

# REGIONAL POLICY AND THE LISBON TREATY: IMPLICATIONS FOR EUROPEAN UNION-ASIA RELATIONSHIPS

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## INTRODUCTION

The Lisbon Treaty marks a very significant moment in the evolution of the European Union (EU), with its linking of new provisions for internal processes, clearer commitment to key values, and to new arrangements for giving Europe a single voice in external affairs. While the implications for external affairs have captured much of the international attention with respect to the Lisbon Treaty, the implications for articulation of values and of internal processes are also significant. The question becomes, how will implementation of these internal processes themselves have ramifications for other parts of the world?

For the first time, the principle of territorial cohesion appears in the EU objectives. The Treaty of Lisbon strengthens the role of the regions and the new definition of the principle of subsidiarity (that the EU only acts where results can be better attained at EU level rather than national level) now refers to both local and regional levels. Regional policy is already a central part of the EU's focus and expenditure, aiming to build both economic competitiveness and social cohesion throughout the Union's 270 regions.

With respect to values, the Treaty begins with an explicit commitment to human dignity, freedom, democracy, equality, the rule of law and the respect for human rights. While this, through the Charter of Fundamental Rights, is oriented essentially towards the citizens within the Union, these values are linked also with the spirit in which the EU would interact with other parts of the world, in reaching international agreements, and otherwise intervening in international issues.

What implications might these initiatives have for relationships between the EU and Asian and Pacific countries? While there are differences in both the priority and the character of regional policies within various Asian nations, there is widespread concern about regional development, and both economic and social interventions. The European capacity to look at regions from both the national and the broader Union perspective means that there is greater opportunity for learning about the kinds of initiatives that can work, and about the appropriate distribution of resources. This paper will outline some of the similarities and differences amongst the regional policy approaches of EU and Asian nations, and will explore whether the Lisbon Treaty offers the EU an enhanced basis for supporting Asian countries that are seeking to address regional development more directly.

## THE MEANING OF 'REGION'

While a common part of language, not only in Europe but in most other parts of the world, as well as international politics, the concept of 'region' has some ambiguity. Conversations can pass easily, for example, from reference:

- to the 'Asian region',
- to 'regional politics in Australia' (that is, non-metropolitan politics),

- to ‘city-region’ (used commonly in Europe to describe the economic territory of a key metropolis),
- to ‘regional policy’ (meaning the program for development of a designated geographic area, whether framed by political, geographic, cultural or language criteria).

Notwithstanding the ambiguity, the concept of ‘region’ is an important part of the vocabulary of many countries’ political and economic change agendas. It is clearly central to the European Union (EU), where expenditure on regional cohesion activities is now the single largest component of European Commission expenditure. The intent of the concept as applied in this context is to address economic and social disparities across geographic areas of the EU, promoting growth and employment, and achieving greater cohesion.

In Australia, by contrast, the formal agenda of the ‘region’ varies from jurisdiction to jurisdiction, depending typically on the contemporary significance of non-metropolitan political issues. In academic circles at least, however, regional analysis has been applied more extensively to encompass all parts of the nation. This kind of analysis has become more important in recent years with the clear rise of a ‘two speed’, or even three or four speed economy. This language has come to describe the dramatic contrast in the level of economic activity between the northern and western mining areas which are the heart of the resources boom and Australia’s capacity to avoid the worst of the global financial crisis, and the southern and eastern urban areas where the trajectory of manufacturing industry and the finance sector is much more problematic. Following the federal election in 2010, which resulted in a hung parliament, policies which address regional inequalities in standard of living and services have become central to national politics.

From an Asia perspective, there seem to be several layers of meaning. Firstly, there are the distinctions between Central, Southern, South-Eastern and Eastern Asia. Insofar as these are hugely populated, multinational geographic entities, they are of a quite different order to the meaning of ‘region’ in the European and Australian contexts. However, within many Asian countries, there are quite clear regions, whether shaped by administrative, political, geographic or cultural distinctions. While the patterns are perhaps less obvious, there is nevertheless a particular set of issues and policies which shape development strategies and initiatives in these countries, not entirely dissimilar to Europe. As well, there are one or two instances where the sub-national regions cross national boundaries, such as the planning for the economic zone linking Kyushu and Busan.

## **FRAMING REGIONAL DEVELOPMENT APPROACHES**

The varying policies of nations evince different approaches to regional development. A major, recent report from the OECD provided the first systematic comparison of the regional policies of OECD member countries (OECD 2010). They noted that in some countries, regional development policies have been important since the 1950s, particularly as a means of addressing growing regional disparities. Over time, national governments have become more aware of the nature of internal disparities, and have adopted various strategies to address these issues. Now, most OECD countries implement regional policies with intended to achieve greater equity, and to promote economic competitiveness. Countries such as Belgium, France, Hungary and Spain also promote sustainable development, while others (Hungary and Korea) promote improved governance (OECD 2010, 15).

## Europe

The OECD Report provides a comprehensive overview of European Union regional policy, and how it is administered. In the 2007-13 period, the main objectives are to encourage convergence, regional competitiveness and territorial co-operation. A core principle of the policy is the redistribution of funds from the member states' budget contributions to the least prosperous regions (Structural Funds), and to the least prosperous member countries (the Cohesion Fund).

