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Brussels, 10 May 2000

OPINION

of the Committee of the Regions

of 12 April 2000

on the

**Sixth Periodic Report on the Social and Economic Situation
and Development of Regions in the European Union**

(SEC(1999) 66 final)

The Committee of the Regions,

HAVING REGARD TO the "Sixth Periodic Report on the Social and Economic Situation and Development of Regions in the European Union" (SEC(1999) 66 final);

HAVING REGARD TO the Commission's decision of 1 September 1999 to consult the Committee on this subject, in accordance with Article 265c (1) of the Treaty establishing the European Community;

HAVING REGARD TO its Bureau's decision of 2 June 1999 to assign the preparation of an opinion to Commission 1 for Regional Policy, Structural Funds, Economic and Social Cohesion, Cross-Border and Inter-Regional Cooperation;

HAVING REGARD TO the draft opinion (CdR 388/99 rev. 2) adopted by Commission 1 on 1 December 1999 (rapporteur: **Mr Bazin**, regional councillor for Bourgogne), F/PPE);

adopted the following opinion at its 33rd plenary session of 12/13 April 2000 (meeting of 12 April).

1. Introduction

1. The Sixth Periodic Report on the Social and Economic Situation and Development of Regions in the European Union analyses and comments on the impact of regional policy within the European Union and the results of the cohesion process. It also

focuses on development in 10 central and eastern European countries and Cyprus.

2. The report was published by the European Commission on 23 July 1999 and is the last in a series of documents it publishes every three years. In accordance with Article 130b of the Maastricht Treaty¹, the Commission produces three-yearly reports on economic and social cohesion, incorporating analyses made in the periodic report. The first report on cohesion was presented and adopted in 1996.
3. Access to accurate, detailed and regularly up-dated economic and social data covering the entire European Union is a must. This report marks a considerable step forward from its predecessors, since, as well as successfully updating the information, it offers new and interesting perspectives on economic globalisation, the development of the information society, the changeover to the euro, the enlargement of the Union towards eastern Europe, the regional economy and the labour market.
4. This enables a relatively objective assessment to be made of the major regional trends of the last decade of the 20th century, in terms of the economy, the labour market, and demographic patterns. It is also a means of analysing regional capacity for competitiveness, and assessing changes in those regions assisted by the European Structural Funds and those not. Furthermore, it is a means of knowing and comparing the situation in ten countries of central and eastern Europe and Cyprus.
5. On the whole, therefore, the Committee of the Regions welcomes the work done for the sixth periodic report on the situation and development of the regions in the European Union. The report is a landmark in the analysis of regional data and illustrates the progress made in the field since the publication of the fifth periodic report in 1995. There is still a lot to be done to complete the picture, but now the way ahead is clear, providing efforts to harmonise European statistics are continued and the research accompanying the work of the ESDP fulfils its promise. The competitiveness approach (second part of the report) is important and deserves applause as it touches the heart of the matter and opens up new horizons for understanding and resolving divergent regional development in Europe.

2. Suitability of the analytical framework

1. The basic unit of the report is the region. Although this appears to be the only analytical basis on which the data can be compiled and collated, there are clearly major disparities between the regions concerned on a number of counts. Some are historic entities, others are recent groupings of smaller entities, established at completely different times, and with widely differing geographical dimensions. Their responsibilities and powers also vary, especially in economic terms. There are frequent problems involved in comparing entities that have very little in common with regard to their history, culture, administration, politics and economy.
2. The limitations of the analysis are especially glaring in the light of the economic theory that distinguishes between polarised regions (those with an active centre draining activity from the surrounding area) and homogeneous regions (composed of similar sub-regions). Some of the NUTS 2 regions, for instance, are of a polarised nature, whereas others are homogeneous. This distinction is not made in the report, except implicitly with reference to large urban service centres, industrial regions with medium-sized cities or rural regions. It is, however, difficult to compare polarised regions and homogeneous regions. Furthermore, the case of city-regions is atypical.

