



CRPM CPMR

Conférence des Régions Périphériques Maritimes d'Europe
Conference of Peripheral Maritime Regions of Europe

President
European Affairs Committee
Folketinget
Christiansborg
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Rennes, 28 January 2008

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Dear Mr President,

CPMR's Contribution to the consultations on the future of regional policy and the EU budget review

With the publication of the 4th report on economic and social cohesion last September, the European Commission launched an open debate on the future of European integration.

The current period, which will be free from any financial considerations for some months still, is a timely one for a composed and constructive debate between all European players. In this respect, I feel that the discussion day on "Which future for region policies after 2013?" organised jointly by the CPMR and the Committee of the Regions in Seville on 18 January last, under the patronage of the Spanish Ministry for Foreign Affairs and Cooperation and in the presence of the European Commissioner for Regional Policy, Danuta Hübner, was a resounding success.

Further to this event, the CPMR Political Bureau adopted an opinion resuming the fundamental considerations and proposals set out in the technical paper presented during the seminar. This opinion constitutes the CPMR's contribution to the European Commission's consultations on the EU budget review and the future of EU regional policy. We have pleasure in enclosing these two papers for your attention.

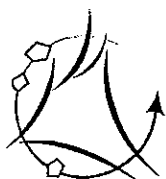
We hope that these initial thoughts and proposals will provide a useful input to the debates, which offer us a fresh opportunity to think about and design the best ways of giving each territory the chance to fully contribute towards the economic, social and environmental excellence of a Europe that is powerful on the world scene, while also guaranteeing every one of its citizens the best possible quality of life.

We shall of course be continuing to take an active part in the discussions that will no doubt be arising in the coming months.

Yours sincerely,

Claudio MARTINI
President of the CPMR
President of Tuscany Region

Enc.



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19 JANUARY 2008

OPINION OF THE CPMR POLITICAL BUREAU

(Approved by the CPMR Political Bureau - 19th January 2008 - Sevilla, Andalucía-Spain)

**CONTRIBUTION TO THE EUROPEAN COMMISSION CONSULTATION ON THE EU
BUDGET REVIEW**

**CONTRIBUTION TO THE EUROPEAN COMMISSION CONSULTATION ON THE
FUTURE OF REGIONAL POLICY**

1. The Peripheral Maritime Regions were eager for debate on the project for the future of Europe after 2013 to begin. They therefore highly appreciated the publication of the European Commission Communications on the review of the European Union budget and the future of cohesion policy and the accompanying public consultations. These, very open documents are extremely welcome because they leave plenty of real scope for thought and the development of new ideas.

2. The Peripheral Maritime Regions realise that because globalisation has a specific impact on each State, each territory and each European citizen, it is difficult to develop and come to a consensus on a shared vision of Europe's place on the world scene. In this respect, they regret that such a central theme as the interface between Europe and the rest of the world is not sufficiently present in discussions among Member States. According to the conclusions of the last Council meeting, *"The European Union is the largest market in the world and a primary global player in the promotion of peace and security. We are determined to continue as such, for the well-being of our citizens and all the populations of the world. Together, we shall transform globalisation into a source of opportunities rather than a threat. To achieve this, we shall continue to build an even stronger Union for a better world."* Beyond these declarations of intent, the Regions insist that clearly defined options must be discussed among the States and that all the civilian and political forces of the EU must be involved in this challenging debate.

3. In this framework of such complex debate, this is the CPMR's contribution to the two consultation processes mentioned in point 1 above.

Concerning the review of the Community Budget

4. The Peripheral Regions note the inadequacy of the present community budget compared to the challenges to be taken up by the European Union now and in years to come. They think that an adjustment of the structure of the budget is inevitable and propose that it be reorganised in four sections or components:

5. First of all, response to the challenges that are internal to the EU. This means continuing to implement convergence policy in the less prosperous regions (internal challenges section) and the countries at the outer borders of the European Union (external challenges section). It also means more ambitious will among all European citizens - especially young people - to see the European Union project through, which will allow better promotion of European values elsewhere in the world.

6. Then, world challenges can be taken up. This second component would concentrate on:

- secure the excellence of the European economy in globalisation by:
- stimulating the potential of each region through territorial excellence policy,

- continuing necessary efforts in Research and Development policies,
 - reviewing education and training policy with consideration of the new stakes related to competitiveness,
 - continuing efforts to improve the social dimension of EU policies (promotion of the European social model).
- help to limit the impact of European society and the European economy on the environment in a context where climate change, environmental degradation and the deterioration of biodiversity are already evident, through:
 - agricultural and fisheries policies focussing more on environmental, safety, public health and proximity issues;
 - transport and energy policies strongly keyed towards sustainability;
 - environment policy which, thanks to ambitious funding, will continue to promote the role of Europe in the world;
 - responding to present migration and anticipate future movements through common policy for security and immigration.

7. A third section of the budget would aim to consolidate the position of Europe in the world, in particular by implementing the Millennium Goals in which Europe should be able to play an even more pioneering part.

8. The "Operational" section of the budget will have to be adjusted to the new structure; it must reflect the modernisation of the European institutions and their administrative authorities.

Concerning the future of cohesion policy

9. Since globalisation has a different impact on each region, structural policy for all European regions is more necessary than ever. Even so, certain specific difficulties affecting the least prosperous regions should be given priority treatment. Therefore, the Peripheral Maritime Regions propose that from 2014 onwards, the existing cohesion policy be split into two separate policies.

10. First of all, convergence policy for:

- the least prosperous States and Regions,
- pre-accession States,
- countries situated at the outer borders of the EU (current neighbourhood policy),
- Outermost Regions.

11. Secondly, a territorial excellence policy applicable in all the European Regions in order to optimise the participation of each region in the project for Europe as a whole. This policy would target three priorities:

- strengthening regional knowledge and innovation capacities by improving research and training capacities at territorial level and consolidating territorial attractiveness;
- adapting to climate change and alleviating environmental impacts by providing systematic aid to the application of European environmental standards;
- rural development – territorial action *par excellence* – by supporting environmental measures, socio-economic diversification and the preservation of general interest services in rural areas.

