



CONFERENCE DES REGIONS PERIPHERIQUES MARITIMES D'EUROPE  
CONFERENCE OF PERIPHERAL MARITIME REGIONS OF EUROPE

6, rue Saint-Martin 35700 RENNES - F  
Tel.: + 33 (0)2 99 35 40 50 - Fax: + 33 (0)2 99 35 09 19  
e.mail: [secretariat@CPMR.org](mailto:secretariat@CPMR.org) - web: [www.CPMR.org](http://www.CPMR.org)

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TECHNICAL PAPER FROM THE CPMR GENERAL SECRETARIAT

## IMPACT OF THE COUNCIL'S BUDGET AGREEMENT ON 2007-2013 REGIONAL POLICY AND ITS POST-2013 FUTURE

### INTRODUCTION

The agreement reached at the Council on 16 December marks the end of six years during which the CPMR has been deploying all efforts to promote an ambitious regional policy for the enlarged Europe. Nevertheless, we should not let up and must continue preparing the future, for two key reasons:

- The 2007-2013 budget will only be definitive after the Interinstitutional Agreement with the European Parliament. This should only be concluded in mid-May 2006. Because of the marked decline in EU ambitions resulting from the Council decisions, the European Parliament is intending to play its role in full. In the Resolution it adopted on 18 January 2006, it reasserted the need for a real ambition corresponding at least to the effort made in 2006. We shall come back to this point.
- The Austrian Presidency now intends to launch the debate on the future structure of the European budget by asking the Commission to prepare an initial White Paper. This debate must be completed by 2008, an extremely tight deadline in comparison to the period of negotiations which has just come to an end. To draw a parallel, we are more or less in the same situation as we were in 2003, when preparatory work started on the 2007-2013 budget. There are already rumours about nascent desires to renationalise a certain number of EU policies: it is not difficult to imagine that this will again pose a threat to the continued existence of regional policy.

To immediately start preparing these two essential phases of negotiation, we feel that it is useful to outline the main achievements and principal disappointments of the period of negotiations which came to an end on 16 December 2005. This will provide a range of indicators for the new period of negotiations now underway.

## I. ACHIEVEMENTS AND SET-BACKS DURING THE “KEY PHASES” OF THE 2007-2013 NEGOTIATIONS

It is easier to identify the key aspects of the last six years of negotiations if we divide this period into three distinct phases:

I.1 THE REGIONAL POLICY DESIGN PHASE	MAIN CPMR DOCUMENTS AND EVENTS	MILESTONES
<p>As early as January 2000, the CPMR Political Bureau, meeting in Kastoria, Greece, unanimously adopted an initial policy paper on future regional policy for the 2007-2013 period. This paper was presented to the Portuguese Presidency of the EU, Commissioner Barnier, the member states’ permanent representations and members of the European Parliament at a special seminar in Brussels in February 2000. It was followed up by three other strategy papers and several technical papers aiming to develop these proposals via a permanent dialogue with the European Commission. This phase came to an end in February 2004 with the publication of the Third Report on Cohesion, which set out the Commission’s main recommendations on regional policy for the 2007-2013 period.</p> <p><b>I.1.1 The main achievements</b></p> <ul style="list-style-type: none"> <li>- acknowledgement of the need for extra efforts to promote economic and social cohesion in order to take account of enlargements and the increasing integration of the Union;</li> <li>- identification of a specific issue concerning statistical-effect regions;</li> <li>- move to phasing-in status for regions dropping out of Objective 1 owing to their economic growth;</li> <li>- reference to the territorial cohesion principle on top of economic and social cohesion, with three direct consequences: <ul style="list-style-type: none"> <li>* continuation of an ambitious regional policy over and above Objective 1, with the inclusion of the CPMR’s proposals for a Regional Competitiveness and Employment Objective,</li> <li>* acknowledgement of the need to take account of territories with a permanent handicap,</li> <li>* introduction of a specific objective for ultraperipheral regions,</li> </ul> </li> <li>- abolition of subregional zoning, which strengthened both: <ul style="list-style-type: none"> <li>* the role of the regions in regional policy governance,</li> <li>* the participation of all regions in the implementation of the Gothenburg and Lisbon strategies;</li> </ul> </li> <li>- confirmation of the relevance of regional government as a coordinator of regional policy</li> </ul>	<p>01/2000 “Towards a new regional policy in 2007”</p> <p><b>02/2000 Brussels: “Territorial cohesion and the role of the regions in 2007”</b></p> <p><b>06/2000 Lisbon “The participation of sub-state levels in European governance”</b></p> <p>07/2001 “Towards a new regional policy: 10 questions for debate”</p> <p>07/2001 “CPMR’s proposals in reaction to the Second Report on Economic and Social Cohesion”</p> <p>05/2002 “CPMR’s Reaction to the Commission’s Communication: First Progress Report on Economic and Social Cohesion”</p> <p>09/2002 “Grounds for introducing the principle of territorial cohesion in the EU Constitutional Treaty”</p> <p>09/2002 “Study on the construction of a polycentric and balanced development model for the European territory”</p> <p>12/2002 “One year before the publication of the Third Cohesion Report: some thoughts from the CPMR on the future of regional policy post 2006”</p> <p><b>02/2003 Brussels “Meetings on the future of regional policy”</b></p>	<p>03/2000 The Lisbon European Council (March 2000) adopted a jobs strategy aiming to make the Union “the most competitive and dynamic knowledge-based economy in the world” by 1010.</p> <p>01/2001 Communication from the Commission “Second Report on Economic and Social Cohesion: Unity, solidarity and diversity for Europe, its people and its territory” status report and overview, conclusions and recommendations – 10 issues for debate</p> <p>06/2001 The Gothenburg Council (June 2001) complemented the Lisbon strategy by linking the debate to sustainable development</p> <p>01/2002: Communication from the Commission: First Progress Report on Economic and Social Cohesion</p> <p>11/01: Adoption of the Opinion of the Committee of the Regions on the Commission’s Second Report on Economic and Social Cohesion</p> <p>02/02: Adoption of the European Parliament Resolution on the Commission’s Second Report on Economic and Social Cohesion</p> <p>10/02: Adoption of the Opinion of the Committee of the Regions on the First Progress Report on Economic and Social Cohesion</p> <p>11/02: Adoption of the European Parliament Resolution on the First Progress Report on Economic and</p>

