer controlled by the states’ respective central banks but by the market. This was the beginning of a world-wide deregulation of capital control, subsequently seizing goods production and services as well. In the end GATT and its successor the WTO, and IMF, World Bank and the OECD as major actors insisted in an ongoing development of downgrading state influence. States should be replaced by the market. Starting in the same period, additional risks punched the companies even more than the uncertainties of currency courses, because in the beginning of the seventies the post-war boom with its enormous high growth rates of GDP came to an end. In many market segments the demand-side has reached a sufficient standard of supply. This economic downfall was worsened by a collateral increase of energy prices by the first oil price shock of 1973. The relatively slowed down consumption-development was intensified by increasing energy costs, absorbing additional purchasing power. This crisis not only affected Germany but more or less all western industries. On the whole, there were negative impacts on both welfare states and on companies. The typical European welfare systems were damaged by a double effect of lower growth rates: on the one hand states lost receipts of taxes and of social duties in comparison to the comfortable twenty years before. On the other hand, they had to finance the social costs of increasing unemployment. The end of the mass-production of Fordism that is mass-production with assembly line technology, mass-consumption, reduction of unemployment, increasing wages, extension of the welfare state, acceptance of the unions and a Keynesian economic policy was accompanied with ongoing rationalization and led to a growing number of jobless people, which presently has a size of about 4 million in Germany. Under these new conditions for example the post-war German governments with its specific ideology of “social market society” were not longer capable of paying for the traditional social security system or even to expand welfare as they have done before, ensuring by it political acceptance and social peace. Regardless of the special costs for the German reunification, the steadily rising unemployment currently encompass a deficit of virtually 100 billion € per year. This public finance-crisis was accompanied by a growing distrust in parties and politics and initiated a corresponding legitimacy crisis of the political system, and a threat to social peace. Surely, there were and are alternatives to an austerity policy and to the executed extended cuts in the welfare system, and it is obvious, too, that not all European states reacted to the crisis in the same way. Nonetheless, influenced by neo-liberal
thinking, politicians intensified the decline of the welfare state, i.e. by redemption of Keynesianism through market-radical theories like the ones of Milton Friedman and von Hayek. Since the mid 1980s, the majority of the Western governments starting with the Reagan administration in USA and the rule of Thatcher in Britain shifted to this ideology. They didn’t react to the economic crisis by an appropriate tax-burden of the prosperous, just the opposite: they responded with further tax reduction for the better-off and for capital owners and companies. Furthermore, a general criticism against the welfare state supported this shift from Keynesianism to neo-liberalism.

An additional role played the perception of the harder global competition urging the states and even the regions, now being more exposed to competition within others than decades before. A new rivalry concerning the attractiveness for businesses and their investments in working places took place trying to offer the best location conditions by minimizing the costs for labour, taxation and welfare. Comparatively, this struggle for economizing and down-sizing public shares of GDP was successfully put on the top of the agenda and exercised in practice.

Under these conditions, there is a rationale for the central state’s attempts to un-burden the multi-faceted needs and problems through handing over some responsibilities to the next level. This functional top-down strategy was supplemented in the practice by bottom-up regional movements, partly overlaying this way of regionalisation. Not only citizens belonging to an ethnic or cultural minority claimed for more autonomy, but the regional authorities, too, were pressed to react to the stronger competition and the increasing problems of unemployment by developing innovative strategies to meet the challenges only on their own. They were not longer allowed to count on and wait for central support. In part, the cuts into the welfare system and the increasing problems (environment, unemployment, poverty) provoked decentralized “resistance strategies” among some cities aiming at creating innovative strategies to find new jobs and better problem solutions. In this context the regions and towns themselves have developed a stronger sense of economic self-awareness.

Furthermore, reactions in the business world helped to promote more regional responsibility and competences. The companies, confronted with the harder conditions after the comfortable Fordism phase, reacted to the turnover crisis trying to secure profits on the basis of smaller series and with flexible product-change. Even if the current and ongoing need for market centralisation and transnational co-operation which enables production to survive international competition is accepted, economic centralisation is criticised for being less productive, for it does not award and allow individual initiative. One of the credos of Toyotism, initiating a change in production strategy, is that the intensity of competition and rapid adjustment to technological change can better be achieved through decentralisation, enabling more participation of the workers on the production line.