12. Territorial excellence policy would be a political materialisation of the very principle of territorial cohesion in a modernised version of regional policy that would also take account of territories which are subject to permanent constraints (islands, mountain regions, sparsely populated areas...).

13. Beyond political principles, the CPMR believes that aid conditionality should be the mainstay in all future thought. Rigour will be necessary, but also creativity when it comes to developing potential co-financing criteria.

14. All of these elements correspond to activities that need to be set in motion from 2008. The CPMR has already formulated a certain number of more precise proposals for some of them. These proposals can be found in the technical note intitled "A project for post-2013 Europe".



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TECHNICAL NOTE FROM THE CPMR GENERAL SECRETARIAT

A PROJECT FOR POST-2013 EUROPE?

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INTRODUCTION: EUROPE IN 2014

2007 saw the beginning of a new, multi-annual political and budgetary framework for the European Union. Through several documents and initiatives, it was also the starting point in an entirely open debate on the future of the European Union project as a whole:

- First of all, the European Commission's publication of public consultation papers on the European Union budget reform¹ and on post-2013 cohesion policy² and also the results of the Common Agricultural Policy "health check". These three papers alone bring under examination virtually 80% of the total Community budget and functioning.
- The debate on how to follow up on the Lisbon Strategy comes next. The strategy to "make Europe the most competitive and most dynamic knowledge economy in the world by 2010..." ends in 2010, so the question of how to follow up on it is already in the air today. What should be done considering the disappointing results observed today, three years before it ends, at least concerning its implementation at national level, even if some timid progress does seem to have occurred in 2007? Are the conditions necessary to be able to compete with developed economies and with those of emerging powers about to be met? Does Europe want to move united towards a strongly business-oriented integrated world? Or would it rather, on the contrary, alone or with others, revert to the regionalised world economy scenario, which is far from being the present trend? Today, there are no clear-cut answers to these fundamental questions.
- What should be done about the Goteborg Strategy that was finally linked to the Lisbon one, but is all too often played down or even forgotten when it is time for action and making choices? Should we expect accelerated climate change to give it a new political dimension?
- Lastly, the agreement on the amendment treaty, otherwise known as the Treaty of Lisbon. Almost two and a half years after the failure of the French and Dutch referenda on the Constitutional Treaty, the European leaders reached an agreement on a text that is over 90% taken from the Constitutional Treaty. The windows of opportunity provided by this text are welcome. We must hope that all the States will ratify it, each in the way that they have chosen. If this was to happen, Europe would be able to work again, but it is impossible to say that, in the present state of affairs, the document offers any fundamentally new prospects for the future of the European Union. Whether it engenders new post-2013 directions or not depends on interpretations from the next Council meetings. In other words, most of the hard work still has to be done.

It is within this rich but uncertain political and institutional context that the CPMR is launching its contribution, through this paper, to a political project for Europe after 2013. We shall of course be further exploring and developing these first tracks and thoughts in the months and years to come. Nevertheless, they are our contribution to the two ongoing consultations on the future of the European budget and future regional policy.

1 - EUROPE'S PLACE ON THE WORLD SCENE AFTER 2013

We first presented the idea in our frame-setting document in February 2007, "The European Regions in the Single Global Market": although it is difficult in 2007, in a rapidly and profoundly changing global context, to assess Europe's needs for the period 2014 to 2020, there are a number of strong trends on the horizon. If there are no major political, economic or financial disasters (the likelihood of which cannot be totally ignored), it seems relatively clear today that the globalisation of trade, already well underway, will develop even further, opening up new competition, leading to more restructuring and more competitive location-seeking, and challenging the distribution models that have been established for almost half a century now. Globalisation is not an economic gamble with a positive outcome for everyone; it will be a melting pot for new growth and new opportunities but also for new economic, social and territorial cleavages. Globalisation-induced changes in the sharing of wealth in the world, combined with the demographic trends of the continents will soon generate new needs for regulation.

Regulation through greater mobility of goods and people seems to be the only possible consequence of the present political and economic model if it is continued.

¹ http://ec.europa.eu/regional_policy/conferences/4thcohesionforum/consultation_en.cfm?nmenu=6

² http://ec.europa.eu/budget/reform/library/issue_paper/consultation_paper_en.pdf

The climatic and environmental prospects are less obvious but two things are for sure: changes are already taking place and making it necessary to change our way of life; if we continue to produce and consume more than the Earth can offer, which is what more than half of the earth's population is doing today, we can rightly wonder if the human system can survive the medium and long term.

Although these trends are general, they definitely point to the principle internal issues that will be challenging the European Union more and more in years to come:

- the need for Europe to maintain a high level of activity and social protection, therefore to preserve the benefit of the living standards it offers its citizens by strengthening its competitiveness in high income-earning sectors. For this priority, education and training and the type of economic and social policy accompanying them are essential points.
- the urgent need to make the Goteborg Strategy a real priority again. Because promoting a more sustainable model for development at global level is first of all a matter of setting an example. And for the European model to become an example, the European stakeholders first need to design their own policies in line with the Goteborg Strategy. As, for the moment, the emphasis is on the Lisbon strategy, the danger is that the sustainability of the policies could well fall back into second place; this is even more of a concern since the environment in general and more particularly the environment in coastal regions is already showing worrying signs of rapid transformation and insufficient control. The pioneering positions adopted by the European Union at the Bali Conference imply that there might be some bending in the right direction; but there again, nothing has really been decided yet.
- an urgent need to anticipate and to respond to the asymmetric impacts of globalisation, both in relationships with its citizens and with its territories. Ongoing upheavals will continue to cause profound changes. They must be faced without fear but also without being naive. All the European territories will not adapt to these changes at the same speed.

Europe and its citizens –who are both actors and spectators in a world scene where the outcome is so uncertain– have no other choice than to adapt to such change, rapidly and efficiently. The first tangible marks of political awareness of world challenges are thus beginning to emerge. Seven years after launching the Lisbon strategy, the new regional policy for 2007-2013 at last takes into account the extremely urgent need to boost European competitiveness, in particular through innovation (cf. the European Commission communication presented by Commissioner Danuta Hübner on 12th December 2007). The acknowledgement by the Summit of Heads of State and Governments held on 14th December 2007 of the role of the Regions means that all the forces necessary for the national policies should be more strongly involved. A consultation process on climate change, the result of a long period of negotiation, opens up some new lines to work on.

