

John Shaw, Tomorrow's Europe: States or Regions (15 November 1990)

Caption: Address given by the Director of the Bank of Scotland, John Shaw, at the Conference on a Europe of the Regions held in Barcelona on 15 November 1990.

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Director of the Bank of Scotland

"TOMORROW'S EUROPE : STATES OR REGIONS"

This title poses the question - "Will Europe in the future be an alliance of nation states, or of regions?" The answer will reflect both the future political structure of Europe, and the nature of European economic and social policies. The argument which I wish to put forward is that the economic future of Europe will lie in its regions. Because it is from the individual regions of Europe that will come the economic dynamism and the political consensus needed to achieve the vision of the architects of the Treaty of Rome, tomorrow's Europe will be an alliance of regions.

The political geography of Western Europe has only recently stabilised. But the present national boundaries within Europe have now stood their inhabitants in reasonably good stead for some decades. The framework of nations has provided (for the most part) sufficient economic opportunity and political stability to keep under control such regional separatist aspirations as have been manifest. (We in Britain must acknowledge a special Irish situation, and here in Spain, Basque aspirations claim international attention from time to time.)

The framework of nation states has therefore provided an effective and convenient basis from which to draw political authority for the creation and development of the European Community. The members of the Council of Ministers /

Ministers, who ultimately control the work of the Commission, derive their authority from their individual national Parliaments. The European Parliament is largely advisory and is certainly subordinate to national parliaments in terms of policy. The European Commission is dependent on national governments meeting their Treaty obligations to give effect to Directives, and relies on national jurisdictions for at least the first line of enforcement.

Nation states are properly concerned about the balance between the individual interests of their citizens within the framework of the economic opportunities offered by the enlarged European economic space. Their concern has been accentuated as disparities in national economic performance within the European Community have gradually become more pronounced. This is perhaps not surprising, given the inclusion within the European umbrella of nations such as Greece which, as a whole, may be considered to be structurally less developed than, say, Denmark or Germany. At the same time, economic imbalances within national boundaries have also intensified. The much-debated North/South divides, in both Britain and Italy, are clear examples of this. The extent of imbalance between regions is such that per capita income levels in the ten most prosperous regions of the Community are now three times higher, on average, than those in the ten poorest regions.

The nature and extent of existing regional economic imbalance is evidenced by the Community's identification of areas eligible for structural assistance. Very broadly speaking, these are regions where the economic infrastructure is /

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Page 4

goods. They provide scope for legislative, fiscal and tariff obstacles to goods, services, and people. Non-tariff barriers preserve extensive market fragmentation, because these barriers allow certain nations and regions to create local discrimination which makes them unnaturally attractive locations for economic activity. Harmonisation of monetary and fiscal policy within Europe, will ensure that market forces drive economic activity to its "natural" optimal location. The benefits which locations within the "red banana" offer, in terms of strong infrastructure, access to key supplies (particularly experienced staff), and proximity to key competitors and the associated nucleus of market information, will ensure that economic wealth continues to converge towards this central core. Furthermore, those within the "banana" will find it increasingly time-consuming and expensive to interact with businesses and customers based on the periphery.

The President of the Bundesbank, Herr Pöhl, speaking in London last Friday, made clear his view that decisions on European monetary policy can only be taken by a European central bank. "Even under a federative system, monetary policy must remain indivisible, the monopoly of money creation must be retained." He envisages this being achieved by an independent central bank legitimised by treaty ratified by national parliaments. Developments along the lines sought by Herr Pöhl would transform the economic and political landscape of Europe. It is uncertainty about the national political implications of such change that lies behind the concerns for national sovereignty expressed so unequivocally by Mrs. Thatcher. But the facts seem to be that the peoples of Europe are embarked on a course which will inevitably /

Page 5

inevitably weaken national political competence to control local economic developments. If the European market unlocks the expected economic advantages, its progress will condition the response of national politicians, and not vice versa.

It seems likely that under "natural forces" the strong will get stronger, and the weak weaker. That, at least, has been the British domestic experience during the 1980's.