“New production systems require extensive co-operation between labour and management and the participation of workers in business decisions from which
they were previously excluded." "(…) Continuous improvements in productivity"
"cannot be delivered in top-down fashion but require ‘empowerment,’ problem
solving and participation of workers involved at the planning rather than just the
implementation phase of organisational change. Evidence suggests that workplace
employee participation is associated with more rapid and efficient diffusion of new
technologies” “(ILO-Report, 1995: 180). Powerful new trends favour decentrali-
sation of operational decision-making, modern production organisation and new
forms of network organisation. In this context centralisation is a bottleneck for a
more adequate development. To be more flexible the huge companies created
formal smaller autonomous smaller economic units. Yet, the more the trans-
national companies, as global players, divided their empire into formal independ-
ent smaller units, the more these units were dependent on specific regional and
local structures. That’s why they wanted the regions to play a specific role in their
competition, for example providing the needed location factors like adequate edu-
cation and training arrangements for the staff and/or a specific profile of the re-
gional universities and other scientific institutions, transport facilities etc (Harvey,
2001). Indirectly this has provoked approaches like cluster activities which are a
strong but not singular indicator of the increasingly “communicative” character of
regional policy, and this manifests itself in an elaborate process of consultation
and discussion leading to the formulation of strategies and instruments to fulfil
the demands as good location for investors. Willing to keep the companies in the
region or attempting to improve attractiveness for new investors, regional and
local politicians did their best, officially for the sake of the local and regional
workforce. It is clear, that this supply with requested infrastructure could not be
effectively reached and executed by the local and regional authorities without a
certain degree of autonomy and their own financial means.

IV. “EUROPE OF REGIONS”: SUPPORT FOR REGIONALI-
SATION BY THE EU

Yet, not only, the active and better-off regions gained more importance, but
also the poorer ones. The stronger sense of regional self-awareness is especially
true for those regions that are threatened by the rougher harder competition and
therefore are in some cases eligible for European Structural Fund Programmes.
Those regions, having less than 75% of the average GDP per head, are eligible
to claim for financial aid.

The EU-funding supported the process of regionalisation by starting regional
division primarily for statistical purposes by the so-called Nomenclature des Uni-
tés Territoriales Statistique (NUTS) developed by Eurostat, the statistical agency
of the EU. The NUTS-2 level includes supra-local, and sub-national territories,
and is primarily used for the allocation of development funding (‘Objective 1’)
across the EU (Martin, Pearce, 1993). Even if the spatial units in the beginning
of regional funding were considered non-viable as sites for socio-economic development and as centres for running European programmes, the administrative context forced many countries to put local units together to create regions matching the NUTS-2 requirements. All member states but the smallest ones have developed, or are developing, regional divisions to facilitate the implementation of EU regional policy. Although NUTS preferably uses prevailing institutional divisions and breakdowns at the national level, regional units should be of a certain size and a general nature. Nonetheless, in reality the NUTS divisions are rather variable and often inconsistent, especially concerning size differences (Bachtler and Michie, 1997). "In some cases, such inconsistencies stem from respect for historical idiosyncrasies; in other cases they have pure administrative backgrounds. What is interesting, nevertheless, is that what started as a measurement tool turned into a vital instrument for the transfer of large sums of money across Europe, and then into the basis of Europe’s increasingly ambitious regional agenda" (Lagendijk, 2003: 3).

Figure 1. Regional GDP per inhabitant in purchasing power parities in the European Union

Source: EU Commission, 2005 a: 43.
Going through the routines of programme design, project selection and implementation has been an important step towards a rationalisation and reflection of the regions’ needs, strengths and weaknesses. That is, among others, one of the reasons why in most member states the administration of regional policy has shifted to a more professional attitude and in a lot of cases has been handed over to semi-autonomous institutions characterised by arm’s-length autonomy with respect to their activities. In addition, regional policy has increased its range of instruments. Thus, to a noticeable extent, the EU has pushed regionalisation processes by its funds and programmes.

“The re-launch of Europe in the 1980s, with the 1992 Single European Market project, was largely a response by national governments and business elites to the perceived threat of a global economy dominated by the United States and Japan. However, it was also the result of intense lobbying by governmental actors and other elites who wished to see the strengthening of the federal elements of an integrated Europe. Concurrent with these processes of integration and federalisation has been the re-emergence of the notion of a ‘Europe of the Regions’.” (CoR, 1999: 10). Europeanisation has created a new environment for local and regional authorities to develop new relationships and influence in Brussels. The EU, mainly the Commission, has decisively pushed forward the strengthening of the so-called “third level” (EU being level 1; nation states = 2; and regions = 3).

