

## PATTERNS AND POLICIES OF REGIONAL ECONOMIC DEVELOPMENT AND THE COHESION AMONG THE REGIONS OF THE EUROPEAN COMMUNITY

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### 1. INTRODUCTION

Four factors seem to indicate the need to evaluate the long term impact of traditional policies and to device new approaches in regional policies at the European, national and local levels.

First of all, regional development patterns and problems during the last three decades have been widely different in the various European regions and this indicates the need for different theoretical interpretations and for different regional development policies.

Secondly, the creation of the European Internal Market and the progress in the European integration indicate the need to adapt the regional development strategies to the continuous changes in technology and to the increasing internationalisation of the economy.

Thirdly, the economic and political reforms in Eastern Europe and the new relations of these countries with the European Community are leading the various regions of the Community to assess their ability to exploit new opportunities and to face new risks.

Fourthly, the claim for federalist institutions or for greater regional autonomy and greater regional decentralisation of national administrations indicate the need for a more active

participation of regional governments in the design of Community programmes and for a more clear role of regional governments in the European Community institutions.

This paper discusses the problem of the impact of the increasing interdependence in the European economy on the development potentials of the various regions, with special reference to the case of economic lagging regions in Southern Europe.

The paper first discusses the characteristics of traditional theories and policies of regional disparities and it confronts them with the actual characteristics of the development problems of economic lagging regions of the Community.

Then it illustrates the changes in the analytical perspective and in the development strategy implied by the approaches of endogenous development and of territorial networks. The paper underlines the need to incorporate in the analytical framework the effects on regional development of recent trends, such as the internationalisation of regional economies and the diversification of the structure of the European space in various territorial networks.

Finally, the paper analyses the implications of these changes for the development policies in economic lagging regions and for a more tight integration of the aims of regional Community policy with the other sectoral policies of the Community.

## 2. PATTERNS OF DEVELOPMENT IN ECONOMIC LAGGING REGGIONS

Traditional theories of economic development are characterized by a simple dualistic approach as the interdependence of the various regions in the economic development process is interpreted according to a dichotomy between the «North» and the «South» or the «Core» and the «Periphery» (RICHARDSON, 1978). Traditional theories, while they disagree on the orientation of factors flows between these two types of regions, are similar in claiming that interregional development disparities basically depend on the flows of capital and labor among the various regions.

According to the neoclassical approach capital should move from regions where capital is abundant to regions where it is scarce and labor should move in the opposite direction. On the contrary, theories, which may be defined as Keynesian, such as the cumulative growth model of MYRDALL (1957), HIRSCHMAN (1958), KALDOR (1970) and HOLLAND (1976) or the export base model (NORTH, 1953, CZAMANSKI, 1964) and the development pole model of PERROUX (1955) and PAELINCK (1965) have emphasized the role of economies of scale and of agglomeration effects, which would increase the exports of the more developed regions, determine multiplier effects on the non exporting sectors and stimulate the inflows of both capital and labor into these regions, thus continuously increasing the gap with the less developed regions.

These two different approaches which have characterised the literature on regional development until the 60s have been reconciled by the hypothesis of WILLIAMSON (1975), according to which regional disparities may be indicated by a bell shaped curve. Very low per capita income levels are characterised by low regional disparities, these latter sharply increase in the early phases of the process of economic development and after a certain period the increasing importance of agglomeration diseconomies lead to a decrease of regional disparities.

Both these contrasting approaches have demonstrated to have some explanatory power on the evolution of regional disparities during the 50s and 60s. They may still now have some validity in the analysis of regional development in the EEC, as it may be indicated by the case of the prospective effects of German unification. In fact, according to neoclassical theory, labor movements flow from the East German regions to the more developed regions in the West and capitals, both private and public, flow in the opposite direction. Moreover, factor movements lead to the equalisation of factor prices and especially of wages. This result holds irrespective of the initial conversion rates of the two currencies, which was the theme of a big debate among economists. However, as indicated by the Keynesian and cumulative causation theories, labor migrations may have negative effects on the less developed regions and the existence of economies of scale and

agglomeration economies facilitate the firms of the most developed regions of Western Germany in their conquest of the market of less developed regions, thus leading to the closure of many firms in these latter regions. This result may initiate a negative cumulative process as it is indicated by the increasing number of unemployed workers in the five Eastern Laender.

Traditional theories of regional disparities are important as they have been extensively used in the case of the less developed regions, such as the Italian Mezzogiorno, during the 50s and 60s and they still represent the rational of regional policies adopted by national and EEC institutions, although they have been largely substituted by more modern approaches in the regional policies implemented by local institutions.

Traditional regional policies have had some partial and localised results but after almost 40 years of experience with these policies, when the overall level of disparities is considered (Commission of the E. C. 1990b and 1991, GARMISE, 1991) and especially when one analyses in depth the actual characteristics of the economies of less developed regions it seems difficult to deny that these policies have been a failure and that there is a need for a profound change in the approaches to regional policies.

According to the recent fourth report on the economic situations of the regions of the European Community (1991), the existence of wide regional disparities is a persisting feature of the European economy. The economic lagging regions of the Community (Objective 1 regions of the Structural Funds) had a population of 69.6 millions inhabitants in 1986, which represented the 21.7 % of the total EUR 112 population. Moreover, the regions seriously affected by industrial decline (Objective 2) and the rural areas (Objective 5b) had a population of 52.6 millions and 16.0 million respectively. Therefore, the regions which according to different objectives are considered by the European Regional Development Fund represent a large share of total EUR 112 population (43 %).

Regional disparities may be measured with different indicators, among which the most commonly used are the per capita GDP in purchasing power standards and the unem-

ployment rate. Objective 1 regions had a per capita GDP which was 33.1% less than the EEC average in 1988. The difference could be even greater whether the GDP were measured in ECU at current exchange rates.

Regional disparities have increased in the period 1983-1988 as per capita GDP in Objective 1 regions was 32.1% less than the EEC average in 1983. A similar trend could be observed also when a more limited set of regions is considered, such as the 25 weakest regions of the EEC. The per capita GDP of these regions has decreased from 57% to 56% of the EEC average in the period 1980-1988. On the contrary the index of the 25 strongest regions of the EEC has increased from 135% to 137%.

Also unemployment rates are widely different in Objective 1 regions, where they reach the 14.3% (32.5% for youth unemployment), while the corresponding average unemployment rate in the other regions of the EEC is 6.9% (11.3% for youth unemployment). Moreover while unemployment rates have decreased by 2.9% in the 1958-1990 period for the other regions of the EEC, they have decreased by only 0.3% in the Objective 1 regions. Furthermore, the insufficient growth of employment in the Objective regions is demonstrated by the fact that the participation rate (total labor force as a share of population of working age) was in 1988 only 40.0% with respect to a value of 44.9% in the other EEC regions.

With respect to the large dimension of regional disparities, financial transfers mobilised by the EEC regional policy seem certainly to have a very minor dimension. In fact, in most of Objective 1 regions the assistance by the ERDF accounted to less than 50 ECU per capita in 1988 and to about 200-300 ECU per capita overall during the period 1975-1988, according to the 1988 report of the ERDF (1990a). The size of financial resources devoted to promote a greater «cohesion» among the regions of the Community is very low, as the ERDF expenditure equals to 0.1% of the EEC GDP and to 0.5% EEC investments. Therefore, also the shares of ERDF commitments on the GDP (0.9%) and on the total investment (4.1%) of Objective 1 regions are very low. These transfers are inadequate to promote an appreciable

reequilibrium of the living standards or to respond to the large needs for infrastructural and industrial investments. However, it must be acknowledged that the size of ERDF commitments have constantly increased from 0.6 % of GDP of Objective 1 regions in 1986 to 0.9 % of GDP in 1993.

Some positive indications on the evolution of Objective 1 regions are demonstrated by the fact that the share of investment on GDP is greater (23.0 %) in Objective 1 regions than in the EEC average (20.6 %) and that this applies to all the period 1986-1989 and to all countries.

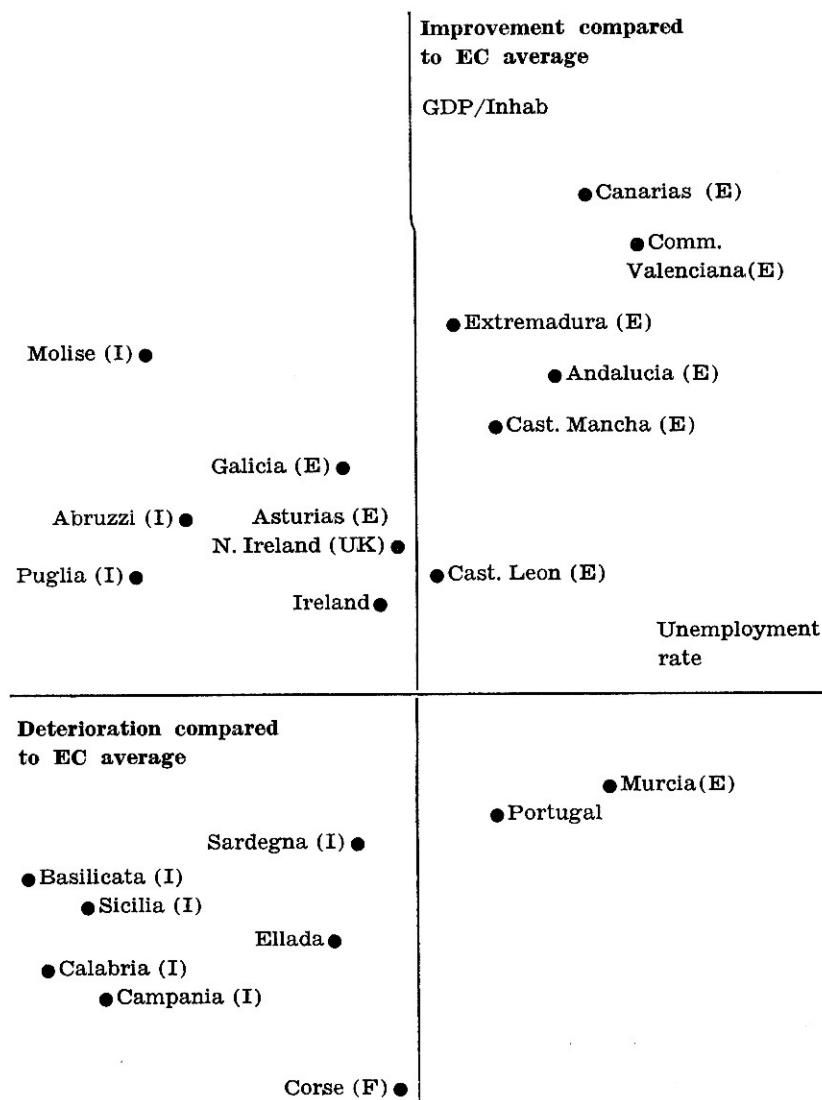
In particular, a positive trend is indicated by the fact that the less developed regions of the European Community do not represent any more a compact and homogenous area, but they have been characterised by different economic performances and they actually differ in respect to the prospects for economic development.

