The Experience and Inspiration of the EU's Regional Policy

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Abstract: The regional economic development gap is a common problem faced by all economies in the world in the process of development, and narrowing the regional economic development gap has invariably become an important issue faced by governments around the world. The EU is currently the most influential and successful international organization in the world, and in the process of coordinating regional coordinated development within the EU, it is also facing the problem of widening regional economic gap, and its regional economic policy has a strong reference value. In-depth analysis of the regional development policies implemented by the EU, understanding their development trends, summarizing the EU's advanced experience in dealing with regional coordinated development, analyzing the EU's regional economic development process and related policies to narrow regional gaps, and providing suggestions for improving regional development policies.

***Keywords*:** regional disparities, regional policies, economic integration

1. Introduction

As the regional integration organization with the deepest degree of integration and the greatest influence in the world, the economic disparity between the member states of the EU and between countries and regions is still obvious. For decades, the EU has made narrowing regional disparities one of its main objectives and has a wealth of experience in formulating and implementing regional policies with good results.

The challenge of reducing the gap in economic development between regions is a difficult task faced by economies around the world during their development process. This challenge is especially relevant in the context of the European Union (EU), an influential international organization. The EU's efforts to coordinate regional development have brought considerable attention to the issue of widening disparities in regional economies. To tackle this problem, the EU has implemented various policies aimed at promoting regional development, such as the Cohesion Policy, which seeks to stimulate economic growth and reduce disparities among regions within the EU [1]. A study conducted by Giua (2014) examines the impact of the EU Regional Policy on Italian Objective 1 regions, using treatment effect methods with a spatial approach. The findings indicate a positive effect on employment levels in the regions that receive EU support, particularly in sectors that are directly influenced by the policy [2]. Similarly, Dyba et al. (2019) discuss the institutional aspects of cluster development in regional economic systems, emphasizing the importance of government intervention in regional policy to foster innovation, provide financial assistance, and create jobs [3]. Furthermore, research conducted by Varga and Sebestyén (2017) explores the role of participation in EU Framework Programs in regional innovation, highlighting the significance of research excellence and international collaboration, especially in less developed regions, in enhancing regional innovativeness [4]. Crescenzi and Giua (2014) analyze the EU Cohesion Policy in the context of regional growth and the influence of agricultural and rural development policies. The study underscores the importance of combining the EU Regional Policy with other sources of funding, such as the Common Agricultural Policy (CAP), to maximize its impact on regional development [5].

2. The EU's regional economic policy

2.1 The evolution of the EU's regional policies

Regional economic integration is the process of deepening and developing regional division of labor and cooperative relations, through the promotion of regional integration policies, to achieve the integration and development of regional advantageous resources, to coordinate the rational use of regional resources, to maximize regional economic benefits, narrow the regional development gap, to achieve healthy, rapid, and sustainable economic development. The gap within the EU member states is widening, not only in the economic sphere, but also in areas such as politics, people's livelihood, social institutions, and social habits. The EU's regional economic policy aims to coordinate regional synergies between member states and regions, narrow regional disparities, and establish a unified market. What is clear is that narrowing regional economic disparities has been one of the EU's main goals over the past few decades.

In response to new challenges such as globalization, climate change, and energy security, the EU formulated an updated version of the Lisbon Strategy in 2006, which provides a series of policy measures to assist and support backward regions and vulnerable groups within the EU through financial instruments such as structural funds and linkage funds. The objective of the EU's regional policy is to achieve a balanced development of European integration, to narrow the development gap between regions, to improve the competitiveness and innovation capacity of each region, and to enhance social inclusion and environmental sustainability in each region.

After the establishment of the European Economic Community (EEC), some assistance measures aimed at promoting the development of specific industries or regions such as agriculture, coal, and steel began to appear, but there was no unified regional policy framework. In 1973, with the accession of poorer countries such as the United Kingdom, Ireland, and Denmark, the economic imbalances within the EEC increased, and the need for regional policies became increasingly urgent. To this end, the European Regional Development Fund (ERDF) was established in 1975 to mark the official launch of the European Regional Policy. The ERDF mainly provides financial assistance to the most backward areas within the EEC, and is used for infrastructure construction, industrial transformation, job creation and other projects. In 1986, two poorer countries, Spain, and Portugal, joined the EEC, which increased the need for ERDF funding. At the same time, the EEC began to promote the Single Market Plan (SMP) to enable the free flow of goods, people, services, and capital within the EEC, which also brought new challenges to the backward regions.

In response to the impact of the One Market Program on lagging regions, the EEC reformed its Structural Fund in 1988 by bringing the ERDF, the European Social Fund (ESF), the European Agricultural Guidance and Guarantee Fund (EAGGF) and the Fisheries Guidance Fund (FIFG) into a unified framework and doubling the size of the Structural Fund's budget. The reform also identified six priority targets, each targeting different types of lagging regions or groups, and developed corresponding assistance plans and evaluation mechanisms. In addition, the reform also emphasizes the guiding principles of centralization, coordination, partnership, and additionality. In 1993, the EEC officially changed its name to the European Union (EU) and began to advance the European Monetary Union (EMU) for a single currency and a single monetary policy. In 1995, three of the richer countries, Austria, Finland, and Sweden, joined the EU, further widening economic disparities within the EU.

