

EUROPEAN PARLIAMENT

1999



2004

Session document

17 December 1999

FINAL
A5-0107/1999

REPORT

on the Sixth Periodic Report on the Social and Economic Situation and
Development of the Regions of the European Union
(SEC(1999) 66 – C5-0120/1999 – 1999/2123(COS))

Committee on Regional Policy, Transport and Tourism

Rapporteur: Rolf Berend

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Procedural page

By letter of 3 August 1999 the Commission forwarded its Sixth Periodic Report on the Social and Economic Situation and Development of the Regions of the European Union to Parliament (SEC(1999) 66 – 1999/2123(COS)).

At the sitting of 13 September 1999 the President of Parliament announced that she referred this Sixth Periodic Report to the Committee on Regional Policy, Transport and Tourism as the committee responsible, and to all other interested Committees for their opinions (C5-0120/1999).

The Committee on Regional Policy, Transport and Tourism had appointed Mr Berend rapporteur at its meeting of 31 August 1999.

It considered the Sixth Periodic Report and the draft report at its meetings of 22 September 1999, 24 November 1999 and 14 December 1999.

At the last meeting it adopted the motion for a resolution by 41 votes with 5 abstentions.

The following were present for the vote: Konstantinos Hatzidakis, chairman; Emmanouil Mastorakis, Rijk van Dam and Helmuth Markov, vice-chairmen; Rolf Berend, rapporteur; Pedro Aparicio Sánchez (for Juan de Dios Izquierdo Collado), Sir Robert Atkins, Theodorus J.J. Bouwman, Philip Charles Bradbourn (for Luigi Cesaro), Martin Callanan, Carmen Cerdeira Morterero, Luigi Cocilovo (for Raffaele Fitto), Francis F.M. Decourrière, Giovanni Claudio Fava, Fernando Fernández Martín (for Mathieu J.H. Grosch), Jacqueline Foster (for Francesco Musotto), Jean-Claude Fruteau (for Danielle Darras), Georg Jarzembowski, Dieter-Lebrecht Koch, Brigitte Langenhagen (for Reinhard Rack), Sérgio Marques, Erik Meijer, Rosa Miguélez Ramos, Camilo Nogueira Román, Juan Ojeda Sanz, Karla M.H. Peijs, Wilhelm Ernst Pieczyk, Samuli Pohjamo, Carlos Ripoll i Martínez Bedoya, Isidoro Sánchez García, Marieke Sanders-ten Holte (for Elspeth Attwooll), Gilles Savary, Agnes Schierhuber (for Dana Rosemary Scallon), Ingo Schmitt, Elisabeth Schroedter (for Reinhold Messner), Brian Simpson, Renate Sommer, Per Stenmarck (for Ari Vatanen), Ulrich Stockmann, The Earl of Stockton, Margie Sudre, Ioannis Theonas (for Emmanouil Bakopoulos), Francesco Turchi (for Gerard Collins), Luckas Vander Taelen (for Josu Ortuondo Larrea) and Mark Francis Watts.

The opinion of the Committee on Fisheries is attached.

The report was tabled on 17 December 1999.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

MOTION FOR A RESOLUTION

Resolution of the European Parliament on the Sixth Periodic Report on the Social and Economic Situation and Development of the Regions of the European Union (SEC(1999) 66 – C5-0120/1999 – 1999/2123(COS))

The European Parliament,

- having regard to the Sixth Periodic Report on the Social and Economic Situation and Development of the Regions of the European Union (SEC(1999) 66 – C5-0120/1999),
- having regard to Article 8 of Regulation (EEC) No 2083/93 of 20 July 1993 on the reform of the ERDF¹,
- having regard to the amended regulations (EEC) No 2082/93 of 20 July 1993 setting out the implementing and financial provisions governing the Structural Funds until 1999²,
- having regard to Regulation (EC) No 1260/99 of 21 June 1999 laying down general provisions on the Structural Funds³ from 2000,
- having regard to the first report on economic and social cohesion (COM(1996) 542 – C4-0016/1997) and its resolution of 19 November 1997⁴,
- having regard to the European Spatial Development Perspective and to its resolution of 2 July 1998 on regional planning and the European Spatial Development Perspective⁵,
- having regard to Articles 2 and 3(2) of the EC Treaty stating the Community's tasks include promoting equality between women and men and eliminating inequalities, and having regard to the fourth medium-term Community action programme on equal opportunities for women and men (1996-2000) (COM(1995) 381) and its resolution of 17 November 1995 on this programme⁶,
- having regard to Rule 160 of its Rules of Procedure,
- having regard to the report of the Committee on Regional Policy, Transport and Tourism and the opinion of the Committee on Fisheries (A5-0107/1999),