Seen from a Scottish viewpoint, we understand, of course, Mrs. Thatcher's concerns. We abandoned regional political autonomy by the Treaty of Union of 1707, but we have also enjoyed the unequivocal economic advantage of monetary, fiscal - and political - union with England to create Great Britain. We enjoyed the prosperity which we derived from access to the enlarged single market of Britain and of the British Empire. Although, from time to time, national assistance is needed to solve national problems, the lesson we have learned is that the solution to regionally-identified problems must be found within the region, and must be implemented in the region.

Widely distributed European economic activity can be expected to continue to drain away from peripheral, naturally disadvantaged regions towards a prosperous centre. Because such leakage of population and wealth will affect some regions within the boundaries of existing nation states to different degrees, it will intensify local concerns. Pressures are already becoming evident in, for example, the recent resurgence in regional political aspirations /

aspirations throughout Europe. National politicians will be forced to pay increasing attention to regional aspirations and resentments, and to examine carefully the devolution of power over economic and social development to their regions. Regional boundaries contain more homogenous groupings of citizens sharing similar economic and social objectives than do the national frontiers. The region may be a more effective and authoritative source of consensus as the basis for policy initiatives, hitherto the preserve of national politicians.

European history shows a pattern of regionally-based economic development not dissimilar from that being projected. A map of the distribution of trade and industry in Europe in the 16th century shows clearly that wealth and prosperity were also then focused on a central core area. The foundation for this dominant economic centre was the empire of Charles V.

(SLIDE)

Peripheral areas reacted to their economic plight in the 16th century in one of two ways. Some of the peripheral areas turned their attention away from the central core; away from Europe itself and towards new interests farther afield. Spain's exploration of the New World is perhaps the best example of this response. Other peripheral areas continued a European focus, but concentrated on strengthening alliances among themselves. The Baltic-based Hansa trading alliance, for example, went from strength to strength.

What might be the analogous 20th century responses?

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The need for peripheral regions, in particular, indeed Europe in general, to nurture international relationships elsewhere in the world - the Far East, North and South America, Africa and the Middle East - is a much-debated topic. I do not intend to stray into that difficult area today but would just like to emphasise the potential importance of education and training in creating and strengthening transnational and transregional bonds. Individual regionally-based institutions have already achieved international recognition. For example, Scotland is a major international centre of medical education, training and research. The same visibility might well be achievable in financial services. The important point is that educational and training experience provides a potent claim on the intellectual consciousness of those who pass through it. Concentration on education and training could provide an outward-looking focus for many European regions and a means of attracting international attention. Such strengths certainly provide one possible contribution from the regions of the Community to Eastern European countries and to developing economies around the world.

But I would like to suggest that the most important lesson of 16th century experience may be to expect peripheral regions of Europe to react to the increasing dominance of an economic centre within Europe by forming new economic sub-groupings and regional economic alliances. Such alliances will be based on mutual self-help among regions which identify similar economic and social objectives, and are likely to cut across existing national boundaries. (Educational and training advantages and opportunities, incidentally /

Page 8

incidentally, might also have an important contribution to make to developing regional relationships.)

The single European market is being created for the benefit of all the citizens of Europe. Those European citizens who live and work in the peripheral (or non-central) regions must be able to participate in those benefits, and will only be able to do so if the region within which they live can prosper in the new market. That new enlarged economic space provides us with the opportunity to redraw the economic map of Europe, disregarding in the short term the existing political geography.

Some may say that the beginning of this new economic grouping is already discernible. There already exists a dialogue among practitioners in the regional financial centres of Catalonia, Rhone-Alpe and Piedmont/Lombardy. A Southern European "banana" embracing Barcelona, Lyons and Turin begins to look as if it may have a certain economic as well as geographic logic about it.

An East Atlantic outer circle taking in Portugal, parts of Spain, Ireland and Scotland might also not be too fanciful? There already exists extensive economic co-operation among the Nordic countries of Finland, Sweden, Norway and Denmark, although only the latter is a member of the Europe Community. As EFTA countries align their own domestic policies more and more closely to those of the Community, the emergence of a Nordic trading bloc looks more likely. (Perhaps Scotland should look North-Eastwards rather than to the South?) /

South?) The ultimate economic liberalisation of the former Baltic States may well re-create a new 21st century Hansa league?