Among others this was performed through the establishment of the advisory ‘Committee of the Regions’ (CoR) in 1994 by the Treaty on European Union (Maastricht), the acceptance of the regulative concept of the principle of subsidiarity, and last but not least through the structure and extension of the EU regional funds, with which the Commission has launched the regions to be the immediate addressee of its politics (Bullmann, 1996: 3-19).

The Committee of Regions (CoR) is an advisory board composed of 317 representatives of Europe’s regional and local authorities, approximately reflecting its population size, and has to be consulted before EU decisions are taken on matters such as regional policy, the environment, education and transport—all of which concern the local and regional governments. Some regions wanted more, especially the German Länder, when the debate concerns on their influence on the EU decision-making in preparation for the Maastricht Treaty. Thus, the minister-presidents of the German Länder demanded in June 1990: “to create a Europe with federal structures which ensures the preservation of the cultural peculiarities, the social variety, a balanced development of the economy and a nearness to the citizenry” (Kottsieper, 1994). The future Europe therefore should get a three-step construction: Beneath the EU and the member states, the regions and autonomous communities should build the third vertical political level. The Europe of the future should not be an order of centralism and bureaucracy, and no melting pot of the cultural intermixing (Borchmann, 1994). In the end, the regions gained only advisory competence through the CoR, but concerning the German constitution (Basic Law) the Laender succeeded to gain even participatory compe-
tence in EU affairs, till that time executed by the central state alone (Klatt, 1995). Yet, despite their limited constitutional powers the regions have established in the meantime an important niche in the institutional architecture of the EU (Hrbek, 2000). They not only represent their specific interests as lobbyists but, in addition, are an important factor for strengthening democracy in the EU, as they have the potential to bring processes of the EU decision-making closer to the ordinary citizens. Thus, they contribute to enlarge or stabilize the acceptance of the far-off EU bureaucracy. Nonetheless, several regions criticise that the heterogeneity of the CoR is too outsized because of the membership of town representatives aside representatives of relatively populous regions (Wiedmann, 2002). In addition, until now the influence of CoR in the decision-making process of the EU has been perceived to be poor, and its proposals being nearly not taken into account in the legislation (Avolio/Santini, 2004). The European polity resembles still more a two level-game rather than an authentic, complete three level-game so that in the end the notion Europe of Regions is predominantly metaphoric in order to describe the growing relevance of the regional level in the EU and its member states.

Nevertheless, it should not be ignored that the EU performed a more curious influence and support for regionalisation through its fund policy. By strengthening regional influence on the multilevel decision-making, the EU-Commission which was the driving force behind, could bind two interests together: the one is more efficiency through participation of addressees, which are normally better equipped with knowledge about the potency and weaknesses of their own region than the far away central agencies and bureaucracy. Through this direct engagement of the regional population the endogenous potential would be used more efficiently. Second, due to unpleasant experiences of the past, when funds and finances disappeared in dark channels undermining the wanted results, the Commission expected more transparency and control over the use of the regional funding when having a clear and responsible target institution in the supported region. Yet, regional divisions present much more than pure administrative instruments. The keyword here is the “principle of partnership”, introduced in the funding period after 1988 and obliging the relevant social groups in the region—which is eligible to claim for financial support in the case of not surmounting 75% of the EU average income per head—to collaborate on development strategies for their disadvantaged region. Partnership is now a key defining characteristic of many areas of European policy, especially in relation to economic development. The emergence of partnership as a key organizing principle for local and regional actions has been based on three related dimensions (Johnson, Gore, 2004).

First, it has been recognized that the socio-economic problems facing deprived areas are too complex and difficult to be solved by any one organization or group working on their own. Second, the increasing number of agencies and bodies involved in it has increased the need for different actors to work together and to co-ordinate their actions to avoid conflicts or doubling one another’s work. Third, the emphasis is on social inclusion as a key goal development policy,
which implies that bodies representing different groups and interests participate in the planning and implementation of local initiatives (Solesbury, Julios, 2001). As the partnership principle has become more rooted in social and economic policy across Europe, the nature and purpose of partnership groupings has developed. Various rationales might partly explain such an evolution, where it is occurring. These might be categorised as responses to “demand” (of people, of social movements, of interests) and “supply” (the needs of the bureaucracy, fiscal limitations, policy failure, etc.). Where we note the local partnership working, it often appears to be hasty, and seems to be deepening (in terms of individual activities) and widening (to cover greater range of activities). Collaboration has often resulted simply from the fact that working together with other agencies is a necessary condition to successfully obtain funding through competitive processes. Such pragmatic efforts are generally short-lived, though in some cases they have begun longer-term co-operation as a framework through which local bodies work together towards commonly agreed goals for their area, taking full advantage of local resources. Under best conditions it could be the start of a long lasting and stable network.