¹ OJ L 193, 31.7.1993, p. 34

² OJ L 193, 31.7.1993, p. 20

³ OJ L 161, 26.6.1999, p. 1

⁴ OJ C 371, 8.12.1997, p. 89

⁵ OJ C 226, 20.7.1998, p. 42

⁶ OJ C 323, 4.12.1995, p. 167

- A. whereas strengthening economic and social cohesion is, according to Articles 2 and 158 of the EC Treaty, one of the European Union's principal objectives, which is supported by the creation of the internal market and the establishment of economic and monetary union,
 - B. whereas the structural policy has been reformed with a view to achieving concentration, simplification and efficiency and the accountability of the Member States and regions has been increased,
 - C. whereas the Community's regional and structural policies are geared to the long term and the existing financial framework for these policies should be borne in mind,
 - D. whereas, pursuant to Article 299(2) of the EC Treaty, aid for sustainable development of the outermost regions, support for the emergence of competitive, innovative sectors in these regions, dealing with situations where development is lagging behind and compensation for the permanent and cumulative handicaps such regions face all constitute a renewed obligation on the Union in terms of its goal of social and economic cohesion,
- 1. Notes with satisfaction the submission of the Sixth Periodic Report, which, together with the Fifth Periodic Report and the first report on cohesion published in 1996, gives a comprehensive and detailed description of the economic and social situation of the Union's regions and the trends in this respect and forms a sound basis for the formulation of structural policy priorities at Union level;
 - 2. Welcomes the fact that from year to year these reports have improved in terms of the quality of the development factors described and analysed and in particular that the analysis of 'soft' factors which are difficult to measure has been included; welcomes the extension of the period covered, which allows economic fluctuations to be accounted for;
 - 3. Notes that the report includes numerous references to the uncertainties of the statistical parameters and reiterates its concern that efforts in relation to definition, collection and analysis of representative indicators should be stepped up, in particular at regional level and for the central and eastern European countries; regrets that the interaction of individual factors is not analysed and proposes that in future greater account should be taken of the complex links between cause and effect;
 - 4. Welcomes the crossing of a quality threshold in the analysis of regional data but notes, nevertheless, the progress which is still needed in terms of understanding; regrets, however, the absence of any specific analysis concerning islands and very peripheral regions which, to varying degrees, face particular situations; considers, in this context, the implementation of the ESDP to be important so as to achieve balanced spatial development in particular for the islands and remote regions of the European Union;
 - 5. Applauds the overall quality of the second part of the periodic report on factors relating to competitiveness, which offers new and interesting perspectives in relation to a balanced and polycentric development plan for Europe and sums up extremely well the central-peripheral aspects of Europe in terms of competitiveness;

6. Notes with satisfaction that some of the recommendations made in its report on the Fifth Periodic Report have been taken up by the Commission in its Sixth Report, including in particular the recommendation concerning competitiveness and enlargement; recognises that the requested analyses of the effects of government subsidies and of national and Community policies are contained in the first report on cohesion published in 1996;
7. Emphasises the need to prevent the combination of the report on cohesion and the periodic report to form one three-year report on economic and social cohesion from resulting in any loss of substance; calls on the Commission to extend the analyses relating to the regions' competitiveness to include the Central and Eastern European countries in its next report; calls repeatedly on the Commission to analyse the need for recuperation and emergence of the informal economy as an important factor in a region's economic situation;
8. Questions the effects of enlargement with regard to the distribution of structural funds and in particular the repercussions for the outermost regions; Calls on the Commission to devote a specific chapter in its next report on economic and social cohesion to consideration of the impact of the measures adopted under Article 299(2) of EC the Treaty, on the economic and social development of very peripheral regions;
9. Notes with satisfaction the progress made by a large number of poor regions in Europe in recent years, given that these regions are basically those which started from a very low level and which during the statistical period under consideration have benefited from European integration; stresses, however, that the marked progress in per capita GDP noted between 1991 and 1996 (from 45 to 59, index = 100) relates also to the catching up by the German Länder eligible under Objective 1 and that without these areas growth is limited (from 56 to 61, index = 100);
10. Notes with satisfaction that the poorest regions are catching up in terms of per capita GDP; notes with concern that in Europe as a whole this trend is mainly due to an increase in productivity and to only a limited extent to an increase in employment; calls on the Commission and the Member States to take appropriate account of the effect of the measures adopted on employment when selecting development strategies;
11. Recognises that the tendency towards nominal convergence at national level is not yet accompanied by real convergence at regional level in all sectors; points out that differences increasingly obtain between the regions and that the differences between the poorest and richest regions are still very pronounced; notes with concern that the rise in unemployment has affected the regions to widely differing degrees; calls for greater account to be taken of conditions in individual regions, including long distances, low population density and harsh climate, and, especially, the causes of unemployment; Calls for the dimension of territorial cohesion in its national, interregional and crossborder aspects to be included in future in the triennial reports on economic and social cohesion;
12. Stresses that a spatial analysis of the development in regional GDP clearly shows much more complex regional disparities in relation to three basic phenomena, which would call for the strengthening of Europe's territorial cohesion:

- continuation of very strong growth in central areas of Europe and thus a strengthening of the most dynamic European zones above the Community average,
 - the catching up by certain Iberian regions, Ireland and Länder covered by Objective 1 which contrasts with the poor growth in most Greek regions, a large part of the Mezzogiorno, islands and other Iberian regions,
 - the poor growth – well below the Community average – of many peripheral regions that are not eligible under Objective 1; this applies in particular in the Scandinavian countries, in France and to a lesser extent in the United Kingdom and Italy;
13. Recalls the reference in the report to 50% of unemployment being due to structural unemployment; endorses the Commission's contention that a broad economic base is the prerequisite for a region's positive development and for the creation and preservation of jobs; maintains that the promotion of competitiveness and environmental sustainability of trade and industry and the promotion of infrastructure for economic activity must be the focus of structural policy;
 14. Stresses that the employment situation in the various regions of the Member States is so specific that authorities in the Member States ought to bear prime responsibility for measures to promote employment; hopes that the Commission will operate its programmes as a supplement to national policy;
 15. Emphasises the need for integrated measures to combat structural unemployment; refers in particular to the need for retraining and continuing training schemes for workers;
 16. Refers to the positive impact that small and medium-sized enterprises have on employment; points out that an interest should be taken in strengthening the entrepreneurial potential of SMEs and that services for SMEs should be further improved; points out that, if promotional funds are to be used efficiently, promotional measures must be coordinated with the wide-ranging promotion of SMEs and the establishment of new firms; considers that less developed regions should have the opportunity to use financial incentives which do not distort competition in order to create a level playing field for businesses, for example to solve problems arising from long distances; takes the view that in this way support could be provided for the siting of businesses in such regions;
 17. Points out that uncontrolled population movements accentuate regional disparities in many regions, as regions of emigration enter a spiral of contraction and their infrastructure is underused, while regions of immigration face problems because basic services are inadequate and the unemployment which in many cases exists there persists because new manpower is constantly arriving due to population movements; stresses that greater account should be taken of uncontrolled population movements in order to ensure that measures are targeted on the right regions and to reduce regional disparities;
 18. Emphasises the need for the Commission and Member States to gear policy strategies to the business community's economic requirements, especially where these are related to job creation;

19. Notes with concern the increasing exclusion of certain people from the labour market, in particular the above average proportion of unemployed women and young people, reminds the Member States and the Commission of their obligation under the structural fund provisions to ensure equality of opportunity; supports the Commission's efforts to integrate the policies geared towards these population groups with other policies; considers it necessary that analysis of the requirements for improved integration of these population groups should be stepped up as a basis for successful strategies for action;
20. Draws attention to its great concern over the major imbalances in research and development; points out in this context the significance of the transfer of technologies and know-how in triggering innovative activity in undertakings or as a precondition for transforming R and D results into innovative products; proposes to the Commission and the Member States that exchange of knowledge between the regions should be improved to maximise the spill over effects of scientific and technical progress and to encourage integration into the production process;
21. Draws attention in particular here to the opportunities offered by telecommunications; stresses the need to expand the connections, in particular in less-favoured and remote regions;
22. Considers the influence of 'soft' factors on growth and employment to be very important; shares the Commission's view that the structural policy gives positive encouragement for the efficiency of national administrations; considers, in this connection, that the Commission's monitoring and control functions are extremely important;
23. Refers repeatedly to the important role played by local and regional authorities and the voluntary sector and actors in the removal of regional and social inequalities; welcomes the partnership targets in the context of structural policy; emphasises the importance of institutional and social networks for competitiveness; refers to the favourable effects of structural policy in terms of the creation of a culture of cooperation;
24. Calls on the Commission to improve the legal bases for cooperation between regions in the Member States and the applicant countries;
25. Emphasises that, where co-financing is concerned, the Community's financial contribution can lead to no more than the gradual removal of economic and social imbalances; calls on the Commission to carry out an accurate evaluation of the Member States' activities in regions for which Structural Fund resources have been approved and to be strict in its monitoring; urges the Member States to ensure that financial or political operations in regions qualifying for assistance strengthen and underpin the goal of economic and social cohesion;
26. Draws attention to the special need to consolidate the budget as a prerequisite for the success of economic and monetary union and the enlargement of the Union to the east;
27. Calls on those Member States that have not yet submitted an adequate map of development regions to do so forthwith and calls on the Commission to examine with due speed the