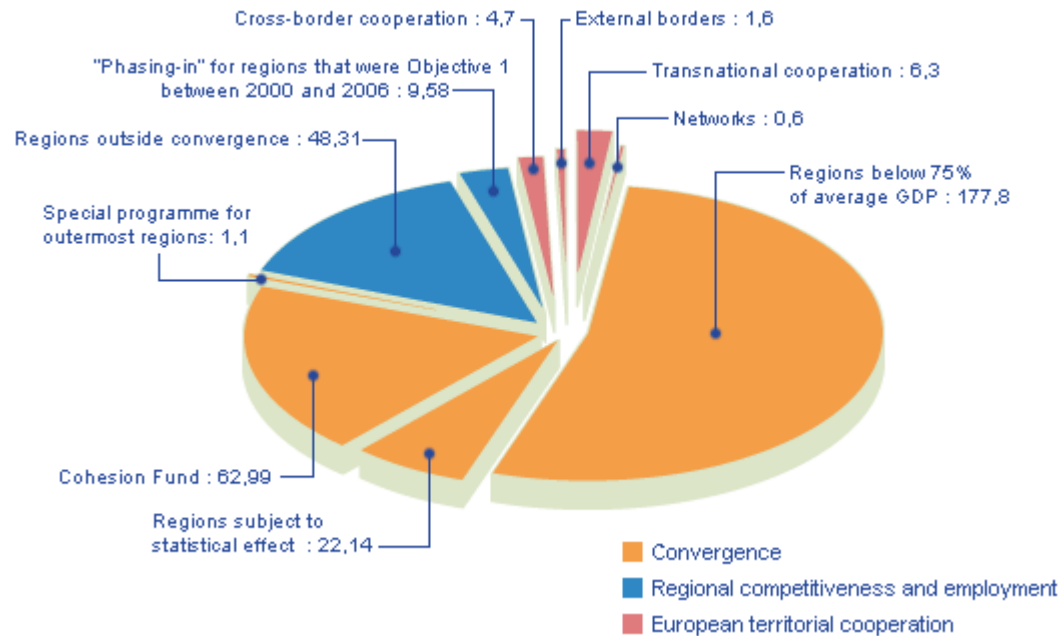
<p>within the partnership;</p> <ul style="list-style-type: none"> <li>- introduction of territorial cooperation, and more notably its transnational strand, as an objective;</li> <li>- simplification of the objectives and the funds;</li> <li>- the desire to establish a strategic European framework for coordinating all national strategies, both for cohesion countries and other EU member states. This latter policy, which is of a very strategic nature, came into conflict with some member states' support for renationalisation;</li> <li>- the desire to examine ways of using tripartite (EU/states/regions) contracts in the implementation of regional policy.</li> </ul> <p><b>b) The main regrets</b></p> <ul style="list-style-type: none"> <li>- transfer of the regional development strand of regional policy to the rural development strand of the Common Agricultural Policy</li> <li>- retreat from assertions about the necessary contribution made by EU sectoral policies to economic, social and territorial cohesion.</li> </ul>	<p>03/2003 Prato "Debate on the future of regional policy"</p> <p>05/2003 "Regional policy - Meeting the challenge of competitiveness"</p> <p>05/2003 Leipzig "The future of European cohesion policy" (with the CoR)</p> <p>07/2003 "Regional policy and urban policy"</p> <p>02/2004 "Four years of campaigning for economic, social and territorial cohesion"</p>	<p>Social Cohesion</p> <p>12/2002 The Copenhagen European Council summit (December 2002) reached an agreement on the accession of ten new member states to the Union</p> <p>01/2003: Communication from the Commission: Second Progress Report on Economic and Social Cohesion</p> <p>04/03: Adoption of a Committee of the Regions' initiative concerning territorial cohesion</p> <p>07/03: Adoption of the Opinion of the Committee of the Regions on the Second Progress Report on Economic and Social Cohesion</p> <p>09/03: Adoption of a European Parliament Resolution on the Second Progress Report on Economic and Social Cohesion</p> <p>11/2003 Communication from the Commission: A European Initiative for Growth - Investing in networks and knowledge for growth and jobs</p> <p>02/2004 Communication from the Commission: Third Report on Economic and Social Cohesion: the Union's socio-economic situation and impact of European and national policies, proposals on post-2006 regional policy</p>
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I.2 THE BUDGETARY AND REGULATORY DESIGN PHASE	MAIN CPMR DOCUMENTS AND EVENTS	MILESTONES