3. An inevitable but somewhat distorting statistical effect can sometimes negate analyses of inequality between regions. The larger and more populous the region, the more likely it is that indicators will be based on averages that mask sharp contrasts. A region thought to be wealthy will often contain pockets of poverty. It is clearly the job of every Member State to establish its own standards of social equity, but the European Union cannot simply disregard these situations, which can often lead local people to question the "European idea" and hold the European Union responsible. It should be noted that the NUTS 2 classification is based on the decisions of each Member State and cannot hope to meet the optimal criteria set by the European authorities in all circumstances. The Committee of the Regions hopes that the necessary resources will be deployed to gradually improve the quality of the statistics and provide a better picture of the inequalities within Europe's regions; and it would be prepared to play a part in that process.
4. The data on the ten central and eastern European countries and Cyprus are brief and occasionally insufficiently reliable, in spite of recent statistical progress. A partnership should possibly be established to improve the quality of this information, which will be essential for the enlargement of the European Union and the credibility of any future regional policy.
5. The Committee of the Regions would recommend the use of more finely-tuned and reliable indicators to measure interregional inequalities. In the report they are assessed basically as a function of the ratio of GDP per head in a specific region to average GDP per head for all the regions. This is a somewhat simplistic method in the light of the more sophisticated tools economic science has to offer in this day and age. The relevance of criteria quantifiable largely in financial terms is questionable, as societies can develop differently and give priority to other values. The 21st century may witness the development of personal or social "demand" focused more on spiritual aspirations, ideals of solidarity and ecological objectives, setting greater store by food quality and needs relating to physical health and quality of life, etc.
6. Furthermore, the Committee of the Regions recommends eliminating the effect of regional population changes in future. The advantage of GDP per capita is that it enables the situation in the regions to be evaluated from the viewpoint of individuals, but the disadvantage is that changes in the overall situation of a region are hidden by changes in the number of inhabitants. Thus a region that has grown wealthier while attracting more inhabitants in search of work may seem to have made less progress in terms of per capita GDP than in terms of regional GDP. The GDP per head ratio, therefore, tends to underestimate inequalities. The weakness of basing the analysis on GDP per head alone is offset, however, by the detailed study in the second part of the report of the factors that contribute to GDP formation and regional competitiveness.

3. Sustained high unemployment and the means of addressing it

1. Unemployment and underemployment are the most serious concern of the Committee of the Regions. It therefore seems appropriate to examine this aspect of the report first. Although the situation is improving in places, the European Union still has a high unemployment level, which affects 16.5 million people and is at the root of major human difficulties and social ills, as well as economic imbalances in the geographical breakdown of the production of goods and services.
2. The report underlines the fact that unemployment persists in the places it has taken root, and that any reductions do not make up for the increases. Pockets of geographically-localised unemployment are still necessarily at the top of the agenda.

Unemployment is extremely unequally spread over the Union. A decade on, it is still the same 25 regions that are least affected by the problem. In the regions with least access to work and jobs, the unemployment rate has risen over the same period from 20% to 24%, in contrast to the 4% rate in the more privileged areas. Long-term unemployment is on the increase, along with unemployment among young people looking for their first job.