Several other EC programmes additionally promoted the co-operation of European regions, by it strengthening their international weight, their rights and competences. To name only some programmes: One was addressed to bordering areas, others to the promotion of traditional coal areas (RECHAR), areas with great dependence of textile and clothing industry (RETEX), areas with great dependence of the arms industry (KONVER), support of the regional R&D innovation potential (STRIDE) and integration of extremist peripheral areas (REGIS). Finally, community initiatives like INTERREG I-III, URBAN I-II or LEADER+ must be mentioned, too, having proved, by and large, to be significant instruments for not only fostering territorial development and cohesion but also strengthening the role of regions as political actors in European multi-level governance. The key objectives in the period 2007—2013 put the programs together, now having three: The European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund aiming at convergence, regional competitiveness and employment, and European territorial cooperation.

Last but not least, as already mentioned above, the EU established the principle of subsidiarity by the Treaty of Maastricht. Quite obviously this principle is so universal that it can be safely said that subsidiarity is an element of giving people more power over their own destiny and future. Yet, the negotiations at the Maastricht summit clearly indicate that the heads of the member states at the same time avoided the confession to the principle of federalism by respecting the opposition of the UK. Thus, this principle is quite weaker than federalism. The present formulation is contained in Article 5 of the Treaty; in its consolidated version following the Treaty of Nice 2003: “The Community shall act within the limits of the powers conferred upon it by this Treaty and of the objectives assigned to it therein. In areas which do not fall within its exclusive competence, the Commu-
nity shall take action, in accordance with the principle of subsidiarity, only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community.” Similar expression concerning this principle is found in Article 9 of the proposed European constitution.

On the basis of this double impulse from above and below - as top-down and bottom-up strategy - the regional level could almost everywhere in Europe achieve growing attention in the last 10 to 15 years. The sub-national units not only got more weight in the field of the economy and for the purpose of improved planning and administration but partially also could win more political-institutional rights and importance.

Even within the EU we can recognise that the political elites have learned their lessons: As already mentioned above the principle of subsidiary emphasises the local area as the first appropriate level of decision-making. In addition, the new EU-principle of partnership wants the regions and their organisations to be involved in the planning, executing and implementation of development strategies. Following the decisions of the Berlin summit 1999 the so-called “Agenda 2000” handed over more responsibility concerning fund administration to the regional level. Maybe, these steps of decentralisation could be traced back to the objective facing the concept of “Europe of Citizen” and the will to enhance participation following democratic goals but, nevertheless, there is no doubt that this strategic top-down strategy fulfils the ‘competitiveness imperative’ as well, which was the heading objective of the Lisbon strategy in 2000.

V. REGIONS AND THE OBJECTIVES OF THE LISBON STRATEGY

The EU often is understood as an organisation following mere economic interests. The more it is highly regarded that obviously the EU now has turned to a more complex approach and broader understanding of competitiveness. Like Article 158 of the Treaty states: “In order to strengthen its economic and social cohesion, the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural areas.” That’s why the new EU strategic dimension after Lisbon stronglyly combined both, cohesion policy and competitive objectives (Tócsics, 2005). As a result, the summit at Lisbon surmounted the one-sided orientation on the goals of “common market and deregulation.” Since then full employment and social cohesion were equally entitled as long-term goals for the European economy. That implies the acknowledgment of the specific European society-model of social inclusion and solidarity, in demarcation to the societies of the USA and Japan. On the spring-summit of Barcelona 2002 the Lisbon-agenda was specified among others towards: obligation of eradicating poverty and social
exclusion until 2010, and reduction of the discrimination of women. Furthermore, the “social agenda” appointed in Nice was declared as crucial part of the Lisbon process, and should be annually checked up.