It would clearly be wrong to omit reference to Central and Eastern Europe. There is a widespread assumption that the enlarged integrated European economic space will embrace not only those EFTA countries which wish to join the Community, but ultimately a number of the new free market countries of Central and Eastern Europe. (Eastern Germany, of course, no longer exists and its constituent regions are already within the Community.) Two points follow. Firstly, it may be that in due course, as traditionally comparatively advantaged regions in Saxony and Czechoslovakia prosper, the shape of our economically-strong "banana" changes by swinging Eastwards down the upper Danube basin. Secondly, the number of individual economic and ethnic regions will increase very substantially. Most will be relatively weak economically for a long time to come. The political and economic centres of any still further enlarged economic space can only hope to help those regions to find their own futures, but inter-regional alliances and relationships will also have an important part to play in allowing their citizens to prosper.

The integration of the east German regions within Germany and within Europe will provide many important lessons for that huge future challenge. For the present, that may be a sufficiently demanding agenda.

Let me now return to the present boundaries of the single European market.

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If we are to ensure that our peripheral regions develop satisfactorily within Europe, strong enough to explore and create appropriate alliances among themselves, they need positive encouragement now. The European Community, through its Structural Funds, targets specific geographical or functional Community priorities - rather than national priorities. That provides a degree of encouragement to the peripheral regions.

But a regional focus is also provided within the Community by the concept of subsidiarity. This means that only those tasks and responsibilities which need to be dealt with at the centre are retained by the Community itself; otherwise, such responsibilities should be devolved to nations, or more importantly for the current argument, to the regions. Matters are dealt with at the lowest effective level within the hierarchy of responsibilities. Practical implementation of subsidiarity tends so far to be limited to a choice between Community and national parliament. With very few exceptions, for example the federal republic of Germany, the nations who are signatories to the Treaty of Rome do not have a political structure which enables them to extend easily the principle of subsidiarity within their own boundaries. A regional political framework capable of assuming such responsibilities is now required. A regional administrative framework may also be needed to provide a network of decentralised points of information and supervision so that decisions taken centrally can properly reflect all interests, and be implemented effectively. (The sort of European central bank which Herr Otto Pöhl suggests - and the national model with which he is familiar - demonstrates these characteristics.)

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Neither the regional network, nor the fine degree of balance in power between a large number regional institutions and those at the centre can be achieved overnight! What is needed is an evolutionary process - but a process whose evolution is helped by positive action. Not just the invisible hand of Adam Smith, but a helping hand!

The step by step process towards the inevitable single European currency is already underway - at least it is inevitable if the European market succeeds! A European Central Bank is bound to emerge in some form. The US Federal Reserve (which strikes a balance between centralised authority and devolved management and supervision), provides one model of such a Bank which would reflect the principles of subsidiarity. This approach could spread to other aspects of European institutions, perhaps ultimately to its political framework, with its central Parliament directly elected by Community citizens, devolving appropriate functions to directly elected regional assemblies.

Commissioner Sir Leon Brittan has recently been proposing a Committee of National Parliaments to work with the Council of Ministers as the voice of the Parliaments of the Member States. Composed to reflect the co-operation of each Parliament, such a Committee is seen by Sir Leon as a means of involving national parliaments more in Brussels decision making. But Sir Leon has also recognised explicitly that the principle of subsidiarity may make it sensible within individual countries to move powers away from central national government.