Thus, the trends in regional disparities may not be described neither as a homogenous decrease neither as an homogenous increase, but rather as a process of differentiation of the development patterns of the individual regions (Commission of the EC 1990b, ILLERIS, 1991). This pattern of evolution of regional economies can not be interpreted according to the traditional neoclassical and Keynesian theories of regional disparities, but it is rather consistent with the indications of the theory of endogenous development and of the modern approach of spatial networks.

As indicated in figure 1 most Spanish Objective 1 regions have had a remarkable improvement both in term of per capita GDP and of unemployment rate. The same can be said only for unemployment disparities in the case of Portugal and for per capita GDP disparities for some other Spanish regions, Ireland and Northern Ireland and some Italian regions which indicate a continuation of the Adriatic development pattern toward the South (Abruzzi, Molise and Puglia). On the other hand, the situation has become worse for the most peripheral regions, such the islands: Sicily, Sardinia and Corse, and for Greece and some Italian regions (Campania, Basilicata and Calabria).

The cases of the Third Italy and many other intermediate regions such as in Southern Germany, Southern France and

Fig. 1—Changes in the position of the Objective 1 regions compared to the Community average during the 1980's



Source: Fourth Periodic Report, EEC, 1991.

on the Mediterranean coast in Spain, demonstrate that it is impossible to analyse the process of spatial distribution of economic development in the European Community according to a simple dualistic approach, distinguishing a «centre» and a «periphery» (ILLERIS, 1991).

Traditional theories are not very useful not only in explaining the high performance of many intermediate newly industrialised regions, but even in analysing the actual development problems of economic lagging regions of the Community, such as Objective 1 regions. They do not focus their attention on those factors which seem to be actually the most relevant in the process of economic development of these regions. In fact, the actual development problems in economic lagging regions indicate three major issues, which are not adequately considered in traditional theories: the organisational structure of the economic sectors, the organisation of the territory and the role of public administration in the development process.

The economy of the less developed regions of the Community is not homogeneously backward but it is rather characterized by a dualistic structure. On one hand there are sectors and firms mainly externally controlled, which have an higher than average productivity, but are less dynamic due to long term sectorial restructuring processes. On the other hand, there are sectors and firms which have a local character and have a lower productivity but indicate the potential to become an important positive factor in the future development of these regions.

Therefore, the problem of the development of SME and of synergetic relationships between these latter and the large firms are widely recognised as crucial issues in the studies on the development of economic lagging regions and still remain as open questions (GAROFOLI, 1990 and 1991, MAILLAT, 1990).

However two further problems seem to characterize the economic structure of these regions. The first relates to the slow pace of the process of change in these regions, both in technological, economic, social, cultural and institutional terms. While these regions have certainly undergone profound changes in the last three decades, their development contradicts the

indications of the theory of the «technology gap» according to which laggards economies would be facilitated by the possibility of easily imitating already existing technologies.

Underdevelopment is often associated with the lack of entrepreneurial capabilities in private organisations and public institutions and by the dominance in the society of various conservative forces which aim to preserve the stability and consensus rather than to promote change and competition as it is indicated by a Schumpeterian process of «creative destruction».

The persistence of a lag in technology and the inadequate price and/or dynamic competitiveness, should be related to a dynamic process where the pace of change in the less developed regions often is slower than in the more developed regions due to the existence to obstacles both within and outside the individual firms (CAPPELLIN, 1983, CAMAGNI and CAPPELLIN, 1985).

A further factor, which is clearly related to the low propensity to innovation, is the weak integration of less developed regions in the national and international economy. This is clearly demonstrated by the low propensity both to export and also to import, but also by other indicators such as foreign investments, technological and commercial agreements with foreign firms, and even passengers movements with foreign countries and knowledge of foreign languages.

There are few firms and organisations in the less developed regions which have tight contacts with other firms and organisations in foreign countries. The few exceptions have weak influence on their local economy and local cultural milieu and they are often obliged to work in an almost total isolation with respect to their regional environment. This latter is perceived as a negative factor from which to be protected rather than as a factor of competitive advantage to be strengthened, such as in the more developed regions.

While traditional theory have often claimed that the opening of barriers to trade as a cause of increasing disparities, it must be observed that after thirty years of European integration, the less developed regions of the Community are still weakly integrated in the European economy. Peripherality and isolationism are still a characteristic of less developed

regions and are an handicap to their development much more than they can represent a protection for the existing local economic activities, as it is implied in the traditional theories of regional disparities.

The internationalisation process of regional economies does not only imply greater commercial flows but also greater flows of people, capitals, services and informations. Therefore, in the case of economic lagging regions commercial integration seems to have largely anticipated an international integration in the technological, financial, organisational and also cultural field.

The economies of the weakest regions of the Community are furthermore lacking an adequate local supply of private modern business services. The protection which local service activities have enjoyed from external competition explain the poor efficiency both of private services, such as banking, or of public services, such as health, in these regions. The low demand of services is interdependent with the low level of supply (CAPPELLIN, 1989a, PHILIPPE and MONNOYER, 1989).

A second major issue in the development of Objective 1 regions is the organisation of their territory. In fact, a further constraint on development is represented by the well documented still poor state of public infrastructures (BIEHL, 1986). This applies to basic infrastructures such as water and energy and also transportation infrastructures and services, especially rail and air and sea transport services. Moreover, new type of infrastructures and related services are needed to develop new modern activities also in economic lagging regions such as infrastructures in environmental protection, tele-communication services, international fairs and congress centers, universities and research centers.

These various types of infrastructures and services are tightly complementary among themselves and should be localised in an equilibrated and efficient way in the regional territory of each region. This indicates the important role of the largest urban centers in the less developed regions as they are the main nodes in the networks of infrastructures. However, an appropriate attention should also be given to the improvement of services and infrastructures in the small and medium size urban centers. These represent a precious

asset for a regional economy, as they could help in avoiding that excessive concentration in the largest and already congested urban centers, which represents another important bottleneck in the development of many economic lagging regions.

Therefore, cities often represent a source of external diseconomies rather than of external economies for the economies of the weakest regions of the Community and regional policy should focus on the role that urban areas play as main suppliers of modern services, as incubators of innovation and as «gateways» in the relationships with the international economy.

A further and crucial constraint on the development of economic lagging regions of the Community is represented by the weakness of the local public administration of these regions. This is a vicious circle as the weakness of local administration is a major factor of the poor economic performance of these regions. The high development disparities and the weak capabilities of local administration justify the massive intervention of national administration. However, this has reduced the financial capabilities and hindered the organisational capabilities of local administration, by reducing the stimulus to improve its efficiency. This latter is then an important cause of the persistent underdevelopment of these regions.

Therefore, the experience of several decades of intervention based on traditional regional policies may be qualified as a failure on the basis of various reasons.

First of all traditional theories have been demonstrated inadequate for their inability to forecast regional trends or to explain why regional development has been the highest in regions which were not industrialised during the 50s but have not been the explicit target of regional policies. As indicated above, the cases of the Third Italy and of many other intermediate regions such as in Southern Germany, Southern France, on the Mediterranean coast in Spain, demonstrate that it is impossible to analyse the process of spatial distribution of economic development in the European Community according to a simple dualistic approach, distinguishing a «centre» and a «periphery».

Secondly, traditional regional policies are proved to be inefficient in the use of public resources as they overestimate the capability to attract new investments in less developed regions through financial incentives, thus obtaining very limited employment increases for the resources used.

Thirdly, traditional regional policies are the fundamental reason of the dependency mentality which, similarly to the case of less developed countries, hinders local entrepreneurship, as it diverts most of resources to the aid of external investments, it deprives the local administration of a stimulus to act authonomously without waiting for national directives and it reinforces the hegemony by technical capabilities external to the region instead to sustain the development of technical capabilities within the regions considered.

Fourthly, traditional regional policies have been characterised by a dirigist approach. This has lead to the growth of a bureaucratic machinery, which has a vested interest in the continuation of the assistance rather than in the promotion of local successful and authonomous entrepreneurs. It has lead to a complete control of any economic activity in the less developed regions by the public sector. They have led to the development of an assisted system, which has distorted the microeconomic behaviors and stimulated initiatives which are mainly oriented to the search of the access to external aid rather than to a selfsustaining development.

The size of financial resources transferred by the European Community to the less developed regions are certainly inadequate for overcoming the persisting wide regional disparities existing in the EEC, as they correspond to less than 50 ECU per capita per year: an amount that would be inadequate even to pay for few lessons of English or German language to each inhabitant of Objective 1 regions. In the case of the Italian Mezzogiorno the resources transferred by the national government (through the current and the «extraordinary» public expenditure) have been 50-100 (according to the regions) time greater during the last decades than those transferred by the EEC. However, the real issue is whether the available resources are used in an appropriate way or they are wasted due not only to inefficient implementation procedures or abuses but also to poorly designed programmes and obsolete

policy approaches being based on problems and theories of the 50s-60s.

It may be claimed that while traditional regional policies have not succeeded in decreasing regional disparities, they have certainly increased regional disequilibria.

