Learning About Regionalism from Europe: ‘Economic Normalisation’ and Beyond

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Abstract
This paper critically analyses the European Union’s regional policy framework and considers its implications for Australia’s multi-level governance system. The analysis is made with reference to the ‘new regionalist’ debates in Europe and North America that have asserted the importance of regional economic development in the context of globalisation. New regionalism’s advocacy of ‘economic normalisation’ as a leading regional policy aim is critically evaluated against the EU policy experience. Conclusions about the adequacy of new regionalist claims are drawn for Australian policy debates.

KEY WORDS Regional policy; European Union; new regionalism; economic normalization

Introduction: the ‘New Regionalism’ and its discontents
In the past decade, there has been an increasing emphasis on subnational economic and social development in Western policy debates. Both local and regional development patterns have been highlighted and problematised in the context of economic and political globalisation. The weakening of national economic frames through enhanced global integration has exposed subnational territorial entities to increased competitive pressures, often international in origin. In this context, interest in regional issues has been stimulated by evidence that individual cities and regions have experienced economic renaissance within a context of declining national performance. As Macleod (2001, 804) notes:

...just as investment, travel and communications are becoming ever more globalised, and as the nationally configured welfare state is purported to have relinquished its role as a ‘natural economic zone’... so a range of high profile regional economies and urban metropoles appear to be surging ahead in the race to be leading motors of wealth creation.

There has been a strong record of regional governance, including regional assistance, by European central states since World War Two, reinforced by a traditional political attachment to the principle of ‘subsidiarity’ (Balchin et al., 1999). In recent decades, regional policy and governance frameworks have been reinforced by European Union (EU) goals and programs (Allmendinger and Tewdwr-Jones, 2000). As part of this process, both the EU and individual member states (notably, the UK) have devolved administrative power from central governments to regional authorities (Jeffery, 1997). There has also been a proliferation of subnational economic development bodies, framed both at regional and local scales.
Subnational authorities in Europe and other market economies have increasingly been drawn into economic development issues, catching up to some degree with the USA. Local authorities have taken on new or expanded economic development roles and have been joined by a range of private and quasi-public bodies. In Britain for example there were barely a dozen agencies formally charged with economic development in the early 1980s. Now there are several hundred... Worldwide there were perhaps four hundred regional development agencies in the mid-1980s; now there are at least ten times as many (Lovering, 1999, 390).

The new subnational and cross-national support mechanisms of the EU are the strongest of the regional development and governance frameworks to emerge in recent decades. For many observers — including scholars (e.g., Storper, 1997; Amin, 1999; Scott, 1998) and policymakers — these recent investments in sub-national policy frames by various governments reflect a new institutional paradigm which demands a refocusing of economic development strategies at the regional scale. As Macleod (2001) points out, this ‘new regionalism’ paradigm has fixed on, and advocated, a development model that promotes the ‘economic normalisation’ of poorer or struggling regions. The model of normality is the global economy, and its assumed imperative for trade focused development. Normalisation is pursued through a set of interlocking economic development strategies applied at the regional scale, including vigorous pursuit of foreign investment (including firm recruitment), enhancement of labour force capacities and flexibility, and the development of production clusters and interdependencies. The central concern of regional development is the regional economy, and within this, the export manufacturing sector (e.g., Scott, 1998). More broadly, this presupposes a focus on economic issues rather than on socio-cultural or environmental concerns¹.

Lovering (1999), however, points to the diversity of policy practices that have been described as ‘new regionalist’ and, by implication, urges a more discriminatory approach to the discussion of regional policy innovation. Lovering doubts that ‘new regionalism’ describes a homogenous set of policy innovations. There exist common imperatives driving renewed interest in sub-national planning and policy-making in many countries — notably globalisation and mounting ecological pressures. However, the political-institutional settings for policy-making differ greatly at the national and cross-national scales, suggesting both the inevitability of, and the need for, regional policy initiatives that reflect the unique social, economic and environmental qualities of the contexts in which they are framed. His analysis therefore suggests the need for a more critical, case-by-case assessment of regional policy innovation in pursuit of mutual learning at the international scale. Just as importantly, Lovering argues that new regionalism’s advocacy of economic normalisation is at once conservative in its political outlook and empirically impoverished, neglecting the many political economic and institutional forces that shape regional well-being.

Accordingly, this paper fixes critically on one important and singular regional policy framework and considers its implications for Australia’s multi-level governance system. The premise is that Australian regional policy debates would be best informed by critical reflection upon practice in particular policy domains rather than by appeal to the assumed nostrums of a ‘new regionalism’. Following Lovering, this sort of critical, situated analysis is more likely to advance understanding of successful policy design than is advocacy of a new institutionalist paradigm of regionalism. It also follows from this premise, however, that critical analysis of the EU (or any other) framework may reveal strengths or well-functioning features that may not translate easily to the Australian context.