<p>This phase, which overlapped with the previous one, began in the summer of 2003 with publication of the Sapir report commissioned by President Prodi. Its conclusions provoked a passionate debate on the future structure of the EU budget. It notably urged that non-convergence regional policy funds – which were described as being a relic of the past – should be thoroughly called into question.</p> <p>After some intense negotiations, the first concrete outcome of this phase was the publication, in February 2004, of a Commission Communication entitled “Building our common future - Policy challenges and budgetary means of the enlarged Union 2007-2013.” This period of negotiations ended on 14 July 2004 with publication of the Commission’s proposals on the Financial Perspectives for 2007-2013 and its proposals on the General Regulation and European Regional Development Fund (ERDF), European Social Fund (ESF), European Agricultural Fund for Rural Development (EAFRD), the Cohesion Fund and Financial Instrument for Fisheries Guidance (FIFG) regulations.</p> <p>I.2.1 The main achievements</p> <ul style="list-style-type: none"> <li>- an overall budget representing an effort similar to that made during the 2000-2006 period (0.41% of GDP + 0.05% for rural development, or 0.46%), which can be considered as a success after the bitterness of the debates which followed the Sapir report and the publication of the first letter from “The six” (member states which wanted the budget to be limited to 1% of EU GDP) in December 2003;</li> <li>- an equitable division of funds between the three objectives;</li> <li>- fair consideration for statistical-effect regions, phasing-in regions and ultraperipheral regions;</li> <li>- an ambitious budget for territorial cooperation, and notably its transnational strand;</li> <li>- preparation of a legal instrument for territorial cooperation;</li> <li>- maintenance of fair eligibility criteria;</li> <li>- the principle of a higher co-financing rate for territories with a permanent handicap;</li> <li>- eligibility of all regions for accessibility issues and increased aid for innovation;</li> <li>- the principle of involving the regions in the different programming stages, notably in the national strategic reference frameworks.</li> </ul>	<p>02/2004 Brussels “First forum of organisations of regional authorities on cohesion policy”</p> <p>04/2004 “Reaction by the CPMR Political Bureau to the publication of the Financial Perspectives for 2007-2013 and the conclusions of the Third Cohesion Report”</p> <p>04/2004 “Inclusion of the territorial dimension in the Constitutional Treaty”</p> <p>05/2004 “The CPMR's reaction to the interim territorial cohesion report”</p>	<p>04/04: Adoption of the European Parliament Resolution on the Commission’s Third Report on Economic and Social Cohesion</p> <p>05/2004: Accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta Poland, Slovenia and Slovakia to the Union</p>