operational programme for the regions for the new support period (2000-2006) in the light of the results of the sixth periodic report and to do everything possible to ensure that this support period can begin without any delay;

28. Regrets the Commission's failure to include mention in its Sixth Report of the importance at regional level, in many of the EU's regions, of the fisheries sector as an endogenous factor of economic and social development, or of the resultant need to maintain a structural policy taking account of its particularities with a view to effectively contributing to economic and social cohesion in the Union's regions;
29. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENT

FRAMEWORK OF THE SIXTH PERIODIC REPORT

Legal framework

This is the latest in a series of reports on the process of cohesion, regional policy and trends in the regions published by the Commission every three years in accordance with Article 8 of the regulation on the European Regional Development Fund⁷. Article 159 of the EC Treaty requires the Commission to submit a report on economic and social cohesion every three years in the future, which will continue the analyses that have hitherto appeared in the Periodic Report on the regions on the basis of statistics which are comparable and as up-to-date as possible, complemented by analyses of the contributions made by national and Community policies to economic and social cohesion. The first 'cohesion' report was adopted in 1996. This tradition of periodic reporting can generally be said to guarantee an uninterrupted overview of the development of the regions and of interaction with the Structural Fund policy (and so, to a degree, an evaluation of the Structural Fund policy at European level) and the need to record comparable regional statistics – at regional as well as national level.

The current report contains background information on social and economic trends in the regions. Besides updating the information presented in the Fifth Periodic Report (1989-1991) and the Cohesion Report (1996), it contains new data on and analyses of the effects of significant changes at regional level, including effects of increasing globalisation, advances in information technology, the transition to the euro and the foreseeable enlargement of the EU to embrace the Central and Eastern European countries. The report also describes the outcome of the implementation of the legislative reforms (Structural Fund reform in 1988) and the Financial Perspective in the structural policy sphere, and is thus intended as a guide for the implementation of the new programmes financed under the structural policy in the period 2000-2006.

Time frame

The Periodic Reports have been presented every three years. Against the background of far-reaching political developments and macroeconomic decisions, the question of how the findings of the three-yearly reports can form a suitable basis for the study of trends has resulted in the review period being increased. Where possible, the base period has been extended to ten years, partly with a view to minimising the effects of economic fluctuations. The period 1986-1996 has been chosen for GDP data at regional level, the period 1987-1997 for labour market data. As the time series available for some 'new' indicators are very short, only the most recent data are used.

The three-yearly reports naturally suffer from the fact that they cannot cover trends in the same geographical or the same economic and social context. Successive enlargements to include new

⁷ Council Regulation No 2083/93

Member States, which broadens the image of the Community's economic and social heterogeneity in some important respects, make it more difficult to gain access to comparable data.

On the whole, the figures available nonetheless form a sound basis for predicting regional trends and enable longer-term trends to be forecast.

Policy framework

After the adoption in 1987 of the Single European Act, the policy and legal framework for the internal market, the policy for promoting the development of the less-developed regions became the Community's back-up policy. Strengthening economic and social cohesion is one of the main pillars of the Treaty on European Union. The Community's structural policies seek to promote the structural conversion and adjustment of the regions and to reduce regional disparities in terms of per capita GNP and unemployment figures.

The achievement of these objectives is backed by the Community budget. Until 1999 some 36% of resources have been earmarked for structural measures (compared to 31% in 1993), with about 74% of this going to the Objective 1 regions and 54% to the four poorest Member States.

The reform of the Structural Funds for the Structural Fund period 2000-2006 is dominated by the principles of the concentration and efficiency of resource utilisation. The proportion of the population qualifying for assistance from the Structural Funds throughout the EU has been reduced, as have the number of objective programmes (from 7 to 3) and the number of Community initiatives (from 13 to 4). The Financial Perspective for 2000-2006 earmarks a total of 32% of Community resources for structural measures, which, given the reduced proportion of the total population qualifying for assistance, means an increase in assistance per capita.