But the changes are slow, reserved and nowhere near sufficient. On the one hand, Europe is the victim of offset decisions because they are only taken every seven years, and, as for its role on the world scene, it is the victim of a decision-making system that almost always requires unanimity and leaves most of the freedom of action to national diplomacy. Furthermore, the relatively successful adjustment of certain European countries to the new global conditions often tends to curb their eagerness for community endeavours. Inversely, the delay in other European countries can sometimes lead to reserved attitudes towards a greater commercial opening of Europe to other parts of the world. For all of these reasons and many more historical or cultural ones, the concept of a shared vision of Europe's place in the world is more and more difficult to formulate in political terms. While the economic integration of Europe and its benefits, which are well understood by all European citizens, have been the main political bonding substance over the last twenty years, globalised trade tends to indirectly prise open the joints in bonds that have suddenly become more fragile.

Yet the 27 Member Countries, in spite of their differences, have a lot more in common with each other than with any other country or group of countries in the world. Despite internal inequalities, on the global scene, they are all looked upon as rich countries which have achieved a very high level of democratic and civil organisation based, in particular, on local and/or regional powers which are either already highly democratised or in the process of being democratised. Also through community achievements, they have reached a relatively high level of environmental protection, even if it can be improved on. In addition to this, there is a high level of social protection –the inheritance of over two centuries' progress in social

dialogue— which is hard to find elsewhere in the world. In short, a unique development model that is sustainable but expensive, and if it doesn't win the battle of ideas and values, it is extremely likely to appear less and less competitive on a world scene that is more inclined to reduce such costs for the sake of competition and a more balanced sharing of the comparative benefits. It would, in our opinion, be extremely naive to believe that the Lisbon strategy and the social progress of the countries will suffice to preserve such balance.

Europe therefore has two possible solutions: submit to the majority rule and abandon its intrinsic values, or defend a model in which it believes, making it more competitive and promoting it at global scale. In other words, is this still what Europeans want today? Do they still want to move along certain paths together and by doing so, build deeper foundations for Europe? And if they do, should the deepening process be materialised in regulations and budgets? In the present situation, is a qualitative leap forward what the European Union really needs? While it continues its original task, i.e. the development of the single market, perhaps Europe's priority should be to promote its values on the global scene and adjust to the new context.

Everyday witnesses of these global upheavals, the European Regions today advocate clear debate on these questions. If the European Union wants to continue to exist as a block of countries sharing a certain number of common values in the global orchestra, it will be unable to do so unless all its civilian and political forces are in unison. Here, the mission of the regional authorities is of the utmost importance. In this world of globalisation, Europe should be civilian, well anchored in its territories; if not it will fail to exist at all.

2 – THE FUNDAMENTS OF A NEW EUROPEAN POLICY AFTER 2013

2.1 – USING LESSONS LEARNT FROM THE PRESENT FUNCTIONING OF THE EUROPEAN UNION TO RETHINK COMMUNITY POLICIES AND MECHANISMS

Most of the present policies and mechanisms of the European Union are principally the result of the adjustment over time of the policies and instruments created during the early years of European Community existence in response to challenges that are no longer so crucial today. Some policies can even seem outdated, inefficient or too cumbersome compared to the results achieved. The globalisation of trade, the enlargement of the European Union and the impacts of climate change have shaken the very nature and scope of the challenges and therefore of the adjustments necessary to address them. It is therefore inevitable now to review the extent to which present EU policies have been adjusted and draw on the lessons learnt to imagine the future.

Cohesion policy and Common Agricultural Policy

The two main EU policies are the first to be criticised. "Out of date", "fund consuming" - the terms used to describe them are not very gratifying. Yet in the global context, the essence of these two policies is more up-to-date than ever, even if the types of structural adjustment and agricultural support will definitely have to change and radically so.

Common Agricultural Policy (CAP)

European Agriculture is in full metamorphosis due to the conjugated effects of:

- the growing importance of trade negotiations at global level (WTO),
- profound changes in consumption habits in numerous emerging countries causing, among others, spectacular price increases on many products traditionally supported by public funds from Europe.
- the impact of climate change on food security in many parts of the world,
- new environmental challenges,
- food quality and public health issues,
- conflicts in the use of green fuels with food security,
- serious debate on the future of GMO.
- ...

In this highly complex context, how can controlled, sustainable production and competitiveness exist side by side? At a time when the agricultural sector probably lacks real global governance, the fundamental question

is how far should European action go? Within what boundaries and how intense should it be? These issues are fundamental for the European economy, identity and landscape. They prohibit any simplification of the debate that would be likely to restrict it to the elimination or the maintenance of the CAP.

In addition to these global issues, there are also the territorial impacts of the possible evolution of the policy. And these are important. Improvised change is impossible. The CPMR study carried out in 2007 on the dependence of the European Regions on the first pillar of the CAP (price support) is evidence of the diversity of the situations that exist: Strong dependence of northern European Regions on the first pillar but agriculture accounts for a small proportion of regional GDP; Mediterranean production is not eligible under the first pillar despite high agricultural employment figures; strong dependence of central-western European Regions on subsidised farming; continuation of agricultural conversion in the East. Between the price support approach and either total or partial decoupling and between the consideration of historical criteria and a genuine regional approach... the future is uncertain. Are all of these Regions prepared to face a drastic reduction in price support? Will some of them be able to find more territorial, new opportunities? Is the future of the CAP to go "greener" by means of environmental and rural development measures?

Cohesion policy

The territories are unequally armed to face globalisation and the new impacts of the global market. The traditional role of cohesion policy was to rebalance the situation on the internal market, but now the question is: what is its role in the adjustment of the European regional economies to a single global market. This first began in the scheduling for 2007-2013 but it is too early to make any serious judgement relating to the impacts. It would not be very serious to omit this new direction in the debate on future regional policy. The fundamental question that remains is: should the policy be adapted to the new context while preserving the solidarity of European action in the world orchestra or should it melt into globalisation, leaving the field open for the most competitive among us. If this were the case, the very meaning of the Project for Europe would hardly be credible any more.