3. The report suggests that approximately half the unemployment can be put down to a structural situation caused by an imbalance in the structure of supply and demand for labour. The Committee agrees with this analysis, while feeling that the report could have drawn clearer conclusions in terms of:
 - the need to develop initial and continuing training, the key to adapting people to the requirements of the labour market and the major changes it is currently undergoing;
 - the dissemination of information on the labour market, to both companies and job seekers, especially in an EU-wide context;
 - measures to ensure labour market flexibility.
4. The report is not very forthcoming on the subject of female employment. It notes that women, who often have children to take care of, should have access to part-time work and flexible hours. This makes it harder for women with children to secure high-level jobs. The Committee of the Regions believes that more definite progress is needed to achieve equality between men and women with regard to work and access to economic and social responsibilities. A debate is also needed on the adverse and beneficial effects on women of positive discrimination measures provided for under family policy in certain countries. The report, meanwhile, highlights the link between low unemployment and high female employment. This is partly explained by women working part-time or special hours. The report points out that 80% of women working under such arrangements choose to do so. Healthy economies need people to work part-time, special or flexible hours; as women are more interested in such arrangements than men, more of them are employed.
5. On interregional inequalities, the report shows that certain regions have an unsatisfied demand for labour while others are in the opposite situation. The problem could be eased through measures to encourage spatial mobility (foreign language learning, more flexible labour market, teleworking, etc.).
6. The report could have shed more light on the Commission's position on the relationship between the social protection provided for job seekers and the constituent factors of unemployment. It gives little attention to minimum salaries, unemployment benefits or, more generally, worker assistance and protection. However, there is currently no clear-cut answer to this question, either in practical or theoretical terms.
7. Several times, the report states that regions with a high proportion of jobs in agriculture and connected activities often have an unemployment problem, and it recommends that those regions diversify towards industry and services. This view is not entirely accurate, however, as it is necessary to avoid any rejection of farming, any belittling of its economic and social importance, or the wider acceptance of an excessively production/productivity-based model. A move towards less intensive agriculture, paying greater attention to environmental standards and matching consumer demand for natural products, could save and create new jobs in Europe. Not all regions have the same predisposition to produce food products, but, with the right

help to make the necessary changes in production methods and prepare for the future, some could specialise to social and economic advantage.

8. The report is right to state that the economic base of the least favoured regions must be strengthened, i.e. by developing outward-looking activities. While this concept is acceptable at a microeconomic level in a region, bearing in mind the shortcomings of the regional economic base model, the overall benefit to the European Union depends largely on exports outside the Community market.

4. **Demographic trends reach crisis point**

1. There is no question that demographic trends are reaching crisis point. The report's forecasts stretch up until 2020, and are based on current trends. It therefore appears probable that:

- low birth rates will result in the ageing of the population, with all the social and economic consequences that entails;
- the active population will also age, raising very serious questions as to the competitiveness and adaptability of human resources in Europe, faced with a changing world;
- the labour supply and active population will start to shrink from 2005/2010 onwards; this will be an imbalanced process and will depend on the immigration policy chosen by Member States and the European Union.

Very soon, cohesion will require a new vocabulary, centred on population, rejuvenation and the generation balance.

2. The report points out the effects of an ageing active population on the lack of worker adaptability to new technologies. If the work force is to remain dynamic, priority must be given to research into measures designed to promote continuing training, access to a wider range of technologies and the implementation of management techniques suited to a population at an advanced stage in its working life.
3. Quite rightly, the report examines the ageing phenomenon from the viewpoint of the dependency of the elderly, which is set to have a major impact on the social budgets of the Members of the European Union in the coming years.
4. Without youth, a dynamic renewal of generations and a policy to boost birth rates, Europe will grow old and lose the staying power which can only come from the rejuvenation of its human resources.

5. **Convergence is a reality but some areas are still lagging**

1. The report states that there has been genuine convergence, and notes that over the last 10-year period, GDP in the 10 regions where it was lowest has risen from 41% of the EU average to 50%. It also mentions that the GDP of the 25 poorest regions is up from 52% to 59% of that average, while the GDP of the four "cohesion" countries has shifted from 65% to 76.5% of the average (estimated at 78% for 1999). It states in particular that trade between those four countries and the Member States of the Union doubled over the same period.