There are five main principles guiding the implementation of the Structural and Cohesion Fund policies: concentration on specific objectives, multi-annual programming, partnerships between the European Commission and competent authorities in the member countries, additionality (to prevent the substitution of national funds by EU resources) and proportionality (modulating the obligations of member countries contingent on the total amount of expenditure on an operational programme). (2010, 311).

This points to a complex set of interrelationships and strict administrative arrangements in the implementation of the Regional Policy. There are serious obligations on both the European Union institutions and the member states in decision-making about investments, and their management.

In the fifth report on economic, social and territorial cohesion in November 2010, the European Commission emphasised the importance of regions and of Cohesion Policy in supporting the achievement of the objectives of the Europe 2020 strategy. Without strong regional participation and ownership on the group, these could not be achieved. Adopting a 'place-based' approach would provide regions with the flexibility to shape policies that would meet their needs including employment growth.

Irrespective of the approach pursued, the emphasis is increasingly on *stimulating endogenous development* by providing support to areas of comparative advantage, rather than compensating regions for disadvantages... On average, some two-thirds of public investment is implemented by regional and local authorities across the EU, underlining the importance of their contribution to the Europe 2020 strategy (EC 2010, xviii).

The most recent communiqué from the Commission focuses on the ways in which Regional Policy can contribute to the 'sustainable growth' objectives of Europe 2020. The priorities are identified as developing a low-carbon economy, preserving and maximising the potential of the natural environment, and mobilising innovation partnerships. There is some emphasis also on better governance, using Regional Policy's 'place-based' approach to promote multi-level governance, public-private partnerships, and integrated strategies (EC 2011).

## Australia

In Australia, by contrast, the significance of regional development policy is much less apparent. Given its federal political structure, it is not surprising that the Australian Government advocates partnership with other levels of government, communities and business to develop 'self-reliant' communities and regions. Historically, this approach has been underfunded and fragmented, and associated typically with non-metropolitan areas. This was apparent especially in the negotiations which followed the federal elections which gave the balance of power to three rural independents. A number of cynical comments

followed their linking of support for the Government with specific allocations of resources to projects in their electorates. State governments have been significant agents in the development of non-metropolitan regions through their investments in infrastructure (especially health and education, but also transport), while local government has been the principal source of focus on regional economic development.

Under the Labor Government, some effort to achieve greater policy coherence has resulted from the establishment of Regional Development Australia (RDA), a committee-based initiative which has brought together regional stakeholders (metropolitan as well as rural) into regional committees to develop regional economic development plans. However, these committees have few resources and it remains to be seen how effective their coordination will be.

They also reflect a significant problem with regional governance in Australia. Federal and state agency boundaries and local government do not coincide in many instances, creating significant issues in establishing clear capacity for decision-making about significant regional issues. Networks form to fit regional needs, yet often lack the capacity to act formally. RDA committees have been set up without reference to existing networks, neglecting their capacity to deliver the outcomes which RDAs are expected to deliver (see Wilson et al 2010).

## Asia

Discussion of 'regional development' in the Asian context seems to refer primarily to Asia as a global region, or at least the areas of East, South or South-Eastern Asia. Asia does not have the political and economic apparatus of the European Union, but there are institutions such as the Asian Development Bank which can focus collaborative action on regional development within Asian countries. Within specific Asian countries, regional development policy initiatives have been important. Addressing inequity has been a key objective of these strategies, as the process of development in many Asian countries has led to quite uneven paths in different regions, as might be expected during periods of rapid growth in production and wealth.

In Korea, for example, there has been a significant shift in policy as the early, centralised approach of the 'development era' has been replaced by a more comprehensive approach. The result of the growth of heavy industrialisation from the 1960s had been a real concentration of population and investment in the Capital Region, around Seoul (49 per cent of the population in 12 per cent of the land). Since the 1990s, Regional Development Plans have encouraged the co-development of metropolitan and non-metropolitan areas, greater decentralisation, regional development based on specialisation, and collaborative development. The fourth of these plans, adopted in 2006, aimed at increased competitiveness and improving the living standards of regional economies. In 2008, five economic regions were designated, each with a population of more than 5 million people, linking two or three provinces with similar historical and economic contexts. An autonomous regional headquarters was set up in each region to promote collaboration within the region. One interesting characteristic of the regional policy was a goal of mitigating climate change and generating new jobs through initiatives which balanced economic and environmental issues (see OECD 2010).

Thailand also has had very rapid growth and urbanisation, with most of Gross Domestic Product generated in the region around Bangkok. A range of earlier policies had contributed to this situation, not least the location of central government and the attraction of foreign investment. Over the last two decades, an effort has been made to attract foreign direct investment to industrial estates in other regions, including those in border areas. Apart from

establishing regional industrial zones and urban growth centres, there has been a growing emphasis on ‘balanced’ regional development. Attraction of foreign investment (mostly from Japan) has been critical for the success of the strategy. In the early part of the past decade, attention turned to regions at the borders with Cambodia, Laos, Vietnam and Myanmar. Infrastructure such as roads and rail was regarded as a priority in order to facilitate the growth of cross-border activity. It has been active policy to foster the emergence of border economic zones (see Tsuneishi 2005).