Another question to be asked is what is the most relevant scale for solidarity? The territorial cohesion concept, now part of the Treaty, evokes this question. Should the cohesion be only at State and at regional level as it is today, or should it adjust to other transnational, inter-regional and even infra-regional dimensions? Should it be confined to cohesion policy or should it be applicable in all EU policy? It is difficult to answer this question in general without going into detail on the policies we feel should be concerned. This will be the aim of our proposals in the third part of this document.

Lastly, it is important to remember that cohesion policy is probably the last large area of freedom for public intervention and that cohesion policy alone, through its governance, has the ability to mobilise all the political levels around shared European goals. The type of public intervention that Europeans wish to share remains to be defined.

Other policies with territorial impacts

Sector policies with strong territorial impacts are less contested nowadays, but they can still be somewhat unsuitable, and sometimes, in some cases, still either in embryonic state or non-existent. Below are a few prominent examples, but the list is not exhaustive:

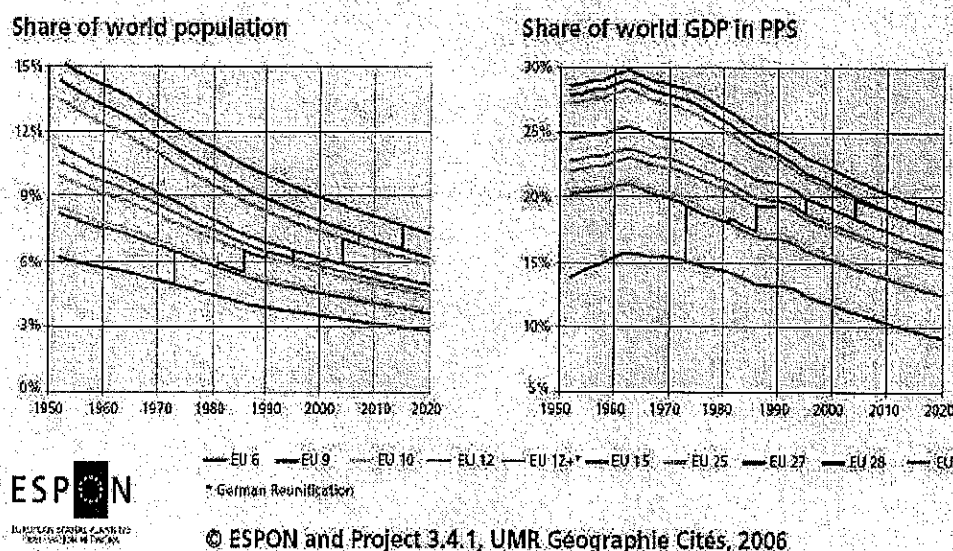
- The urgent need to adapt our way of life to sustainable development – definitely a community mission – obliges the European Union to promote sustainable attitudes and behaviour, not only just as a law-maker or censor. However, we are forced to admit that Europe makes laws without giving any real means to implement them. Would it not be better to have greater control over the link between standards and their financing in a continent that rightly wishes to be at the forefront of global action to ensure sustainable development and to adapt to climate change?
- Trans-European Transport Networks are gradually progressing, especially the sections that are not road links. The funds planned in the budget are purely symbolic compared to the amounts necessary. In any country other than the cohesion ones, the financing and decision-making procedures would look almost ridiculous because the value added for the Community is so little. Would it not be more appropriate to leave the States concerned to finance these links and just promote more sustainable modes of transport at European level, with action to make up for their low economic profitability during their first years of operation? Since the single market has imposed

itself as one of the major successes in the construction of Europe, it is unconceivable that European action should be so weak in the management of more sustainable movements of man and goods. Almost everything remains to be done here, both in terms of regulatory measures (sustainable pricing policy for the infrastructure) and budget.

- The issues related to the supply and diversification of energy sources make a common energy policy essential. The question of choice of supply is a difficult one (e.g. the debate on nuclear power); there seems to be a consensus on promoting clean, renewable energy on the horizon, but without any real common policy to promote it at all the different levels of public action. This would no doubt be a very useful first step towards greater integration at full term. In this context it is essential to mention the need for stronger emphasis on energy efficiency. It is a fundamental instrument to reduce the European dependency on imported energy and reduce the need for an increased energy supply.
- The question of research and innovation policy is so predominant that it is sometimes somewhat confusing; it concerns (too?) many different general directorates (regional policy, competition, enterprise, research, internal market, employment and training...). Frantic attempts to define the exact nature of the actions that should really be encouraged at Community level can sometimes blur the understanding, but of course, its legitimacy is not at stake. On the one hand, major European projects struggle to obtain funding (cf. the obstacle race for Galileo) while on the other, there is a wide variety of solutions depending on the type of territory and administrative organisations in each State that is supposed to be taking up the challenges. So far, there is no real European model of innovation to be equally promoted, which raises the question of how relevant the territorial breakdown actually is. FP7 type research policies are announced as being one of the EU's priorities but, once again, it is hard to hide the fact that they only account for 6% of all public European funding. While certain Member States have easily struck the 3% limit, others are only spending a meagre 1% of their GDP on research. Any intentions to significantly increase the Community budget for research will no doubt call for further clarification of financing modalities and specific areas in which it will really generate added value.

The fundamental matter of enlarging the internal market and international solidarity

Commercial issues are another chapter that is often omitted when it comes to impact on the EU's internal policies and future budget. Since its creation, Europe has been using enlargement strategy to develop its home market and to strengthen its economic growth. This has no doubt been one of its main successes. Today the exponential growth of new global economies associated with the low drive in European demography somewhat curb this quest. Despite the recent enlargements, especially in the East, Europe's share of the world GDP and the world population is still falling relatively sharply, as shown in the graphs below:



Evolution of Europe's share of world population and world GDP as a result of the successive enlargements of the EU (1950-2020)

To address this, Europe has not yet really defined a strategy. On the one hand, it is trying to sign free trade agreements with a certain number of individual countries in scarcely masked competition with the United States. On the other hand, to attempt to respond to the latest enlargements and the increasing difficulties of the population to accept them, it has introduced neighbourhood policy but the level of response is somewhat low considering the stakes. Here again, it is an attempt to encourage free trade zones in the immediate vicinity of the European Union (Ukraine and the Mediterranean in particular). But this strategy is too restricted. Without any significant structural support, the economies of these countries are taking too long to get off the ground and are not yet providing the EU economy with all the advantages of true, neighbourhood complementarities in the global marketplace. In the same manner, Europe does not give its neighbours all the means they need for a real economic takeoff, which can be the only credible response to security and immigration problems, far more than the symbolic increase in the number of coast guards.

