Introduction

Since this chapter is about the regional policies of the EU, it is proper to introduce it with a brief discussion of the concept of regionalism and a definition and justification of regional policy.

A good point of departure is a statement of the obvious, namely, that there are significant differences among regions within Europe. Regions vary greatly in their economic capacity, institutional structures and the political, economic and social demands they articulate (Keating 1995). Some areas have a strong sense of identity, rooted in historical experience, language, culture or political tradition. Some have distinct civil societies. Some have autonomist or secessionist movements, aiming for independence or for reuniting ethnic groups that were separated by artificially drawn borders.

Be that as it may, the regional policy of the EU has long been inspired by the notion of 'cohesion' (Allen 2000: 244). This rather vague term encompasses economic, social and political aspects of anti-disparity policies. Economically, the idea is to assist disadvantaged countries and regions to compete in the internal market. Politically, it is designed to demonstrate the value of Community membership in peripheral regions. That cohesion policies have served the EU’s political purposes, at least in the poorer countries and regions, is clear. Survey data and citizen votes on EU membership show that the strongest support for membership by Spain, Portugal and Greece in the 1980s and by the CEE countries after 1990 had much to do with the expectation that these countries would be net beneficiaries from EU membership through the Community’s regional policies (Keating 1995: 18–5). Similarly, the citizens of the poorer regions of the economically well-off countries, which also benefit from the Community’s regional aid, tend to be the relatively stronger supporters, within their countries, of EU integration.

Furthermore, economic theory suggests that in the absence of appropriate accompanying policies, market forces unleashed by EU integration will not of themselves be sufficient to eliminate regional divergence, but rather the
This is because the elimination of tariff and non-tariff barriers to trade, and of other obstacles to the free inter-regional and cross-border movement of factors of production, tends, on balance, to favour the 'core' of the EU. ('Core' refers here both to location close to the centre and to areas of relatively high level of development.) Therefore, the forces unleashed by the EU's ever-deeper economic integration (as well as by globalization) carry with them not only the hope for a more prosperous Europe, but also a threat to already disadvantaged areas. EU regional policy, just like those of its member countries, is also a response to this threat.

The essence of EU regional policy is to reduce disparities in levels of development. However, this is not supposed to be viewed as handouts to underdeveloped areas. Rather, as it is stressed by the new EU Commissioner for Regional Policy, Danuta Hübner, it is about investing in regional competitiveness and jobs, thereby raising the endogenous long-term growth potential of the poorer regions, enabling them to attain a permanently higher level of development. This process and the presumed outcome are seen as benefiting the entire EU.

The rest of this chapter chronicles the evolution of EU regional policies from 1957 through 2004; offers a brief discussion of the EU budget, as context for funding regional policies; discusses the criteria, the objectives and the allocation of EU Structural and Cohesion funds; reviews pre-accession assistance to the countries of CEE, with brief summaries of the PHARE, Instrument for Structural Policies for Pre-Accession (ISPA) and Special Accession Programme for Agriculture and Rural Development (SAPARD) programmes; summarizes aid and pre-accession assistance to the Western Balkans; describes regional policy coordination; projects regional aid through 2013; and concludes with a discussion of the efficiency and impact of regional aid policies generally and to the countries of CEE and the Balkans specifically.

**Evolution of regional policies, 1957–2004**

The Treaty of Rome states: 'The Community shall aim at reducing disparities between the levels of development of the various regions' (Article 158). However, the only regional policy instrument included in the Treaty (at Italy's insistence) was the European Investment Bank (EIB).

Prior to 1975, the Community's regional policies were limited and fragmented. A more active policy, backed by funds, had its origin with the 1973 entry of the UK, a country that had a tradition of regional policy. And since the UK was bringing into the Community a number of problem regions in need of help, it was keen on having the European Community (EC) channel funds to them (Keating 1995: 19).

When regional policy became an issue, the Commission advocated approaches and measures that would have given it considerable power in