As will become evident, the EU regional policy frameworks reflect to some degree the ‘economic normalisation’ priorities of new regionalism. In this sense, the policy frames have been celebrated for their apparent success.
in reducing inter-regional economic disparities. Several policy analysts, both within (e.g., Gren, 2002) and outside (e.g., Balchin et al., 1999; Vanhove, 1999) the EU have reported a variety of achievements for these programs, including a lessening of socio-economic disparities between rich and poor regions and enhanced economic competitiveness for assisted regions. More recently, however, certain analysts have sounded discordant notes which have soured to some extent this chorusing of praise (e.g., De Rynck and McAleavey, 2000). These critics have generally questioned, not condemned, the EU programs, pointing both to an allegedly mixed record of policy outcomes at different spatial scales, and to the possibility of future difficulties and challenges across a range of program aims. Importantly, these criticisms — some from within the EU itself — suggest that new regionalist approaches only partly inform the EU’s regional policy frameworks.

The aim of this paper is threefold: to review the EU’s regional assistance programs; to assess critically the EU policy experiences with reference to the new regionalist debates that have surrounded them; and to consider the relevance of the new regionalist perspective to Australia’s multi-level governance framework. The paper begins by reviewing the European Union and its administrative structure, focusing on the organisation of its regional assistance frameworks. The objectives, organisation and funding of these frameworks are reviewed. From here, the discussion critically reviews the impacts of assistance programs at two key levels: inter- and intra-regional scales. A short review of the emerging urban focus of regional assistance then follows. The paper concludes with a set of critical reflections on the lessons to be drawn for Australian regional policy debates from the European experience.

The European Union

Governance and values

The European Union (EU), and its administrative structure, the European Commission (EC), are centrally concerned with regional issues. The importance of regional well-being is reflected in the constitution of the EU and in its governance. Although the European Parliament and the European Council are the main political fora for the Union, there also exists an influential Committee of the Regions which acts both to articulate regional and local interests and to assist the EC in policy formulation. The Committee of the Regions is made up of 222 representatives, appointed by member states of the Union. A separate Assembly of European Regions (AER) was created in 1985 to act as an advocate for regional issues and regional bodies. The AER, whose membership includes 250 regions from 25 countries and 12 inter-regional organisations, enjoys observer status at the European Council and works to reinforce the aims of the EU’s Committee of the Regions.

In the EU, ‘regional’ is generally taken to mean geographic areas within member states. As a multi-level governance structure, the EC frames regional policies in a context that mirrors in many respects the conditions which define Australia’s federal regional policy domain. In both contexts, a central government must frame regional policies within member states, and it must do so with the cooperation of member states. The EU governance framework is founded on a set of principles that enshrine both the significance of regional policy making and the value of inter-regional socio-economic cohesion (Vanhove, 1999). The principle of subsidiarity — the idea that decisions should be taken at the lowest appropriate level — has helped to reinforce multi-level governance and, through this, a focus on regional policy.

The 1992 Maastricht Treaty established ‘social and economic inclusion’ as one of the EU’s key priorities alongside Economic and Monetary Union and the Single Market (De Rynck and McAleavey, 2000). Article 2 of the Maastricht Treaty states as the goals of the European Union:

... the promotion of balanced and harmonious economic development; stable, non-inflationary
and sustainable growth; convergence of economic performance, high levels of employment and social security; improvement of the quality of life; and economic and social coherence and solidarity between the member states (cited in Spiekermann and Wegener, 1996, 36).

Thus ‘cohesion’ remains a watchword of EC policymaking. The removal of internal EU trade barriers in 1993 increased the similarities between the Australian and European federal structures. For the EU, this shift, however, signalled a potential threat to the social solidarity and regional cohesion of the Union:

There was a risk that the single market would be of most benefit to those regions best placed to attract capital and human resources. That is why the objective of economic and social cohesion, the desire to reduce disparities between the various regions of the Community, was introduced by the Single European Act as an essential complement to the single market (Directorate-General for Regional Policy and Cohesion, 1996, 3).

Competition is also a leading ideal of the EU. The EC is directed in this regard to undertake policies and programs that enhance the economic competitiveness of the Union as a whole. However, inter-regional competition within the EU is seen to hinder, not advance, the goal of competitiveness, whilst also weakening solidarity and cohesion (Jonckers, 2000). The EU takes the view that inter-regional balance in socio-economic conditions is a key to making the Union more economically competitive in the global trading environment. In this view, underperformance in weaker regions leads to a fall in consumer demand for European products, hinders economic development, distorts competition in the Single Market and ultimately reduces the EU’s competitiveness in the global market (Directorate-General for Regional Policy and Cohesion, 1996). Its regional assistance programs attempt to foster inter-regional and inter-local cooperation in pursuit of social and economic development. Cooperation is held to generate synergy: a form of development energy that would not be harnessed if inter-regional competition were the favoured governance model (European Commission, 1996).

The ‘Lisbon agenda’: a new social focus
A European Council meeting in Lisbon in March 2000 produced a new ‘Poverty and Social Exclusion Agenda’ that represents a major broadening of the EU’s interest in social disadvantage (Jonckers, 2000). Whilst the EU has long recognised the problem of social disadvantage, its causation and amelioration have until recent times been largely seen as economic issues. In this traditional view, social cohesion was largely seen as contingent upon equal access amongst peoples and regions to employment opportunities, to the exclusion of other important dimensions of well being, such as housing, environmental quality, health and cultural integrity (Geddes, 2000).