Thus promoting a real "home market" composed of over 800 million people, the present EU and its official candidates on the one hand, and all the neighbouring countries from the Baltic Sea to the Mediterranean, the Black Sea included, on the other, becomes a central issue in the project for the future of Europe. The current sterility of the debate on enlargement must be left behind while Europe measures itself against the extraordinary growth of the latest global blocks, i.e. China, India and Brazil and their respective areas of influence, and against heavyweight contestants, NAFTA and Japan. In this respect, problems concerning relations with Russia are also a major issue.

Similarly, in a broader, more partnership-based manner, solidarity with the rest of the undeveloped world is also going to become a more and more essential problem. Europe is already the world's major fund donors and uses its status as such to innovate and to attempt to encourage new development policy governance. Its role in achieving the Millennium Development Goals³ and in the necessary reform of the United Nations system must legitimately be essential. The evolution of regulations governing development policy and external EU policy for 2008-2013 thus makes a real qualitative and budgetary leap forward, especially by associating all the regional and local authorities. To continue along these lines after 2013 seems to be essential in order to promote the European model at global scale.

So the time really has come for a thorough review of all the common policies and instruments, including but not limited to budgetary ones. This should be done from A to Z and in a pragmatic manner, guided by the fundamental principles of the project for Europe. Achieving the highest level of "European value added" will only be possible by modernising what already exists, namely by redirecting distribution policies considered to be budget consuming ones, such as the CAP and Regional Policy, and by creating and optimising future policies on the one hand, as well as the European Union structures responsible for them, in particular the European Commission.

2.2 - WHY PLACE THE TERRITORIES AT THE CORE OF THE EUROPEAN RESPONSE?

Because the participation of the territories in the project for Europe will ensure that the EU has the democratic legitimacy it is still lacking today

The stoppage of the Constitutional Treaty due to the French and Dutch positions in 2005 showed how devastating the "democratic deficit" of the EU can be for Europe as a whole. The efforts of many players to better "communicate Europe" and the proposals of the Treaty to strengthen the democratic representativeness of the EU were insufficient to make the European citizens feel that they were stakeholders in the project and part of them expressed their disapproval of that situation. No one can continue to ignore the fact that the European adventure can only go on if forces are united and if everyone joins in.

The regional level is an essential element to increase the visibility of the EU and the attachment of the citizens to the project for Europe. Both close to the citizens and their everyday concerns, and a place for concrete implementation of European policies, especially structural policies, the Regions are the place where it is possible to see proof that such policies do meet the expectations of the citizens.

³ The 8 Millennium Development Goals are: Eradicate extreme poverty and hunger; Achieve universal primary education; Promote gender equality and empower women; Reduce child mortality; Improve maternal health; Combat HIV/AIDS, malaria and other diseases; Ensure environmental sustainability, and Develop a global partnership for development

In addition to this civilian aspect, there is also a budgetary one. Indeed, the narrow manoeuvrability of the European and national budgets makes it even more necessary to organise co-finance at regional and local levels - which, it is worth remembering, represent 42% of the total of public credit spent in Europe - if not, public policies cannot be correctly implemented. The days when the regional and local authorities came to collect their dues from the European and National authorities are long since over. It is now up to the project for Europe to build shared goals with them in order to be able to rely on their full participation.

Because each region lives globalisation in a different way and different territories must be able to give different responses

Globalisation is a twofold phenomenon. The scope is evidently global because the existence of world governance organisations (UNO, WTO, IMF, etc.) and the spread of technical elements such as modes of transport or communications technologies make Planet Earth into a "unity" of place and action. Then there are upheavals in the geographic distribution of wealth and some serious social and environmental consequences. Even so, each territory experiences these phenomena in a different way. Each region's opportunities, vulnerabilities and capacity to change are defined by a certain number of economic, social, environmental and cultural parameters.

The territories may well be the –fortunate or unfortunate– spectators of globalisation but they are above all its stakeholders. Thus, the OECD in its magazine *Regions at a glance*⁴ emphasises that *regional factors tend to play a part that is just as important as national factors in the promotion of growth in OECD Member Countries*. The improvement of European competitiveness and the return to growth will therefore depend on the capacity of public European but also national policies to apprehend the specific potential, needs and constraints of each territory better than in the past and respond to them in an appropriate manner. From this point of view, it is impossible to skip a detailed analysis of these characteristics and a study of the type of support to be provided. This is the case in particular in the frame of structural policies and State aid for regional purposes, which should no longer be seen as just policies of solidarity which re-distribute funds or as impediments to free, undistorted competition, but also, more important, as tools that are designed to activate the potential that is present in each territory.

Because the principle of territorial cohesion is from now on part of the primary law of the EU and it must be materialised

Since its creation, European Union Cohesion Policy aims above all to promote economic and social cohesion throughout the territory of Europe. Despite the gradual formalising of the concept of territorial cohesion, which appeared for the first time in 1997 in the Treaty of Amsterdam, the correlation between cohesion policy and territorial cohesion is tenuous; the increased gaps in the development of the European Regions highlighted in the 4th report on cohesion can be seen as proof of this. It is too early to make an objective analysis of this link for the period 2007 to 2013. Nevertheless, we can already imagine that the inequalities are likely to increase, because globalisation bears the seeds of heightened territorial inequality as a result of new competition. The opening up of the European market at global scale will tend to strengthen concentration in the most advanced development centres, reducing the number of globalisation-based centres in European territory.

The emphasis on the achievement of the objectives set by the Lisbon Strategy through earmarking funds in a homogeneous manner among all the territories with the same objective points in the same direction: the most advanced territories will find it easier to implement earmarked actions than the other regions.