In a move to strengthen the social dimension of this strategy, a new Social Agenda was adopted in February 2005. It contains a roadmap for European social policy up to 2010. This new impetus reflects the intentions of the EU’s draft constitutional treaty and “appears against the backdrop of existing EU policies which supplement Member States’ action in the employment and social field.” (Commission’s Directorate-General for Employment, Social Affairs and Equal Opportunities, 2005: 7).

Says Danuta Hübner, the Commissioner responsible for regional policy of the EU, at Brussels on March, 3rd 2005: “Competitiveness and cohesion are complementary and, indeed, reinforcing each other. You cannot have sustainable cohesion without competitiveness. But a successful policy for competitiveness depends on maintaining a high level of cohesion.” (http://europa.eu.int/comm/regional_policy/sources/docconf/lisbon/index_en.htm). Vladimír Špidla, Commissioner for Employment, Social Affairs and Equal Opportunities has put it in the same way: “This dynamic new agenda will help to provide what citizens most want: decent jobs and social justice. It is about equipping everyone to manage the changes facing our society and about looking after the neediest. It is designed to preserve and modernise our valued social model as the essential tool underpinning Europe's drive to boost growth and jobs. It maps the route for reforming labour markets in order to make work a real option for everyone. At the same time, it provides pathways for modernising welfare systems and combating poverty (Commission on the Social Agenda, COM, 2005).

“To conclude, we can say that there is an efficiency argument to be made for social policy. Economic efficiency and equity certainly do not necessarily conflict with one another. They can easily complement each other” (Fourarge, 2003: 37).

Hereby the EU is following the conception the OECD had offered recently: “An economy is competitive if its population can enjoy high and rising standards of living and high employment on a sustainable basis. (…) The level of economic activity should not cause an unsustainable external balance of the economy nor should it compromise the welfare of future generations” (OECD, 2003). Nonetheless the main objective of EU’s efforts to reach a higher competitiveness has to do with the perceived economic challenges by the USA, Japan, and newly by China. It was obvious, following key indicators the EU failed to reach the level of GDP per head, growth rates etc. in comparison to mighty competitors.

To meet the challenges, the Heads of the member states met at Lisbon in 2000 and decided to introduce new reforms. By establishing an effective internal market, boosting research and innovation and improving education, to name only a few reform efforts, they aimed to make the European Union “the most dynamic and competitive knowledge-based economy in the world” by 2010 (http://europa.eu.int/growthandjobs/intro_en.htm). Clear targets were set-to raise the overall
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EU employment rate to 70% and to increase the number of women in employment to more than 60% by 2010. Of course, this would help to reach a higher GDP. Yet, at the same time, the Lisbon Strategy stresses that employment is not simply about the number of jobs created but the quality of employment opportunities and the jobs created. This, in turn, is inextricably linked with other aspects of the Lisbon strategy such as education, training, life-long learning and sustainable development. To make Europe a more attractive place to invest and work, the EU must support knowledge and innovation being the beating heart of European growth. The Commission proposals concerning the Lisbon Agenda in 2005 aims at policies to allow EU-businesses to create more and better jobs, attracting and retaining more people in employment and modernising social protection systems, improving the flexibility of the labour market, and increasing investment in better education and skills.

The new agenda focuses on providing jobs and equal opportunities for all and ensuring that the benefits of the EU’s growth would reach everyone in the society. The objectives are: Europe must renew the basis of its competitiveness, increase its growth potential and its productivity according to its, so far following economic objectives. Nonetheless, Europe seems to be staying with its social heritage and to defending the basis of its welfare, contrasting the structures in the USA. Europeans have grown up with the benefits of this social model. But to preserve our prosperity and solidarity we need to step up our efforts to adapt to the economic and social changes which come from globalisation and the ageing of our populations. By putting forward the EU’s revamped Lisbon strategy, the Commission declared growth and jobs as its top priority.