So /

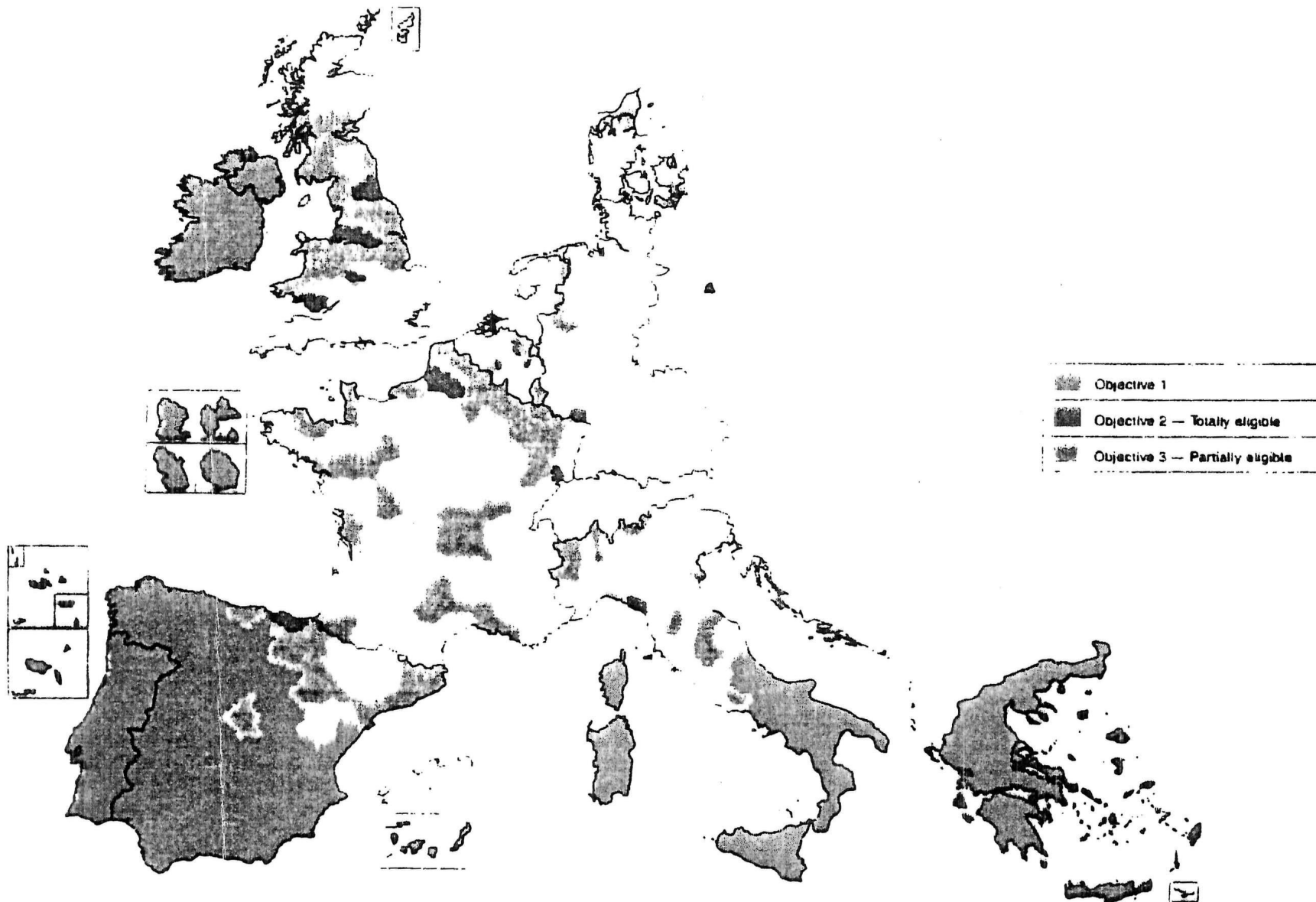
powers, those at the centre can help alleviate the congestion which will increasingly become a feature of life within the "red banana", hence improving the quality of life for themselves, as well as for those within the peripheral areas. By ensuring that the regions are strong enough to influence their own future destinies, the structure which I have advocated should also help guard against extremes of political instability in the peripheral areas - a scenario which I am sure we would all wish to avoid.