The Lisbon agenda for the first time recognised that the EU is more than a vehicle for economic integration and established that social cohesion was a key objective in its own right (Jonckers, 2000). This shift was anticipated in 1996 when the EC stated that: ‘The promotion of social cohesion requires the reduction of disparities which arise from unequal access to employment opportunities and to the rewards in the form of income’ (European Commission, 1996, 14). Importantly, the Lisbon agenda recognises that social policy is a productive rather than merely a palliative, force that lifts, not lowers, GDP in depressed regions. In the first instance EUR100 million have been allocated towards initial action to counter social exclusion under the Lisbon agenda. Reflecting this broader shift, the concept of social exclusion has gradually emerged through the past decade as an increasingly important object for the EU’s regional assistance regime. The ‘Lisbon agenda’ thus signifies for the Commission ‘a significant redirection of emphasis from the material deprivation of the poor towards their inability to fully exercise their social, economic

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and political rights as citizens’ (Geddes, 2000, 761).

New spatial emphases
According to the EC, the consequences of Euro-
pean politico-economic integration and, more
broadly, economic globalisation, mean that spa-
tial planning issues are progressively assuming
greater importance. It is also acknowledged that
key changes — notably globalisation and public
sector restructuring — have had uneven conse-
quences for communities, regions and nations,
producing new patterns of regional economic
disparity (Directorate-General for Regional
Policy and Cohesion, 1996). As markets become
more integrated, the need for coordination of
infrastructure and other facilitating investment is
heightened. There is also a greater need to man-
age the social and environmental consequences
of free trade. It is recognised that these forces
for change require new forms of governance —
spatial development policies — if they are to be
channelled towards desirable social, economic
and ecological ends (Tewdwr-Jones, 2001).

Perhaps the most significant and encompass-
ing of the EU’s recent spatial policy initiatives
has been the ‘European Spatial Development
Perspective’ (ESDP) (Committee on Spatial De-
velopment, 1999). Generally speaking, the aims
of the ESDP are to: ensure balanced regional
development and social cohesion; achieve eco-
logical sustainability; and enhance the com-
petitiveness of the EU and its member states
(Dabinett and Richardson, 1999). The ESDP is
outlined in a number of policy documents, but
remains an incipient strategy whose regulatory
and programmatic features are still evolving. A
number of scholarly commentators have pointed
to the difficulty in producing an omnibus spatial
planning strategy for Europe’s complex, multi-
level governance framework (e.g., Faludi, 2001).
Tewdwr-Jones (2001, 27) expresses hope that
this emerging ‘kaleidoscopic planning landscape’
will help to strengthen the role of regional and
local communities in spatial development poli-
cies that have not traditionally been strongly
engaged at subnational governance scales. In
addition to the ESDP, there are a range of well-
established regulations, policies, and significant
funding programs that aim to enhance balanced
regional development and to assist ‘lagging’
regions. This regional assistance framework is
outlined below.

The EU regional assistance framework
The EU has a comprehensive regional assistance
framework whose separate elements are largely
administered through the following Directorates-
General:

- Regional Policy
- Employment and Social Affairs
- Agriculture

The EU has at its disposal four ‘structural funds’
through which it channels financial assistance to
address structural economic and social problems
in order to reduce inequalities between different
regions and social groups:

- The European Regional Development Fund
  (ERDF)
- The European Social Fund (ESF)
- The European Agricultural Guidance and
  Guarantee Fund (EAGGF)
- The Financial Instrument for Fisheries Guid-
  ance (FIFG).

Of particular importance is the European
Regional Development Fund (ERDF). Its main
aim is to promote economic and social cohesion
in the European Union by working to reduce
inequalities between regions or social groups.

Objectives
The funds are governed by strategic objectives.
For the recently completed structural funding
round (1994–9), there were 6 objectives, four of
which related to regional assistance (Table I).

In the new funding framework (2000–6),
there are only three objectives, signalling an
enhanced emphasis on ‘lagging’ regions and
areas affected by industrial decline (Table II).
Only Objectives 1 and 2 in the new framework
have a regional dimension. Objective 3 allocates
funds across the EU. The new objectives dilute
to some degree the significance of rural areas in regional assistance and include for the first time a specific focus on disadvantaged urban regions.

The objectives outlined for each framework reflect, to some degree, a concern for ‘economic normalisation’ that has been identified as a leading concern of new regionalism debates. The EU has traditionally concerned itself with achieving a strong degree of convergence in regional economic conditions, evidenced through funding criteria that are determined against Community-wide income and employment averages. As will be argued later, however, this historical concern with economic normalisation at the regional level has been transformed in the past decade by a number of high level strategic policy developments, including a strengthening focus on socio-cultural development and a new recognition of the need to support high performing regions.
In both the 1994–9 and 2000–6 funding frameworks, the main strategic objectives have been supplemented by a Community Initiatives Programme. In the current framework, Objectives 1–3 will receive 94% of the funding pool, with a further 5.35% allocated to Community Initiatives. In the area of regional assistance, the main Community Initiatives of interest are Interreg III and Urban II. The importance of Interreg III lies in the fact that it specifically frames regional assistance in cross border zones (i.e., across the boundaries of member states). Urban II funds the social and economic regeneration of towns and neighbourhoods in crisis and is not framed at the regional scale.