Facing these coherent demands, it is clear that the market is obviously unable to coordinate between these dimensions of social, ecological and economic objectives. They are dependent on an improved governance concept and must be the task of public policies on national, regional, and local level as it is clearly indicated by the European Council: “To achieve these objectives, the Union must mobilise all appropriate national and Community resources—including the cohesion policy—in the strategy’s three dimensions (economic, social and environmental), so as better to tap into their synergies, in a general context of sustainable development” (Presidency conclusions, European Council, March 2005). This perspective and concept is relatively new because the EU, for the first time first time and expressively acknowledged the clear nexus between competitiveness and governance with a major role played by regions and cities. Regions and their strategic capacity are increasingly seen as vital instruments, directly contributing to the competitive position of the Community. Above all, it is the Functional Urban Area around large cities (like the Rhine-Main area in Germany around Frankfurt) which is the most important regarding territorial competitiveness, as this provides for the economy of scale and this is the level where positive externalities can be achieved and negative externalities addressed most efficiently. Regional and local involvement therefore is needed in the preparation of the National Lisbon Strategies, as
only these actors can ensure the use of local opportunities and the addressing of local needs, and to ensure the necessary weight for environmental and social aspects. Existing regional and local strategic development plans (competitiveness/sustainability/inclusion plans) should be used as starting points to elaborate the regional dimension of the National Lisbon Programme. The European Council of March 2005 also underlined that greater ownership of the Lisbon objectives is necessary involving regional and local partners, for example in areas where proximity matters such as innovation and the knowledge economy, entrepreneurship, support for SMEs. In line with the Lisbon strategy, cohesion policy and its guidelines 2007—2013 should focus to a greater extend on knowledge, research and innovation, and human capital. Additionally, the EU changed its policy: To be more flexible the EU moved from the path of strict regulations to intensified communication processes, including the civil society. The EU and national governments should involve regional and local bodies through the generation of Open Method of Coordination (OMC-plus) processes. Accordingly, financial effort in support of these fields should be significantly increased.

Concerning the implementation of this meaningful Lisbon strategy, the reality was disappointing in the first years, as Wim Kok, former Prime Minister of The Netherlands, presented in the report of the High Level Group. The report concludes that the disappointing delivery of the strategy has been due primarily to a lack of determined political action. The agenda has been overloaded, coordination has been poor and there have been conflicting priorities (KOK report, 2005). Additionally, a survey conducted in autumn 2005 by the Committee of the Regions shows, only 17% of regions and cities are satisfied with their role in National Reform Programmes, which outlines objectives for the next three years in macroeconomic and microeconomic policy areas, as well as in the field of employment (COR, 2005). They complain that the Member States are failing to fully involve regions and cities in the preparation of national reform plans which are a central pillar of the EU’s jobs and growth strategy. In the end neither the goal of more competitiveness nor the objective of better social inclusion is reached in an appropriate way after having passed half way to 2010. What is needed is a more effective implementation, which cannot be obtained without more participation of the regions and cities affected.

Despite these critical comments: “(...) during the 2000—2006 programming period, the various cohesion policy instruments - primarily the Structural Funds - contribute, directly or indirectly, to the Lisbon strategy. They will have a major impact on the competitiveness of the regions and help achieve substantial improvements in the living conditions of their populations. The financial transfers resulting from cohesion policy will account for about one third of the growth in GDP in the worst off regions. In addition to this impact, co-financing from the Structural Funds has a penetrating effect on the factors underlying regional competitiveness, so engendering lasting and sustainable economic development.” (http://europa.eu.int/comm/regional_policy/themes/lisbon/lisbon_en.htm).
real conditions the wider approach of competition indicates that the sub-national levels only could serve the European economy by fostering clustering and innovation, if not suffering as a depressed area. Therefore, the EU and the nation-states would have to fight persistent regional inequalities, poverty and social exclusion by the so-called National Action Plans (Krause, Baecker, Hanesch, 2003).

To sum up, for the development of the in order for the EU’s competitiveness strategy to develop, including also the environmental and social elements, the strengths of local and regional leadership and governance is one of the key aspects. It is governance which becomes the key tool, especially on the sub-national levels. However, creating more competition through more public expenditures for R&D and education, and safeguarding social cohesion by eradicating poverty, and fighting social exclusion requires the mobilisation of a wide range of policies under that overall Lisbon strategy. Alongside employment policy, social protection has a pre-eminent role to play, while the importance of other factors such as housing, education, health, information and communications, mobility, security and justice, leisure and culture should also be acknowledged. To reach these objectives effective measures of both the EU and its Member States inclusive the sub-national levels are inevitable. It is obvious, that regional authorities have to play an important role in the implementation of these European objectives. Territorial cohesion and co-operation are perceived as prerequisites to the contribution to growth and jobs and for supporting the economic diversification of rural areas. It cannot remain a task of the EU alone.