It is already obvious that economic progress within Europe will only be achieved through political consensus. The present source of that political consensus is derived from the nation states who have signed the Treaty of Rome and who participate in the Council of Europe. My proposition is that the nation states will come under increasing pressure as claimants to be the source of Community-wide consensus. On the one hand, the economic success of the single European market will drive the creation of supra-national institutions and the development of pan-European political mechanisms for their control and direction. On the other, individual regions - particularly those not within the economic heartland of the new Europe - will become increasingly anxious to find their own ways to secure the benefits of the single market. They will reach out for support to the European centre while creating their own regionally-relevant structures to reflect their citizens' local priorities and aspirations. Enhanced regional participation ensured by the principle of subsidiarity, can only help to develop European-wide consensus. On that depends the progress of the diverse peoples of Europe.

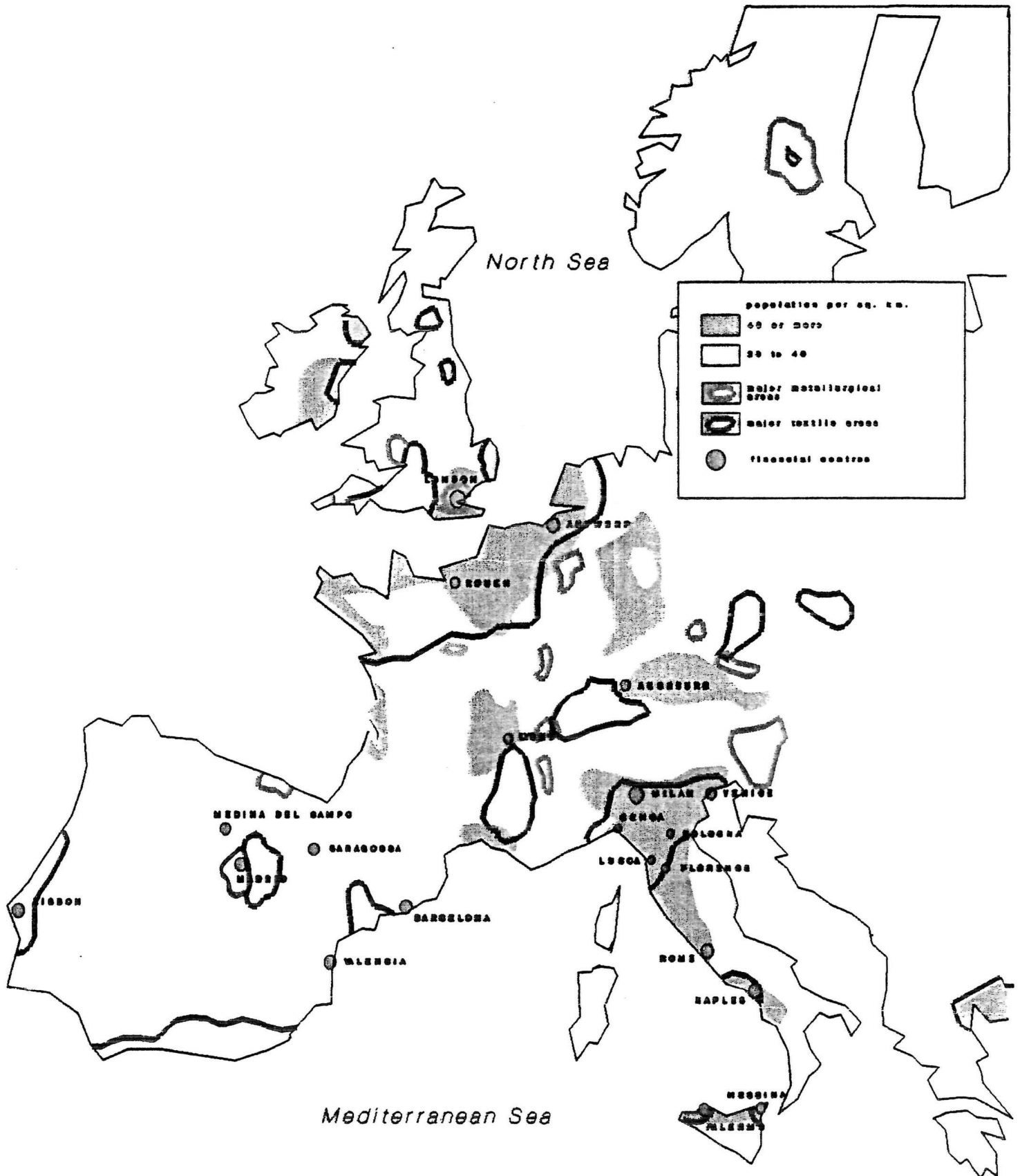
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It has been a privilege for me to contribute to this important Symposium in Barcelona under the auspices of the Spanish Committee of the Economic League for European Co-operation. Doing so from Scotland allows me to realise that, having enjoyed the advantages of being Scottish and British and European, we Scots are on the threshold of being Europeans first, then Scottish, and only then British!