In the case of the Italian Mezzogiorno, they are responsible of the fact that gross regional product in less developed regions is substantially lower than disposable income and consumption is unbalanced with respect to regional production capacity. This leads to a structural deficit in the balance of trade of these regions with respect to the other Italian regions. Moreover, the level of direct and indirect (through the industrial and trade firms of other Italian regions), imports from foreign countries are much larger than direct and indirect exports to foreign countries. The disequilibrium in public budget is indicated by fiscal revenues which are much lower, due to various forms of fiscal deductions and a large fiscal evasion, related to an important submerged economy, than public expenditure, where high current expenditure and especially transfers to families and firms are much more important than public investment. The financial incentives to fixed investment have determined a disequilibrium in the combination of production factors, as it is indicated by high capital/labor ratios which are incompatible with a low level of labor productivity. The disequilibria in the labor market are demonstrated by the high unemployment rates and various forms of disguised unemployment, such as the overmanning in public administration and in agriculture, and by wage rates very similar to those of the most developed regions.

In conclusion, economists and policy makers should ask themselves whether the actual regional policies are inadequate, because:

a) fourty year of experience are a period long enough to allow to evaluate not only the short term but also the long term effects of a policy,

b) there are various indications that actual regional policies represent themselves a concrete obstacle to the autonomous development of the economic lagging regions.

Therefore there is the need to riorient existing strategies in regional policy.

### 3. THE THEORY AND POLICY OF REGIONAL ENDOGENOUS DEVELOPMENT

While traditional theories and policies of regional development have emphasized the role of the interregional mobility of production factors, the new approach to regional development, which may be called the «endogenous approach to regional development» (STOEHR, 1978, CAPPELLIN, 1983, VAZQUEZ BARQUERO, 1990, KONSOLAS, 1990) is based on the assumption that the major factors of regional development are almost immobile, such as physical infrastructures, labor force skills, local sectoral structure, local technical and organisational know-how, local urbanisation economies, local social and institutional structures, etc.

Therefore, regional policy should not aim to attract external investments, as suggested by the traditional neoclassical and Keynesian regional policies, but rather to promote:

- a) full employment and,
- b) greater productivity of local resources.

According to this approach the barriers to entry, implied by the creation of new local firms or the reconversion of existing local firms into new sectors, should represent the focus of analysis and of regional development policy rather than the choice of an optimal location for production, the levels of which had already been determined at the national or international level.

The endogenous development is related to the changes occurred in production and transportation technologies, leading to a greater spatial diffusion of both industrial and service activities. Recent analytical contributions have analysed the development of small and medium size firms in specialised industrial districts and emphasized the role of recent changes in the organisation of firms and the role of agglomeration economies and transaction costs (CAPPELLIN, 1983 and 1988a, GAROFOLI, 1990, BIANCHI, 1990). Other contributions have analysed the role of regional factors on the process of innovation diffusion and on the spatial concentration of «high-tech» activities and have advocated the creation of research parks and technological poles and the

TABLE 1

TRADITIONAL THEORIES OF REGIONAL DISPARITIES	THE THEORY OF REGIONAL ENDOGENOUS DEVELOPMENT
<b>1. HYPOTHESIS:</b>	<b>1. HYPOTHESIS:</b>
- Interregional flows of production factors	- Immobility of regional resources
<b>2. KEY DEVELOPMENT FACTORS:</b>	<b>2. KEY DEVELOPMENT FACTORS:</b>
- Location of external investments	- Overcome barriers to entry of new firms and new productions
- Reduce production costs	- Promote entrepreneurship and process, product and organisational innovations
- Promote industrialisation of regional economy	- Promote intersectorial development
<b>3. AIMS:</b>	<b>3. AIMS:</b>
- Promote interregional equity with redistributive policies	- Insure equal opportunities to entrepreneurial capabilities
- Promote efficiency through the spatial concentration of investments	- Promote the comparative advantage in international market
<b>4. POLICY INSTRUMENTS:</b>	<b>4. POLICY INSTRUMENTS:</b>
- Financial incentives	- R & D and technological transfers
- Infrastructure	- Professional education
- Planning agreements with large national and international firms	- Supply of producer services
	- Cooperation between local firms
	- Cooperation with foreign firms
	- Public-private cooperation
	- Territorial policies
	- Environmental policies

adoption of regional innovation policies (CAPPELLIN and NIJKAMP, 1990, CICOTTI *et al.*, 1990, MALECKI, 1990, SCOTT and STORPER, 1990).

In particular, it may be possible to distinguish a change in emphasis in the research on endogenous development from the analysis of the factors affecting production costs to that of the factors affecting the adoption of process and especially product innovations.

The endogenous approach differs from traditional theories of regional disparities as it does not underline the factors promoting relocation from some regions and the attraction to new regions of interregional firms. Instead it underlines the need to promote both local opportunities and local capabilities to innovate.

Earlier contributions to the endogenous approach have emphasized the role of «objective factors», such as the decrease of economies of scale and the increase of economies of scope, which characterise the change from a «fordist» to a «flexible manufacturing» organisational model. These contributions have focus the analysis on the process of restructuring and decentralisation of industrial productions.

More recent contributions emphasize the role of «subjective factors», such as entrepreneurship, technological and management capabilities which affect the receptivity to innovation of the various regional economies.

According to this approach, the persisting regional disparities may be interpreted as the result of different speeds in the adoption of innovations (CAPPELLIN, 1983). Specific «adjustment costs», represented by different economic, social and cultural obstacles, should be overcomed in the dismissal of the previous technologies and in the development of an internal capability to manage the new technologies.

The existence of adjustment costs in the adoption of innovation is a factor which should be especially considered in the case of social and organisational innovations. These latter seem largely preliminary to a wide and systematic diffusion of technological innovations in the less developed regions, where the social and institutional structures have a rather hierarchical character and a conservative or risk averse mentality is dominating.

Differently from traditional regional policies, the endogenous approach does not emphasize the conflict between interregional equity and national efficiency, but rather the need to ensure equal opportunities for development to local entrepreneurship capabilities and the need to promote the specific competitive advantage of each region in a framework of international competition.

The endogenous approach is not aiming to simple industrialisation but rather to an intersectorial development of the regional economy and to promote its modernization or technological and organisational change.

Therefore, the model of endogenous development, underlines new instruments of regional policy, which may improve the access to technological and organisational innovations. While traditional approaches to regional policy have emphasized the role of financial incentives, infrastructures and planning agreements between public administration and large industrial firms, the endogenous approach assignes an higher priority to measures such as: the investments in R & D, the technical and managerial education of the labor force, the development of cooperative relations among the local private and public actors, the creation of networks of cooperation between local and external firms and organisations, the development of modern business services, the improvement of the environmental quality and an efficient land use and urban policy increasing the attractiveness of the regional urban centers.

The endogenous development approach is clearly dominating analysis on regional development since at least a decade not only in Europe but also in the U. S. and in other countries (KONSOLAS, 1990, SCOTT and STORPER, 1990). However, its adoption as a basis of regional policy strategies by national and by EEC institutions is recent and still rather experimental, with respect to the actual extensive use of the old-established approaches. The most probable reason seems that the endogenous approach, differently from traditional regional policies which have emphasized the role of central authorities, underlines the role of a bottom-up approach and it supports the need for a greater regional decentralisation and fiscal authonomy of local governments. Thus the end-

ogenous approach implies a tight and fear concertation between regional, national and European institutions.

#### 4. THE NEW PARADIGM OF TERRITORIAL NETWORKS

New factors require an adjustment of analytical approaches adopted in the interpretation of regional disparities and a riorientation of regional development strategies. The endogenous development approach can be enlarged to consider these new factors (CAPPELLIN, 1991b). This has led during the 80s to elaborate a new theoretical paradigm which may be called the paradigm of «territorial networks».

A first factor of change is represented by the increasing internationalisation of regional economies which is affecting not only large industrial firms but also industrial SME and even service firms (CAPPELLIN, 1990, SENN, 1990, QUEVIT, 1990, VICKERMAN, 1990, NIJKAMP, 1990). Therefore, while the endogenous approach to regional development was underlining the importance of the use of local resources and of local entrepreneurship and innovation capabilities, the internationalisation process calls the attention to a better integration of local factors with external flows of technological informations and of financial resources which may have a catalyst effect on the local economy.

The internationalisation process and the increasing importance of technological change are major factors in determining a change in the organisational forms of industrial and service firms. Therefore, from a «fordist» or «hierachical model» of organisation where the various operative units had only implementation functions there has been a shift toward a «network model» of organisation, where the crucial elements are the development of entrepreneurship capabilities of the individual production units and the development of cooperative relationships among these latter (WILLIAMSON, 1981, TEECE, 1982, KAMANN, 1991, GROTE, 1991, HOLLAND, 1991).

The internationalisation process is a gradual learning process and it is a strategic objective to be pursued with a continuous effort in time. It implies a continous adaptation of the specific forms of cooperation with other firms. The structure of an international network is continuously changing

according to the internal changes of the partners and the external opportunities and dangers to which they have to respond.

The development of a network model of organisation is both an effect and a factor of the increasing importance of service activities in the economy. In fact, the increasing relevance of this mode of organisation can be related to the crucial role of information in the actual phase of economic development (TEECE, 1989, LAKSHMANAN, 1990). The flows of information and knowledge are tightly related to the increasing integration of service activities in industrial productions, as indicated by the growth, within industrial firms, of employment in activites concerning the collection, elaboration and transfer of informations (CAPPELLIN, 1989a, MARSHALL, 1990). The decision making function of firms is increasingly embedded in service activities, while manufacturing activities have an implementation function.

On the other hand, a network model of organisation emphasizes the role of relations and of material and immaterial flows between the individual firms and the external environment. These flows promote the growth of service activities which represent the channels of the circulation of goods, persons, financial resources and informations among the different firms belonging to a network, similarly to the role performed by transport activities in the physical transfer of goods.

In particular, the development of a network model of organisation is a factor of the increasing role of urban centers in the spatial structure and in the economic development of the individual regions (PRED, 1977, VAN DER BERG, 1986).