2. Some areas are still lagging, however, and it is clear that even in the cohesion countries, where the report's findings argue for a new policy, towns and cities are more often than not still attracting GDP to the detriment of rural regions. This uneven distribution of GDP is a reality throughout Europe, it is a root of social tension and the Union has paid out considerable sums to try and reverse the process and will continue to do so. However, care must be taken to ensure that the free enterprise that is so precious to the EU does not generate excessive imbalances in the growth of Europe's regions. The European Union's regional policy must not just fight the imbalances that arise from the current climate of mergers, globalisation and relocation, but also contribute to preventing them in the first place.
3. The Committee of the Regions applauds the progress made by several of the less privileged European regions in recent years. The advances made between 1991 and 1996 appear to have been significant and rapid, though largely owing to growth in the new German *Länder*. Meanwhile, between 1986 and 1991, the apparent decline in growth was the result of the opposite phenomenon in the same region. Growth in the regions outside the new *Länder* in fact been more or less steady.
4. Overall, three main phenomena stand out: continued buoyant growth along the urban, industrial axis that crosses the European Union diagonally, further strengthening these growth poles; uneven progress made by the Objective 1 regions in catching up; and weak growth in several so-called peripheral regions that do not qualify for Objective 1.
5. The Committee has doubts as to whether the average should be used for country convergence analyses. By grouping the four cohesion countries together to show convergence, table 1 in the statistical annex to the sixth report hides the fact that growth in Greece and Spain during the 1991-1996 period was lower than the European average (+1% and +1.3% average annual growth respectively in contrast to the +1.5% European average). Clearly, with strong Irish growth (+7.1% annual average) brought into the equation, the four countries taken together show much higher average growth (+1.7% as opposed to +1.5%). The wisdom of using the average here is highly debatable.

6. Competitiveness

1. The report opts to measure the competitiveness of the regions by the ratio of GDP/population to output per inhabitant, already used to assess regional development levels. This appears to be a far cry from the two definitions of competitiveness proposed by the same report, namely "the ability of companies, industries, regions, nations and supra-national regions to generate, while being exposed to international competition, relatively high income and employment levels" and above all "ability to produce goods and services which meet the test of international markets, while at the same time maintaining high and sustainable levels of income". The choice of GDP per head does not really solve the problem. Being competitive means producing at prices lower than or equal to world prices, with employment the natural consequence. The report does not examine competitiveness so much as provide an explanatory breakdown of disparities per head. The analysis is interesting, but calls for a number of comments.
2. The report in actual fact considers that $\text{GDP/population} = (\text{GDP/employment}) \times (\text{employment/working-age population}) \times (\text{working-age population/total population})$. The last element in the breakdown (working-age population/total population) goes by the board somewhat as it contributes little to overall change and is little influenced by policy. The report mentions earlier, however, that this ratio is decreasing over time.

3. The report uses the two other elements to define competitiveness, the ratio (GDP/person employed), i.e. labour productivity, and the ratio (employment/working-age population), i.e. the employment rate. Part 3 of the report apparently adopts a differing standpoint, namely that the employment rate is not determined by external factors but rather dependent on productivity. It states that while competitiveness depends on productivity, improved productivity is a necessary condition for increased employment. Therefore, labour productivity is definitely a factor in competitiveness, as it stimulates growth in output and thus employment; at the same time, however, productivity gains lead to fewer workers being required for the same output.
4. On the subject of productivity and the employment rate, it would appear that only labour productivity is at a satisfactory level. This is encouraging, but full employment, the aim of any society, remains elusive. The explanatory factors studied by the report include the structure of economic activity, degree of innovation, regional accessibility and the skills of the work force. While economic structure is slow to change, innovation levels could be improved more rapidly by EU measures such as an improved patents system or action to encourage the transformation of innovations into marketable products and services.
5. The report highlights the inadequate dissemination of innovations within Europe, in contrast to the US in particular. The Committee of the Regions believes that the research, innovation and technological development necessary to all Europe's regions must be stepped up.
6. The report clearly shows that though small and medium-sized companies are said to play a key role in job creation, the exact scale of their contribution is difficult to assess, partly as a result of statistical confusion between decision-making centres and production units. In general, Europe is still lagging behind in the area of risk capital and financial support for high-tech SMEs.
7. The report is practical and objective regarding foreign direct investment. It can play an important role in the development of all regions by helping to raise productive capacity and output. Through stable, favourable employment conditions and the provision of good in-house training, direct inward investment can also contribute to improving social conditions. However, any detrimental fall-out for the European economic or working culture must be addressed, should it arise.
8. Transport and communication infrastructure will be vital for the enlarged continent-wide European Union. Both geographical and modal priorities must therefore be set. Interpersonal relations and trade in goods and services are as old as the history of European civilisation and it will be through their promotion that Europe is built.
9. Geographically, the Union must encourage the establishment of modern transport and communications links throughout its territory. They are indispensable between East and West as a signal of the cohesion that the Union intends to establish with the candidate countries of Central and Eastern Europe. The Union must also help to forge the missing links in the north-south axis in the West of the continent, not forgetting those regions situated on the extreme periphery, islands especially, which require appropriate means of transport and communications.
10. In modal and intermodal terms, the European Union must undergo a transport and communications revolution like that of the 19th century, based on current advanced technology. It must focus less on individual projects than on a European strategy, and projects should be backed only insofar as they fit in with that strategy. Roads, railways,