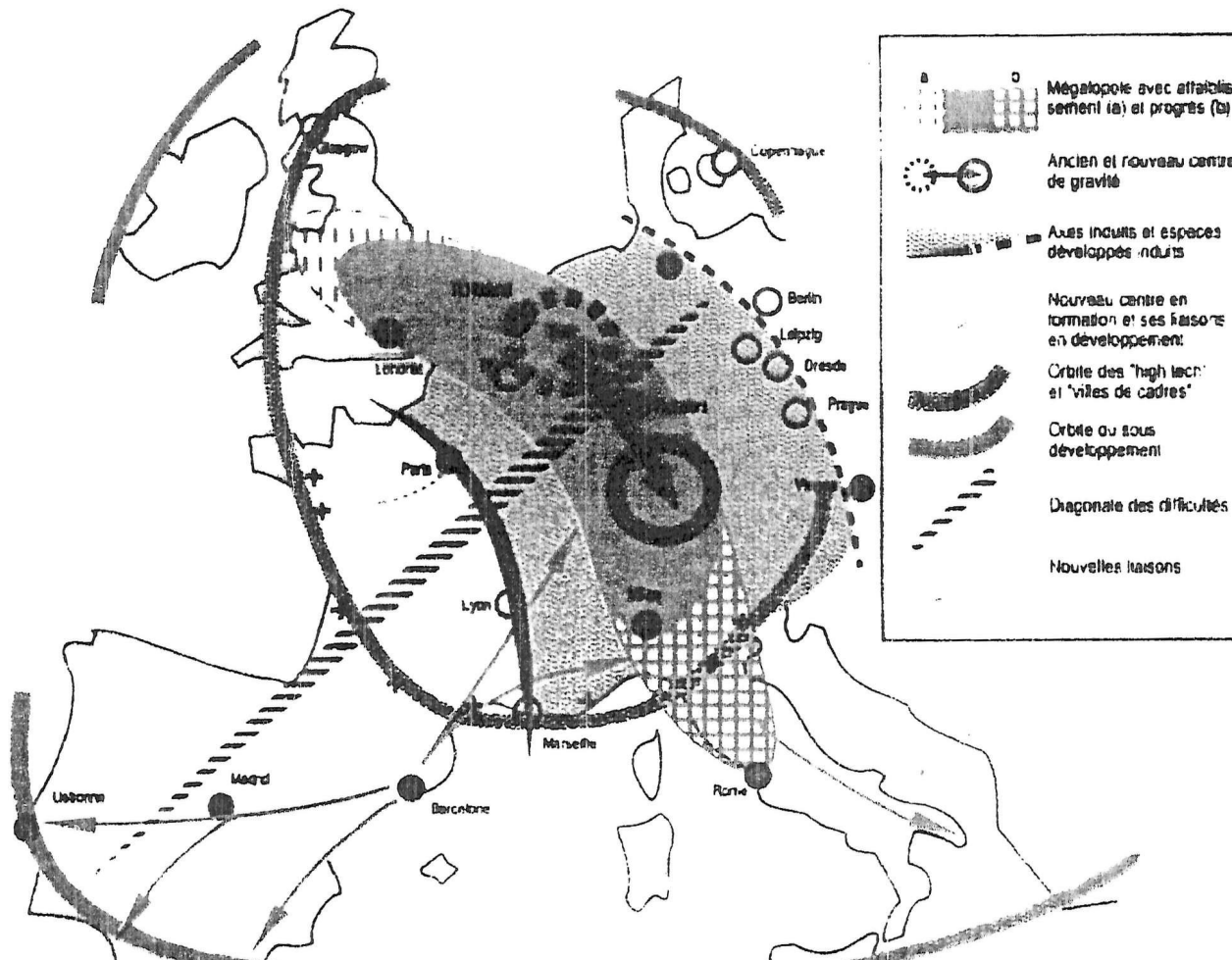
REGIONS ELIGIBLE FOR ASSISTANCE



Trade and Industry in the 16th Century



REGIONAL DISPARITY IS MARKED



Colloque: L'EUROPE DES RÉGIONS
Barcelona, le 15 Novembre 1990

PROPOSITION DE CONCLUSIONS
présentée par le Comité Espagnol de la L.E.C.E.

La LECE proclama en 1968, année de son 20ème. anniversaire, que malgré les progrès de l'unification européenne, son but n'était pas du tout achevé, en ajoutant: "L'on ne modifie pas sans chocs et résistances les structures traditionnelles et les habitudes nationales séculaires. Outre, il y a un abîme entre l'organisation de l'Europe selon les normes, et son accomplissement par ses habitants".

Actuellement, face à l'Union économique et monétaire de la CEE, les traités de laquelle seront établis dans la Conférence de Rome du prochain mois de Décembre, il est nécessaire de tracer l'Union politique de l'Europe.

En ce qui concerne la polémique entre confédéralisme et fédéralisme, il faut se diriger vers un système fédéral, car, comme Jean Monnet dit, seulement deux sortes de confédérations ont existé: celles qui ont eu du succès et se sont transformées en fédérations, et celles qui ont échoué.

La création d'une Union européenne sur une base fédérale fût établie par les fondateurs de la CEE. Cet objectif a été plus tard ratifié dans diverses occasions. Finalement, les récentes transformations de la CEE font que l'Union européenne soit indispensable pour pouvoir développer des actions communes.

La création de l'Union européen est urgente afin d'établir un lien plus étroit entre les peuples des Etats membres, d'après les traités communautaires, ainsi qu'un développement harmonieux de ses économies, et de ses sociétés, et le plein développement de ses capacités scientifiques et culturelles, tout en respectant et évaluant les particularités nationales et régionales qui constituent la richesse culturelle de l'Europe.