In addition to the predictable effects, i.e. accentuated regional disparities due to the non-differentiation basis of the earmarking, it is regrettable to note that the Lisbon Strategy in its current formulation is interpreted almost exclusively in the economic sense today. The European Strategy for Sustainable Development or the Goteborg Strategy, adopted one year later, rectifies the concept with an integrated, sustainable vision of European growth. But the existence of two separate strategies make it impossible to adopt an integrated vision and the Goteborg strategy today is only the all too often neglected add-on to the Lisbon Strategy. The thought to be launched in the near future on how to follow up the Lisbon Strategy after 2010 must take this reality into account. Far from denying the urgent need for the European economy to step up its

⁴ *Regions at a Glance*, 2005, OECD

competitiveness, we are convinced in this framework, that territorial scope and environmental scope must be fully integrated into a broader conception of competitiveness.

Therefore, a considerable amount of improvement is necessary to prepare post-2013 cohesion policy that will materialise the territorial cohesion goal without abandoning the aim for economic and social cohesion. The proposals presented in the third part of this document are a first answer that will need to be completed and discussed in the coming months, especially during the discussions to be held after the publication of the European Commission's Green Paper on Territorial Cohesion.

3 - THE MAIN PRINCIPLES FOR AN EFFICIENT, MODERN POST-2013 COHESION POLICY

The critical analysis of current European policies described earlier on gives rise to two comments concerning post-2013 cohesion policy:

- The functioning of the instrumental mechanism for current cohesion policy is generally satisfactory, even if the findings of the European Parliament concerning the implementation of the budget demonstrate necessary changes in some of the new Member States;
- Highlighting globalisation and the effects of climate change implies directing structural aid towards both aspects while differentiating the potential and difficulties that are specific to each territory.

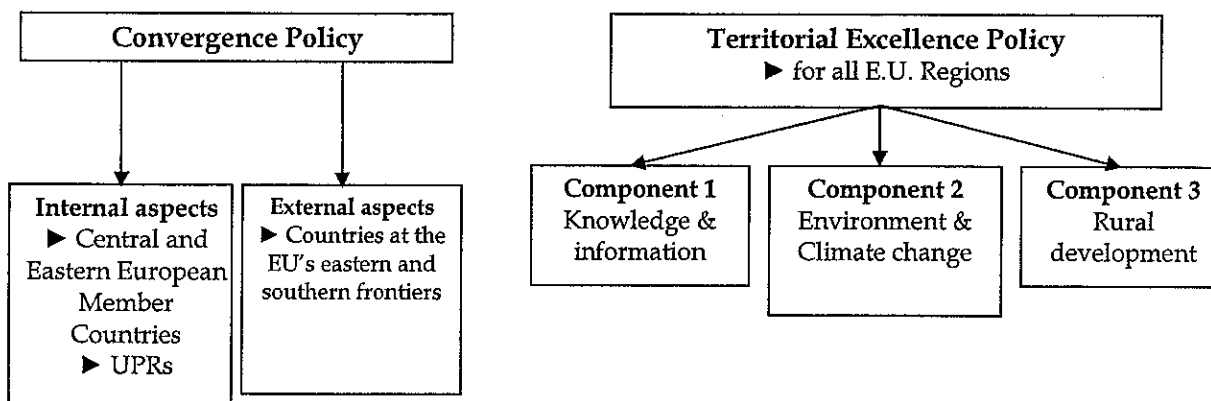
The following proposals form the general framework that the CPMR will develop in greater detail during the coming months. They are based on a clear distinction between:

- Integral convergence policy to enable the States which are the furthest behind in terms of development to catch up;
- "Territorial excellence" policy applicable to all the Regions in the European Union, designed to structurally adapt each territory to the challenges of globalisation and climate change.

At this stage, we prefer not to announce any figures for this project. We think that the approach selected by the Commission consisting of dissociating fundamental debate and financial negotiation is a wise one. But it is already possible to list a number of principles upon which the proposals are based:

- Although we regret it, for the time being the tightening of national budgets and the blurred global context make it somewhat unlikely that the States will chose to allocate more resources to the 2014-2020 community budget than they do today within the same legal perimeters.
- We believe that it is more appropriate to reason in terms of aggregate public expenditure for cohesion policy and for the other community policies, as proposed in the Communication concerning the review of the Community Budget. By matching the respective financial resources implemented at community, national, as far as possible infra-national and private levels against each policy, we should manage to establish a more complete, exact picture, which will therefore be subject to less controversy concerning the expenditure; we should also be able to better identify, first of all the places where the community adds value and secondly, the stakeholders who should sit at the table of efficient governance.

The diagram below summarises our proposals:



3.1 - INTEGRAL CONVERGENCE POLICY TO ENABLE THE STATES WHICH ARE THE FURTHEST BEHIND IN TERMS OF DEVELOPMENT TO CATCH UP

Internal component: Allowing the Regions which are the furthest behind in terms of development to catch up must remain a priority

It is both evident and undeniable that one of the highest post-2013 priorities for the European Union, especially for the budget, will be the regions which are the furthest behind in their development. The economic and social convergence of these regions is a *sine qua non* condition for the prosperity of the whole European Union, but also to consolidate the feeling of belonging to Europe: It is unthinkable that the "European miracle" that affected Spain and Portugal after joining the EU will not happen in the Central and Eastern Member Countries, which are the main ones concerned here.

Furthermore, the specific constraints of the Outermost Regions impose that they also continue to receive support after 2013.

As they are well behind in terms of development, the Member States in Central and Eastern Europe, where most of the regions that are the furthest behind in terms of development are located, will still need finance for fundamental infrastructure beyond 2013: transport, power and sewerage networks, solid waste treatment, health infrastructure, etc. These major works must be defined in a top-down approach under national plans to organise their implementation within the territories, while progressively encouraging the regional tier as a player in good governance.

This is why the "economic and social convergence policy" could materialise into a single "convergence fund" - similar to the existing Cohesion Fund - in which the allocations would be national ones. However, to avoid constant temptation to concentrate the investments on a capital Region, a "regional limit" mechanism could be introduced (e.g. by fixing a maximum percentage for the total aid granted to that Region).