In fact, the development of service activities is tightly related to the increasing role of urban centers in the economy. Urban centers represent the major location of traditional and modern service activites for the population and for the firms of a region, due to the existence of important urbanisation economies and the high «transaction costs» which characterise the intense relations among the various service firms.

Secondly, urban areas are characterized by an higher flexibility and receptivity to innovations than their rural

hinterland and they thus perform the role of «incubator» of innovations and of the birth of innovative firms.

A third major function of urban centers is their function as «gateway» in the relationships between the regional economy and the national and international economy (CAPPELLIN, 1989b, 1989c, 1991a). Urban centers represent the nodes in the modern transportation and telecommunication networks. There are also the major location of those service activities which regulate the economic, technological and cultural relations between a region and the outer world, such as many modern business service firms and the headquarters of major industrial firms.

As regional economies are becoming more exposed to international factors, the development of service activities and the changes in the urban structure of a country are becoming a crucial factor in the evolution of regional disparities (ILLERIS, 1989, SUAREZ VILLA, 1989).

These changes in the organisation of economic activities and in territorial structure of regional economies underline that the supply of infrastructures and of new and traditional public services is becoming again a crucial bottleneck in regional development.

In this new phase of industrial development, modern infrastructures represent a necessary condition for the development of new technologically advanced industrial and service activities, similarly to the role played by traditional infrastructures in the early phases of industrialisation. Even in economic lagging regions, which are not yet industrialised, the supply of modern infrastructure, the solution of congestion problems in major cities and the renewal of their built and natural environment is becoming a priority of regional policies. In this perspective there is a need for a closer integration between economic development policies and urban and territorial planning.

These trends clearly contradict the common criticism addressed to infrastructure policies and the claim of a supposed need that the EEC should reduce these latter with respect to the financing of industrial investments, because infrastructure would be a necessary but not sufficient conditions for economic development. On the contrary the actual endowment of infrastructures in the less developed regions

of the EEC is absolutely inadequate, when it is compared to the standards of the regions of Northern Europe.

The well known concept of «polarised» region is assuming that the regional territory is organised by a network of urban centers, where the major locations of specialised service activities and modern industrial activities are concentrated. Therefore, regional development policies should be explicitly integrated with territorial planning («amenagement du territoire»). They should take into account the existence of complex networks of relations both between the different urban centers of a region and between these latter and the hindering rural areas and also between the local urban centers and the national and international economy, in the framework of the national and European urban system.

The lack of modern infrastructures is certainly prejudicing any possibility to locate in economic lagging regions modern activities and is hindering the technological change and the competitiveness of the existing activities. On the contrary, the role of financial incentives as a factor capable to influence the location of large firms has often been overestimated (CUADRADO and AURIOLES, 1990). Incentives often are considered by firms a windfall gain and they are certainly less important than a receptive external environment in the adoption of innovations.

The network paradigm implies a change not only in the factors which are identified as crucial in economic development and in the strategy and instruments of development policies, but also on the institutional and organisational procedures of regional policies. A network approach underlines the existence of tight relationships between each region and other regions and the need for a coordination of the individual policies at the interregional and international level.

Thus a network approach indicates the opportunity of specific forms of voluntary cooperation between the various local institutions in the provision of common infrastructures and services and the implementation of common programmes (CAPPELLIN, 1991b and 1991c, LEONARDI, 1991). When spatial interdependence exists, interregional cooperation may represent an effective alternative to bureaucratic coordination from above by some «high authority» and way to preserve or even

expand the autonomy of regional institutions with respect to national and EEC institutions.

Therefore, the network approach indicates the need to establish flexible contractual agreements among local and regional governments, such as planning agreements or joint ventures («societes mixtes»), which may be very similar to those created by private industrial and service firms in promoting the internationalisation of their activities.

In particular, the development of cooperative relationships with foreign regions and countries, such as those of Eastern Europe and/or of the Mediterranean basin, would be very important also for the less developed regions of Southern Europe. This may allow them to escape from a situation of isolation and to rediscover a new centrality in a different geographical framework.

##### 5. A NEW STRATEGY FOR ECONOMIC LAGGING REGIONS

The persistence of wide regional disparities after several decades of regional policy in the economic lagging regions of the Community indicates the need to abandon the traditional policy approach, according to which the bottlenecks to development were represented by the scarcity of capital, of qualified labor and by the barriers due to economies of scale, in favor of new approaches.

While the relevance of these factors in the actual situation of many European economic lagging regions is at least questionable, modern approaches to regional development, such as the endogenous development approach and the network approach, indicate that the most important obstacles to development should be identified in the low entrepreneurship and innovation capabilities, the scarcity of a specific know-how and the low internationalisation of the less developed regional economies.

According to traditional approaches regional policies represent an instrument to defend weakest regions from international competition. Their main instrument are financial transfers from the most developed regions, in order to reduce the costs of production factors and to sustain the price competitiveness of firms in less developed regions.

TABLE 2

TRADITIONAL POLICY FOR THE ECONOMIC LAGGING REGIONS	A NEW POLICY FOR THE ECONOMIC LAGGING REGIONS
<b>1. PROBLEMS:</b>	<b>1. PROBLEMS:</b>
<ul style="list-style-type: none"> <li>- Lack of capital</li> <li>- Lack of qualified labor</li> <li>- Exploit scale economies</li> </ul>	<ul style="list-style-type: none"> <li>- Lack of entrepreneurship</li> <li>- Lack of innovations</li> <li>- Lack of specific know-how</li> <li>- Lack of internationalisation</li> </ul>
<b>2. STRATEGY:</b>	<b>2. STRATEGY:</b>
<ul style="list-style-type: none"> <li>- Regional policy as a defense from international competition</li> <li>- Increase income transfers to the weakest regions</li> </ul>	<ul style="list-style-type: none"> <li>- Market oriented regional policy</li> <li>- Regional policy based on economic efficiency</li> </ul>
<b>3. OBJECTIVES:</b>	<b>3. OBJECTIVES:</b>
<ul style="list-style-type: none"> <li>- Insure price competitions</li> <li>- Reduce production costs</li> </ul>	<ul style="list-style-type: none"> <li>- Decrease adjustment costs</li> <li>- Decrease transaction costs</li> </ul>
<b>4. INSTRUMENTS:</b>	<b>4. INSTRUMENTS:</b>
<ul style="list-style-type: none"> <li>- Subsidies to firms</li> <li>- Transfers to households</li> </ul>	<ul style="list-style-type: none"> <li>- Supply of producer services</li> <li>- Territorial policies</li> <li>- Interregional cooperation</li> </ul>
<b>5. EFFECTS:</b>	<b>5. EFFECTS:</b>
<ul style="list-style-type: none"> <li>- No selfsustained development</li> <li>- Increasing dependence</li> <li>- Contrast with the competition policy of the EEC</li> </ul>	<ul style="list-style-type: none"> <li>- Selfsustained development</li> <li>- International competitiveness</li> <li>- Compatibility with the competition policy of the EEC</li> </ul>

On the contrary, the endogenous and the network approaches take a more active strategy. Their aim is to reduce the technological and organisational gaps between the weakest and the strongest regions and they emphasize the concept of dynamic competitiveness, based on the capability to adopt innovations and to promote the internationalisation of firms. Therefore these modern approaches indicate the need to reduce the various «adjustment costs» and «transaction costs»,

which represent the structural causes of the persistence of barriers to entry and to growth by firms in less developed regions.

High adjustment costs imply that the speed of adoption of innovation is too low, so that the gap with more developed regions can not be reduced. On the other hand, high transaction costs hinder various forms of agreements with external firms and organisations and appropriate transfers of know-how and financial resources from outside.

An innovation policy implies an high selectivity as financial subsidies should be concentrated in the help of new firms and new productions, while existing firms and productions should be helped mainly through the provision of specialised services. Also an internationalisation policy of regional economies implies an high selectivity. It requires to intervene first of all on those firms and organisations which perform the role of gateway or of gatekeepers in international relations and which may play a crucial role in promoting innovation behaviors in a conservative local environment.

The endogenous and network approaches emphasize the need to promote policies explicitly addressed to service activities, while traditional policies have concentrated only on industrial activities. In fact, modern producer services, such as R & D, consulting services and also financial and marketing services, on the one hand facilitate those economic, organisational and social changes which are required by the adoption of innovations, and on the other hand they represent the immaterial channels which facilitate the flows of goods, people, capital and informations between a region and the outher world.

Moreover, modern approaches to regional policy assign a crucial role to modern infrastructures, which represent a crucial bottleneck in the reconversion from traditional to more modern productions and in the integration of traditionally isolated regions in the international economy.

In this perspective, as services and infrastructures are typically concentrated in urban centers, a fundamental component of regional development policies based on the endogenous and the network approaches is a greater integration between economic and territorial policies.

Traditional regional policies have focused on the cost competitiveness of the productions of weakest regions. However, the decrease of production costs through subsidies is of little help in an continuously changing economic system, where competitiveness depends on the continuous increase of productivity and in the continuous and timely introduction of new products and improvement of the quality of the existing products. Without these continuous changes or a greater receptivity to innovations the costs of firms inevitably become incompatible with international prices. Then subsidies, which were initially aiming to compensate external diseconomies, should be continued for ever in order to compensate internal inefficiencies. This is the issue which is tackled by a regional policy operating on the «adjustment costs».

During almost 40 years regional policies have sustained through financial subsidies uncompetitive productions in the less developed regions, on the base of the argument that financial subsidies should compensate the extra costs («oneri impropri») determined by external diseconomies to the firms localised in these regions. It seems that it would have been more useful to use the resources available for the regional policy during such a long time in order to gradually tackle the various causes which determine those external diseconomies rather than simply trying to compensate their effects. This is in fact the objective of a regional policy aiming to influence the «transaction costs» in the relationships between the firms and external environment.

Traditional policies, which aim to sustain profit rates of firms in less developed regions through financial subsidies are inevitably determining a conflict with the Community competition policy and they are going to be increasingly restricted in the perspective of the completion of the European Internal Market.

