

# ECONOMIC, LEGAL AND TECHNOLOGICAL FACETS OF THE EUROPEAN UNION'S REGIONAL POLICIES IN A NETWORKED WORLD

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**Abstract:** *The immediate and future realities of a globalised and networked knowledge society based on information gathering and sharing impose a broader and more complex analysis of the economic, juridical and technological aspects related to a future proof and efficient development of regional policies in the European Union. In this context, the article identifies and presents new requirements and constraints for the design of EU regional policies from a multidisciplinary perspective. Thus, the problems related to decentralisation and the modern relational nature of “social geography” are tackled and connected to technological trends in the field of electronic communications regulation and development.*

**Key words:** *EU Regional Policies, Sustainable Economic Development, Decentralisation, Electronic Communications Regulation, Networked World.*

## 1. Introduction

Over the past three decades, information technology (IT) has infiltrated all levels of human society, states, regions and cities, reshaping built environments, social networks, and citizens' connection to the governance ecosystem.

Although the new technological paradigm generates a multidimensional process of structural transformation, the majority opinion is that “technology does not determine society: it is society. Society shapes technology according to the needs, values, and interests of people who use the technology” [2]. Nevertheless, technology is a necessary (even though not sufficient) condition for the appearance of a new form of social organization based on the implementation of networking in all fields of activity through

digital communication networks - generating the Network Society, the social structure “resulting from the interaction between the new technological paradigm and social organization at large”. [2]

In the process of designing regional policies, academics working in the fields of geography and economics study how economic agglomerations arise, how they interrelate with other clusters worldwide, and what are the implications of these changes for peripheral areas. [15]

## 2. Significance of Space for Regional Policy Design in the EU

While economists promote spatially-blind policies, geographers advocate the role of place as a key determining factor in regional policy-making.

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The utility of using geography (which is the study of places and spaces) lies in the fact that spaces are defined by their borders or boundaries – as a way to determine who is inside and who is outside a specific system.

The paradoxical outcome of modernity is that the more technologized society gets, the more significance is attributed to space and place: “A bizarre adventure happened to space on the road to globalization: it lost its importance while gaining in significance”. [1]

## 2.1. The Relational Nature of “Social Geography” in the Age of Networking

Gradually, the development policies and the welfare state debate are sourcing their concepts and metaphors from sciences focussing on space and place like architecture, geography and planning. Accordingly, governments - which have to deliver welfare state services and benefits - are confronted with new locations and new borders. [1]

Nowadays, the meaning of distance itself and its consequences are changing, and thus, the importance of geographical distance is diminishing in favour of other types of distance, such as institutional, cognitive, organizational, or social distance. [1]

Scientists discuss therefore strategies that treat territory not as a container but “as a complex mixture of nodes and networks, places and flows, in which multiple relations, activities and values coexist, interact, combine, oppress, and generate creative synergy”. [3]

In his spatial planning commentary, Metzger (2014) focuses on Healey's book “Making Better Places: The Planning Project in the Twenty-first Century” (Healey, 2010), considering that her work is compelling “precisely because of its clarity of reasoning and its forthrightness in engagement”. [7]

Metzger identifies in her conceptualization of the “place governance

with a planning inclination” five broad principles or “attributes” which she sees as fundamental for a “progressive interpretation of the planning project in the contemporary period:

- An orientation to the future and a belief that action now can shape future potentialities;
- An emphasis on liveability and sustainability for the many, not the few;
- An emphasis on interdependences and interconnectivities between one phenomenon and another, across time and space;
- An emphasis on expanding the knowledgeability of public action, expanding the *intelligence* of a polity;
- A commitment to open, transparent government processes, to open processes of reasoning in and about the public realm (Healey, 2010, page 19).” [5]

While territories have clearly demarcated constituencies to whom politicians are held responsible, places are different from administrative territories. Therefore, researchers express concerns when ad-hoc boundaries drawn around places termed “community planning areas” neglect issues relevant to the entire jurisdiction. [3]

Moreover, in the context of widespread broadband 4G/LTE mobile and wireless Internet access, Healey (2010) highlights problems generated by *mobility*, its result being “that those with a *stake* in what happens in a place are not only local residents or citizens of a specific administrative-political jurisdiction”. Hence, place governance needs to consider a broad public. [5]

Healey (2010) renders place governance as supporting a particular manner of carrying out collective work, oriented to the future as well as the present, considering the concerns of many, not just the few. By taking into account how people are connected to each other, place governance will be able to stimulate informed and transparent discussion about

collective concerns. [3], [7], [5]

In an effort to comprehend the consequences of relational and non-state-centric geographies for spatial planning and governance, researchers have developed the concept of “soft spaces” - alternative administrative geographies that can be used as a policy tool to enable the cross-sectoral policy coordination goals of strategic spatial planning.

