

Economics of agriculture

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REGIONAL DISPARITIES IN THE EUROPEAN UNION: POLICY OBJECTIVES, THE POOREST REGIONS AND MULTIFUNCTIONAL AGRICULTURE

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Abstract

The main aim of this paper is to identify regional disparities in the European Union and position of the agriculture in that context. In the paper are analyzed: the first, policy objectives of the EU policies in overcoming the regional problems; second, the proportion of the regional disparities and position of agricultural regions; third, the regional policies of the EU point to solving those problems. It is concluded that the poorest regions of the EU consist mostly agricultural activity and the EU budget for the period 2007-2013 has been extended in order to provide resources for alleviating regional disparities. When the Monetary Union was established apart from traditional motives for implementing a regional policy such as solidarity and facilitating Single Market functioning appeared a new reason. Monetary policy can be helped with regional policy in solving the problem of asymmetric shock.

Key words: *policy objectives; regional disparities, the poorest regions; multifunctional agriculture; regional policies, budget*

Objectives of the regional policy

The European Union set main objectives to itself in order to solve regional disparities, in the same way as other countries, especially with federal order. Therefore, the main objectives on those fields are following: first, to assist the development of areas lagging behind: second, to reduce regional imbalances in the Member States, that is, to solve the so-called cohesion problem (Tondl, G.,2001.,181.). There are numbers of arguments advocating necessity of the objectives to be realized. Researchers of the European union`s integrations pursued the next explanations (Molle, W.,1997., 419-20). First, The European Union justifies regional policy actions as a matter of solidarity between rich and poor areas of the European Union. Second, the major goal of a common regional policy was to facilitate the restructuring pressure on poor economic

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regions associated with creation of Single Market by supporting the modernization of their economic system. With the implementation of the European monetary union, which puts its member under a single monetary policy, a new outstanding argument has been appeared still. Common regional policy could become an important instrument in solving the problems of asymmetric shocks (Bayomi, T., Einchengreen, B., 1993., 193-229). There are a number of explanations about a need of alleviating regional imbalances in literature. Two, on a certain way aggregation arguments are considered to give the good base for justifying those kinds of engagements. First, the benefit of alleviating regional imbalances is not unilateral. A region which receives subsidies for enhancing its economic performances mostly has certain external effects. In agricultural regions, for example, recipients of subsidies could contribute the better equipment of producers, rising productivity and offer production under low prices; on the other hand, consumption of cheaper agricultural products have wide effect on family budget and further, on the possibility of decreasing (or slower growth) wages in the contributed regions. Preventing undesirable migration can be included in such considered contributions of the regional's imbalances correction. Besides, enhancing purchasing power of undeveloped regions extended the market for the producers from the contributed regions. In that context, the motivations of Germany or Holland for implementing Common Regional Policy should be understood. Second, macroeconomic stabilization policy has a regional policy of its own. Restraint inflation in regions can affect unemployment in others. Therefore, the direct intervention through regional policy can help to correct the previous shocks produced by monetary policy. But, there are the political reasons behind the economic one, mentioned above. The less developed European countries through long-term political negotiations have achieved to provide a compensation mechanism for potentially negative effects of economic integration (Allen, D., 1996.).

Regional dimension of the imbalances in the EU and agriculture

The regional problems in the European Union could be reduced, for the analytical purpose, on two poles: on the poorest and the richest regions. In the methodological sense this research uses NUTS 2 classification, at region, from 800.000 to 3.000.000. inhabitants (Table 1)

Table 1. Richest and Poorest NUTS 2 Regions (GDP PPP 2007)

Member State	Region	GDP per capita	
		in Euros	As % of EU-27 average
European Union		24,900	100.00%
Austria		30,600	122.80%
Richest	Wien	40,600	163.1 %
Poorest	Burgenland	20,300	81.4 %

Belgium		28,800	115.70%
Richest	Bruxelles-Cap., Brussels Hfdst.	55,000	220.9 %
Poorest	Hainaut	18,700	75.3 %
Bulgaria		9,400	37.70%
Richest	Югозападен	15,400	62.0 %
Poorest	Северозападен	6,400	25.6 %
Cyprus		23,300	93.60%
Czech Republic		19,900	80.10%
Richest	Praha	42,800	171.8 %
Poorest	Severozápad	15,400	61.7 %
Denmark		30,200	121.30%
Richest	Hovedstaden	37,400	150.3 %
Poorest	Sjælland	22,800	91.4 %
Estonia		17,100	68.80%
Finland		29,400	118.00%
Richest	Åland	35,700	143.0 %
Poorest	Itä-Suomi	22,100	88.8 %
France		27,000	108.50%
Richest	Île-de-France	42,000	168.7 %
Poorest	Guyane	12,100	48.7 %
Germany		28,800	115.80%
Richest	Hamburg	47,800	192.0 %
Poorest	Brandenburg-Nordost	19,000	76.1 %
Greece		23,600	94.30%
Richest	Αττικής	31,900	128.1 %
Poorest	Δυτικής Ελλάδος	14,900	59.7 %
Hungary		15,600	62.60%
Richest	Közép Magyarország	25,600	102.9 %
Poorest	Észak Alföld	9,800	39.4 %
Ireland		36,900	148.10%
Richest	Southern and Eastern	41,400	166.1 %
Poorest	Border, Midland and Western	24,700	99.2 %
Italy		25,800	103.40%
Richest	Lombardia	33,600	134.8 %
Poorest	Calabria	16,400	65.8 %
Poland		13,600	54.40%
Richest	Mazowieckie	21,700	87.1 %
Poorest	Podkarpackie	9,100	36.7 %