Financial subsidies have become for the weakest regions an alternative to a devaluation policy or to a dumping policy. As in the case of the inflationary effect of a devaluation policy, the long term effects of regional subsidies on profit rates and on production capacity seem to be rather dubious. In fact, they seem to have had only a redistributive effect, by allowing

an increase of the price of production factors above the levels corresponding to their productivity.

Financial incentives promote only the demand of investments and help the firms of the construction sector, but they often determine the creation of inefficient and uncompetitive industrial firms, which will dismiss production after short time in order to renew the demand of incentives for the investment in new production plants. In general, high capital subsidies have led to production plants with a too high capital/labor ratio and to an underutilization of production capacity.

Regional financial subsidies represent a form of implicit industrial policy and are often used by large firms, in sectors such as automobile, electronics and chemical, to maintain productions, which are not competitive at the international level, simply under the condition that they relocate their production plants in the less developed regions. These subsidies have only a short term effect on employment, as these plants are going to be dismissed in the near future, when obstacles to international competition will be gradually removed.

The lower costs of depreciation of capital assets, which have been bought through high investment incentives, often represent the only factor which allows the profitability of productions. Therefore, once the financial depreciation of structures has been completed the incentive to maintain production ceases and the employment places created have a short life. Thus the scarce resources available for regional development policies are diverted to sustain activities which in the near future will be the cause of deep sectoral crisis and, most probably, of new subsidies.

On the contrary, competitiveness is guaranteed only by a shorter time to market of new products and by a growth rate of productivity higher than the rate of increase of production factor prices. A regional policy based on the decrease of adjustment costs and of transaction costs is aiming to influence both the general environment in which the firms operate and the capability to take timely and adequate decisions by these firms. Thus modern approaches to regional policy do not have an once for all effect on costs, to be rapidly compensated by the increase of factor prices, but they have a long term

effect as they allow a stable increase of the growth rate of productivity, of production and sales of firms.

These new regional policy strategies may be compatible or even complementary with competition policy as they aim to equalize the opportunities for and the capabilities of entrepreneurial behaviors in the different regional environments.

The conflict of regional policy with competition policy is often used by those who have a vested interest in the continuation of a purely distributive policy, as a polemic argument in order to divert the discussion on a supposed risk that financial resources for regional policies may be reduced. On the contrary, there is no doubt that also a different regional policy, based on the endogenous and the network approaches, will equally imply a large transfer of resources from the most developed regions. The real issue is the character of the regional policy implemented and how to prevent that actual resources will be wasted.

Certainly modern approaches to regional policy are more complex than simple financial transfers and they require higher technical and organisational capabilities in the EEC, national and regional administrative structures. For these reasons traditional regional policies are not a factor of development, but they seem rather one of the aspects of underdevelopment. In fact, the backwardness of the economic system of the weakest European regions seems also to imply the technical, organisational, economic and cultural backwardness of the regional policies which have traditionally been adopted in these regions.

On the other hand, competition policy may represent an useful constraint in reorienting the strategies of regional policy. The development of weakest regions of the Community seems really to require an effort to reintroduce market factors in economies where, very similarly to former socialist countries, a pervasive state intervention has almost completely distorted the price structure and the motivations of microeconomic behaviors. Thus the challenge of EEC competitive policy may have some positive effects, whether it could limit policies which do not have any long term effect on economic development but are only a form of assistance and redistribution.

The challenge of the conflicts with the European Community competition policy could instead lead to develop a new strategy of regional policy, which may be defined as a «market oriented» regional policy, based on the criteria of «economic efficiency». Regional policy should aim to promote the capability of local, existing or new, firms to sustain international competition by continuously facing internal and external obstacles and not to protect regional firms by creating a permanent obstacle to competition through financial subsidies.

A market oriented regional policy implies that public administration will require that firms and productions promoted by regional policy incentives have to demonstrate, through an explicit analysis, that they can be competitive at the international level, after that temporary subsidies aimed to overcome specific transaction or adjustment costs will be suspended.

On the other hand, an efficiency based regional policy requires that resources available for regional policies are not wasted and that market or efficiency factors are introduced in the process of implementation of regional policies. In fact, the delay in the use of available funds and the existence of bottlenecks in the absorption capacity of less developed regions is often leading to relax the necessary controls on an efficient use of external aid, in order to be capable to spend all the funds which have been allocated.

Cost-benefit analysis is of no use whether there are not alternative projects. On the other hand the lack of alternatives is a factor which is facilitating the inflation of the costs of the few projects which are presented. Therefore, an ex-ante and ex-post comparative financial analysis, such as independent certified accountancy firms could do, of the costs of the projects could be more useful than cost-benefit analysis or a simple control of the respect of formal legal procedures.

In some cases the high private benefits in the execution of the few actually presented projects may be an incentive in order to obstacle the presentation of new projects, which would reduce the resources available for the former. The competition among different projects should be stimulated by imposing the condition that the EEC institutions will finance

only one every three or four projects presented by the national and regional administrations.

Moreover, EEC institutions could design specific schemes which will provide financial aids to the elaboration of alternative project proposals, which will meet a sufficient level of technical accuracy, although they may not be finally approved. A positive aspect of these measures would certainly be that they would help the development of engineering and other services in the weakest regions.

#### 6. NEW TASKS FOR THE EUROPEAN REGIONAL POLICY

European regional policy has traditionally aimed to promote economic development mainly in problem regions. Economic «cohesion» is usually interpreted as the need to reduce regional disparities in living standards. The rational is that great disparities could hinder the political consensus needed to complete the creation of an economic and political union, unless the most developed regions of the Community demonstrate a solidarity toward the weakest regions.

However, while Objective 1 regions seem in fact to consider all the less developed regions in the Community, Objective 2 and 5b regions (representing 21.4 % of EEC population) seems to be rather casually distributed or to comply mainly to political considerations. With the exception of some few and large areas where economic decline is a long term, historical, phenomenon and affecting all sectors of the regional economy, Objective 2 regions should be redefined in the perspective of a new European economic scenario and be considerably reduced in number. In fact it is questionable whether EEC regional policy should intervene in very small areas, such as level III regions, the development of which should be considered in the framework and possibly be the exclusive competence of their respective level II region and/or of their respective national state. Moreover, industrial restructuring has become a problem which is not peculiar of some particular regions, as it is diffused in all countries and region and it may even be considered as a permanent necessity for all firms and sectors in a period where technological change is accelerating.

TABLE 3

REGIONAL POLICY AIMING TO REGIONAL DEVELOPMENT	REGIONAL POLICY AIMING TO EUROPEAN INTEGRATION
<b>1. DEVELOPMENT MODEL</b>	<b>1. DEVELOPMENT MODEL</b>
- Economic development is promoted by the interdependence between endogenous and exogenous factors	- Innovation and competitiveness is promoted by interregional network and interregional cooperation
<b>2. SPATIAL FRAMEWORK</b>	<b>2. SPATIAL FRAMEWORK</b>
- Individual problem regions	- Networks of regions
- Concentration in EEC regions	- Extension to non EEC regions
<b>3. POLICY STRATEGY</b>	<b>3. POLICY STRATEGY</b>
- Intersectoral integrated programmes	- Tackle european common problems
- Partnership between local actors	- Promote interregional cooperation
- Promote local entrepreneurship	- Decrease transaction costs in interregional relations
<b>4. POLICY DESIGN</b>	<b>4. POLICY DESIGN</b>
- Mainly bottom-up	- Mainly top-down
- Local authorities propose specific projects	- EEC elaborates strategic plans
- EEC elaborate General regulations and evaluate project proposals	- Local authorities contribute with specific projects
<b>5. FINANCING</b>	<b>5. FINANCING</b>
- EEC financing has a complementary role	- EEC funding has a principal role
- Coordination of regional, national and EEC programmes	- Interregional cooperation
<b>6. INSTITUCIONAL PROCEDURES</b>	<b>6. INSTITUCIONAL PROCEDURES</b>
- Hierarchical principle	- Public-private partnership
- Vertical coordination	- Subsidiarity principle
- Cooperation between regions, respective state and EEC commission	- Horizontal coordination
<b>7. RELATIONS BETWEEN REGIONAL AND NON REGIONAL POLICIES</b>	<b>7. RELATIONS BETWEEN REGIONAL AND NON REGIONAL POLICIES</b>
- Regional policy aims to cohesion as decrease of regional disparities	- Regional policy aims to cohesion as greater european integration
- Each policy aims to different and often conflictual objectives	- Regional and non regional policies aim to common and complementary objectives
- Regional policy has mainly a redistributive and compensatory character	- Regional policy contributes to achieve the objectives of other policies

It seems therefore that both the area and the aims of EEC regional policies should be revised to take into account the limited resources available and the new actual problems of the European regions. In particular, a two tier regional policy could be promoted. While the intervention in the less developed regions, such as Objective 1 regions, should continue, a new type of intervention could be promoted and be addressed to all regions of the Community. This second type of intervention should aim to the objective of removing those obstacles which have a spatial or territorial dimension and hinder a greater economic and social integration of the regions and countries of the Community. Therefore regional policy of the European Community could be articulated into two types of objectives:

- a) programmes aiming to economic development,
- b) programmes aiming to European integration.

In this perspective, programmes toward Objective 2 and 5b regions should be considered a special case of programmes aiming to European integration, as sectoral restructuring represents a collateral effect of programmes aiming to promote a better integration of these regions in the European economic space.

The two areas of intervention of regional policies indicated above are different in several respects, according to the regional development model which they imply, the regions to be considered, the specific objective they aim, the role to be performed by the EEC institutions, the institutional procedures in policy making, the way financial costs are allocated to different actors and the relationship with the other European policies. In particular, the characteristics of these two type of regional policy may be schematically described as follow:

*A) Programmes aiming to economic development*

1. Regional Development Model

Regional economic development is determined by the endowment and positive interaction of endogenous factors in

each individual region and exogenous factors, often mobilized by national and Community regional policies.

## 2. Spatial framework of EEC regional policy

European regional policy should consider level II regions which belong to the Community and which have specific economic development problems.

## 3. Policy strategy

European regional policy should promote the internal entrepreneurship capabilities of each region and adopt an intersectoral and integrated approach based on the partnership of different local actors.