All programs funded by the structural program are managed by designated member states. However, there are various linkages to regional stakeholders and the EC. Regional decisions are made by consensus. There is a strong emphasis on concordance with national and local government policies and programs. The consensus decision-making mechanism reinforces this mutual interlocking of EU, national, regional and local policy settings (Vanhove, 1999).

**Funding levels**

The level of funding for the structural assistance program is significant by Australian standards, even accounting for the much larger population of the EU. In the current framework, the four structural funds amount to EUR195 billion, or $A337 billion (September 2003). Overall then, the EU will spend EUR709 ($A1208) per capita on regional assistance during the current framework period (2000–6). If this per capita spending were translated to the Australian context it would require Australian governments to commit approximately $A24 billion to regional policy over a similar time period. An additional EUR47 billion in aid has been earmarked for the applicant countries for accession to the EU (Directorate-General for Regional Policy, 1999a; 1999b).

The bulk of structural funding in the current framework will be expended against Objectives 1 (EUR127 billion) and 2 (EUR20 billion). Funding for Urban II has been set at EUR700 million, representing a decline on levels expended against Urban I (EUR900 million). However, it is anticipated that effective funding of urban areas will be increased within the new framework which for the first time specifically allows for, indeed encourages, funding for urban areas under Objectives 1 and 2. Given that the Urban initiatives target localities, the impact of this shift has been to make urban assistance more regional and less localised. This development seems to reflect a greater emphasis by the EC on urban regions rather than urban localities in policymaking. As mentioned above the ‘Interreg’ program is another Community Initiative which devotes significant resources to regional assistance. The budget for Interreg III is EUR4.875 billion ($A8.3 billion).

The structural assistance program affects a significant proportion of the European population. In the 1994–9 framework, regional assistance under Objectives 1 and 2 affected areas containing 26.6% and 16.3% of the EU population respectively. In the current framework, Objective 1 funding will affect areas that are home to 22.2% of the EU population. The impact of Objective 2 funding has not yet been assessed. All structural funds are drawn upon for the regional Objectives (1 and 2), but the most important contributors are the ERDF and the ESF. Support drawn from the EAGGF targets rural areas. In 1987, the structural funds accounted for 17% of the EU’s budget; by 1999, this figure had increased to 35% (De Rynck and McAleavey, 2000).

In addition to the structural funds, the EU deploys other programmatic instruments in pursuit of social and economic cohesion, the most significant of which is the Cohesion Fund. The total Cohesion Fund budget for the period 2000–6 exceeds EUR 18 billion (Directorate-General for Regional Policy, 1999a). The money is split evenly between environmental projects and transport infrastructure projects. The Fund is targeted at the EU peripheries (member states whose GNP per capita is below 90% of the Community average).
Finally, as part of its commitment to enhancing inter-regional cohesion, the EU has advanced a number of specific programs that concentrate on developing transport, infrastructure, telecommunications and socio-political links between places and regions. An example of a successful socio-political link fostered by the EU has been the European Sustainable Cities and Towns Campaign that has improved networking between urban areas in the area of environmental policy (see www.sustainable-cities.org).

There is recognition that strengthened links deliver four important outcomes:

1. increased opportunities for lagging regions and places to learn from, and in other ways benefit from, the success of the ‘winners’;
2. provision of networks and interaction necessary for flexible, dynamic economies;
3. strengthened regional cultural and political ties, lessening thereby the sense of social exclusion that spatial disparities can create; and
4. enhanced accessibility of the benefits of growth for people in regional and outlying areas.

**Framework effectiveness: closing the gap**

It is the EC’s firm belief, supported by considerable analysis, that successive rounds of structural funding have: reduced the scale of inter-regional disparities within the Union; and, significantly enhanced the well being of several regions and member states.

In 1996, the EC’s own evaluation of the structural funding program suggested that its regional assistance efforts were meeting with considerable success (European Commission 1996, Chapter 5). Macro level trend analysis showed that Objective 1 regions, as a group, experienced convergence in terms of GDP per capita, ‘closing the gap with the rest of the EU by nearly 3 percentage points over the 5-year period 1989–93’ (European Commission, 1996, 95).

Unemployment worsened in these regions during the same time period, reflecting a European wide recession. This same recession affected performance for Objective 2 regions (which are primarily defined in terms of labour market conditions). The EC found, however, that unemployment rose in Objective 2 regions significantly more slowly than it did for the Union as a whole during this period.