But this fundamental support will have to be backed up by territorial excellence policy applicable to all European Regions (cf. 3.2, p.12/15), so that the regions in these countries, still hardly structured today, can be brought up to the regional dimension, awaken their own potential and improve their capacities to take action in this respect.

External component: It is a strategic necessity for the EU to make aid conditionality acceptable in European frontier countries

Defending and asserting European values - democracy, peace, the respect for human rights and the environment, cohesion - implies promoting them outside Europe in a more consistent, strategic manner. This is what is the European Commission's communication "Reforming Europe for the 21st Century" proposes; it is what Ms Danuta Hübner, the Commissioner for Regional Policy, is participating to by leading actions to promote the European cohesion model and teach countries like China, Russia and Brazil about it.

However, beyond these actions carried out throughout the world, it is in the political, economic and strategic interest of Europe to place the priority on action at its frontiers before anywhere else. As already mentioned, promoting a real "home market" composed of over 800 million people, the present EU and its official candidates on the one hand and all the neighbouring countries from the Baltic Sea to the Mediterranean, the Black Sea included, on the other, becomes a central issue in the future project for Europe:

- Economically speaking, by creating or strengthening frontier markets through structural action, the development of the EU frontier States would contribute to the economic development of the EU, especially the States and Regions of the new Members, thus amplifying the effect of structural community action.
- In terms of strategy and identity, the current functioning of neighbourhood policies causes a genuine rift between the status of being an EU Member Country and being a non-Member Country, due in particular to the fact that aid conditionality is entirely out of proportion considering the amount of aid granted. This situation partly explains the heated debate on European Union frontiers and the frustration of certain countries - Members and non-Member States. The implementation of a special partnership between boundary States and the EU would help to pacify the debate.

- In terms of security and immigration, this policy is the only credible response since it would enable the EU boundary States to hoist their economies off the ground.

This kind of structural aid programme in the context of a special partnership for European Union boundary countries could thus be the external component in the convergence policy. At the eastern boundaries of the EU, as in the Mediterranean, neighbourhood is directly, geographically with Regions that are the furthest behind in terms of development.

For the wider neighbourhood and the Outermost Regions, a specific programme could be planned.

The initiative, which we refer to as "Neighbourhood Convergence" would complete the internal component while improving its efficiency. Without anticipating the same scope of aid as for the Member States, it would restore the balance between aid conditionality - which could remain similar to what it is at present - and the amount of aid - which would be greater than today, to form "special partnerships" that are at last worthy of the name.

3.2 - "TERRITORIAL EXCELLENCE" POLICY FOR ALL EUROPEAN REGIONS

Territorial excellence, the political incarnation of territorial cohesion

As we have already explained in detail in the second part of this document, the double scope - global and regional - of globalisation places the Regions at the core of the European response. This is why it is absolutely necessary to maintain support to structural adjustment in all European Regions.

Territorial cohesion would be the legal basis for this structural, truly regional policy, which would be the result of an ambitious interpretation of the protocol focusing on subsidiarity in the Treaty of Lisbon. In the frame of a European strategy based on economic, social and environmental excellence to take over from the Lisbon strategy, the objective of such policy would be to provide each Region with the conditions necessary to participate in the strategy.

The implementation principles would be the following:

- Targeting action - with more focus than at present on support to factors that render each territory attractive. Attractiveness should be understood in the broad sense of the word which integrates both economic and environmental excellence, including for rural territories.
- The differentiation of support depending on the needs to adjust and the growth potential in each type of territory;
- Simplified management thanks to the creation of a single "territorial excellence" fund.

Regional policy with three priorities for real modernisation and efficiency

First priority: Economic intelligence

With greater globalisation, it will obviously be necessary to continue to support the creation of competitive regional economies in a more targeted, territory-based version of the existing earmarking system. In this framework, some thorough study of the type of support will be necessary. Indeed, we feel that the present forms of aid have their limits, namely the following:

- The European Social Fund, still mainly directed towards reducing unemployment (but after 2013, the logic should be more one of adjusting the active population to new jobs rather than reducing structural unemployment) through the implementation of national (rarely regional) plans which give little consideration to the differences in the Regions' situations and do not meet the demand of the European territories to train professionals who fit into their regional economies;
- State support for regional purposes, principally aid to enterprise. In a globalisation-based economy, such practice becomes obsolete with capital flows: no financial aid can guarantee that a company with a majority of national or even regional shareholding will stay in a regional territory. This is proved by the introduction of a measure imposing that any company deciding to relocate its activities within seven years after receiving subsidies must pay back the subsidies granted. Today it is the quality of the entrepreneurial environment - quick access to information and research and innovation capacities, access to education services, training, availability of personnel with high

added value for companies, cluster dynamics, methods of communicating with the rest of the world, etc. — that attracts companies, especially those with high added value and encourages them to stay in a given territory. Nevertheless, special treatment could be offered to certain VSE/SME which are well rooted in their region.

This is why it would be more relevant to encourage the attractiveness of the territories through actions aiming to strengthen the knowledge-driven economy:

- Promotion of direct research, development and innovation action excluding the financing of infrastructure and limiting the financing of intermediaries related to it.
- Implementation of regional training programmes for initial training and life-long learning in relation with universities and the economic world
- Specific support to the governance of innovation.

Second priority: "Climate change and the environment"

Climate change has become a tangible reality. European, national and local political leaders all admit the fact today. There is a real emergency to adapt to climate change and to attenuate its effects but purely regulatory action would provide an insignificant response. Only a combination of regulatory action and structural support through regional policy will provide a full, politically consistent response. Furthermore, to respond at regional scale makes sense because each territory is affected in a different manner depending on its physical, biological, economic and demographic characteristics.

These measures must be part of a more general approach that will consider that a territory's good environmental condition is an essential aspect of its attractiveness and hence, of competitiveness.

A detailed analysis of the actions that can be financed in this area will be carried out by the CPMR in the coming months. However, three types of actions can already be listed as eligible for financing under this priority:

- Actions attempting to apply community environmental regulations in general. Such actions already exist, in particular in the framework of the Natura 2000 network. They should be made systematic. By becoming an instrument for incentive, regional policy would thus lead to better coordination and more complementarity in community policies, but also to an improvement of how community environmental regulations and by extension, the action of the European Union in the field are perceived - at the moment, not very well.
- Actions aiming to anticipate (or respond to) changes in regional economies but also in the landscape and ecosystems in a territory (the result, for example, of the rise in sea level, glacier melting, increased temperature or the volume of rainfall, etc.)
- Actions to implement means of production, consumption and transport that cause less pollution — especially in urban areas, but not only — and sustainable energy sources (including renewable energy sources) as well as actions to improve energy efficiency.