## 4. Policy design

European regional policy should follow a bottom-up approach and regulatory approach. It is based on the elaboration of regulations and then on the evaluation of the programmes elaborated by national and regional agencies.

## 5. Institutional procedures

Individual programmes in each region (Regional Community Frameworks) are the result of process of concertation between the respective regional and national administration and EEC institutions.

## 6. Financing of regional policies

European regional policy is based on the principle of cofinancing by national and regional authorities of the programmes which are addressed to those countries and regions.

## 7. Relations with EEC non regional policies

European regional policy and the other EEC non regional policies are rather authonomous from each other as they aim to different objectives. In particular, European regional policy should aim to redistribute income to economic lagging regions or to compensate the negative impacts on regional disparities of European non regional policies.

**B) Programmes aiming to European integration****1. Regional Development Model**

Innovation and competitiveness of a regional economy in the European framework is the result of the structure and change of interregional and international networks where flows of goods, services, persons, capital and informations circulate.

**2. Spatial framework of EEC regional policy**

European regional policy should consider interregional programmes which have a specific European or transnational interest. It should elaborate these interregional programmes only for level II regions and it may consider also measures in non EEC countries whether this is required in order to promote the integration with EEC regions.

**3. Policy strategy**

European regional policy should aim to objectives which have an European dimension and promote measures which may reduce the obstacles or the transaction costs hindering a greater integration and the interregional flows of goods, services, people, capital and informations.

**4. Policy design**

European regional policy should follow also a top-down approach and active approach, based on the elaboration of original European programmes, which should then be implemented with the coordination of the Community and regional and national agencies.

**5. Institutional procedures:**

European programmes (sectoral Master Plans of the European Space) should be the result of a process of concertation between EEC institutions and the institution representing the national governments (Council of Ministers) and an appropriate institution representing all regional governments.

## 6. Financing of regional policies

European regional policy could be largely authonomous from specific contributions of individual countries and regions as it aims to promote interregional programmes which have indirect impacts on the overall Community. It may also promote various forms of public-private cooperation in those programmes which may have specific effects on some firms and sectors.

## 7. Relations with EEC non regional policies

European regional policy and the other EEC non regional policies should be integrated as they have a common objective represented by the increased integration and «cohesion» of the European economy. Regional policy should contribute to the achievement of the objectives of other policies and these latter should be designed in order to contribute to lessen regional disparities and to integrate the European space.

Therefore, the often advocated principle of subsidiarity could be applied also in respect to the domains of EEC regional policy, as this latter should intervene mainly on those issues which have an European or transnational interest.

## 7. THE THEORETICAL BASES FOR INTERREGIONAL COOPERATION

The existence of interregional and transnational issues in the management of the large European space certainly requires an effort by the EEC Commission in devising programmes which have an interregional nature. However, an alternative and complementary approach is that the EEC will promote flexible forms of cooperations among regions, both within the same country and within the EEC and between the EEC regions and other non EEC neighboring regions and countries. This second approach seems more compatible with the principles of subsidiarity, of democratic accountability and of partnership. Interregional cooperation is need, whether policy makers want to avoid the alternative solution, to create technocratic «High Authorities» whenever a problem

implies some sort of interregional effects, which actually occurs in most of the cases.

The various forms of the interregional networks and the complementary relationship existing among them and the need to relate interregional networks with the development of intraregional networks between the various economic and political actors within a region are clearly illustrated in the contribution by LEONARDI (1991) to this research. Here, it is needed to emphasize the economic rational of interregional networks and the policy fields which can be considered by a «regional foreign policy», compatible with the prerogatives of national and EEC institutions (CAPPELLIN, 1990).

The growing importance of international and interregional relations and their impact on regional and national economies have obliged also individual regional authorities to strengthen their contacts with other regional administrations of the same country and of foreign countries in order to develop specific schemes of interregional cooperation. The capability of regional governments for undertaking projects is even more important in the development of transnational cooperation schemes, because on a national scale the coordination of various regional programmes may be imposed by the national government. In the absence of a supernational authority, as it is certainly the case in the relationships between EEC regions and non EEC regions and countries, coordination of programmes involving regions from different countries can only be achieved if there is an authonomous initiative of the various regional authorities concerned.

A cooperative approach to relations between regions in different countries constitutes an alternative to the competitive and conflictual approach which in the past has been typical of the relations between border regions (MAILLAT, 1990). These new relations may help toward overcoming those frequent, but often objectively less important, reasons for bilateral conflict, which in the past have characterised the bilateral relations between border regions. Indeed, closer cooperation between regions of different countries has often enabled border regions to rediscover for themselves a central geographical position within the greater European context.

Interregional cooperation can also help towards overcoming the purely competitive and conflictual nature typical of relations between central areas of the various countries and border regions, which are often perceived as peripheral in national terms. Finally, it must also be emphasized here that interregional cooperation on a transnational basis is not only beneficial to the border regions themselves, but is extremely positive for all regions, above all for the peripheral EEC regions, such as the Mediterranean regions, which only through a more committed cooperation may escape from a situation of comparative isolation.

Interregional cooperation can be justified from a theoretical point of view on a variety of reasons, which are similar to those which, according to recent studies of industrial economics, justify the growth of agreements and other forms of cooperation by firms, particularly at international level. In particular the following eight cooperation factors may be indentified. These function both individually, but more often in simultaneous combination.

Firstly, a precondition essential to implement any interregional cooperation scheme is the existence of common cultural values in the regions concerned, given that any form of cooperation can only develop when built on a foundation of mutual knowledge and trust.

Secondly, the development of interregional alliances is allowed where network economies exist (TEECE, 1982 and 1989, CAPPELLIN and NIJKAMP, 1990, VIESTI, 1989), in terms of exchange of information and know-how in common policy areas among the regions concerned. The incentive to cooperate increases as does the number of regions involved, as this allows the access to a greater pool of knowledge and expertise that would have been available within the individual regions. Obviously, this type of cooperation demands that the information exchanged are a kind of «public good» and that their transfer to others does not imply that the original owner will loose them. It is also essential that the transfer of such information does not substantially modify the competitive advantage of one region over others in economic terms. This type of cooperation is particularly important in areas of culture and pre-competitive basic research.

Thirdly, interregional cooperation may derive stimulus from the objective of using common resources jointly and in a coordinated manner. The purpose of this is to avoid the creation of external diseconomies deriving from a one-sided use of these resources. Typical here is the utilization and management of common natural resources such as the sea and common water courses. But it could also include joint-ventures in developing common services such as specific transport infrastructures, where interregional cooperation helps avoiding such problems as «free riding» or the free use of services set up by other regions.

A fourth factor, closely connected with that above, is the need to overcome specific size thresholds or to exploit specific economies of scale in the creation of certain public services such as airports, universities and research centres, international fairs, advertising campaigns, etc. Clearly, in order for this factor, as also the previous factor, to be operative, the regions involved must be geographic neighbours, given the need for easy mobility on the part of the potential consumers for these services between the particular regions considered.

The fifth consideration is that interregional cooperation may be necessary because the various regions represent an organic geo-economic basin or because of economies of scope between the instruments of different policy areas. In a territorial context, economies of scope may be seen in the fact that in the management of different services there are significantly complementary relations requiring an integrated approach and a larger planning area than an individual region. This fact is even more important within the context of socio-economic planning and industrial policy where the effectiveness of the particular measures demands that the area concerned have a high level of internal inter-connection or in any case more important than the particular area's relations with other external areas. Where this is the case, a variety of economic policy instruments can be used in order to achieve a series of different but interrelated objectives and spill-over effects may be avoided, which would weaken the effectiveness of those instruments.

The sixth factor for interregional cooperation is to reduce the various «transaction costs», whether material or immaterial, which constitute an obstacle to economic relations between the various regions and to greater economic integration between them (CAPPELLIN, 1989a and 1989c). Therefore, another aim of interregional cooperations is to provide information regarding legal systems within the various countries and regions, to remove various artificial barriers, to implement programmes which may stimulate cooperations between the private organisations and firms of the various regions and to create the transport and communication infrastructures so essential in order to link the economies of the individual regions.

Seventh, interregional cooperation is vital in order to limit or regulate the level of competition between the regions, thereby avoiding economic conflicts and retaliatory measures. One example of this is competitive incentive schemes, designed to attract outside investments or competition between different regions to obtain important national public works or to be selected as the site of major events, such as international exhibitions and sporting events decided by the national government or even at the international level.

Finally, interregional cooperation is essential if the regions wish to protect and expand their areas of active autonomy, free of interference from national governments or EEC institutions, or if the regions seek to influence decisions taken at these levels. Therefore, an eighth factor which justifies interregional cooperation is to increase the joint bargaining power of the separate regions in their relations with outside organisations (or any «common external enemy»). Thus, cooperation provides a form of support to individual regions in competition with other regions or with other regional alliances on an European scale.

Therefore, the purpose of interregional cooperation is to achieve a kind of synergy whereby the output generated by cooperation is greater than what the individual regions could achieve on the basis of their own resources alone. Through cooperation, each region can have access more or less freely on the resources of other regions, creating positive synergies from the combined effect of these and its own endogenous

resources. These resources are essentially the labour force, technological and organisational know-how, specific production capabilities, privileged access to specific information circuits or special networks, allied to other factors.

Interregional alliances have a specific both geographical and time dimension. In fact, they are influenced by the distance between the actual regions considered in that socio-cultural and economic characteristics tend to be more similar between neighbouring regions. This distance factor hampers the accessibility of one region's resources to those of another region; in turn it can be modified by mutual decisions aimed at reducing «transaction costs», transport, communication and coordination costs between the individual regions which belong to that alliance.

Secondly, interregional cooperation is a circular cumulative process. The longer an alliance lasts, the greater will be the pool of common resources available to the regions concerned and consequently wider the range of objectives the regions jointly agree to attain. Alliances tend to become more stable with the passage of time because the growing reciprocal knowledge and trust between the regions induce them to direct the development of their own resources toward the achievement of jointly agreed objectives and consequently the regions become more closely bound together in a kind of «idiosyncratic relationship» (WILLIAMSON, 1981).