To meet the new challenges brought about by the eastward expansion of the EU, the EU again reformed its structural fund in 1999 and developed a new aid system for the period 2000-2006. The reform has simplified the original six priority objectives into three: promoting development and structural adjustment in lagging regions (Goal 1), supporting areas in structural crisis (Goal 2), and promoting employment and human resources development (Goal 3). The reform also added a linkage fund to help backward countries join the EMU. The reform also strengthened the principle of subsidiarity, delegated more authority to regional and local governments, and increased the evaluation and monitoring of aid effectiveness.

The global financial crisis and the European debt crisis that erupted in 2008 exposed many problems in the EU system, and in 2010 the EU formulated the Europe 2020 Strategy as a guideline for regional policy for the period 2014-2020. The strategy emphasizes the three main goals of smart, sustainable, and inclusive growth, and sets a series of specific indicators and tasks. To achieve these objectives, the EU has reformed its structured funds again and renamed them European Structural and Investment Funds (ESIF) in conjunction with linked funds. The reform keeps the three aid objectives unchanged, but refines and optimizes them, and emphasizes alignment with the Europe Strategy 2020. The reform also identified 11 thematic priority areas to guide the development of assistance programs tailored to the characteristics and needs of each region. In addition, the reform has strengthened the evaluation and monitoring of aid effectiveness and introduced incentives such as performance reserves and conditionalities.

2.2 The effect of the implementation of the EU's regional economic policies

The EU's support and assistance programs are mainly divided into two categories: one is the regional policy aimed at the backward regions and vulnerable groups within the EU, and the other is the development cooperation policy for developing countries and regions outside the EU.

The objective of the EU's regional policy is to achieve a balanced development of European integration, narrow the development gap between regions, improve the competitiveness and innovation capacity of each region, and enhance the social inclusion and environmental sustainability of each region. Among them, the goal of promoting convergence is mainly aimed at the poorest regions of the EU, i.e., those with a per capita gross domestic product (GDP) below 75% of the EU average, and those affected by natural or man-made disasters; shoreline management and other fields. According to the EU's budget plan, for the period 2021-2027, the EU is expected to spend 373 billion euros on the implementation of regional policies, of which 330 billion euros will be for structural funds and 43 billion euros for cohesion funds.

The effectiveness of the EU's regional policies is a complex and controversial issue. Different evaluation methods, indicators, time periods, and perspectives may lead to different or even opposite conclusions. Overall, the EU's regional policies have played a positive role in alleviating economic imbalances within the EU, improving the production level of backward regions, increasing employment opportunities, improving infrastructure and environmental quality, and promoting social integration and democratic participation. According to European Commission statistics, between 2007 and 2013, EU regional policies supported about 1 million small businesses, created about 1 million jobs, built about 6,000 kilometers of roads and 3,000 kilometers of railways, provided broadband access to about 15 million households, and helped about 14 million people improve their educational standards. However, some studies have pointed out that the EU's regional policies have limited effects on narrowing the development gap between regions, promoting convergence in target regions to catch up with developed regions, and removing structural barriers and disadvantages.

On some new issues, the EU's regional policies need to be further improved and innovated to address new challenges and opportunities such as globalization, climate change, energy security, and digital transformation, as well as to promote smart, sustainable, and inclusive growth in various regions. According to the European Commission's evaluation report, during the period 2007-2013, although some progress has been made in the EU's regional policies in supporting R&D and innovation, low-carbon economy, social inclusion and cooperation in the field, there are still some problems and shortcomings, such as the efficiency and effectiveness of the allocation and use of funds, the quality and sustainability of projects, and the methods and standards for monitoring and evaluation.

3. Conclusions

From the EU's regional economic policy, it can be concluded that the continued widening of regional disparities is one of the major challenges to the healthy development of the economy and is also one of the reasons why it is difficult for the current economy to recover.

The first is to establish a multi-level regional governance system and a differentiated regional development strategy. The EU's regional economic policy follows the guiding principles of centralization, coordination, partnership, and additionality, and realizes the effective coordination and division of labor among the EU, member states, local governments, and all parties in society, and ensures the unity and flexibility of regional policies. On specific issues, according to the level of development and characteristics of each region, different aid objectives and priority areas have been identified, and corresponding aid plans and evaluation mechanisms have been formulated, to achieve the pertinence and effectiveness of regional policies.

Second, it is necessary to break geographical boundaries and promote cross-regional cooperation and exchanges. The EU's regional economic policy not only supports the development and structural adjustment of backward regions, but also promotes cooperation projects that cross national borders or involve multiple countries or regions, as well as support urban networks, rural development, coastline management and other fields, followed by regional cooperation and mutual assistance mechanisms. Encourage different regions to carry out multi-level, multi-form, and multi-field cooperation and mutual assistance, especially actively promote cooperation and mutual assistance between developed and underdeveloped regions, fundamentally change the situation of one-sided "blood transfusion" in developed regions and realize mutual benefit between developed and underdeveloped regions.

The third is to actively implement fiscal and taxation supporting policies and innovate regional policy financial instruments. An important step taken by the EU to reduce regional economic disparities is the establishment of a common development fund to provide economic assistance to lagging member states or regions. The second is to make up for the shortcomings of financial policies, actively develop finance for small and medium-sized enterprises, formulate targeted tax policies, support backward areas to undertake industrial transfer, speed up the construction of infrastructure and public services in economically backward areas, and strengthen ties with developed areas in terms of transportation, capital, labor, and other aspects.

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