### 1.2.2 The main regrets

- limited budget ambitions when considered in a more historical perspective;
- unfair capping of aid to convergence regions at 4% of their GDP;
- plain abandonment of tripartite contracts;
- a lack of ambition for territories with a permanent handicap;
- a more agricultural than rural EAFRD regulation;
- absence of details on territorial criteria for dividing up regional appropriations within national appropriations (territorial cohesion criteria).

**Reminder of the European Commission's proposals of July 2004**  
Cohesion policy 2007-2013 – Breakdown by objective in billions of euros



07/2004 "Analysis of the issues at stake for European regions in the budget negotiations"

05/2004 **Interim Territorial Cohesion Report**

07/04: Adoption of the Opinion of the Committee of the Regions on the Commission's Third Report on Economic and Social Cohesion

07/2004 Commission Communication to the Council and the European Parliament on the Financial Perspectives for 2007- 2013

07/2004 Proposal for a Council Regulation laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund

I.3 THE BUDGET AND REGULATION NEGOTIATION PHASE	MAIN CPMR DOCUMENTS AND EVENTS	MILESTONES
<p>This phase took place between 15 July 2004 and 16 December 2005. It effectively constitutes the budget negotiation period, even though some member states had already adopted a position beforehand. However, the Commission's proposal made it possible to initiate committee procedures (comitology) on the one hand, and to start work in the European Parliament, the Committee of the Regions and the Economic and Social Committee through different opinions on the Financial Perspectives and regulations on the other.</p> <p>It was also affected by the work of three successive Union presidencies:</p> <ul style="list-style-type: none"> <li>- preparatory work under the Dutch Presidency using the negotiating box method during the second half of 2004;</li> <li>- initial proposals on the Financial Perspectives under the Luxembourg Presidency in June 2005;</li> <li>- second proposal on the Financial Perspectives under the British Presidency in November 2005</li> <li>- final agreement under the British Presidency on 15/16 December 2005.</li> </ul> <p>Pending agreement on the Financial Perspectives, the European Commission continued to negotiate the content of the regulations with the Council, although they could only be adopted formally once the financial amounts had been included. Despite the lack of agreement under the Luxembourg Presidency, the Commission nevertheless published its first proposals for Community Strategic Guidelines. The strategic guidelines and various regulations should formally be adopted before the end of May 2006, so that they can be effectively implemented in January 2007.</p> <p>The following analysis has been undertaken in light of the results of the Council negotiations on 16 December, as well as the regulations and Community Strategic Guidelines as they currently stand.</p> <p><b><i>I.3.1 The main achievements</i></b></p> <ul style="list-style-type: none"> <li>- maintenance of fairly ambitious convergence objectives, despite the British Presidency's proposals for cuts;</li> <li>- maintenance of the Regional Competitiveness and Employment Objective, despite several member states' strong support for renationalisation. This is clearly the most valuable achievement, and it is due to the extensive mobilisation of the CPMR and its member regions over the last six years;</li> </ul>	<p>07/2004 "CPMR reaction to the drafts of the framework regulation and the regulations proposed by the European Commission on 14th July 2004"</p> <p>09/2004 "Some thoughts on the possible architecture of the cooperation objective 2007-2013: transnational strand"</p> <p><b>10/2004 Taormina "European territorial cooperation after 2006: proposals from the regions"</b></p> <p>01/2005 "Regional issues at stake in the EU budget negotiations for the 2007-2013 period"</p> <p>01/2005 "2005-2013: A territorial pact to accomplish the Lisbon agenda"</p>	<p>02/05: Adoption of the Opinion of the Committee of the Regions on the Proposal for a Council Regulation laying down general provisions on</p>

- maintenance of the transnational cooperation strand, which was nearly cut during negotiations under the Luxembourg Presidency;
- maintenance of a preferential rate of co-financing for transnational and interregional cooperation and for territories with a permanent handicap;
- a range of broadly satisfactory eligible actions in the draft regulations, with confirmation of the role of the regions in the implementation of the Gothenburg and Lisbon strategies.