It will also be appropriate to anticipate the possibility of an "assessment of the climatic impacts" of projects and programmes receiving community funding and a "carbon count" for each project. We can imagine that the analysis methods currently being developed will be perfectly operational in 2013.

These actions would be a real political signal from the European Union, addressed both to European public opinion which is more aware now than ever before of these problems, and at world level where it would be a pioneer in attempts to control climate change.

Third priority: Rural Development

Due to the natural and structural inequalities of rural regions, actions related to rural development are automatically territorial. Whether rural regions are being adapted to the consequences of market support policy transformation or whether it is a matter of promoting the sustainable management of natural resources, these actions are essential and will remain at the forefront after 2013. We must not forget that over 80% of the total area of the European Union is rural territory and almost 60% of its population⁵; these territories host high development potential and vulnerabilities the same as the other European territories.

⁵ Source: www.ec.europa.eu

After 2013, they will need to be mobilised and supported to ensure that they fully participate to the European cause.

This is why we think it is logical to transfer rural development actions from the Common Agricultural Policy pillars to one of the three components of territorial excellence policy. Action that could be eligible under this priority could concern the following:

- Environmental measures related to landscape maintenance, managing natural resources, decontaminating soils, etc.
- Measures concerning the maintenance of general interest services in these territories, among others to curb migration elsewhere and maintain a satisfactory rate of employment in rural regions which are the most isolated ones or in decline.
- Measures related to the engineering (non-agricultural) of quality production channels.

The transfer of the "rural" pillar of the present CAP does not mean that agricultural policy must come to a halt after 2014. On the contrary, an updated agricultural policy that has been adapted to the environmental issues and to quality, health and proximity will still be entirely justified (cf. 2.1, p.6/7). Simultaneously with this, the CPMR began its own reflections on this theme.

Thought about the conditions of implementation

The proposals above will not be of much use until deeper thought has been given to the conditions of implementation. What actions should be financed and how? The CPMR will make sure that some responses to this vast question are provided in the coming months. At this first stage of thought, here are a few ideas that might be interesting to develop.

Aid conditionality, the key to efficient implementation of this policy

As we have already said, this type of policy must be differentiated in its implementation so that it provides the best possible response to the needs for structural adaptation and development opportunities in each territory. The sort of differentiation could be established through the following, for instance:

- Classification of the regions by characteristics, e.g. Territory with permanent constraints (island or mountain regions, outermost regions, sparsely populated areas), isolated or declining rural area, crisis-affected urban area, area depending on fisheries, etc. The combination of several criteria could be considered. Cross-reading of the territorial typology with the three components of territorial excellence policy would allow better targeted support and therefore greater efficiency;
- Variation - conventional but efficient - in the intensity of the support and/or levels of co-financing, based on criteria such as GDP, unemployment and population; even if they are not complete, they are the only thing today that cannot be contested at European scale. This situation however, must not prevent thought to add to and improve these indicators.

The transnational dimension: Another scale in territorial cohesion

The implementation of Trans-national cooperation as it exists today can be largely improved on. While the idea of this instrument is to stimulate the development of a certain number of large, consistent transnational zones through strategic projects in order to achieve polycentric development of European territory, no conditions for success are required. To be noted, among others:

- The abyssal gap between the goals set and the resources allocated;
- The lack of coordination by the Commission and the lack of investment from the Member States to implement the programmes. It is indeed the responsibility of the Commission and the Member States involved - in close cooperation with their regional and local authorities - to allow polycentrically attractive zones to come into existence, as they are the only ones who have the necessary strategic outlook, since the implementation of such projects is the role of the States and the Stakeholders within them, which includes the Regions. But in most cases today, only the Regions are actively present when it comes to implementing cross-border cooperation programmes.

Yet, this transborder dimension in European policy is essential for territorial cohesion: It is another dimension which, thanks to coordinated action, facilitates the awakening of the potential and assets of large areas within the European Union.

The functioning of this instrument should therefore be modernised for greater efficiency, for example by allocating part of the territorial excellence fund to major transborder projects to be implemented through

consultation between the EC, the States concerned and the Regions concerned; the financing would also be shared: Community, National (State) and Regional. Transnational accessibility projects, including certain TEN-T sections could be included under this context, as well as the implementation of certain transnational strategies for integrated coastal management (not taken into account in national plans today) or for preventing natural or technological risks.

Improving governance

Since May 2006, the CPMR has carried out work on "*Territorial cohesion and the States-Regions partnership*" within the context of the preparations for the 2007-2013 programming period. In the case of the "*regional competitiveness and employment*" objective, this demonstrates a large disparity of the situations according to national administrative and institutional organisations, and, in some Member States, the existence of the possibility to greatly develop the involvement of the regional tier in the planning and management of structural funds, but also, more simply, in the information supplied to the Regions by the states.

Improving and deepening the partnership between the European Union, the States and the regional and local authorities appears to us to be one of the keys to the effectiveness of a territorial excellence policy. The CPMR intends to complete its work of 2006 shortly, in order to make proposals regarding this.

CONCLUSIONS

We believe that it is of the utmost importance for the first stages of the debate that is now beginning on the post-2013 future of the European Union to concentrate on the meaning of the future policies rather than on the amounts of money. Given the present upheavals imposed upon our territories by the world situation, and considering the issues raised by the 2004 and 2007 enlargements, it would be suicidal to forego in-depth debate or even to allow purely financial considerations to interfere.

We have decided to make full use of the open nature of the European Commission's consultations and the freedom of interpretation of the Lisbon Treaty, and to put forward a series of ambitious proposals based on the modernisation of common policies, the political materialisation of the territorial cohesion policy and renovated governance of the EU making the Regions the core of the post-2013 project for Europe.

In the coming months, the CPMR will develop its ideas on the different elements.