

***Summary of the SAPIR-Report***  
***„An Agenda for a growing Europe“***  
***and***  
***AEBR's statement***  
***August 2003***

## 1. Generalities

The report serves as a basis for advice of the European Commission in view of a European policy with regard to the year 2010. The EU shall become the most competitive, dynamic and know-how-oriented area with sustainable economic growth, increased social cohesion and rapidly growing standard of life in the new Member States (Lisbon summit).

A during the last decade improved economic integration (Common market 1993, EURO 1999, adhesion of 10 new Member States 2004) contrasts with a discrepant economic efficiency of the EU: on the one hand improved macro-economic stability and cohesion, on the other hand no sufficient economic growth.

The SAPIR-Report examines all facets of the EU economic system:

- homogeneous market and related micro-economic policies,
- macro-economic policy (monetary union and EU budget).

The report draws up advice for an EU economic system showing a more rapid growth and simultaneously stability and cohesion in an enlarged EU. These EU targets until 2010 are very difficult to achieve with the current EU system (complex programmes, too many instruments, too little concerted action).

The report is structured in three parts:

- Evaluation of the economic efficiency in view of growth, stability and cohesion
- Challenges which the EU needs to meet during the coming years
- Recommendations for the future.

## 2. Evaluation of the current EU policy

In addition to the success made so far (Common Market, Monetary Union, strengthening of competition policy) will be examined:

- Growth: not satisfying in comparison to the United States (despite of an enlarged European market, higher quality of human resources, capital and infrastructure).
- Stability: Unlike the USA (stability without growth reduction) Europe has a stability process with low growth rates (low inflation and budgetary deficits).
- Cohesion: achieved at Member States and macro-regional level but not at regional level.
- Economic correlations: At macro-economic level prior to the implementation of the Monetary Union, stability was achieved through the reduction of inflation and budgetary deficits which hinders economic activities in the short term, but provides a good framework for growth in the medium term. Growth with possibly negative effects on cohesion: if market-driven forces reinforce income disparities between regions and individual persons. Compensating financial transfers are good for cohesion but bad for growth.
- Economic governance: The way how economic policy is carried out is an essential factor for its success. The European and national picture shows confusion (too complex systems and different distribution of roles) and contrasts (e.g. between objectives and results).

### 3. Challenges of the EU during the coming decade

- The current combination of low growth and increased public spending (amongst all in view of the overageing of society) does not generate **sustainability**.
- The **income disparities** in the EU are more important (because of the enlargement) than they used to be when the Southern Member States joined.
- Because of important income disparities convergence between new and current Member States is the key to a successful enlargement.
- The new Member States are not only poorer but also structurally very different. The **heterogeneity** of the EU will increase.

### 4. Recommendations for the future:

The economic system of the EU needs to be changed in order to achieve higher growth. This requires a reorientation of policy and its working method embedded in new administration methods and the EU budget.

*4 principles for a new orientation of the EU policy:*

- **Reform of macro-economic policies** to increase the growth potential with at the same time minor changes to the current macro-economic policy and a new conception of cohesion policy.
- **Well functioning and competitive markets** for jobs, capital and services to promote growth (actions at European and national level).
- **Only one target should be attributed to one policy instrument.** So far, EU economic systems and instruments pursue simultaneously two objectives, e.g. promotion of growth and improvement of cohesion.
- A new policy should **improve the way an enlarged EU works** as well as facilitate **growth both generally and above all in the new Member States.**

In order to realise the target of the Lisbon summit, *six items* are drawn up addressing the EU and the Member States:

1. A more dynamic design of the Common Market
2. Concentration of investment on “know-how”
3. Improvement of the macro-economic framework conditions for the Monetary Union
4. New design of the policy for convergence and restructuring
5. Improved efficiency of the different decision-making and regulations
6. New orientation of the EU budget.

*Recommendations for each of these 6 items:*

Policy aiming at the promotion of growth:

1. a more dynamic design of the Common Market: better coordination between competition policies with the aim of simplifying market access and strengthening job mobility in the Union. Therefore infrastructure needs to be developed to connect vast European economies.
2. Concentration of investment on “know-how”: Increase of national and EU financial means in the fields of research and university courses (if possible at the highest scientific standard), setting up of a “European Agency for Science and Research”, strengthening of the private sector through tax incentives.

3. Improvement of the macro-economic polical framework conditions for the Monetary Union: Generation of resources by Member States in good times as free play for a financial policy in bad times, severe budget supervision, efficient and flexible implementation of the “stability and growth pact”.
4. New design of the policy for convergence and restructuring: concentration of funds on States, not on regions with low income, control of the eligibility to EU funding at the end of each programme period.
5. Improved efficiency in the decision-making and regulation: a more flexible and coherent definition of the attribution of competences between the EU and national level, continued efforts to achieve a decentralised implementation of market regulations and an improved management of the Common Market.
6. New orientation of the EU budget: radical reorganisation of the part of the EU budget reserved for economic activities through three funds :
  - Growth fund,
  - Convergence fund,
  - Restructuring fund.

This means an important cut to the agricultural expenses and a reduction of the expenses for rural policy in the Member States.