The forthcoming enlargement of the EU has implications for the Structural Fund objectives and the measures taken to achieve economic and social cohesion. The Commission has taken account of this aspect in the current report and provided an overview of the situation in the candidate countries since the collapse of the old power structures.

FINDINGS OF THE SIXTH REPORT

To evaluate economic and social convergence and the degree of cohesion, the GDP of the regions and especially unemployment figures and many other important indicators are reproduced for each of the Union's 206 regions and their 373 million inhabitants (unless otherwise stated, the statistics concern the EU 15). In the case of the most important indicators, per capita GDP and unemployment, each region at the administrative NUTS 2 level has been classified according to its relative strength.

As regards the quality of data the Commission has the problem of there being numerous uncertainties attached to the necessary parameters (deficient or no more than rough statistical records, short time series, different periods and geographical areas as frames of reference) and of

sometimes having to interpret the results of analyses with caution. As uncertainties also exist in the case of data from the CEEC, especially those concerning the regional level, the findings often cannot be regarded as any more than indicative.

ECONOMIC INTEGRATION

Gross domestic product

In the Sixth Periodic Report the Commission undoubtedly comes to the conclusion that regional imbalances in the European Union are shrinking and that the poorest countries are catching up. While GDP grew by an average of almost 2% p.a. from 1986 to 1998 despite the recession in the early 1990s, the per capita GDP of the ten poorest regions of the Union (excluding the new German *Länder*) rose from 41 to 50% of the Community average and the per capita GDP of the 25 poorest regions from 52 to 59%. In the Objective 1 regions per capita GDP increased from 66% to 1988 to 68% in 1996, and only eight Objective 1 regions are not rising towards the EU average. The disparities among regions with below-average GDP have shrunk considerably, while the disparities among regions with above-average GDP have grown.

Catching up is doubly difficult for the poorest countries (1986-1996 GDP growth by 10 percentage points to 76.5% of the EU average) in that they are starting from a low level and also have to meet ever more stringent requirements. The data reveal that catching up very much depends on the general economic situation and that for a time the recession of the early 1990s resulted in a slight increase in the disparities, meaning that it affected the poorer countries more than the richer ones.

The Commission believes the cohesion countries are catching up primarily because of the increasing economic integration in Europe and the contribution made by the Structural Funds, which are providing a major boost to growth in the poorest regions. The urban-rural mix and the structure of the economy are recognisably crucial factors for regional economic strength.

In the period 1988-1999 Structural Fund allocations were equivalent to an annual average of 3.2% of GDP in Portugal, 3.4% in Greece, 2.1% in Ireland and 1.1% in Spain. Although their contribution to the growth of GDP differs with the macroeconomic model taken as the basis, the assistance provided and national co-financing accounted for an average of more than 30% of total investment in Ireland and Portugal and more than 40% in Greece. A growing proportion of the capital stock in all four countries (2 to 3%) is due to allocations from the Structural Funds.

Growth is also stimulated by direct investment from other Member States. International trade and foreign investment in particular are important growth factors in this context not only because of their direct impact on incomes but also through their promotion of innovation, technology transfer and the modernisation of the structures of production. Also important in this context in many poorer regions have been supply-side improvements, the strengthening of productive capacity and a shift to sectors where value added is high, the Structural Funds providing support in each case.

It should not be forgotten, however, that the linkages with the cohesion countries are still at a low level, though rising, and that the benefits of these economic linkages are not equally perceptible in all regions. Nor should the data be allowed to conceal the fact that there are still significant regional differences, which are becoming increasingly apparent **within** the Member States rather than between them. Almost 20% of the EU's population continue to live in regions with a per capita GDP 25% or more below the EU average, and even within these Objective 1 regions there are major disparities: while a heterogeneous group of regions with the highest per capita GDP have already risen above the 75% threshold – and will qualify only for transitional assistance during the Structural Fund period 2000-2006 – and per capita GDP in a second group is slightly below this level, the GDP in a third group is below 70% and in some instances well below this figure. It includes large areas of the Greek mainland and of central and northern Spain, Portugal (excluding Lisbon), the southern Italian regions and the French overseas departments and all the new German *Länder* (except Berlin), where reunification stimulated growth in 1991 and 1992, but thereafter the high cost of integration reduced the growth rate in Germany to a level below the EU average.