Therefore, extant academic literature gives the following description of *soft spaces*:

“*Soft spaces* are a particular type of space, which are the result of a deliberate, conscious strategy constructed by governing actors (usually public sector led) to represent a geographical area in a particular way that lies outside of the political-administrative boundaries and internal territorial divisions of the nation-state.” [10]

## 2.2. The Place-Based Approach in European Spatial Planning

The *place-based policy* is a concept originated in the Barca (2009) report entitled “An Agenda for a Reformed Cohesion Policy”, emphasizing dialogue between institutions and actors pursuing development at different geographical scales. [11]

European planning is concerned with spatial integration which takes place within, across, and beyond national jurisdictions; in this context, territorial cohesion - as a logical complement to economic and social cohesion - was launched as a competence shared between the EU and the member states.[3]

The place-based approach permits taking into consideration local specificities and assets while designing and implementing various development policies and simultaneously avoiding domination of local or regional self-interest prevailing in highly decentralised policy making models. [11]

The central motivation for evaluating this approach in European planning is related to the “Road Map” needed for the implementation of the “EU Territorial Agenda 2020” (adopted in May 2011). [3] The Road Map was approved in autumn 2011 by the Ministerial Conference as a vehicle for the Agenda implementation. [11]

Because the Hungarian Presidency diagnosed that there was insufficient coordination and integration between spatial and economic policies, the ambitious Polish Presidency wanted to elucidate how *Europe 2020*, and in particular *Cohesion policy 2014-2020*, might be rendered more effective by reinforcing their territorial dimensions. [3]

The “Place-Based Territorially Sensitive and Integrated Approach” - 2013 report by Jacek Zaucha and Dariusz Świątek summarizes the core idea of the place-based approach: [11]

“Development - both in its economic and social dimensions – can be promoted in (almost) any place by a combination of tailor-made institutions and integrated public investments designed through the interaction of agents endogenous and exogenous to that place.”

This has led to the identification of the following *territorial keys*, which are intended to bridge the gap between territorial thinking and the shared concern of stimulating regional competitiveness: “accessibility, services of general economic interests, territorial capacities/ endowments/ assets, city networking, and functional regions”. [3]

## 2.3. Embedding the Concept of Soft Spaces in the Processes of Institutional and Territorial Shaping

Paasi (1986) elaborated a conceptual framework for the analysis of the institutionalization of regions - as an alternative theoretical perspective from which to scrutinize the role of spatial

planning strategies and soft spaces in the processes of regionalization. According to Paasi, the process of regional institutionalization comprises four interrelated stages (occurring in parallel, rather than sequentially): [10]

- “assumption of territorial shape;
- development of conceptual shape;
- development of institutions; and
- establishment as part of the reference system and consciousness of the society concerned”.

*Soft spaces* generated through spatial planning or territorial cooperation strategies provide one element through which new geographical perspectives are introduced. Therefore, socially constructed concepts of space and place have a great significance in the processes of institutionalisation – especially at the discursive level. Consequently, spatial strategies and soft spaces may be instrumental in remodelling regional

identities and establishing a basis for sustained cooperation across spatial and institutional boundaries. [10]

### 3. Regional Policy of the European Union and the Game of Multi-Level Governance

The Regional policy of the European Union (or Cohesion Policy) targets to eliminate economic, social and territorial discrepancies across the EU, restructure declining industrial areas and diversify rural areas which have declining agriculture.

Having roughly one third of the EU's budget, EU's regional policy covers all European regions, and is geared towards making regions more competitive, fostering economic growth and creating new jobs, thus improving the economic well-being in the EU.

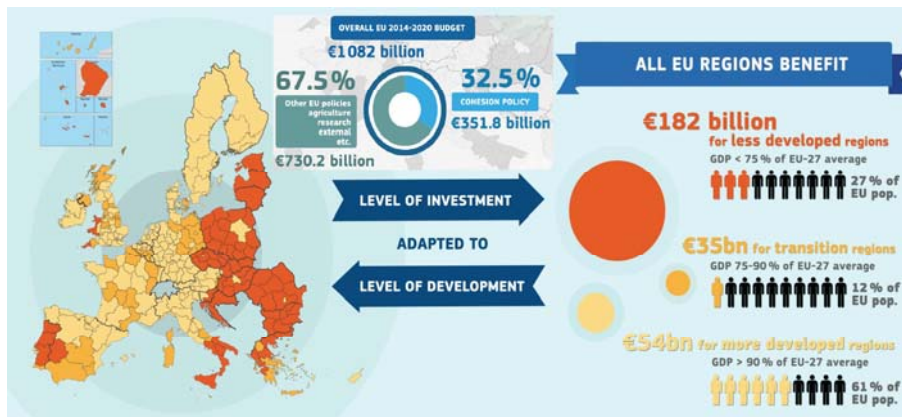


Fig. 1. *EU Cohesion policy 2014-2020* (Source: [http://ec.europa.eu/regional\\_policy](http://ec.europa.eu/regional_policy))[12]