### I.3.2 The main regrets

The main regrets are to be perceived in terms of the degree of ambition displayed during the various stages of the negotiations. Scrutiny of the successive budgetary developments offers a preliminary insight into the extent to which the proposal lacks ambition:

<b>Subheading 1b in % of EU 25 GDP</b>	<b>0.41%</b>	<b>0.37%</b>	<b>0.37%</b>
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	Commission proposal		Luxembourg Presidency		Final agreement	
	millions euros	in % of 1b	millions euros	in % of 1b	millions euros	in % of 1b
<b>TOTAL for 1b</b>	<b>336,100</b>	<b>100%</b>	<b>306,508</b>	<b>100%</b>	<b>308,119</b>	<b>100%</b>
<b>Convergence</b>	<b>264,000</b>	<b>78.55%</b>	<b>252,249</b>	<b>82.30%</b>	<b>252,234</b>	<b>81.86%</b>
<i>regional level</i>	177,800	52.90%	178,094	58.10%	178,229	57.84%
<i>cohesion fund</i>	62,990	18.74%	61,953	20.21%	61,518	19.97%
<i>phasing out</i>	22,140	6.59%	12,202	3.98%	12,487	4.05%
<b>Regional Competitiveness and Employment</b>	<b>57,900</b>	<b>17.23%</b>	<b>46,758</b>	<b>15.26%</b>	<b>48,386</b>	<b>15.70%</b>
<i>phasing in</i>	9,580	2.85%	9,494	3.10%	10,368	3.36%
<i>regional level</i>	48,310	14.37%	37,264	12.16%	38,018	12.34%
<b>Objective 3 Territorial Coop.</b>	<b>13,200</b>	<b>3.93%</b>	<b>7,500</b>	<b>2.45%</b>	<b>7,500</b>	<b>2.43%</b>
<i>cross-border</i>	6,300	1.87%	5,775	1.88%	5,775	1.87%
<i>transnational</i>	6,300	1.87%	1,425	0.46%	1,425	0.46%
<i>interregional</i>	600	0.18%	300	0.10%	300	0.10%

04/2005 Brussels "Joint conference on the future of European cohesion and its financing" (with the CoR and European Parliament)

04/2005 "Remarks concerning the state of discussions on future regional policy"

05/2005 "Europe paying a heavy price" Statement from Claudio Martini, CPMR President"

06/2005 "Opinion of the Political Bureau. Cohesion: More vital than ever" (Financial Perspectives, Community Strategic Guidelines)

the European Regional Development Fund, the European Social Fund and the Cohesion Fund

02/05: Adoption of the Opinion of the Committee of the Regions on the policy challenges and budgetary means of the enlarged Union 2007-2013

05/2005: Third Progress Report on Cohesion: towards a new partnership for growth, jobs and cohesion

06/05: Adoption of the European Parliament Resolution on the policy challenges and budgetary means of the enlarged Union 2007-2013

06/2005: Failure of the Council negotiations on the Financial Perspectives for 2007-2013 (Brussels summit under the Luxembourg Presidency)

07/05: Adoption of the European

<p>The main points to note include:</p> <ul style="list-style-type: none"> <li>- an overall reduction in the cohesion budget to 0.37% of European GDP;</li> <li>- expenditure ceilings of less than 4% of GDP for convergence regions, even though the interesting concept of progressivity has been introduced to take account of regions' development levels (calculation based on increments of 5 percentage points of GDP with regard to the EU average) and co-financing rates have been raised to 85% for the poorest among them, which will ensure that more of the money available is used up;</li> <li>- the sharp decrease for statistical-effect regions, from €22bn to €12bn;</li> <li>- the marked decline in ambitions for the Regional Competitiveness and Employment Objective;</li> <li>- the very large cuts affecting the transnational strand of territorial cooperation on the one hand, and interregional cooperation and networks on the other;</li> <li>- the highly indiscriminate criteria used for calculating indicative regional appropriations within the Regional Competitiveness and Employment Objective;</li> <li>- an obligation to devote 75% of funds for the Regional Competitiveness and Employment Objective to the Lisbon strategy and 60% of funds for the Convergence Objective to pre-2004 EU member states, with no details being given on resulting operational arrangements (we are notably thinking of the sharp decline in ambitions related to the Gothenburg strategy) ;</li> <li>- a list of "hand-outs", which says much about the member states' desire to forge a truly integrated EU policy..</li> </ul> <p>Aside from budgetary aspects, the following points are to be noted in particular:</p> <ul style="list-style-type: none"> <li>- considerable weakening of the concept of territorial cohesion: it has no doubt been a victim of the demise of the Constitutional Treaty, which would have given it the same weight as economic and social cohesion. This is notably reflected in the absence of a territorial dimension to the Community Strategic Guidelines, and the lack of EU territorial criteria for allocating regional appropriations within each member state;</li> <li>- the decreased desire to involve the regions in European, national and regional strategy design, beyond just formal consultations (see opinions of the CPMR and CoR on this issue). The almost definitive abandonment of the notion of tripartite contracts constitutes one of the specific consequences of this;</li> <li>- abandonment of the formal link between the National Strategic Reference Frameworks and the Community Strategic Guidelines, under pressure from a large majority of member states.</li> </ul>	<p>09/2005 "The Community Strategic Guidelines must support territorial cohesion"</p>	<p>Parliament Resolution on the Proposal for a Council Regulation laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund</p> <p>07/05: Adoption of the Eorppëan Parliament's legislative resolutions on proposals for regulations on the European Regional Development Fund, the European Social Fund, and establishing the Cohesion Fund</p> <p>07/2005 Communication from the Commission: A Cohesion Policy to Support Growth and Employment - Strategic Community Guidelines 2007-2013</p> <p>10/05: Adoption of the Opinion of the Committee of the Regions on the Third Progress Report on Cohesion.</p> <p>11/05: Adoption of the Opinion of the Committee of the Regions on the Commission Communication on the Strategic Community Guidelines</p> <p>12/05: Adoption of the European Parliament Resolution on the Interinstitutional Agreement of 6 May 1999 on budgetary discipline and improvement of the budgetary procedure</p> <p>01/06: European Parliament Resolution on the position of the Council on the Financial Perspectives and the renewal of the Interinstitutional Agreement for 2007-2013 (the European Parliament rejected the Council's position)</p>
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## I. THE BASIS FOR FUTURE DISCUSSIONS