In 1999, the EC summarised the findings of various evaluation studies of structural funding programs. Overall, these studies suggested that structural assistance ‘had made a significant contribution to the reduction in regional disparities across the Union’ (Directorate-General for Regional Policy, 1999b, 16). Four main macroeconomic models were used to assess the impact of the funds on regional economies. A central estimate suggested that the structural assistance had added around 0.5% or more to the growth of Objective 1 regions. Moreover, ‘by 1999 the cumulative effect of the Funds is estimated to have increased the GDP of Greece, Ireland and Portugal by nearly 10% in each case . . .’ (Directorate-General for Regional Policy, 1999b, 16). The models did, however, suggest important contingencies, including the presence of ‘sound macroeconomic growth policies at the national level and the structure of economic activity in the assisted regions’ (Directorate-General for Regional Policy, 1999b, 16).

Preliminary EC evaluation findings suggest that Objective 1 structural funding has managed to reduce substantially travel times in assisted regions within member states Spain, Portugal, Ireland, Greece and Italy. Average journey time savings of between 20–30% in Greece and Portugal have been estimated, rising to between 34% and 87% for selected routes in Italy. Significant journey time improvements for rail have also been calculated for all countries apart from Ireland where no investment was made in this mode. In Portugal, for example, it was estimated that rail schemes have reduced freight transit times by over 70% (Gren, 2002, 19). Moreover, Gren (2002) reports that transport structural funding was directly responsible for the creation of 900,000 jobs in targeted areas.
A summary assessment (Directorate-General for Regional Policy, 1999b, 15) held that, by 1999, GDP per capita in assisted regions was converging with the EU average and that the structural assistance program was largely responsible for this lessening of inter-regional disparities.

In . . . four cohesion countries for example, Structural Fund assistance in the period 1989–93 increased growth from 1.7 to 2.2 per cent per annum and it has been estimated that in the period 1994–99 a further 0.5 per cent rate of growth will have been achieved, while in the poorer regions of many of the richer Member States economic opportunities have been exploited with the assistance of Union structural policy — for example, 530 000 jobs were created or maintained in Objective 2 regions in the period 1989–93, and an estimated 500 000 jobs were created or maintained in Objective 5b regions in 1989–99 (Balchin et al., 1999, 232).

However, this convergence may be masking in some instances anomalous intra-regional effects (see below) and the Commission notes that unemployment remains a problem in many supported areas. Objective 2 regions also showed strong signs of convergence with the EU average, this time on unemployment trends. There was, however, variation in the rate of convergence amongst regions, largely evident at the national scale. The EC noted the strong growth of small-medium sized enterprises (SMEs) in Objective regions 1 and 2 that by definition had traditionally exhibited a high degree of dependence on a limited number of industrial sectors.

**Intra-regional effects: opening the gaps?**

Recently, senior EC officials have questioned the spatial targeting of the regional assistance program (e.g., De Rynck and McAleavey, 2000). This emergent *internal* critique of the regional assistance program has several dimensions, but its central focus is on the effectiveness of regional scale policies in addressing the manifold forms of social disadvantage. The four main premises of the argument are that:

1. regionally framed assistance is not always effective in addressing social disadvantage, which often manifests in highly localised forms, especially within urban areas;
2. the disparity between the scale of assistance and the scale of need may lead to perverse policy consequences, including a worsening not lessening of intra-regional disparities;
3. in many cases, control over regional programs and funding have been ‘captured’ by coalitions of policy and business ‘elites’ who may not always be the most effective managers of such assistance mechanisms; and
4. exclusively economic and/or employment related indicators (e.g., regional GDP; unemployment rates) are inadequate measures of social disadvantage and their use may greatly hinder the effectiveness of assistance programs.

The latter problem is particularly stark for ‘commuter regions’; those areas whose economies rely heavily on input from workers domiciled in other locations. Thus,

For instance, the [regional GDP] figures for areas such as Hamburg and Brussels tend to be overestimated due to the large numbers of commuters who contribute to gross production in these areas. The presence of a significant group of poor and unemployed people in a territory may be concealed by a relatively high GDP (De Rynck and McAleavey, 2000, 5).

These authors detail other ways in which narrow economic indicators fail to capture social disadvantage, leading to deep policy anomalies in regional assistance programs (De Rynck and McAleavey, 2000, 5–6). This inadequacy seems to have been recognised by the EU, at least implicitly, which has recently moved — through the new Lisbon agenda — to adopt notions such as ‘social exclusion’ and ‘social cohesion’ as key policy objects (Jonckers, 2000). The shift from narrow, economically framed social indicators towards new ‘welfare measures’ (Jonckers, 2000, 15) will necessarily lead to inclusion of other dimensions of need, including, housing, social participation and environmental quality.
There seems also to be implicit recognition by the EC that social disadvantage cannot always be adequately addressed at the regional scale (Wegener and Kunzmann, 1996). Urban areas are of growing importance in the structural funding program, leading increasingly to assistance measures framed at the sub-regional, even neighbourhood, scale. Also, there is now a new form of targeted regional investment under consideration by the EC; namely structural funding for ‘metropolitan growth poles’.

Increasingly explicit concern seems to be focusing on the tendency for the benefits of structural investment by the EC to go to the wealthier places and groups within funded regions. De Rynck and McAleavey (2000) note that socially disadvantaged groups tend to be submerged in policy making and implementation at the regional level, not having the mobilisation skills and resources of higher order policy and economic ‘elites’. For these authors, well connected regional actors and networks possess a ‘natural advantage’ in such policy scenarios and tend to channel the benefits of assistance programs to specific ends that may not reflect the needs of socially disadvantaged groups and places.