shipping, especially coastal shipping waterways and aviation must all play their part within an intermodal whole, protecting the environment while remembering that transport and communications contribute to quality of life and are of the essence of civilisation itself. Clearly, much more than in the past, a distinction must be drawn between passenger transport and goods transport. This is the challenge facing the European Union. The Committee of the Regions will lend its support.

11. The report remains objective with regard to energy, which nonetheless is currently a highly sensitive issue. It ignores the issue of energy sources, with the exception of renewables. In particular, the thorny topic of nuclear power is conspicuous by its absence. One interesting idea is that of energy intensity (energy consumption per unit of GDP), which is greater in the less favoured regions. This would suggest that moves to develop energy infrastructure and break energy dependency must be accompanied by energy saving measures. Although the less developed regions use less power per head and cause less pollution, they use more fossil fuels. The report suggests that they could rely on renewables. This would be realistic only for the sun-drenched regions of the south, for very windy areas or, at all events, areas with plenty of unused, non-agricultural land, as solar and wind power installations use a lot of space, especially when a major supply is required.
12. Interesting information is provided on telecommunications infrastructure (number of lines per inhabitant) and quality of service (rate of digitalisation). The mobile telephone phenomenon - via GSM or satellite - is not mentioned, however, although it constitutes an opportunity for the economic infrastructure of less-developed regions that are often not as well covered by specialist companies. The regions that are ill-served by the new communication technologies, the gateway to the modern world, are also the most neglected by the market and free enterprise.
13. Water supply is another of the major challenges facing tomorrow's Europe, and is a problem determined largely by geography. The report gives indications of reserves per inhabitant in each country. This shows that the most developed countries are in the most difficulty, and must invest the most financially. The report is right to point out that recycling household waste is certainly the best way forward in terms of environmental protection, although it is bound to be expensive.
14. The report highlights national disparities in human capital, an area in which change is inevitably slow. It gives little information on the link between human capital and economic performance, although it is known that human capital can generate increasing returns, which can however hinder the convergence process, according to the endogenous growth theory.
15. With regard to institutions and social capital, the report strikes an optimistic note when it affirms that "European integration is a key force in this, since it exposes regions to institutional models and competition from all over the Union". However, regions are dependent on the state for their public institutional structures, and often have only limited room for manoeuvre. The institutional structure of firms is such, that very few decisions are taken locally, with the exception of regionally-based SMEs. There is no proof that decentralisation is always the most effective system. In any case, this requires competition conditions (transparency, full information, independent operators) that are not always present. Public management by results is not such a new idea, and as the report mentions, it is not so far removed from centralised planning; it is not effective every time. The report is also positive when promoting private intervention in partnership with government as a more effective form of public management. However, this can often have negative effects, for instance, pressure

groups, a tendency towards corruption, the fact that it is major companies rather than SMEs that have the most influence, with all the monopolistic tendencies that entails, not to mention pressures from the banking and finance sector. As the report points out, the horizontal management network model can become cumbersome: very often, this type of institution tends to favour compromise, i.e. zero change.

