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The coherence of common policies of the EU in territorial cohesion: A never-ending discourse? A review

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Abstract: The measures of Common Agricultural Policy (CAP) and Regional (Cohesion) Policy are aimed at achieving cohesion, i.e. reducing the economic (sectoral), social and territorial disparities at European Union level. The issue of rural areas has become an important part of the CAP measures in Pillar 2. Since the CAP does not have a primarily territorial orientation, it does not contribute to territorial cohesion of rural areas. In a similar vein, regional policy, which is primarily oriented towards territorial development, also failed to give rise to complete, balanced development. Using qualitative analysis, this article summarises references selected on the basis of the authors' experience in policy issues. The types of discourse included on the subject of coherence of common policies are the role of agricultural, rural and regional policy in cohesion and the conflict of cohesion and competitiveness objectives. Modern political and economic efforts of converging competitiveness into the macro concept with spatial implication result in planning and implementation of inappropriate measures and instruments intended to encourage the balanced territorial development of the EU. From this arises a conflict of cohesion and competitiveness, coupled with long-term consequences for the most vulnerable areas.

Keywords: coherence; cohesion; Cohesion Policy; Common Agricultural Policy; competitiveness

The role of regional and agricultural policy as the most important common policies managing the structural differences among European countries is constantly present in the public discourse. First of all, these common policies account for about 90% of the European Union (EU) budget, which is the main reason why they are subject to review to see if the results justify such a substantial allocation. Second, both policies include economic, institutional and political actors whose decisions and actions often differ from the paradigm of these policies due to the lack of absorption capacity and slow learning process. Third, the defined goals are often conflicting within one or related to these two policies, taking into account that the agricultural policy favours the use of a sectoral approach while regional policy applies the territorial approach.

The main objectives of the EU mostly relate to competitiveness, economic and social cohesion, but in recent times also territorial cohesion. While cohesion implies specific measures of solidarity, social responsibility, balance in the level of development of all regions of the EU (i.e. catching-up), competitiveness is primarily concerned with sectoral competition in winning better positions in the market, so those goals could be in conflict (Sharp 1998, Fainstein 2001, Begg 2010).

The aim of this paper is to include three types of discourse on the subject of the coherence of common policies: (i) the role of agricultural and rural policy in sectoral and territorial cohesion; (ii) the role of regional policy in territorial cohesion, and (iii) the conflict of cohesion and competitiveness objectives as an

important cause of the slow development of a particular territory, especially in rural areas.

MATERIAL AND METHODS

This is a narrative review based on a qualitative analysis which summarises references selected on the basis of authors' experience in policy issues. The analysis was performed mostly on scientific studies/papers cited in scientific databases in the period 1998–2018. Main findings are arranged in three separate tables describing the impact of the Common Agricultural Policy (CAP) and Cohesion Policy on territorial cohesion and the consequences of conflict of their main goals.

The available literature rarely includes any studies on the parallel impact of the CAP and Cohesion policy on territorial cohesion. More often, it discusses separately the conflicting goals pursued by the two policies. Connecting critical discourse and understanding territorial development through the prism of these two policies is extremely important in understanding the complexity of the concept of development of rural areas.

Budget performance is not included in this review as the intention of this paper is to synthesise and compare the literature which evaluates the impact of policies on territorial development. Studies based on quantitative analysis have already included budget performance in their calculations and obtained relative numbers which make studies partially comparable among each other. Other references which also served to complete the picture about the coherence of common policies are not specified here due to the lack of space but are available upon the request.

SECTORAL CHARACTERISTICS OF CAP AND ITS IMPACT ON COHESION

Even if the CAP has been an important part of the European integration process, it has always had some contradictory elements when compared to the objectives of the EU as a whole. Since its inception, the CAP has applied a sectoral approach in solving the problems in agriculture, ignoring the fact that agriculture is part of the economy and requires measures which will not be taken regardless of the other branches and policies. However, it is a common policy which emerged in the post-war period when food production, prices of agricultural EU products and development of mutual trade rules were priorities of the EU. The basic structure of measures that accompanies these priorities remained deeply rooted to this day. The main objective of the

agricultural policy is to raise agricultural income which means that it basically relates to the agricultural sector.

After achieving market surpluses in the 1970s, the intention of the future CAP was to change the existing market orientation. Finally, reform Agenda 2000 organised the CAP in two separate Pillars: Pillar 1 dealing with market-price issues and Pillar 2 dedicated to rural development measures. A new image of rural areas was no longer synonymous with agriculture, and it was necessary to devise new measures that do not only boost agricultural income and production but all the activities within the respective rural area.

From 2000 onwards, within the seven-year EU budget plan, the awareness was growing of the necessity to create and apply cohesion measures in line with the place-based approach instead of focusing only on agriculture as a separate sector. Rural development measures in the programming period 2000–2006 were financed not only through the CAP but also through Structural and Cohesion Funds that implement the regional policy. CAP programming period 2007–2013 was characterised by complete separation between the rural and regional policy. This meant expanding the CAP measures to provide market support and support to agricultural income, and changing the intervention logic in order to achieve social and territorial objectives. However, the spatial component continued to occupy a marginalised position and ignored the needs of the entire territory and cooperation with other sectors.