Thus structural investment may over time enhance a supported region’s position relative to other EU regions, whilst at the same time widening that region’s internal socio-economic disparities. De Rynck and McAleavey (2000) reject the idea that these ‘captured’ benefits would necessarily ‘trickle-down’ to needy collectives. Moreover, ‘even when it [‘trickle-down’] occurs, it can be accompanied by widening income gaps’ (De Rynck and McAleavey, 2000, 8).

The Directorate-General for Regional Policy is searching for ways, in conjunction with member states, to better direct the benefits of regional support to the places and groups that really need it (Gleeson and Carmichael, 2001). However, the fact that effective structural investment may require enhancement of region-wide infrastructure means that the task of targeting and capturing benefits is a challenging one, and something that will of necessity be designed on a region-by-region basis.

**Emphasis on urban regions**

In the EU attention has long been given to both rural and urban contexts in different parts of the EC policy framework, without a blanket bias against either at any particular time (Expert Group on the Urban Environment, 1998). There is strong implicit recognition of the importance of city-hinterland relationships for the overall well-being of member states and the Union. It is recognised, however, that rural regions have received a large share of the regional support funding in the past (Directorate-General for Regional Policy and Cohesion, 1996). Thus, the EU’s ‘Expert Group on the Urban Environment’ recommended in 1998 that:

EU funding should be redistributed in favour of urban areas to reflect the fact that the majority of the EU population lives in towns and cities, so requiring a shift from the current emphasis on funding for agriculture (1998, 15).

The call for greater balance within the regional support framework appears to have been heeded in the current structural funding program (2000–6), which encourages targeted investment in urban regions as well as providing continued funding for non-metropolitan areas.

Although the EC is very concerned about the plight of lagging regions, this has not engendered a sense of ‘anti-urbanism’ in its political and policy outlook. There is clear recognition that the urban network forms the irreducible base of Europe’s economy, cultural outlooks, and importantly, environmental sustainability. It is recognised that cities ‘function as motors of the regional and the national economy’ (van den Berg et al., 1997, 2). Consequently, the health of Europe’s economy, society and environment is closely linked to the well-being of its cities:

Urban areas play a vital role in the European economy. They are centres of communication, commerce, creativity, innovation and cultural heritage . . . Medium sized towns in particular also exert a powerful influence on
rural areas (Directorate-General for Regional Policy, 1999a, 39).

The EU is one of the most urbanised regions of the world, containing approximately 170 cities with more than 200,000 inhabitants and 32 cities with more than one million inhabitants. The majority of Europe’s citizens live and work in urban areas. As van den Berg et al. (1997, 2) note, ‘the cities — or more accurately functional urban regions — are the vital cultural, economic and innovative centres of Europe.’

Of note is the European tendency to see cities as embedded in larger regions of interest, often termed ‘hinterlands’. The EU’s emphasis on the value of social and geographic ‘cohesion’ partly explains this outlook. The Expert Group on the Urban Environment (1998, 2) has stated that:

... there is a need to redefine the concept of the ‘urban’, to take into account that cities and towns do not operate as closed systems, but are dependent on and have a responsibility towards their rural hinterlands.

‘Arms’ and corridors of cities, and urban agglomerations, are seen as key growth outlets that the EU aims to stimulate (e.g., through provision of the transit networks that link cities and regions) as a means to enhance interregional cooperation and balanced development.

Some commentators have questioned this assumption, arguing that the planned Trans-European Transit Networks (high speed road and rail connections) emphasise connectivity between the main economic centres and may thus increase, rather than reduce, differences in accessibility between central and peripheral regions (see Spiekermann and Wegener, 1996). New transport links, for example, may enhance the access of peripheral regional producers to markets in and beyond large cities, but they may also expose the same producers to competition from ‘the centre’. It may be that careful planning is the key to ensuring that the new networks both enhance regional accessibility and assist in the balancing of growth.

Increasing recognition of the complexities and interdependencies that characterise urban regional economies has encouraged the EC to consider an important new approach to structural funding that would seem on first analysis to contradict established funding principles. The EC is now considering investment in certain metropolitan ‘growth poles’ in order to stimulate social and economic conditions in surrounding regions, especially ‘lagging’ hinterlands (Gleeson and Carmichael, 2001). In the past, growth poles obviously did not qualify for regional assistance, but the new view reflects a more sophisticated analysis of the distributional potential of metropolitan growth engines within relatively disadvantaged regions.

The EC has recently underlined the importance of ‘urban development within an integrated regional policy’ (Directorate-General for Regional Policy, 1999a, 39). A key strategic aim of structural funding in the future is to secure ‘greater prosperity and employment in urban areas by enhancing the role of towns and cities as regional growth poles’ (Directorate-General for Regional Policy, 1999a, 39). The EC aims to improve the ‘synergy of urban and rural development’ (Directorate-General for Regional Policy, 1999a, 39); an object that might well be advanced through the formation of city-hinterland partnerships which aim to secure mutually reinforcing and mutually beneficial growth patterns. Regional assistance programs could very well provide the institutional vehicles to give effect to such partnerships.