In the present 2014–2020 funding period, money is allocated differently between regions that are considered to be “more developed” (with GDP per capita over 90% of the EU average), “transition” (between 75% and 90%), and “less developed” (less than 75%) - according to the details presented in Figure 1.

#### 3.1. Legal and Procedural Aspects of EU Regional Policy

The European Union (EU) is frequently presented as the most advanced form of regional integration in the world. [9]

Researchers have emphasized the importance of law in the integration

process and differentiated EU law from international law. In their opinion, EU law represents an autonomous legal order - distinct from international law and limiting the sovereignty of the Member States - especially by imposing obligations and conferring rights both on individuals and Member States. [9]

In relation with EU's regional policy, Article 174 of the Treaty on the Functioning of the European Union (TFEU) provides that, "in order to strengthen its economic, social and territorial cohesion, the Union is to aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, and that particular attention is to be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps."

The cohesion policy framework is set up for a period of 7 years and, according to the EU provisions, the implementation of the policy follows these stages: [13]

- The budget for the policy and the rules for its use are jointly decided by the European Council and the European Parliament on the basis of a proposal from the Commission.

- The principles and priorities of cohesion policy are refined through a process of consultation between the Commission and the EU countries.

- The Commission negotiates with the national authorities on the final content of the Partnership Agreement, presenting the priorities of the country and/or regions or the cooperation area concerned.

- The programmes are implemented by the Member States and their regions through „managing authorities” which select, monitor and evaluate hundreds of thousands of projects.

- The Commission commits the funds (to allow the countries to start spending on their programmes).

- The Commission pays the certified expenditure to each country.

- The Commission monitors each programme, alongside the country concerned.

- Both the Commission and the member countries submit reports throughout the programming period.

### **3.2. Multi-Level Governance, Macro-Regional Strategies and Economic Growth in European Union**

The EU Committee of the Regions perceives the Multi-Level Governance system "as based on coordinated action by the EU, the Member States and regional and local authorities according to the principles of subsidiarity and proportionality and in partnership, taking the form of operational and institutionalised cooperation in the drawing-up and implementation of the European Union's policies".

According to extant literature, we can describe *Multi-Level Governance* as an "arrangement for making binding decisions that involves a multiplicity of politically independent but otherwise interdependent actors – private and public – at different levels of territorial aggregation in more-or-less continuous negotiation/ deliberation/ implementation, and that does not assign exclusive policy competence or assert a stable hierarchy of political authority to any of these levels". [8]

While, in the game of Multi-Level Governance, member states wanted to retain control of the Community funding component (which was, in principle, supplementary to their national expenditures), under the Maastricht Treaty the Committee of Regions gave sub-state authorities their first formal basis for participation, with indirect representation and consultative status alongside the Economic and Social Committee. [6]

Therefore, networking was the best

solution for municipalities and regional actors, allowing them to acquire EU benefits and especially to promote their priorities and claims onto the European policy agenda.

Recently, we have witnessed the development of so-called *macro-regions* within the EU - as an example of both flexible integration and regionalization schemes (like the Baltic Sea Region, the Danube Region, the European North Sea Strategy, the Black Sea Synergy, or the Adriatic-Ionic Initiative). [4]

While the new regionalism – in the form of macro-regions (seen as the cooperation

between sovereign jurisdictions that are in geographical proximity) – is not necessarily superior to old regionalism, it is a response to a new set of problems that the old regionalism was either not aware of, or was not designed to address. The new approach is detailed in Figure 2. [4]

Although there are no strict requirements and the extension of a macro-region does not have to be identical with administrative boundaries of nation states, there are 3 main limitations for macro-regional strategies: no new funds, no new legislation, and no new institutions.