Despite economic recovery since 1993, average per capita GDP in purchasing power standards in the CEEC was only 40% of the EU average in 1997, which means a significant difference not only from the average for the EU Member States but also from the figures in the cohesion countries. As expected, per capita GDP differs widely among the candidate countries. With a per capita GDP of 67% of the EU average, Slovenia leads the candidate countries, followed by the Czech Republic, at 61%. While Slovakia and Hungary are just above the CEEC average, Poland, at 36%, is slightly below. The lowest level is to be found in Rumania, Bulgaria and the Baltic States of Estonia and Lithuania, Lithuania having the lowest per capita GDP, at only 25% of the average. Current trends show that Cyprus would not satisfy the Objective 1 criterion.

Unemployment

Economic growth throughout Europe in the past ten years has been largely achieved through increases in productivity rather than the creation of jobs. At the end of 1998 16.5 million people throughout Europe had no job, this being equivalent to an unemployment rate of almost 10%. While the poorest regions are rising to the EU average in per capita GDP terms, the differences among the regions have increased where unemployment is concerned.

In the 10 (25) worst affected regions unemployment was 8 (5) times higher in 1997 than in the 10 (25) least affected regions. What is even more disturbing, however, is that the unemployment rate in the 25 worst affected regions has risen almost 4 percentage points to 23.7% in the past ten years, whereas the situation in the 25 least affected regions has remained stable (at about 4%). Another problem appears to be that, as an indicator of structural unemployment, long-term unemployment accounts for an average of 50% of total unemployment in Europe (the figures ranging from 80% in the south of Italy to 20 to 30% in Austria, Denmark and Finland) and that young people and women are particularly hard hit by unemployment.

The composition of the list of regions is also cause for thought: apart from a number of Spanish regions that were included ten years ago, it has changed completely, the trend in unemployment, unlike GDP, thus varying widely in dynamism.

In total, one third of unemployment throughout Europe is concentrated in Objective 1 regions, where one quarter of the population lives. The leader in this respect is Spain (averaging 24%), where the figures are more than three times as high as in most regions of Portugal and Greece and six times as high as in Burgenland (Austria). In terms of overall labour productivity, the new German Länder are well behind the other Objective 1 regions, and in terms of unemployment too their position compared to the other Objective 1 regions has worsened since 1993.

While it is estimated that some 800 000 jobs (3.5% of the total labour force) have been created in the four cohesion countries in 1999 thanks to Structural Fund measures, all that can be said about the effects of Structural Fund measures on employment in Objective 2 and 5b regions is that structural changes in Objective 2 regions often result in growth in the small enterprise sector, with a net increase in jobs, and that in Objective 5b regions net increases in employment are achieved primarily through economic growth in sectors close to agriculture. In general, however, structural measures appear to have a limited impact on employment.

In most of the CEEC unemployment has risen sharply since the collapse of communism, ranging from 5% in the Czech Republic to 14% in Bulgaria, Latvia and Lithuania. It also varies considerably from one region to another: in general, unemployment is relatively low in the western and urban regions, while the eastern regions and those dependent on traditional industries have very high unemployment figures.

A greater effort must be made in the next few years to increase the employment intensity of growth. The report refers to education, flexibility (acceptance of retraining and life-long learning), access to the labour market and the integration of those excluded from the labour market as basic criteria for success. Structural problems call for structural problem-solving approaches, and the support instruments used must be attuned to the various regional requirements. Less-developed regions need support to increase investment and improve their economic base, while regions undergoing structural change, where unemployment is often highest, need help with the relocation of the employed to growth sectors and a wider range of economic activities. At the same time, efforts must be made to increase the flexibility of labour markets.

COMPETITIVENESS

As the European Parliament's report on the Fifth Periodic Report pointed out, efforts to identify current regional trends and the most effective means of achieving growth must continue so that effective policies for removing regional disparities may be developed.

In this report the Commission has therefore attempted for the first time to define the factors relating to the level of regions' competitiveness with the aid of parameters and to depict the implications of a change in these factors with the help of scenarios. Referring to the relevant literature, the Commission selects four factors for which the closest links with per capita GDP can be demonstrated: the structure of economic activity, the extent of innovative activity, regional accessibility and the skills of the work force. These factors are closely connected and also reflect effects of differences in factors that can be measured less easily, particularly the

efficiency of regional institutions, and especially of the public administration, the availability of assistance and services for undertakings and the current social infrastructure.