Conclusions

Beyond normalisation

Lovering (1999) argues that the recent international enthusiasm for a ‘new regionalism’ has fixed upon a false and empty idol. In his view, many of the new ‘regional’ initiatives pursued by Western governments have been more apparent than real, and certainly marked by a strong degree of diversity in scale, funding, government commitment and community participation. In short, international reviews of policy practice
reveal that there exists no single, homogenous model of regional development and assistance (Allmendinger and Tewdwr-Jones, 2000; Macleod, 2001).

Lovering’s complaint about new regionalism seems to be upheld in light of the foregoing review. Whilst a concern for economic normalisation has certainly been a key element of the EU regional policy frame — and more so in the past than presently — this emphasis has been strongly leavened in recent years by the rise of new policy objects, notably social inclusion and solidarity, urban and infrastructure investment, environmental renewal and socio-cultural development. The new commitment to invest in urban growth poles, as part of regional development policy, underlines an important departure from regional policy settings in recent decades. The policy presumes that support should not simply be given to lagging regions, but also to the metropolitan ‘growth motors’ whose output can be redistributed across broader territorial areas (Vanhove, 1999).

Together, these new strategic regional policy objects signal a broader notion of ‘development’ than that which seems to underscore the new regionalism ‘paradigm’. The development model evident in contemporary EU policy practice embraces a concern for regional ‘sustainability’, meaning a multi-faceted concern for regional socio-economic, cultural and ecological well-being over the long term. In support of this view, Vanhove reports the EC’s recent enunciated concern with ‘the unequal abilities of regions to generate sustainable development . . .’ (cited in Vanhove, 1999, 535). This signals a further distancing of the EU frames from the ‘neo-mercantilist’ model of new regionalism (Lovering, 1999, 386), with its emphasis on regional incomes and especially upon regional trade performance. The narrow productivism of new regionalism thus stands in contrast to the broader concept of productivity inherent in EU policy which acknowledges the contribution to regional well-being made by the public sector, by cultural forces, and by environmental qualities.

Added to these signs of divergence from narrow productivism is an important supplementary concern about intra-regional inequities that has further eroded any simple faith within the EC in economic normalisation at the regional scale. This realisation has added impetus to interest in, and support for, multi-scaled renewal and assistance projects that seek to address imbalances at the regional and local scales simultaneously (Balchin et al., 1999; Vanhove, 1999).

Finally, whilst new regionalism assumes inter-regional competition as an inescapable imperative, driven by global economic integration, the EU policy frames stress cross-regional cooperation as a key governance principle for the structural adjustment program. Cooperation at the regional level is seen as critical to the achievement of an economically competitive Union at the broader international scale (European Commission, 1996). Moreover, cooperation extends in this frame beyond economic collaboration to include the fostering of cross-regional socio-cultural links and cross-regional transport networks.

**Lessons for Australia?**

After a significant decline in commitment to regional policy in the late 1990s, especially by the Commonwealth (Beer, 2000), Australian governments are showing renewed signs of interest in framing policy and providing assistance at the supra-local scale. Two important examples of this re-emergent interest are the Commonwealth’s new ‘Sustainable Regions’ program (Department of Transport and Regional Services, 2002) and the New South Wales Government’s ‘planFIRST’ White Paper reforms to planning that will, *inter alia*, introduce a new regional layer of strategy formulation and implementation (Department of Urban Affairs and Planning, 2001). Given the high profile of ‘new regionalist’ debates in Europe and North America (Lovering, 1999), and their potential to influence policy discussions in Australia, it seems timely to consider what lessons might be drawn from the foregoing analysis.
From the Australian perspective, it seems important to recognise that the EU regional policies provide a useful policy benchmark because they have been demonstrably successful in reducing inter-regional disparities and, increasingly, in addressing localised socio-economic and environmental problems. The contemporary enthusiasm for ‘evidence-based’ policies reinforces the need to focus attention on the more closely evaluated regional policy frames, and the insights that have emerged from these. Over the past decade, the EU frames have been subject to ongoing and rigorous evaluation from within and beyond the EC (Vanhove, 1999; Gren, 2001). This information has revealed both the success of the policies at certain scales (inter-regional), and also, importantly, their shortcomings at other scales (intra-regional) and against certain policy objectives (social and environmental outcomes in the early policy era) (De Rynck and McAleavey, 2000). In short, the evaluation process has demonstrated successes and failures, and has also encouraged and informed the evolution and improvement of policies that was evident in the foregoing review.

What then can Australia learn from the EU’s regional policy experiences and what significance would any such insights have for the current set of regional policy developments that have been initiated by the Federal Government and by most States? The first suggested insight is the apparent limitations of the ‘new regionalism’ paradigm, both empirically and functionally. Empirically, it is clear that the simple homogenous set of policy aims and practices assumed by new regionalism do not exist, and that the reality of international and subnational policy experience is a good deal more diverse and complicated than that assumed by the paradigm’s supporters. Functionally, the evidence is that a narrow focus on economic normalisation is unlikely to resolve the problems of lagging regions, especially at the local scale. Just as importantly, the approach profoundly under-values the importance both of ‘non-economic’ dimensions of regional well-being, notably socio-cultural and ecological values, and of the contribution of non-mercantile activity to regional output. These two facts suggest a need to scrutinise critically both the nostrums of new regionalism, and the experiences of those policy frames that have actually been modelled on these (e.g., early era EU regional assistance).