The growing need to examine the impact of the CAP on cohesion goals resulted mainly in confirmation that the CAP does not affect, or that it has a negative effect on the cohesion objectives. Subsidies are usually calculated according to historical criteria, the amount of subsidy per farmer is not the same in different parts of the EU, and the restrictions to intra-EU trade of agri-food products are often invisible through a variety of phyto-sanitary measures, labelling requirements. Also, the CAP Pillar 1 favours more available areas at a local level and generally states with developed economies.

The most important results of the research on the impact of the CAP on territorial and sectoral cohesion is given in Table 1. Mostly quantitative studies have been used.

ROLE OF REGIONAL POLICY IN ACHIEVING COHESION

One of the main tasks of the EU which is highlighted in the Treaty of Rome has also become a cornerstone

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Table 1. Impact of Common Agricultural Policy (CAP) on cohesion

Authors (publication year)	Period of study	Area	CAP impact
Tarditi and Zanas (2001)	1989–1995	69 large EU regions (NUTS 1)	CAP has favoured large farms; negative effects of the EU price policy on resource allocation; competitiveness has a detrimental effect on European cohesion
Shucksmith et al. (2005)	1990–2000	1000 NUTS 3, EU-27	CAP appears to favour core areas (Germany, the UK, France and the Netherlands) more than it assists the periphery of Europe
Bivand and Brunstad (2006)	1988–1998	Western Europe members	agricultural support has a negative impact on convergence.
Esposti (2007)	1989–2000	206 EU-15 NUTS 2 regions	CAP influences the convergence process by affecting regional aggregate productivity; sometimes it is in conflict with the structural policies designed to promote growth in lagging regions; CAP positive impact on growth is negligible.
Hansen and Herman (2012)	1991–2009	13 NUTS 1 regions in Germany	positive influence of the CAP on convergence within the agricultural sector, if the target variable is receipts per farm; if farm receipts are measured per hectare, negative influence on convergence can be observed
Crescenzi et al. (2014)	1994–2013	EU-15	incorporating rural development policies within the complex framework of cohesion policies would not by itself constitute a guarantee that these interventions would be more cohesion-oriented; coordination and compatibility with territorial cohesion have not always improved in response to major policy reforms

Source: authors' elaboration

of future regional policy: the coordinated development of economic activities in all regions by reducing the backwardness of the less favoured regions. GDP per capita is the most recognised and officially accepted indicator of the eligibility of an area to receive support and the result of the Cohesion Policy's impact on the growth of a region. Still, it is not the most appropriate indicator for measuring territorial cohesion; it determines the level of economic development and has nothing to do with social inclusion or quality of life (Fritz and Koch 2014). Scientific surveys that address the effects of the regional policy are often compatible with the conclusion that regions show different effects due to uneven levels of local institutional adjustment, i.e. uneven capability to absorb and allocate support.

It is only logical that more developed areas within the state will act more quickly in finding the right funding opportunities offered by funds and allocate more funds than the underdeveloped areas. This supports their economic growth and retains, as well as increases, the difference compared to the underdeveloped areas, despite the need for the development strategy to be tailored to local specificities and needs. This means that the impact of Cohesion Policy on territorial cohesion is both positive and negative. Positive in the sense

that underdeveloped regions still experience growth, but at the same time there remains a gap between developed and underdeveloped areas within one country.

Table 2 presents several representative studies on the impact of regional policy and its most important highlights. The studies provide a quantitative value of the impact of Cohesion Policy on territorial cohesion.

COHESION AND COMPETITIVENESS OF COMMON POLICIES: A CONFLICT OF GOALS

With the Lisbon Strategy competitiveness gained precedence over cohesion. Although it was intended to reconcile economic and social cohesion with the instruments of Cohesion Policy and at the same time strengthen the EU's position on the global market, the relationship between cohesion and competitiveness remained discordant, and eventually, competitiveness took over. The fact that the private sector is characterized by unavoidable private interests and pursues competitiveness in the context of globalization leads to social inequality (Fainstein 2001).

There prevail two opposite discourses about competitiveness as a term at a micro and macro-level.