16. All in all, the second part of the periodic report deserves recognition for its quality. It offers very good prospects for a genuine plan for the balanced development of Europe's regions. The chapter entitled "Explaining competitiveness: common features of successful regions" will doubtless prompt further research in the months ahead. Nonetheless, the outline of the four most important factors in the growth of GDP are convincing:

a) The structure of economic activity is a major factor that demands a special political effort to redistribute Europe's productive machinery and find ways of striking a better balance.

b) The extent of innovative activity is also a key factor. Once again in political terms, it demands better coordination between research and development policies and economic, social and regional cohesion. This is underlined in the chapter on RTD.

c) The Committee obviously welcomes the attention paid to the accessibility indicator. Its high correlation with GDP comes as no surprise, but needs confirmation nonetheless. It can only be hoped that the additional research in the pipeline will enable this critical factor to be taken rapidly into consideration in the implementation both of regional policies and of the trans-European networks (review of TEN-T) and all transport policies.

d) Lastly, the area of skills is also critical and requires better coordination between the relevant ERDF and ESF policies. The Commission has made this point on several occasions, but insufficient heed has been taken in the SPD and CSF. There is definitely room for innovation in this area.

To conclude, map 29 of the report gives a remarkable summary of the reality of the centre-periphery relationship as it stands in Europe. There are few more convincing arguments for using an indicator of this type in the structural policies. The development of these four key variables, in relation to that of GDP, will, furthermore, provide a sound basis for evaluating the development of the centre-periphery relationship in Europe.

7. The effectiveness of cohesion policy

1. This opinion could not cover the specific situation in each of the EU regions, unless each presented its comments, hopes and demands; this would not however match the Committee's brief to issue a coherent opinion.
2. The report does not conceal the fact that, in spite of major progress made in recent years, the impact of regional cohesion policy is still largely inadequate. There are sometimes significant disparities between the regions of a single country, and between all the regions. It must be said that the cohesion objective is very ambitious and the first of its kind in the history of the continent. Furthermore, its impact cannot be assessed properly over such a short period. The Structural Funds appear to have made a positive contribution to reducing inequalities within the European Union, benefiting Greece, Ireland, Portugal and Spain in particular, taking those countries as a whole. The report correctly points out the difficulty in assessing the effectiveness of the Structural Funds with regard to other factors that cannot easily be incorporated into the evaluations.

3. In spite of the efforts made in the Objective 1 and Objective 6 regions, unemployment rates have remained disappointing overall, while GDP per inhabitant is tending to converge towards the average. The report highlights poor activity rates, linked to unemployment, but it limits itself to noting the situation without attempting to seek the real reasons for it. Certain regions have benefited greatly from development aid. As the report suggests, an objective assessment should be conducted of the effectiveness of this financial aid in giving every less-developed region the same opportunities to advance.
4. The situation in the Objective 2 regions seems to have improved overall, but these regions are still often vulnerable (closing down and relocation of production units). In the Objective 5b regions, an increase in the active population has hindered a fall in unemployment, although employment has increased. The cause for that increase is diversification of activities in an economy based mainly on agriculture.
5. The impact assessments presented show that the Structural Funds have had a beneficial effect on the regions that have received assistance, reducing regional disparities. The Committee of the Regions welcomes this success.
6. The convergence issue raises an important economic question, in terms of the balance between:
 - the search for maximum overall growth on the one hand, and
 - even growth or development of the regions on the other.

The search for equity aims to give as much as possible to the least favoured region while remaining effective, i.e. ensuring maximal overall development. However, equality is not always effective and it is not always by seeking equal development for regions that maximum overall development is attained. Interregional equality should not necessarily be sought above all else, as regional equality has consequences for overall performance.