The CPMR's work must now focus on the next negotiations and related issues.

### II.1 The Interinstitutional Agreement (January to May 2006)

The chances of seeing the "heavyweight" budget headings of cohesion policy increase during negotiations between the Council and Parliament are negligible. However, there is still hope for greater ambitions concerning transnational cooperation, which has been heavily cut by the member states and is still proportionately marginal in the budget (it accounts for 0.3% of subheading 1b). The CPMR's President wrote a letter about this to the President of the European Parliament, the two successive Union presidencies, the President of the European Commission and the Commissioner for regional policy.

Furthermore, the CPMR will continue to monitor work on the adoption of the regulations, and especially the Community Strategic Guidelines for Cohesion Policy. It is notably entering into a phase devoted to raising the European Parliament's awareness about the absence of a formal link between European and national strategies, aside from the regular contacts back and forth between the member states and DG Regio.

Aside from this, the member regions must above all be on their guard as far as operational arrangements for implementing cohesion policy in each of their countries are concerned. The CPMR, in association with the Committee of the Regions, is planning to organise a seminar on this subject on 31 May 2006 in Brussels. It will benchmark arrangements for involving the regions on the one hand, and territorial cohesion criteria used in each member state on the other, notably concerning the following points:

- implementation of the Regional Competitiveness and Employment Objective;
- implementation of the EAFRD;
- implementation of the map for regional aid, especially Article 87.3c.

The results of this seminar should:

- firstly help improve ongoing negotiations within each member state by shedding light on best practice;
- secondly contribute to the debate on the future of regional policy and the progress which still needs to be made before the following notions become operational:
  - o involvement of the regions in EU policies,
  - o territorial cohesion.

These latter points cannot be separated from the debates now starting under the Union's Austrian Presidency on the revision of the Constitutional Treaty. There is a real need to ensure that they are a constant feature in any future discussions, bearing in mind the extensive efforts made to ensure that they were included in the Convention's initial draft.

## II.2 Preparation of the White Paper on Budget Reform (2006-2008) and the post-2013 Financial Perspectives

The bitterness of budget discussions over the last three years has made it urgent to start a debate on the future structure of the Union's budget after 2013. The future of policies with a large budget heading in the current budget will no doubt be among the points up for discussion, including:

- the Common Agricultural Policy (CAP);
- cohesion policy;
- sectoral policies, notably research and transport.

On top of these three issues, there will probably also be a discussion on the development of other policies which have become particularly important for Europe's future, notably:

- energy policy;
- human resources policy, including demographic and immigration policy, aside from border control and clandestine immigration issues;
- pursuit of the Kyoto protocol and Gothenburg strategy;
- common security and defence policy.