Portugal		18,800	75.60%
Richest	Lisboa	26,100	104.7 %
Poorest	Norte	15,000	60.3 %
Romania		10,400	41.60%
Richest	București - Ilfov	23,000	92.2 %
Poorest	Nord-Est	6,600	26.6 %
Slovakia		16,900	67.70%
Richest	Bratislavský kraj	39,900	160.3 %
Poorest	Východné Slovensko	11,500	46.0 %
Slovenia		22,100	88.60%
Richest	Zahodna Slovenija	26,600	106.7 %
Poorest	Vzhodna Slovenija	18,200	73.1 %
Spain		26,200	105.00%
Richest	Madrid	34,100	136.8 %
Poorest	Extremadura	18,000	72.4 %
Sweden		30,600	122.80%
Richest	Stockholm	41,000	164.6 %
Poorest	Östra Mellansverige	26,500	106.2 %
United Kingdom		29,100	116.70%
Richest	Inner London	83,200	334.2 %
Poorest	West Wales & The Valleys	18,300	73.4 %

Source: Eurostat, *Regional GDP in the European Union, 2010*

The data Table 1. shows that the richest countries have the poor regions. The region can be mentioned in Germany: North Brandenburg which realize 72% out of average GDP of EU 27. On other hand this division is fully clear at the new member state. So, as example, the richest region in Bulgaria realizes only 52% out of average GDP of EU 27, but the poorest just 27%

In the discussion of those issues should point to the next:

The richest regions and/or overpopulated regions (expressions often used in literature about regional development in the EU) are, as a rule, areas of big towns. Those regions characterize strength presences second and third activity in an economy. Especially the emphasize is on the third activity which, above all, include: bank and insurance sector, consulting services, but also traditional sector activity as whole trade. In those regions, as we saw, exists severe exception from the average GDP of the EU towards higher levels. Those could cause divisions in the EU. Therefore, a certain dose of external intervention is necessity in order to eliminate or alleviate those problems in the shape of the regional policy EU. The poorest regions in the EU, as a rule, are highly dependents from agriculture; it overcomes in economy structure, in revenue and in employment. The poorest regions are mostly located in mountains (over 500 m above sea level) or hills

areas, as on islands. In those areas prevails an agriculture consisted of peasant households with semi natural or semicommercialized economic structure, investments in productions are small, productivity and revenue are on a very low level. If the PPP (purchasing power parity) in EU marks with 100, then , in those areas , besides the above mentioned , can be included Greece and some Spanish regions: Uperios (43); Madera (55); Ditiki Elda(57); Peloponnese(57); Andalusia (58)(Benres, A., 2000., quoted Jovanovic., M, 2004., 530). It can be emphasized that regional policy should be pointed to enhancing vitality of the peasant households and development of activity helping carrying out agricultural activity. Other words, development of so-called multifunctional agriculture (villages infrastructure, development of different kinds of crafts, small and medium size enterprises connected with agricultural activity, villages tourism etc) as a protection agriculture environment are the main tasks of regional policy.

The regional policy of the EU for 2007-2013

The regional policy of the EU has transposed its goals for the period 2007-2013. The number of goals have been reduced to three and set up on the following way:

Convergence (formerly Objective 1): Regions whose per capita GDP is less than 75% of the EU average will be eligible; those are mostly the regions from the new member states which accessed the EU after 2004. Support will be temporarily given (untill 2013) to regions of the old member EU 15 where per capita GDP is below 75% as well. The goal is related to support for the growth and job creation.

Competitiveness and employment (formerly Objective 2); the goal has been designed to help the richer member states to cope with social and economic change. Employment initiatives are to be based on the European Employment Strategy (EES) what suppose job creation, adaptability of the workforce and accessibility to the labor market for the vulnerable person.

Territorial co-operation (new Objective). The goal is to stimulate cross-border co-operation in order to find a joint solution to problem such as rural, urban and coastal development, especially with the networking of SMEs

For the realization of that policy the legislative package was adopted (2006.), comprises one general and four specific regulations.

General regulation: The common rules in programming, managing, controlling evaluating the new regional policy; the emphasis added on environmental and accessibility issues and on the partnership principles that governs the whole policy.

1) A regulation on the European Regulation Development Fund (ERFD); to fund projects on research, innovation, environment, risk prevention, infrastructure in the least developed regions.

2) A regulation on the European Social Fund (ESF): to target projects for employment, quality and productivity at work and social inclusion – in line with the European Employment Strategy.

3) A regulation on the Cohesion Fund: to invest in environmental projects

and trans-European networks in number states with a GDP of less than 90% of the Community average National income.

4) A regulation on a new instruments, the European grouping of cross-border co-operation (EFCG); for cross projects.

In terms of financial resources, The European Council allocated 307,6 billion Euros (euractiv.com/en/future-eu/new-eu-cohesion-policy-2007-2013/article-131988) to realize the regional policy, for 2007-2013; 81% will be spent on Convergence regions, 15,8% will go to regions eligible under Competitiveness priority, and 2,44% will remain for European Territorial Cooperation.

Conclusion

This paper help us to draw the following conclusions: The first, motives of the EU regional policy are, above all, solidarity between the member states and enhancing efficiency in Single Market functioning; with introducing monetary unions regional policy should help monetary policy in eliminating asymmetric shock; second, there are profound regional imbalances in the EU. Some regions, as example in Bulgaria, have realized below 30% out of the average GDP of the EU 27 while some, like Inner London in Great Britain more than 200% out of the average GDP in the EU 27; Third, the poorest regions are mostly based on agriculture activity; Fourth, the important resources have been provided in EU budget for the period until 2013 in order to overcome those proportion; Fifth, a concept of multifunctional agriculture should act the decisive role in developing agrarian areas.

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