It is evident that the factors vary in their influence on the development of regions, the structure of economic activity being more closely linked to GDP than any other factor, and that, as expected, any change in a single factor differs in its impact depending on the region's problems. In the less-developed regions an unfavourable structure of economic activity and a low level of innovative activity generally appear to be the main problems, from which it is inferred that improving the economic base in the less-developed regions and help to increase investment should be a focal area of any development strategy. Accessibility and the skills of the work force are also important, but their influence appears to some extent to be indirect and exercised through other factors, such as the structure of economic activity and the extent of innovative activity. However, there are exceptions, where a lack of accessibility is in itself of crucial importance, as in the remoter regions of Finland and Ireland.

The nature of the link between these four factors and per capita GDP indicates that regional disparities would be reduced to about half their current level if the differences in these factors were eliminated. Despite this, there would still be major differences in the competitiveness of the regions, and approximating the level of the four factors in the EU would probably call for changes in other respects, such as the state of the economic base (innovative capacity, foreign direct investment, small and medium-sized enterprises), and changes to institutional factors (efficiency of the public administration, provision of support services) and social factors. It is of the utmost importance that the impact of measures on employment should be taken into account in this context in the future.

Factors in competitiveness

In its report the Commission gives an overview of factors that are likely to make a major contribution to a region's competitiveness and, where data are available, attempts to compare the Member States.

Empirical studies show that the growth of **research and technological development** is closely linked to the growth of GDP, with the causal link likely to pass from innovation to growth. Where R&D activities are concerned, there are very significant differences among the Member States of the Union, which increase further at regional level and are substantial not only in the cohesion countries. It should be remembered in this context, however, that it is clear from trends in the USA that it is not only a region's own R&D activity but above all the rapid transfer of technology and know-how to and among the regions which is highly stimulating.

Another essential factor for a region's success appears to be the **number of SMEs** it has, primarily because of the disproportionately high share of the net number of newly created jobs for which they have accounted for some years and the considerable flexibility with which they adjust to changes in circumstances. Their number and relative size may be a misleading indicator of their potential for growth in economic and employment terms if sectoral distribution, market focus, technological standard and workers' skills are not taken into account. Thus a high concentration of SMEs in less-developed regions of the EU may also be a sign of a weak and

obsolete economic structure, and although the density of enterprises is highest in the southern Member States, they are mostly family firms and much smaller (in terms of workforce and turnover) than in the other Member States.

Considerable importance is commonly attached to a region's **infrastructure facilities**, the differences in transport infrastructure among the Member States tending to concern the quality of systems and the differences within Member States their quantity. Major differences between the cohesion countries, or the CEEC, and the other Member States continue to exist in such areas as telecommunications and environmental technology.

A comparison of **training levels** shows that the proportion of people in higher education does not correspond to per capita GDP figures. Where there are differences in levels of education between poorer and richer Member States, the cohesion countries are not found to be lagging behind significantly, although the proportion of people who have had no more than compulsory education is highest, though tending to decline, in the cohesion countries, Italy and Luxembourg. The gainfully employable population in the CEEC is generally well educated.

Particular importance should be attached to taking account of less tangible 'soft' factors, especially the **institutional structure**, and their effect on growth and employment. Such factors as social capital and the efficiency and effectiveness of public administration make a decisive contribution to regional development. Considered to be essential prerequisites in this respect are the establishment and operation of networks, social interaction and the existence of economic relationships, which must, however, if they are to remain successful, be repeatedly exposed to external influences so that they may reform, in which the current competitive pressure among the regions is also a contributory factor. A survey has shown that the Structural Funds based on the principles of planning, partnership and evaluation have helped to change the methods used by national, regional and local authorities to address development and restructuring problems and have promoted cooperative practices.

Particular attention was paid to these aspects at the time of the most recent amendment of the Structural Fund regulation. In line with the subsidiarity principle procedures were simplified and the partnership principle was strengthened, especially during the programming phase. Only practice, however, will show how effective this legislation is.

OPINION by the Committee on Fisheries

(Rule 162 of the Rules of Procedure)

for the Committee on Regional Policy, Transport and Tourism

on the Commission's Sixth Periodic Report on the Social and Economic Situation and Development of the Regions of the European Union (SEC (1999) 66 – C5-0120/1999 – 1999/2123(COS)) (report by Mr Berend)

Committee on Fisheries

Letter from the committee chairman to Mr Hatzidakis, chairman of the Committee on Regional Policy, Transport and Tourism

Brussels, 7 December 1999

Dear Mr Hatzidakis,

The Committee on Fisheries considered the above subject at its meetings of 22 November and 6 December 1999.