These various topics have one point in common, namely the continued globalisation of the economy and its direct and indirect impact on European regions:

- a. The future of the **CAP** depends largely on the content of ongoing and forthcoming negotiations within the World Trade Organisation. Recent decisions taken in Hong-Kong and the current debates on several agricultural products will no doubt affect its future as well as its medium- and long-term place in the European budget. Aside from the possibility of it being partially renationalised, it will be necessary to think about the foreseeable regional consequences of decisions at European and world level. To varying degrees, the CPMR member regions are fairly largely affected by the CAP and the current arrangements for implementing it. These changes may have major consequences for rural areas, sometimes as big as those incurred as a result of the restructuring which accompanied the period of agricultural modernisation between the 1950s and the recent enlargements. This depends on the pace of economic reform in each member state. Thus the issue of which future instruments are needed to support restructuring is now on the agenda. Rural development will probably become a more territorial and less agricultural issue than in the past. Bearing in mind that these changes have been taking place for a long time, it is regrettable that rural concerns have been given less attention in 2007-2013 regional policy. Will this be the case for the post-2013 period? To explore this possibility, the Political Bureau is proposing to launch an initial forward-thinking debate on the future of agriculture in our regions and its consequences for the CAP.
- b. Does economic globalisation constrain European solidarity, and is it progressively undermining **cohesion policy**? We would be justified in thinking so, in light of changes in the proportion of European wealth devoted to it. The cohesion budget has effectively dropped from 0.41% of EU 15 GDP to 0.37% of EU 25 GDP, despite the fact that the latest entrants need a greater cohesion effort. In the circumstances, it is hard not to highlight the biggest contributors' tendency to push for a reduction in the proportion of the budget devoted to cohesion policy. At the same time, ongoing globalisation will have an increasing impact on European regions' economic outlook, to varying degrees depending on their respective competitiveness in the world economy. The European Commission has started to take account of this issue in the regulations on regional aid by offering the possibility to intervene in territories undergoing extensive economic restructuring resulting from increased international competition. Unless the issue is given sufficient attention, there is a danger that citizens may lose faith in the values promoted by the EU. In an over-globalised world in which citizens and consumers distance themselves from the values promoted by the Union for nearly 50 years, there is a plausible risk that the economic achievements of the internal market will be destroyed. This key issue will feature in the discussions at the seminar the CPMR will organise next June in the Azores on the topic of "The regions and globalisation": is the world moving towards more internal cohesion within its

different regional blocs or, to the contrary, is it shifting towards faster transcontinental deregulation? The answer to this question will considerably shape the future intensity and form of European cohesion.

- c. Discussions on **sectoral policies** which the Europeans would like to develop together are directly linked to the previous point. It is difficult to deal with this issue now without knowing the details about how these policies will really be implemented over the 2007-2013 period. How can one go beyond ideological positions without introducing a certain degree of pragmatism? Following the adoption of the Lisbon strategy in 2000, a consensus seems to have emerged on the need to boost efforts in areas where the European continent's future competitiveness can be enhanced in a global context. Six years later, the results are not very good:
  - o the Commission's budget ambitions have been drastically cut back by the member states;
  - o the Lisbon strategy has only marginally been implemented by the member states, as the Kok report has just pointed out;
  - o doubts subsist about the real capacity for using up the funds devoted to these policies for the 2007-2013 period.

Furthermore, how can one argue for the development of a certain number of common sectoral policies if at the same time the cohesion effort has just been reduced? This scenario cannot work without a balance being established between subheadings 1a and 1b of the budget. We believe that their futures are intimately linked. As an example, we should remember that the FP7 budget is only likely to represent about 5% of public sector budgets devoted to research. The retreat of some into national self-interest could certainly happen as far as sectoral policies are concerned. In another area, operational implementation of the various aspects of the White Paper on transport is faced with the same difficulties. There will furthermore also be the issue of the regions' role in adapting to globalisation. Research aside, employment and innovation issues are taking on increasing importance. Will vast European research programmes be enough for maintaining the European economy's competitiveness, or would it not be desirable to complement them with real public policies delivered as close to local realities as possible? The implementation of 2007-2013 regional policy will no doubt provide some initial answers if it is given sufficient time to prove its worth. Work carried out by the OECD on this topic currently seems to give preference to such policies, on which the regional competitiveness and employment strand of future regional policy is largely based (75% of planned expenditure for the 2007-2013 period).

- d. **Energy policies** will no doubt take on increasing importance, notably since constant price increases of fossil energy sources and their increasing scarcity has become commonly acknowledged. The member states will undoubtedly want to enhance their cooperation on this highly sensitive issue. In light of the importance of the issues at stake, European regions will have a major role to play in implementing energy solutions tailored to their territories' circumstances. This topic should therefore feature heavily in future regional policy, because it will be necessary to mobilise all public European stakeholders in a vital collective effort for our societies.
- e. Demographic trends are starting to become a crucial problem for Europe. Although, strictly speaking, this is not something new from an academic point of view, it is the case at a political level owing to the major consequences which are starting to make themselves felt and which local elected officials must now manage on a day-to-day basis. It is now foreseeable that such trends, which are already partially underway, will become of utmost importance for the 2014-2020 period, with:
  - o the retirement of baby boom generations, with the financing problems this implies;
  - o a notable decrease in the birth rate in a majority of European countries, which will exacerbate the problem;
  - o recruitment problems in certain economic sectors;
  - o a general lack of European labour in the short and medium term;
  - o strong migratory pressures resulting from differences between European and global demographic trends;

- the issue of integrating immigrant populations in our European societies;
- the start of competition to attract immigration of elites and consequent issues for origin and host countries.