Every alliance demands a common decision-making process and therefore common procedures and institutions which will continue to identify new common objectives and make decisions on how these are to be achieved. So the capacities and resources of the individual regions determine the characteristics of the interregional alliance's decision making structure. However, the jointly made decisions affect over the medium term also the allocation of regional resources and encourage a specialisation in complementary areas.

The effectiveness and efficiency of a common policy-making structure in an alliance depend on the existence of a common social and political identity. This may be helped by common values and historical tradition, the existence of common productive «know-how» or a similar «industrial environment», the existence of easy access transport and communications

routes, close links between the urban centers of the individual regions where headquarter functions are concentrated together with services which manage the circulation of technological and economic information.

The policy-making structure within an interregional alliance may be more or less institutionalised and binding in type, ranging from sporadic agreements on specific topics to permanent coordination through to the harmonization of respective administrative procedures and the creation of very binding forms such as common public institutions.

An alliance between regions can be compared to a kind of joint investment, or to the setting up of a company or a joint venture given that, as opposed to a commercial exchange, the individual regions are unaware what will be the future return on the resources they make accessible to the other regions. They can only make forecasts, by nature provisional, of the benefits they will derive in the future together with the other regions and they have to decide the rules to be followed in allocating those benefits.

Within this context, the setting up of interregional alliances requires regional public authorities to adopt an entrepreneurial approach and demands the development of a project design capability aimed at orienting the available resources towards new objectives, which imply a certain margin of risk. In particular, the creation of interregional cooperations or networks requires a strategic approach be used, implying the following prerequisites (CAPPELLIN, 1990d):

- identification of specific priority objectives,
- concentration at regional level between the various public and private institutions in a particular region,
- concentration of available resources in a restricted number of programmes at international level,
- gradual yet continuous effort.

There are a variety of measures which regional authorities may take to develop international relations. However, often, these measures are incoherent as a whole both because they apply to widely differing sectors and because they are oriental towards widely differing countries and regions. Hence

the need for strategic coordination targeting more clearly defined objectives and calling on different resources.

If the various aspects of international relations within a single region were coordinated, a form of regional «foreign policy» could develop (CAPPELLIN, 1990b, 1990c, CNEL, 1990). In brief, this regional «foreign policy» could cover the following policy areas which correspond to the list of reasons described above whereby interregional cooperation, including regions in different countries, is justified on a purely economic basis:

1) *Information exchange between local and regional authorities on:*

- sectorial policies,
- technologies applied to specific public services,
- scientific collaboration between local universities,
- common training courses for public employees, private sectors managers and personnel,
- cultural and scientific exchange schemes.

2) *Joint financing of services and infrastructures:*

- transport infrastructures,
- communication infrastructures,
- environmental protection of common water courses and marine areas,
- economic investment and environmental improvement of urban centres, which represent nodes in international transport networks.

3) *Interface activities with the private sector:*

- bilateral business centres,
- cooperation for regional trade fairs and exhibitions,
- joint business centres with other regions in outside countries,
- common programmes to encourage tourism and investment from other areas of the world.

4) *Joint action with national and EEC institutions:*

- planning of regional policy measures by national government and EEC,
- implementation of international cooperation schemes promoted by national governments,
- implementation of international cooperation schemes between the EEC and other countries,
- pressure on national governments to coordinate legislation or integrate their respective measures which may affect border regions.

5) *Regulation of competition between local and regional institutions in:*

- transport sector,
- international trade fairs,
- localisation incentives.

From the above it is clear that regional «foreign policy» does not merely imply twinnings with similar institutions in other countries, nor does it mean an undue expansion into the field of national government prerogatives.

Foreign policy of regional governments has usually to date been restricted to the field of information. Results attained in this field may on the surface appear negligible in «operative» terms, but nevertheless they represent a development of crucial importance. This is because the gradual development of mutual knowledge and trust between the administrative bodies in the various regions is by nature a slow process. However, it is the fundamental basis for further development because without this essential element, it would be pointless even to consider more ambitious objectives. Furthermore, the «operative» effects of projects undertaken to date cannot be measured immediately given that the exchange of information and expertise has unquestionably led each administration to take a more modern approach in their policies than if they had remained enclosed in an arrogant parochialism.

The problem to be considered now is how to progress towards more demanding international relations, such as

joint financing of infrastructure programmes and common services or the reciprocal coordination in a joint bargaining process with national and EEC authorities.

Regional «foreign policy» needs not necessarily conflict with national governments own foreign policy except where national governments explicitly aim to prevent the Regions establishing their own relations with other foreign Regions and with the European Community itself.

Regional foreign policy must be based on the principle that there is no longer any aspect of the economic and social structure of a region which is not affected by constraints or opportunities deriving from an economic system which is constantly more integrated at the international level. Therefore, the Regions, within the context of the policy areas which belong to them must necessarily take into consideration international constraints and opportunities.

From an economic point of view, it seems a natural step to give a legal definition of the specific areas of actions within which regional authorities may operate. However, these areas must be defined in functional terms, stating specific objectives and economic policy tools not within the regional authorities sphere. There seems instead no economic justification, although there may one from a strictly political point of view, for constraining interregional cooperation to a specific geographical area.

There appears to be no reason why the Regions should have the power to make agreements with other regions of the same country and not with Regions in other countries, especially if the latter belong to the European Community. It is an anachronism that at a time when people and firms have greater freedom of movement internationally than ever before and act according to the concept of free competition and cooperation with people and firms in other countries, local and regional institutions are artificially prevented from establishing a basis of cooperation to resolve mutual problems with similar institutions in other countries which are part of the Single European Market. The lack of coordination between local authorities in neighbouring countries inevitably entails conflicts and obstacles or a lack of efficiency in the use of resources. This represents a solid case of «costs of

non Europe», i. e. costs arising out of a lack of European integration.

In conclusion, it may be said that regional «foreign policy» has the same overall objective as national foreign policy i. e. to promote economic and political integration, but it differs from the latter in terms of its specific areas of action and the tools used given that it is only applicable in those areas and it may only use those tools that are the specific prerogative of regional authorities within the context of the legal constituency of a particular country.

#### 8. THE RELATIONS BETWEEN REGIONAL AND NON REGIONAL POLICIES

Coordination among the specific objectives of the various EEC policies is certainly difficult. However, the coordination between the various sectorial policies and the regional policy is even more difficult, as they seem to adopt two opposite approaches (MOLLE and CAPPELLIN, 1989, CAMAGNI *et al.*, 1989, LEONARDI, 1990, QUEVIT, 1990, GROTE, 1991). Sectorial policies aim to the objective of increasing efficiency and competition and regional policy to the objective of greater equity and protection of the weakest areas of the Community. A more thorough analysis of the compatibility of regional policy with the EEC innovation and competition policies is developed in the contribution by CAPPELLIN and ORSENIGO (1991) to this research.

However, the impact on the objectives of regional policies determined by other EEC sectorial policies is probably minor when only financial transfers are considered. Therefore, it seems particularly important to analyse the likely regional impact of Community policies and programmes which are important not due to their financial implications for the EEC budget but rather due to the profound and far reaching effects on the general environment in which the European firms in the various regions will operate in the next future.

An analytical effort is needed in order to better understand the regional implication of long term intersectoral programmes, such as the completion of the European internal market, the creation of a economic and monetary union and the

gradual enlargement of the border of the European Community to the countries of EFTA and Eastern Europe.

It seems reasonable to affirm that the completion of the European internal market, the economic and monetary union and the further enlargement of the Community do not have a definite impact on the various regions, as the final outcome largely depends on various factors, such as: the capability of the various private actors to correctly interpret these changes and timely design new strategies, the capability to implement these strategies and the characteristics of the regional policies which will be adopted in the future.

These programmes create new opportunities as also new threats for each region. However, the crucial factor is the lack of an endogenous development potential or of entrepreneurial and organisational capabilities in many of the weakest regions of the Community. This certainly imposes a reorientation of regional policies strategies and instruments.

The redistributive and compensatory objective, which characterise the traditional political arguments in favor of regional policy (CAPPELLIN and MOLE, 1988), may be helpful whether they succeed in increasing marginally the budget of the Structural Funds. However, they are dangerous whether they divert the attention from the real risks and opportunities, which indicate the need to focus the programmes on the stimulation of the regional endogenous potential and on the organisation of the networks of relations between the weakest regions and the international economy.

Finally, it should be underlined that regional problems have also an institutional dimension. Regional governments are claiming a greater power vis a vis both national authorities and European authorities. The strength of the ideals of autonomy, regionalism and federalism is increasing among the European populations.

The principle of subsidiarity indicates that EEC authorities and national authorities should withdraw from the ambition of regulating any field, even when a decentralised form of intervention would be more suitable to the specific problems considered.

In the perspective of the political union of the European Community and of the revision of the architecture of EEC

institutions it must be underlined that the development of the European regional policy is different from that of any other sectorial policy as it requires that local governments be represented as national governments and EEC institutions in the policy making process. This may imply the creation of a new political institution, such as an European Senate, which may represent all the regions of Europe and which may dialog with the Commission, the Council of Ministers and the European Parlament.

Only such cooperation among different institutions may allow that the actual implementation of the European important programmes, such as: the internal market, the economic and monetary union and the enlargement of the Community will have a balanced effect on the various regions. Cooperation with regional authorities may even facilitate the achievement of these EEC policies, as they may be supported by appropriate complementary policies taken from below.

We may conclude that the development of a greater economic, social and political integration among the regions and countries of the European Community calls for a greater interdependence and coordination both of the various sectoral policies and of the various political institutions. In this perspective the strategy of regional policy should be rioriented as regional policies should not be limited to the aim to compensate the negative effects of the other Community policies, but they should aim to objectives and consider operational programmes which may contribute directly to a greater European integration.

#### 9. CONCLUSIONS

The paper has discussed the problem of the impact of the increasing interdependence in the European economy on the development potentials of the economic lagging regions. The creation of the European Internal Market and the new relations with Eastern Europe are leading the various regions of the Community to assess their ability to exploit new opportunities and to face new risks.