VI. THE ROLE OF CULTURAL AUTONOMY AND REGIONAL IDENTITY

Last but not least, regions have an eminent role to guarantee social peace and integrating minorities. We know by history that the retraction of central dominance became moreover often imperative where strong and traditional cultural identity formations existed in form of regional movements (Gerdes, 1985). In nearly all cases of early state withdrawal and allowance of more regional autonomy this helped to establish peace and to end hurtful conflicts like bombing. This was for example the case in Italy concerning the German speaking northern part South Tyrol or as the region is named officially Trento e Alto Adige. Nevertheless, there is no guarantee of peace even by far reaching autonomy, the more so if the hostilities have consumed many years and even decades (like it is the case of the Basque country). At present times, the value of the conservation and support of the regional variety of cultures is threatened not only through the political unification, but above all through the economic tendencies of harmonising and standardization of the consumption styles and the increasing dominance of the American way of life. The reinforcement of regional identities might be understood as counterstrategy. Surveys like the one of the Euro-barometer (Euro-barometers No.
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36, Brüssel/Luxemburg, 1992) indicate a narrow instinctive relationship to "region" anyway. The identity structures apparently is stronger interconnected with the affiliation to a clear territory than for example with Europe.

Furthermore, recent works on spatial identity have highlighted that instead of a fixed, contextual dimension, identity is now understood as constructed in the process of space formation—even in a shorter period as Putnam (1993) had assumed, when having analysed the case of Italian regions (van Houtum, 2003; Paasi, 1991; Grasse, 2005). Identity is an important vehicle in the shaping of images of the region, and, more specifically, in applying the 'logics' of regional-economic positioning and regional governance. Processes of region formation are legitimised on the basis of 'objectified' notions of a community, common culture, shared values, a shared history and destiny, creating an illusion of an 'objective' region (van Houtum, 2003).

As Keating, Loughlin and Deschouwer have shown in their recent publication (2003) new regionalism neither follows the approach of functional determinism—as the assumption that political and institutional forms follows from the functional demands of the global economic system—nor can be sufficiently understood as cultural reductionism—as belief that change is driven by embedded cultural patterns largely immune from other influence. Territorial systems of actions are more complex, this is the more true in the case of successful economic development (Keating, Loughlin, Deschouwer, 2003: 3). As a more complex project it is connected to regional cultural, environmental, social, economic and political dimensions. Spatially-specific forms of social regulation, supported by shared values and collective actions with a certain sense of common identity play an eminent role concerning the existence or absence of dynamism. Constructed regional identity and shared culture help to gain more performance as 'successful' regions.

From a European perspective regional identity has advantages. Once a region formation, including the articulation of a regional identity, shares a political will and administrative drive to engage in region formation, identity will be applied to the area concerned, yielding the symbols, stories and images shaping and promoting the region and its core agents.

Similar notions about the assessment of regional identity might have guided the EU to the conclusion, that the reinforced inclusion of the regions in EU-networks would have stabilizing effects. The Commission assumed that regional participation in political affairs increases legitimacy of the EU. In this respect, the regions would achieve a hardly underestimating contribution to the integration-process. That's why the European Union Contract put emphasis on the conservation of the regional variety of habitats and expressed respect before the history, culture and traditions of the people (see Article 128 EC-Treaty of Maastricht).

VII. DANGERS CAUSED BY NEO-LIBERAL CANCELLATION OF SOLIDARITY

Regardless of this modern euphoria on the revival of demands for regional
autonomy, however, we should not overlook the dark shadow-side of the new regionalism. The danger of a right-wing populist translation of the subsidiarity principle and the neo-liberal cancellation of solidarity with the weak regions is obvious, as for example the election successes of the Lega Nord in Italy clarify. A hostile attitude against Africans and Asians, just like until few years ago still against the compatriots from the Mezzogiorno is a characteristic criteria for the identity of the Lega. “Lega means organised intolerance” (Balbo, Manconi, 1993). This xenophobia and aggressive attitude towards others is nourished by unsure conditions and harmful perspectives for those which belong to the losers of the modernisation process in rich regions. That is one of the causes why they develop an aggressive defence against “sharing with the poor” especially from the south and east of Europe, and why they are against the influx from the crisis areas of Africa and Asia (Betz, 1991: 3). The attractiveness of the slogan “fortress Europe” has its roots in this welfare chauvinism.

Such a base of the anti-social attitudes finds support also in the neo-liberal market dogmatism, which assumes, that the development of the poor countries is an internal problem. Ignoring the asymmetrical relationship between the industrial centres and the poorer regions in the peripheries this neo-liberal strategy urges the poor to jump on their own feet for gaining adequate competitive and market strength. Particularly, according to this ideological message, state interventionism and welfare structures have to be dissolved in the poor countries, to set free growth dynamics.