At the last meeting it adopted the following conclusions:

There is nothing new in stressing that fishing is one of the oldest, hardest and most dangerous occupations there is. It is also an activity which is largely dependent on weather conditions and climatic phenomena, and thus not very stable in terms of earnings. Although small coastal fishing vessels are still in existence, for many years now safer, higher-capacity boats have been in use, with high-precision navigational and fish-detection equipment and increasingly effective fishing gear. It needs to be stressed, therefore, that fishing is an activity which requires massive investment: the cost of a new, modern boat suitable for deep-sea fishing is extremely high.

In any event, fishing is an important basic activity serving humanity's basic needs; it has both an economic and a social dynamic, particularly since it is mainly carried out far from urban centres, on the periphery of Europe and among the islands, and thus in regions which are heavily dependent on fishing, frequently have no alternative employment and lag behind the other regions in the rest of the European Union. It is no coincidence that most of these regions are covered by Objective I of the Structural Funds.

These introductory comments are intended to voice, once again, the desire of the Committee on Fisheries, and of those in the sector that it represents, to be fishing's advocates, to secure recognition for the activity's special characteristics, and to give it a more central role.

In this periodic report, unfortunately, fisheries are once again subsumed within the agricultural sector. The Committee on Fisheries is aware that it is difficult to convey the special characteristics of the fisheries sector in figures and analyses. It is convinced, however, that if the sector's special characteristics are to be recognised, we must free ourselves from the dictatorship of figures. The percentage of the Union's GDP accounted for by fisheries may be insignificant (agriculture and fisheries combined account for only 2% of EU GDP), but the sector's economic and social role at regional level remains important. The concentration of fisheries activities within certain regions contributes enormously to bestowing on them the status of regional economic centres. It is the case that the economic development of a region is closely linked to its ability to attract productive investment. Fishing itself provides job opportunities, as, to a greater degree, do the sectors associated with it, such as the processing industry (80 000 jobs), the fishing gear sector, shipbuilding and ship repairs and the services sector (port services, brokerage, shipping, and ship's chandlers, to name but a few activities), which offer attractive prospects for regional development.

It should not be forgotten that this entire spectrum of activity also covers the aquaculture sector, which most probably helps to boost the numbers employed in fisheries in Europe in absolute terms, despite the reduction in the proportion of the world total (28.5 million) accounted for by Europe, down from 3.3% in 1970 to 1.4% in 1990.

It must be borne in mind that demand is still rising and that the need for investment will be felt, sooner or later. A regional cohesion policy must therefore also guide investment in the fisheries sector.

The fisheries sector depends on a natural resource which is not inexhaustible. That dependence makes it vulnerable. As a consequence, the regions which depend on fisheries are also vulnerable. The Community measures introduced with the adoption of the FIFG Regulation, which laid down the areas of action on fisheries and aquaculture for the period 2000 - 2006 in respect of the peripheral regions which are heavily dependent on inshore fishing, appear to be moving in the right direction. The measures thus introduced to protect fish stocks in coastal areas will contribute to the survival of non-industrial fishing, employment, and the earnings produced thereby.

Despite a positive trend attributable to the support provided by the Structural Funds, the disparities between the regions on the periphery of Europe and the main economic centres remain considerable. 20% of the EU lives at the periphery, where GDP per capita is 25% or more below the Community average. In some island or peripheral regions which have substantial fisheries activity the differences in terms of living standards, compared with the average, are very marked. Consequently, in order to guide these regions towards viable types of development, the conditions must be created to allow the expansion of the industrial activities described above, on a large or small scale.

In this context, international trade liberalisation is a factor which it is essential to take into account. The international fisheries agreements that the EU concludes with third countries have a key role in this connection. It is well known that the dependence of European markets on their own natural resource is largely offset by the catches made by European boats under these agreements. They are crucial for supplies to European markets, the survival of some coastal

regions, the dynamics of viable development for those regions, and everything stemming therefrom in terms of employment, cohesion and competitiveness.

To sum up, in the regional sphere the fisheries sector is a major player in economic and social development. It needs a structural policy based on its special characteristics and particular features. It is in this way that it will make an effective contribution to the economic and social cohesion of the regions of the European Union⁸.

Yours sincerely,

Daniel Varela Suanzes-Carpegna

⁸ The following were present for the vote: Varela Suanzes-Carpegna, chairman; Miguélez Ramos, vice-chairman; Attwooll, Hudghton, Langenhagen, Stevenson (for Cuhna) and van Hulten (for Candal).