The paper has discussed the characteristics of traditional theories and policies of regional disparities and it has demons-

trated that they appear inadequate to analyse the multiplicity of regional development patterns of the various European regions or to promote their development.

Traditional theories were based on the dichotomy between two homogenous areas: a developed North and an underdeveloped South, while these two areas seem now to represent two abstract concepts hiding wide differences among the individual regions.

The cases of the Third Italy and of many other intermediate regions such as in Southern Germany, Southern France and on the Mediterranean coast in Spain, demonstrate that it is impossible to analyse the process of spatial distribution of economic development in the European Community according to a simple dualistic approach, distinguishing a «centre» and a «periphery».

Traditional theories are not very useful even in analysing the actual development problems of economic lagging regions of the Community, such as Objective 1 regions, as they do not focus their attention on those factors which seem to be actually the most relevant in the process of economic development of these regions. In fact, the actual development problems in economic lagging regions indicate three major issues, which are not adequately considered in traditional theories: the organisational structure of the economic sectors, the organisation of the territory and the role of public administration in the development process.

In particular, the persistence of a lag in technology and the inadequate price and/or dynamic competitiveness, should be related to a dynamic process where the pace of change in the less developed regions often is slower than in the more developed regions due to the existence of obstacles both within and outside the individual firms. A further factor hindering development is the weak integration of less developed regions in the national and international economy.

Fourty year of experience are a period long enough to allow to evaluate not only the short term but also the long term effects of a policy strategy. Therefore, it seems difficult to deny that traditional regional policies have been a failure and that there is a need for a profound change in the approaches to regional policies.

These regional policies have overestimated the capability to attract new investments in less developed regions through financial incentives, thus obtaining very limited employment increases for the resources used.

It may be claimed that while traditional regional policies have not succeeded in decreasing regional disparities, they have certainly increased regional disequilibria in the level of aggregate demand, in the regional balance of trade, in the public budget, in the combination of production factors and in the labor market.

Traditional regional policies represent themselves a concrete obstacle to the autonomous development of economic lagging regions. They have determined a dependency mentality which hinders the development of a local entrepreneurship. They have promoted the growth of a bureaucratic machinery, which has a vested interest in the continuation of the assistance rather than in the promotion of local successful and autonomous entrepreneurs. They have determined the complete control of any economic activity in the less developed regions by the public sector. They have led to the development of an assisted system, which has distorted the microeconomic behaviors and stimulated initiatives which are mainly oriented to the search of external aid rather than to a selfsustaining development.

Regional policy programmes, which have been adopted in less developed regions during the last decades, instead of being considered as an instrument aiming to tackle the problem of underdevelopment, could be considered themselves as a concrete case-study of the backwardness of an underdeveloped economy, due to their foundation on obsolete theories and the many concrete weaknesses they have demonstrated in the implementation phase.

The paper has illustrated the changes in the analytical perspective and in the policy strategy implied by the approaches of endogenous development and of intraregional and interregional networks. It has demonstrated that the endogenous development approach differs from traditional development theories in their hypothesis, in the identification of the crucial factors of development, in the aims and instruments of regional policies. The modern paradigm of terri-

torial networks underlines the need to incorporate in the analysis of regional development the effects of two new trends, such as the internationalisation of regional economies and the diversification of the European space in various sub-systems made by different regions and urban centers.

A network approach indicates the opportunity of specific forms of voluntary cooperation between the various local institutions in the provision of common infrastructures and services and in the implementation of common programmes.

According to these two modern approaches regional policy should mainly influence both the general environment in which the firms operate and the capability to take timely and adequate decisions by these firms. Therefore measures should be devised in order to reduce «adjustment costs» in the adoption of innovation and to reduce «transaction costs» in the relation between local firms and their external environment.

Certainly modern approaches to regional policy are more complex than simple financial transfers and they require higher technical and organisational capabilities in the EEC, national and regional administrative structures. For this reason traditional regional policy is not a factor of development, but it seems rather one of the aspects of underdevelopment. In fact, the backwardness of the economic system of the weakest European regions seems also to imply the technical, organisational, economic and cultural backwardness of the regional policies which have traditionally been adopted in these regions.

The European competition policy creates a challenge for regional policy, which is induced to modify traditional strategies. Regional policy should aim to promote the capability of local, existing or new, firms to sustain international competition by continuously facing internal and external obstacles and not to protect regional firms by creating a permanent obstacle to competition through financial subsidies. Therefore the conflict with the competition policy may lead to develop a new strategy, which can be defined as a «market oriented» regional policy, based on the criteria of «economic efficiency».

It seems therefore that both the area and the aims of EEC regional policies should be revised to take into account available resources and the actual problems in the European

regions. The often advocated principle of subsidiarity could be applied also in respect to the domain of EEC regional policy, as this latter should intervene mainly on those issues which have an European or transnational interest. EEC regional policy should consist not only of programmes aiming to economic development in the economic lagging regions but also of programmes aiming to European integration and concerning all the regions of the large European space.

European regional policy should promote measures which may reduce the obstacles or the transaction cost hindering a greater integration. European regional policy should not only follow a bottom-up approach and regulatory approach, based on the elaboration of new complex regulations and then on the evaluation of the programmes elaborated by national and regional agencies. It should follow also a top-down approach and active approach, based on the elaboration of original European programmes, which should then be implemented with the coordination of the Community institution with regional and national administrations.

The paper has analysed the problem of the relationship between the regional policies and the other sectorial policies of the European Community. The coordination between the various sectorial policies and the regional policy is particularly difficult, as sectorial policies aim to the objective of increasing efficiency and competition and regional policy to the objective of greater equity and protection of the weakest areas of the Community. The conflict is especially clear in the case of the relations of regional policies with competition and innovation policy of the EEC.

However, the conflict with regional policy may be avoided or at least reduced whether both competition and innovation policy would take explicitly into account a spatial dimension in their analysis of the European economy. On the other hand, regional policies should integrate the traditional redistributive or compensatory approach with a market oriented and economic efficiency strategy.

Even more important than the impact regional disparities determined by the financial transfers related to other EEC sectorial policies seems the likely regional impact of Community strategic policies and programmes which will have pro-

found and far reaching effects on the general environment in which the European firms of the various regions will operate in the next future, such as the completion of the European internal market, the creation of an economic and monetary union and the gradual enlargement of the borders of the European Community to the countries of EFTA and Eastern Europe.

The redistributive and compensatory objective, which characterise the traditional political arguments in favor of regional policy, may be helpful whether they succeed in increasing marginaly the budget of the EEC structural funds. However, they are dangerous whether they divert the attention from the real risks and opportunities, which indicate the need to focus the programmes on the stimulation of the regional endogenous potential and on the organisation of networks of relations between the weakest regions and the international economy.

Finally, it should also be underlined that regional problems have also an institutional dimension. Regional governments are claiming a greater power *vis a vis* both national authorities and European authorities. The strength of the ideals of autonomy, regionalism and federalism is increasing among the European populations.

In the perspective of the political union of the European Community and of the revision of the architecture of EEC institutions, it must be underlined that the development of the European regional policy is different from that of any other sectorial policy as it requires that local governments be represented as national governments and EEC institutions in the policy making process.

Only such cooperation among different institutions may allow that the actual implementation of the European important programmes, such as: the internal market, the economic and monetary union and the enlargement of the Community will have a balanced effect on the various regions. Cooperation with regional authorities may even facilitate the achievement of these EEC policies, as they may be supported by appropriate complementary policies taken from below.

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#### RESUMO

*Padrões e Políticas de Desenvolvimento Económico Regional e a Coesão entre as Regiões da Comunidade Económica Europeia.* A criação do Mercado Único Europeu e as novas relações com a Europa de Leste vêm obrigar as regiões da Comunidade Europeia a avaliar as suas capacidades em termos de enfrentar novos riscos e de aproveitar novas oportunidades.

Este artigo discute o impacto da interdependência crescente da economia europeia nos potenciais de desenvolvimento das regiões mais atrasadas.

Depois de mostrar que as teorias tradicionais sobre as desigualdades regionais e as políticas que elas inspiraram não são pertinentes para a análise dos problemas de desenvolvimento daquele tipo de regiões,

o autor exemplifica as mudanças de perspectiva analítica e de estratégia de desenvolvimento que as noções do desenvolvimento endógeno e de redes intraregionais ou interregionais implicam.

No artigo chama-se a atenção para a necessidade de incorporar na análise da economia das regiões mais frágeis os efeitos de duas tendências recentes, a da internacionalização das economias regionais e a da diversificação do espaço europeu em várias redes territorializadas.

Por fim, o autor apresenta as implicações deste tipo de mudanças na definição de políticas nas regiões mais atrasadas. Defende-se que as políticas económicas na Europa devem integrar os aspectos tradicionais macroeconómicos e sectoriais com uma perspectiva territorial. Para além disso, as políticas regionais deverão conciliar as estratégias redistributivas com a orientação para o mercado e a inerente procura de eficiência económica.

#### ABSTRACT

*Patterns and Policies of Regional Economic Development and the Cohesion Among the Regions of the European Community.* The creation of the European Internal Market and the new relations with Eastern Europe are leading the various regions of the Community to assess their ability to exploit new opportunities and to face new risks. This paper discusses the problem of the impact of the increasing interdependence in the European economy on the development potentials of the economic lagging regions.

The paper first discusses the characteristics of traditional theories and policies of regional disparities and it demonstrates that they are not very useful in analysing the actual development problems of economic lagging regions of the Community.

Then it illustrates the changes in the analytical perspective and in the development strategy implied by the approaches of endogenous development and of intraregional and interregional networks. The paper underlines the need to incorporate in the analysis of the economies of weakest regions the effects of two new trends, such as the internationalisation of regional economies and the diversification of the European space in various territorial networks.

Finally, the paper analyses the implications of these changes for the development policies in economic lagging regions. The paper underlines that the European economic policies should integrate the traditional macroeconomic and sectorial perspective with a spatial or territorial perspective. On the other hand, regional policies should integrate the traditional redistributive or compensatory approach with a market oriented and economic efficiency strategy.