7. An evaluation of the cost of the Structural Funds in terms of overall growth would provide a useful indication of results. This is not to say that the Funds should be called into question, but rather that this type of indication should obviously be available given that the Funds are aimed at more egalitarian growth.
8. Similarly, an evaluation of the multiplier effect of the sums injected would be useful (i.e. the relationship between the growth of a region's GDP that can be imputed to the Structural Funds, and the total amount of Structural Fund money involved). This performance indicator, however simple its form, would be of great use in deciding the future direction of the Structural Funds, over and above the data on growth in GDP or reduced unemployment presented by the report.
9. The aim of equal development between the regions is more difficult to achieve than the objective of equal growth rates, as the former implies convergence, with the less favoured regions having to grow more quickly than the more advanced regions.

8. Enlargement

1. The report takes the overall view that the countries of central and eastern Europe and

Cyprus are legitimate candidates for accession given their political choices, their movement towards a market economy and the progress they have made over the last decade.

2. The Committee of the Regions does not have a decision-making role here, but it would nevertheless remark that:

- the countries in question are not the only countries likely to apply for membership of the European Union;
 - it is impossible to disregard the myriad political, economic, social, cultural and ideological factors linked to the past, present and future of these countries, which are not reflected principally in regional GDP but in national objectives that are not easily defined;
 - the European Union must learn how to manage the hopes it arouses to ensure they are realistic; to do this it must evaluate the many implications these accessions will inevitably have for the Union's internal and external policies, and assess the real capacity of the Union and of the countries concerned to form tomorrow's Europe in a genuine spirit of solidarity;
 - the European Union must be able to continue developing its approach to these countries in a responsible way, without losing sight of the fact that the foundation stone - i.e. the European entity - is solely political and moral, based on a system of free societies with unity of purpose: first and foremost Europe must provide an ideal for community life, with a single destiny, only then will it succeed;
 - while definitely not sceptical about enlargement, the Committee is adamant that it must be a success; otherwise it may engender major difficulties in the European Union and the applicant countries. The preparation phase would benefit from the greater involvement of the Committee of the Regions, which, as the representative of local and regional authorities, is in a position to establish and nurture the grass roots cooperation needed for success. The fact that a country has applied must not lead to excessive pressure on its people in terms of economic adjustment and lifestyle, as that could provoke a backlash.
3. According to the report, the disparities between the EU regions and the applicant regions are still great, with a few exceptions. Membership of the EU will not depend solely on economic criteria, and especially not on criteria for the harmonious development of those countries' regions. The applicant countries still have a good deal of catching up to do: regional issues play second fiddle to national matters where EU accession is concerned, although harmonious regional development is obviously desirable.
4. This brings us back to the growth versus equal development of regions debate, an issue that cannot be ignored. Should these countries develop as quickly as possible in order to reach the level necessary for accession to the Union? Or should they seek regionally balanced growth, which will necessarily be slower (in the knowledge, as the

report states, that the shock of transition from the previous era is still far from having been totally absorbed, with GDP and GDP per inhabitant having plummeted)?

5. The report suggests that the CEEC are benefiting from a major influx of foreign direct investment, but that these flows are focused on a few countries only and come from just a few Union Member States. This issue is and will remain a sensitive one, in the light of centuries of European history.
6. The report assumes that these countries have already made decisive progress towards moulding their societies to the European Union model. The truth is, however, that the type of society they are developing is still on the drawing board. The Committee of the Regions believes it has a major role to play here as decentralisation and balanced mutual support are the twin pillars of the Europe it wishes to see created, based on a system of social values.
7. The Committee of the Regions hopes that the countries in question will equip themselves with regional political and administrative structures, so that they can tackle the same issues within the same institutional framework. The Committee of the Regions can be a partner in implementing regional strategies in these countries.
8. Cyprus is clearly a case apart. Its economic performance would suggest it will be ready for accession to the Union. GDP is 75% of the EU average. Employment is high and unemployment is low, but productivity is also low and this is where efforts must be concentrated.

Brussels, 12 April 2000

The President

of the

Committee of the Regions

The Acting Secretary-General

of the

Committee of the Regions

Jos Chabert

Vincenzo Falcone

¹ Article 159(2) of the Amsterdam Treaty

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