Vietnam also has experienced rapid economic growth with the consequence of greater inequity across the eight regions, with the south-east becoming easily the most prosperous and dynamic region in the country. Early policy responses have focused on offering tax relief to local and foreign companies which have set up factories in less developed regions, providing increased employment opportunities. Infrastructure investment is also a priority. Climate trends have also been a trigger for developing strategy around regional development, given the degree of vulnerability in some regions (such as around Da Nang). This area provides a useful site for investigating the potential of an integrated regional assessment and development strategy (AusAID/CSIRO 2009).

## **THE LISBON TREATY**

All aspects of European policy have been reshaped by the Lisbon Treaty of December 2009, especially when it is linked with the evolution of the Europe 2020 strategy. The Treaty provides for stronger arrangements for the Union to engage in external affairs, new institutional arrangements which enhance decision-making (strengthening the role of Parliament), including a capacity for citizens to require Commission action on a specific issue.

‘Freedom, justice and security’ are central to its priorities. The Charter of Fundamental Rights is to be respected by the Union’s institutions. There is also improved commitment to address climate change and energy policy and support for cross-border activities. Under Lisbon, the EU’s capacity to engage with developing countries is also clarified, with the eradication of poverty as the key objective of its development cooperation policy

In relation to its enhanced capacity to act in international affairs, the Treaty provides for the establishment of the European External Action Service (EEAS), formed with officials from the Council, the Commission and the diplomatic services of the member states. The ‘High Representative’ is the principal representative of Europe in diplomatic processes, avoiding duplication and acting on the basis of decisions taken unanimously by the 27 member states.

Taken together, these initiatives strengthen considerably the capacity of the EU institutions to act clearly both in implementation of internal initiatives such as Regional Policy, and in relationships with external states and organisations. The Regions Directorate-General is pursuing collaboration with a number of states outside Europe in order to share experience and learn about how best to achieve the objectives of Europe 2020 with its emphasis on economic and social cohesion, and contribute to development in other places.

## **A SPIRIT OF COOPERATION**

How, then, does this exploration of EU regional policy and of regional development in Australia and Asia contribute to the second key theme of this conference:

*The EU in the World - what are the connections between the EU as a role model for peaceful integration in Asia? How do the two work together in international fora and in issues of international law?*

The first clear insight is that both Europe and Asia are struggling with the challenge of economic and social inequality, resulting from uneven patterns of economic growth. While the extent of inequality might vary from state to state, and from region to region, the priority of determining appropriate policy initiatives to achieve greater equity is paramount in Europe, Asia and Australia, to some degree.

Secondly, there is clear scope for nation states and regional authorities (both sub-national and supra-national) to learn from each other. Notwithstanding the contrasts in setting and institutions, the active emphasis on regional development means that there has been some analysis of growth opportunities and how they can be mobilised. The priority on achieving competitiveness, rather than welfare, points to the challenge of achieving continual improvement in identifying the levers at regional and local level which can attract investment and generate employment growth.

One example where exchange of views between Europe, Australia and Asia might be productive is the contemporary focus on 'knowledge' as a key resource for innovation and economic activity. There is now substantial experience in Europe in the analysis and promotion of 'regional innovation systems', or 'knowledge regions'. In this context, there has been considerable investigation and debate about the role which universities and related research resources need to play as knowledge resources for innovation in local industry. There are parts of Asia where a similar association between universities and regional economies has also been important, yet little work has been reported (in English) on Asian *regional* innovation systems, where the interplay between companies, regional authorities and universities has been central to regional growth (see Asheim and Vang 2008). Clearly there are parts of Asia where basic adult literacy is serious, and is linked directly with poverty; however, while much less public, adult illiteracy remains significant in Australia and other OECD countries, undermining the capacity for individual and regional sustainability.

Governance of regional development also presents as an area for comparative analysis, especially where there is predominance of public investment in one setting, and of private investment in another. Questions about governance relate to the effectiveness of existing decision-making institutions, and to the scope of their powers.

In relation to regional policy, Europe has much greater experience in how a supra-national authority can bring differing national interests together to develop frameworks for action at sub-national level. Asian countries, on the other hand, have demonstrated rates of development considerably greater than those in Europe. How does this contrast form the basis of dialogue?

## CONCLUSION

In contemplating a dialogue between Europe and Asia over regional development policy, the Treaty of Lisbon clearly enables a much more coherent approach by Europe to exchange of views with international partners on such specific topics as regional policy. The Treaty and Charter also espouse values which suggest that the tenor of the discussion would be not so much as a role model, but as a prospective partner. The nature of this exchange might always be informal, but it would be focused on respectful interchange about respective goals and strategies, and lessons from implementation.

A forum such as the Asia Europe Meeting (ASEM) provides a useful starting point for such a discussion. It aims to be a forum for exchange and learning, not for decision-making. Regional policy would serve as a valuable focus for ASEM to include on its agenda, especially with the emphasis on achieving greater equity and competitiveness.

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