These functional criticisms of new regionalism warrant moderate expansion in light of the EU experience. Beer and Maude’s (2002) recent and thoroughgoing survey of regional development frameworks suggests that ‘economic normalisation’ and narrow productivism are already deeply embedded policy values in Australia. Their findings showed that improvement of regional well-being was in many cases closely (in some cases exclusively) equated with growth of employment and/or incomes. Against this reality, the EU experience suggests the need to expand the understanding of productivity at the regional scale to include ‘non-mercantile’ activities and values, including cultural dynamics, social integration, public sector and voluntary sector initiative, intra-regional trade, and environmental assets. Acceptance of an expanded notion of ‘productivism’ focused on this broader set of values and activities seems crucial to any pursuit of enhanced regional well-being. The EU seems to have adopted the now familiar rubric of sustainable development to describe this encompassing notion of regional productivity. In this regard, Beer and Maude’s finding that many of the regional agencies they surveyed valued sustainability highly as a strategic objective is encouraging and suggests that the grip of economic normalisation has not been strong enough to stifle some interest in non-economic determinants of well-being.

The importance of intra-regional patterns of well-being is also highlighted by the EU policy record and stands as a further compelling criticism of any narrow focus on regional economic convergence. In view of this, it is encouraging that the planFIRST proposals in New South Wales stress the need for close integration of public policies at the local and regional scales to ensure consistency of outcomes across spatial scales. The Commonwealth’s ‘Sustainable
Regions’ program will be initially focused on eight ‘prototype’ regions, each of which is framed at a large spatial scale. For example, the land area of the Kimberley region (421 000 sq kms) is nearly twice as large as the State of Victoria: the Kimberley’s much smaller population of 40 668 in 2001 is distributed unevenly over the four shires that comprise the region. The need to address intra-regional disparities, and to at least prevent the program from worsening these, seems apparent.

In recent decades, governance and policy in Australia at the subnational scales have emphasised competition over cooperation, frequently revealed in ‘bidding wars’ for investment between the States and Territories (Stilwell, 2000). The fiscal inefficiencies and spatial inequities which arise from this competitive model of State/Territory development have been pointed out in a number of analyses (e.g., Industry Commission, 1996). These critical insights are reinforced by the EU emphasis on inter-regional cooperation, which extends to include non-economic linkages between localities and regions. An important break with the ‘beggar-thy-neighbour’ approach to state and regional development (Stilwell, 2000) was signalled in March 2001 when the Governments of Victoria and New South Wales established a pact to end ‘juvenile interstate rivalry’ over firm and investment recruitment (Doherty, 2001, 2).

Finally, regional policy in Australia has largely been identified with non-urban, and especially non-metropolitan, areas. The focus on rural and non-metropolitan regions has neglected the fact that the major cities contain many lagging and needy areas, often with significant population concentrations (Gleeson and Randolph, 2002). EU policy frames do not reflect this anti-urban bias and therefore more effectively address patterns of need and disparities in well-being at the sub-national scale. Moreover, the EU is increasingly prepared through its regional assistance frames to invest in high-performing urban regions, believing that their sustained economic performance is crucial to maintaining the basis for a broader redistribution of resources at the subnational scale. Spiller (2002) has strongly advocated new urban-regional policy frames for Australia that would, to some extent, mirror the EU approach by fostering links between growing metropolitan areas and their hinterlands. In this respect, the inclusion of two metropolitan sub-regions (Campbelltown-Camden, NSW and Playford-Salisbury, SA) in the Commonwealth’s ‘Sustainable Regions’ program represents a modest advance for Australian governance generally.

In contrast to Europe, and to some parts of North America, Australia has not historically shown strong interest in regional policy (Self, 1982). The relatively weaker and more sporadic development of Australian regional policy leaves considerable room for development of, and improvement to, this mode of governance in Australia. Some Australian commentators — notably Stilwell (e.g., 1992; 1994; 2000) and Self (1982) — have long advocated multifaceted and multi-scaled regional development models that contrast strongly with the narrow economism of new regionalism and its antecedents. The policy record of the EU at least suggests that they were right.

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NOTES
1. These concerns are not completely new and were reflected in debates in the 1960s in the UK on ‘regional modernisation’ (see, for example, Williamson, 1966). In Australia, the question of ‘horizontal balance’ between economic regions (usually States) has been the subject of extended debate and policy initiatives for much of the twentieth century (see Stilwell, 1993, 151–3). The Commonwealth Grants Commission was established in 1933 to address the problems of regional imbalance through a progressive sharing out of federal funds between States/Territories.
2. It is, of course, problematical to regard such values as ‘non-economic’ given their important contribution to social well-being.

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