**Statement of AEBR to the Sapir-Report:**

- In the context of the EU enlargement and in view of the year 2010, AEBR welcomes the intention of the President of the European Commission to check EU policies and instruments on their aptitude for the future. It must not be ignored that the presented “Sapir-Report“ concentrates exclusively on economic aspects. What is therefore missing is its embedding into an overall political strategy of the EU.
- The “Sapir-Report“ (according to its proper statement) has not taken into consideration the political pathmaking of the European Convention with a new European Constitution, particularly as far as targets, tasks, responsibilities, working methods, etc. are concerned.
- Hearings and discussion results of the past three years organised by the EU Commission and DG REGIO have apparently not been included in the report.
- The EU document „White Paper on Governance“ is not reflected in the report.
- There is a need for more coherence between the different instruments, decision-makers and the definition of the partenariat between EU and Member States (according to the EU Convention).
- The statement „a political EU target should be attributed to an instrument“, is certainly worth to be discussed. One should however not forget that not obligatory targets, as defined in the Convention and the Second Cohesion Report (e.g. territorial cohesion and cross-border cooperation), will be sacrificed because of the fact that there should only exist a limited number of targets and instruments. The EU in its role as facilitator is welcomed. This implies at the same time the recognition of the bottom-up-approach. The regional / local level is the most appropriate one to implement EU regional and cohesion policy.

- Current EU systems concentrate too much on quantitative results (e.g. the amount of invested financial means, number of events, etc.) and sanctions which have not turned out to be very efficient and sustainable. In the future qualitative objectives should be placed in the foreground (i.e. are political objectives realised with EU financial means?) with simultaneously necessary efficient controls.
- The “Sapir-Report“ does not take into consideration the changed macro-economic situation (violation of the stability and growth pact by several Member States in the past two years). European growth is also in the future related to budget discipline at national level.
- The report defines growth in Europe as priority number 1. Economic growth is certainly an essential requirement that something of the “European cake” in the sense of European targets needs to be distributed. This means however that also other priorities in addition to growth are necessary :
  - a balanced, harmonious and sustainable development of the European territory, especially at regional level, also with the help of EU policies and financial means.
  - a polycentric development of the EU territory with balanced development opportunities between agglomerations / metropolitan areas and rural areas. The political and economic costs of a “bleeding” of rural areas are enormously high and cannot be compensated by an accelerated growth in metropolitan areas.
  - a certain extent of agricultural policy which will also in the future still be necessary
  - cross-border cooperation as corner-pillar of the Second Cohesion Report (one of the mentioned 4 priorities).
- AEBR is concerned about the future development of European policies because of the unilateral economically oriented recommendations of the Sapir-Report. The three proposed prioritarily growth-orientated funds represent big dangers:
  - Europe’s regional diversity is sacrificed through the unilateral orientation on economic growth.
  - The political consensus on the necessity of a European cohesion policy is made uncertain, if one speaks only about convergence between States and not between regions with low income.
  - To measure economic development and growth only at national level and not also at regional level, does not do justice to Europe’s diversity. It is an unproved assumption to believe that growth at national level would induce automatically sooner or later also growth in marginalised regions.
  - a sustainable, balanced, harmonious development throughout the entire EU territory is hardly feasible.
  - Future-oriented approaches to the future orientation of European regional and cohesion policy which had been elaborated with the EU Commission in numerous meetings, are not mentioned.
  - A statement on how a future agricultural policy should look like, is missing. It is only characterized as non-profitable. With this, agriculture’s role for the environment, the generation of income

and rural areas is neglected without indicating necessary alternatives.

- A concentration of EU policies practically exclusively on the priority growth means deficits in other European areas. The danger of a renationalisation of certain political areas grows in order to create the necessary compensation for marginalised regions.
- Cross-border cooperation (according to the Second Cohesion Report one of the 4 priorities) is as a European task in danger. In the past, cross-border cooperation was never a priority task at national level. Its reduction as European task would very likely set an end to the still necessary long-term promotion of cross-border cooperation and therefore influence in a negative way the European integration process (see attached paper "cross-border cooperation as political task and target of the EU").

At the end of September / beginning of October the Collegium of the European Commission will set a new course to the future of Europe and its regional policy concerned on the basis of the „Sapir-Report“.

Basically, the report deals with **two different visions** of the future of the European Union. :

- The first vision is based on the new European regulations aiming at the deepening and integration of the European Union. They do not only focus on the economic development, but also pursue the target to bring the Union closer to the people, to involve citizens in the democratic life of the Union, to resolve better the distribution of tasks between the European, national, regional and local level and to transfer important tasks (foreign policy and defence) to the European Union. This vision considers regional and cohesion policy at European level not only as economic, but as an offer to address targeted European affairs throughout the whole EU and for its entire population.
- The other opinion continues basically to see Europe as an instrument to reinforce the economic dimension and to improve the global competitiveness without strengthening in parallel substantially the political development of the European Union nor its integration.

The Collegium of commissioners is therefore discussing the following issues :

- a very flexible and open option, among others supported by Commissioner Mr Barnier, which focuses on the promotion of the whole EU territory through a (graduated) regional policy, leaving far more responsibility to regional and local authorities than they had in the past.
- a different option favours a system of convergence between Member States, in which however local and regional authorities or the associations they form will in the end lose their importance at European level and in the democratic life of the Union.

As far as the vision of the European Union is concerned which only concentrates on growth and the improvement of its global competitiveness as well as the convergence between the different states, AEBR sees in that an enormous socio-political conflict potential as to the acceptance of such an EU orientation.

**Annexe:** Political resolution