Dans presque tous les Etats membres de la CEE, l'on contemple le fait régional, dans son articulation politique. En vertu du principe subsidiaire qui doit présider l'union politique européenne, et face aux exigences de cette même union, les Etats perdront des attributions non seulement extérieures mais aussi intérieures, pouvant ainsi les régions européennes jouer un important rôle. De même, l'on constate un mouvement de création d'eurorégions qui vont au delà des limites frontalières des Etats.

En conséquence :

- Il faudrait soutenir l'élaboration d'une constitution européenne qui exprime et réalise les traits propres d'une union politique de base fédérale, fondée sur les principes du respect des droits fondamentaux de la démocratie et l'efficacité de ses actions.
- Les compétences de cette union politique devraient être non seulement les dérivées de l'acquis communautaire, mais aussi les dérivées de l'Union économique et monétaire et celles développées dans l'Acte Unique concernant le secteur social et le milieu naturel, ainsi que les compétences politiques relatives à la politique extérieure et de sécurité.

Il faudrait dans la construction de l'Union politique européenne, donner une juste importance au rôle des régions dans l'exécution et formulation des lois de celle-ci (tout en respectant les structures constitutionnelles de chaque Etat) :

Enfin, il faudrait éviter le risque que les européens craignent perdre son identité nationale, qui d'ailleurs est une identité culturelle, dans ce processus. Il faut aussi rappeler les mots de Denis Rougebot (Bruxelles, 1960) : "C'est une nouvelle et fautive idée ce dont la culture est un phénomène national exclusif". L'appartenance à une communauté n'empêche pas d'appartenir de même à une autre.

Ainsi, il faudrait agir dans le sens d'une plus grande participation de l'Assemblée des Régions de l'Europe et établir une relation institutionnelle entre les régions et les organismes décisifs de la CEE.