There is absolutely no doubt that Europe will have to deal with this issue collectively, over and above merely the defensive reactions which are currently talked about. What role will the regions have in these various areas? Cultural and social integration issues immediately come to mind, as do training issues, adapting skills to demand, integration policies, forecasting of job and skill needs and, more broadly, their capacity for integrating elites. On top of this there is a particular issue for regions located on Europe's borders concerning means for border control. Is it not possible to imagine that, beyond just defensive policies, the regions will at some stage have to develop competitive policies to attract non-EU immigrants? In the forthcoming months, the CPMR will carry out a preliminary forward-thinking exercise on the impact of demographic issues for European regions.

- f. The Lisbon strategy focus of the debate has left little place for European and global sustainable development issues. This is less the case as far as the media and citizens are concerned than it is in Council and European Commission discussions. References to the Gothenburg strategy have become marginal, and environmental policies have been relegated to the background of the Community Strategic Guidelines. This may well be due to the tough nature of the budget discussions, insofar as the subject of Europe's foreseeable economic decline is more newsworthy than that of the future of the global ecosystem. Because this period of negotiations is now coming to an end, the issue will rapidly return to centre stage. If the Union intervenes in this area primarily through new regulations, it will mainly be up to regional and local authorities to implement the range of preventative and remedial policies, which by nature take up vast budgetary resources. It will scarcely be possible to avoid having an in-depth debate on this subject in the context of the planetary issues raised by Kyoto. The seminar on "The regions and globalisation" next June will attempt to draw up some initial recommendations over and above the preliminary ideas raised in Marseille in February 2006 regarding the regions' reaction to climate change. It is essential that post-2013 regional policy should place this issue at the top of the political and operational agenda.
- g. Last but not least as far as emerging topics are concerned comes **common security and defence policy**. In principle, this topic is of less concern for European regions, because it is an area where states have legally exclusive powers. However, similarly to the issue of clandestine immigration control, some European peripheral regions have a highly specific role to play in European defence strategy. Over the coming years the CPMR will organise discussions on this topic, focusing on its territorial impact and the spatial organisation of defence capabilities.

Another issue closely linked to globalisation concerns the consideration given to Europe's maritime situation, which cuts across all of the above-mentioned topics of future importance. 90% of Europe's international trade is transported by sea, which increases the role of our coastal areas as economic interfaces. Numerous inter-related economic activities will have great future potential if Europe manages to unite in the face of fierce international competition. Our coasts are also vulnerable to more risks related to the growth of such activities, and to the more or less foreseeable effects of climate change. The oceans will furthermore provide research and innovation opportunities, with as yet embryonic applications. To promote all of these dimensions, the European Commission has launched an initial White Paper on Europe's maritime policy, which aims to lay the cornerstones of a new European strategy. Coastal regions will naturally have a large role to play. We are certain that the post-2013 will provide sufficient budgetary resources for meeting such a big challenge, over and above the experiments of the forthcoming period.

### III. AN INITIAL DRAFT WORK PROGRAMME TO PREPARE FOR THE FUTURE

It is clear that globalisation is the common thread in this debate in terms of its impact on the substance of the European project. This approach has an impact on governance and therefore the increasingly devolved role of regions in implementing certain Union policy guidelines. By pursuing these two main themes, the CPMR would already like to start preparing the regions' future role in post-2013 policies. The work programme will need to be developed as and when EU developments and discussions between its members take place. However, it can presently be summarised as follows:

- monitoring of the interinstitutional negotiations until May 2006;
- benchmarking seminar on implementation aspects at the end of May 2006 and exploitation of the results;
- seminar on the regions and globalisation in June 2006;
- start of initial forward-planning work on the regions and globalisation, agriculture and demography for the 2007 General Assembly;
- initial position on the preparation of the White Paper on the future structure of the Union's budget for the 2007 General Assembly;
- arguments for a future post-2013 regional policy for the 2008 General Assembly, together with all the prior forward-planning work.