<i>“Old” regionalism</i>	<i>“New” regionalism</i>
Government: top-down establishment of new layers in the hierarchy of governments, with nation states as main actors	Governance: bottom-up, goals-oriented, networks-based, with involvement and shared responsibility of various public and private actors
Structure-oriented: focus on formation of new regional structures (public entities), procedures as the pathway through these structures	Process-oriented: process is central to creating vision, resolving conflict and building consensus.
Closedness: focus on defining boundaries and jurisdictions. Delimitation and membership are crucial to the definition of the region	Openness: boundaries are open, fuzzy or elastic. The region is defined by the issues at hand
Coordination: hierarchical redistribution of resources through governments	Collaboration/cooperation: voluntary agreements among equals
Accountability & responsibility: fixed responsibilities and little flexibility	Trust: as a binding element among regional interests. Responsibilities are flexibly shared
Concentration of power: sovereignty of the state	Diffusion of power, aimed at empowerment of actors

Fig. 2. *Old versus new regionalism* (Source: Nico Groenendijk-2013) [4]

The discussion about the connection between EU macro-regional strategies and economic development has to consider the main shifts in the EU policy framework: the importance of territorial cohesion as a central objective in EU policy (granted by the Lisbon Treaty), the significance of territorial governance for the effectiveness of the Europe 2020 Agenda, and the related changes in EU cohesion policy for the next programming period. [4]

Even if the relationship between *regional decentralization* and *economic growth* is complex and difficult to quantify (because economic development has countless determining factors like: education, technological progress, investments,

natural resources etc.), it is important to evaluate this relationship in order to get a more accurate representation of the optimal institutional structure of a country, particularly regarding national and regional competencies of public authorities.

NUTS areas (originating from the French *Nomenclature des Unités territoriales statistiques*) have the purpose to provide a single and coherent territorial breakdown for the compilation of EU regional statistics. NUTS is a geographical nomenclature subdividing the territory of the European Union (EU) into regions at three different levels (NUTS 1, 2 and 3, respectively, moving from larger to smaller territorial units).

Although the Cohesion Policy has made a considerable contribution to smart growth and reducing disparities, one in four EU residents, live in (NUTS 2) regions with a GDP per head in PPS (Purchasing Power Standards) terms below 75% of the EU average - regions which are predominantly situated in central and eastern European Member States, but also in Greece, Southern Italy, and Portugal (see map in Figure 3). [14]

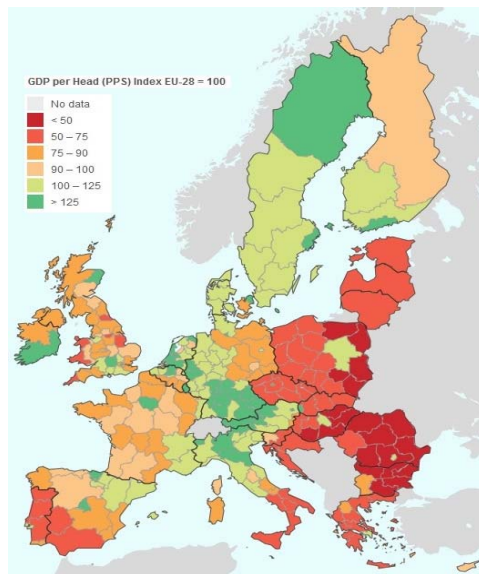


Fig. 3. *GDP per Head 2011 - PPS*  
(Source: EUROSTAT [14])

One explanation is given by the low levels of innovation in many regions, by the economic differences which remain and the fact that the gaps in the physical and digital networks still require substantial investments in the near and far future. Nonetheless, the effects of the global downturn after the financial crisis of 2008 had no clear geographical pattern, impacting both more and less developed economies. [14]

Additionally, between 2000 and 2011, all the regions in the central and eastern Member States recorded an increase in GDP per head in PPS relative to the EU average. The pace of convergence in

București–Ilfov (Romania) between 1995 and 2011 was also noteworthy, its GDP per head rising from below 50% of the EU average to over 120%. [14]

#### 4. Conclusions

In the future, wealth, power, and knowledge generation will be largely reliant on the ability to organize society to secure the benefits of the new technological system, based on microelectronics, computing, and digital communication, with its growing link to the biological revolution.

A networked view of the world is much less fearful, and gives much more emphasis to the liberal view of international relations. Therefore, the traditional “Euclidean” geography is under heavy challenge from an alternative, relational conception of space and place as a social construct. The efficient regulation of areas like electronic communications and surveillance might be a valuable early example of what governance could look like in a future networked world.

As less developed regions in the EU adopt technology and methods of working developed and tested in other regions, they tend to catch up in terms of productivity.

Consequently, the long-run convergence process, assisted by investment funded under EU Cohesion Policy, is likely to continue after the crisis comes to an end and growth in less developed regions will return to a higher rate than in the more developed parts of the EU in the years to come, similarly to the period 2003–2008.

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