This message neither is theoretically true nor empirically evident. Following this strategy will intensify the regional disparities, however and will tarnish the outlook on the development of a peaceful world in and outside Europe.

For a peaceful development, it would be crucial for the European community to reduce the discriminations regarding the standard of living in all parts of the Union. Only when the most important material prerequisites for a sufficient perspective are given in all regions of the EU, the threat of conflicts will vanish.

Cultural autonomy, regional independence, and identity are not all to guarantee peace; without equal conditions of life and absence of poverty social peace in the EU will remain a precarious one. Without the real outlook on a sufficient per-capita income and the chance, to find an adequate job, above all the mobile and better educated people will go to the growth centres. This migration bestows the peripheries with a handicap for future development, when only the elderly population, teenager and their mothers will stay. We already find this situation of depopulation in the Mezzogiorno but currently there are nearly comparative processes in the Eastern parts of Germany. After the unification of Germany about 1 million of the former 17 million inhabitants have left their territory. More and more there are districts without any medical care. This brain drain has a double negative effect: it minimises the opportunity for economic restructuring in the peripheries because of lacking adequate trained and enough workforces and it will lead to a process of over-agglomeration of capital and work in the European cen-
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Neither in a social perspective nor ecologically agglomeration is desirable. To avoid these endangering development and perspective, a double strategy is needed: Contrary to the neo-liberal cancellation of a Europe in solidarity— we must insist on it. On the one hand we have to mobilise sufficient transfer flows from the rich to the poor regions. Without a massive support by the rich regions, there will be no chance for sustainable development of the backward regions. This strategic aspect refers that a central agency is still necessary in order to push through this financial balance. Theoretically this could be executed by an assembly of the EU-regions, too, experiences show, however, that an institution not interconnected with regional, territorial interests, but responsible and accountable for the entire community is better equipped to push through supra-regional interests, mainly than the poorer units being dependent on negotiations with the rich ones. For these reasons, federal governments, central states and central committees are indisputable like the Commission of the European Union when it comes to the question of redistribution. Without these, through redistribution available resources development of the peripheries is hindered as it is democracy.

VIII. CONCLUSION

"Within the EU, the scope of problems with alleged regional solutions is impressive, covering, amongst others, themes of innovation, competitiveness, sustainability, transport and culture. Moreover, the role endowed to the region has moved from a largely functional-administrative to a political-strategic one. Besides basic administrative capacities, regions should also obtain strategic and institutional capacities. This is associated with inclusive and participatory forms of planning, and the building of democratic structures of regional governance" (Legendijk, 2003: 5).

On the whole, decentralisation is a precondition for modernisation, because it increases the opportunities for a growing number of people to participate, giving them the opportunity to involve their knowledge and innovative forces in the process. Communities are the places where people work and live and reflect most clearly the conditions of life. They, therefore, are the logical focus of advocacy and political mobilisation. Establishing innovative decentralized mechanisms for financing, planning and delivering basic infrastructure and services, which are sustainable, replicable, and policy-relevant is targeted.

The goal is to provide the locality or region with a greater capacity for determining its own destiny, a highly esteemed goal of democracy. Elected officials should also open up planning processes so that ordinary people have a say in the decisions that affect their lives. In addition to strengthening regional and local authorities, it’s necessary to work with NGOs and the civil society to develop the checks and balances needed to keep the sub-national governments accountable. In doing so, it is possible to create a climate of engagement and dia-
dialogue among technical authorities, regional and local government and the people they serve. Communication in the form of consulting, delivering services and moderating has become a new task for regional institutions. This involves building and supervising trust relations, initiating learning processes and monitoring the outcomes. This the deeper meaning of good local governance.

And it is apparent on the other hand, that in this context centralisation is an obstacle to innovation and democracy. Yet, we should not demand decentralisation as an isolated strategy. The powerful function of a centre is indispensable, because we need the financial aid of central state and supranational organisations like the EU and because we require world wide legal and normative regulations for social and nature protection. Decentralisation is worth virtually nothing when access to adequate revenues can be denied. Poor regions need the assistance from outside, even if they are forced to develop strategic solutions to their perceived crises by themselves. Thus, neither decentralisation nor centralisation is inherently right. We need a power mix improving the specific functions of both or let’s say democratic structures at all levels of politics.

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