Table 2. Impact of Cohesion Policy on territorial cohesion

Authors (publication year)	Period of study	Area	Highlights growth (%) if applicable or yes/no	Main conclusion
Sala-i-Martin (1996)	1978–1992	104 European regions	GDP per capita 1.28 % per year between EU regions; 0.7% per year between EU countries	convergence is achieved between countries but not in regions inside countries
Capellen et al. (2003)	1980–1987 1988–1997	9 EU Member States Objectives 1–2 and 5	yes	more convergence at the national level (between countries) than at the regional level (within countries); impact of such support is cru- cially dependent on the receptiveness of the receiving environment
Becker and Egger (2010)	1989–93 EU-12 1994–99 EU-15 2000–06 EU-25	285 NUTS 2 and 1 213 NUTS 3 regions	GDP per capita growth by roughly 1.6% within the same programming period	positive per-capita GDP growth effects of Objective 1 transfers, but no employment growth effects
Pellegrini et al. (2012)	1994–2006	EU-15	0.6–0.9% per year in favour of Objective 1 regions	following this dynamic, it will take 50–75 years to achieve convergence
Jovančević et al. (2015)	2000–2011	16 Member States NUTS 2 regions	yes	Cohesion Fund payments decrease the cross-country inequali- ties, but at the same time failed to decrease regional inequali- ties within individual countries
Gagliardi and Percoco (2016)	2000–2006	Objective 1 regions	regional growth = 1%; rural regions close to a city = 1.6%	impact of the policy is evident for rural areas close to the core urban agglomerations; this favourable geography is a key condition not satisfied by dispersed rural areas

Source: authors' elaboration

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Porter et al. (2004) advocate the concept of competitiveness at the macro-level and emphasise the usefulness of the competitiveness concept on the spatial level which can be used to envisage relative wealth and the level of economic activity, as well as the provisions of resources which vary between areas. Area competitiveness is represented by variables such as employment,

productivity, income, export, investments. By contrast, Krugman (1994) and Bristow (2005) argue that it is difficult to define competitiveness between states and regions as spatial units. Krugman (1994) asserts that nations cannot go out of business because they have no well-defined bottom line and trade surplus may be a sign of national weakness and not competi-

Table 3. Cohesion-competitiveness conflict and its consequences

Authors (publication year)	Rationale of conflict	Territorial impact
Sharp (1998)	<ul style="list-style-type: none"> – cohesion countries and regions received favourable treatment while applying for Framework programme 2 and 3 – endogenous structural weaknesses of cohesion countries 	<ul style="list-style-type: none"> – links between ‘north’ and ‘south’ has been increased, with academic institutions and research laboratories in ‘southern’ countries – other numbers in R&D are still below average in cohesion countries
Wegener (2008)	<ul style="list-style-type: none"> – conflict of goals and interests between old and new Member States from 2004 and 2007 	<ul style="list-style-type: none"> – increase in disparities has doubled (1:10 to 1:20) – spatial polarisation is more present in new Member States which leads to social and spatial segregation
Mancha-Navarro and Garrido-Yserte (2008)	<ul style="list-style-type: none"> – conflict of cohesion and national policies goals – less developed regions cannot solve their difficulties only by redirecting the funds towards R&D – more disadvantaged regions have more possibilities to innovate if they are connected to central regions 	<ul style="list-style-type: none"> – imbalance between regional objectives and financial resources – at the European level regional economic convergence is in progress while at the level of the Member States a clear regional divergence has occurred
Shortall and Warner (2010)	<ul style="list-style-type: none"> – conflict of systems in the promotion of rural development: social inclusion in the EU and market competitiveness in the USA – whether the result is social inclusion and market competitiveness depends on the power structure at the community level – conflict of national and local level of policies 	<ul style="list-style-type: none"> – EU balances market competitiveness with social inclusion in a more robust and comprehensive manner than the USA
Begg (2010)	<ul style="list-style-type: none"> – competitiveness is gaining ascendancy over equity considerations due to the: increasing pressures of globalization, Lisbon strategy 	<ul style="list-style-type: none"> – less competitive regions of richer Member States are benefiting from funds from different resources (national, EU) at the expense of poorer regions
Michalewska-Pawlak (2011)	<ul style="list-style-type: none"> – CAP predominantly supports agricultural or agro-forestry functions in rural areas – integrated rural development remains marginal to the sectoral approach focused on agricultural production and improving its conditions 	<ul style="list-style-type: none"> – sectoral approach causes the development gap between rural and urbanised regions and among different types of rural regions
Giordano and Dubois (2018)	<ul style="list-style-type: none"> – different regions in the EU perceive their disadvantages in different ways (Nordic regions, versus Spain and Greece regions, both sparsely populated) 	<ul style="list-style-type: none"> – when region focus on tackling their territorial specificities, investment in competitiveness may result with cohesion – Nordic regions with harsh climate and relative remoteness opted for data storage and automotive testing industry as main economic activities; Spain and Greece opted for improving basic infrastructure

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tiveness. Bristow (2005) puts forward that the importance of firm competitiveness to regional prosperity is over-emphasised. Macro-level competitiveness is often used in the context of territorial development. This becomes a trap when making political decisions, and gives rise to favouring interest groups coming from large corporations, as they are strengthening the sector in their own interest and not for the sake of synergies with other activities in the rural area. Recent literature on competitiveness suggests that regional competitiveness as macroeconomic phenomenon must perform beyond entrepreneurship or GDP and combine the competitive advantage of firms, innovation, knowledge, environmental condition and comparative advantage of territory. When local actors properly recognise and address specific domestic resources while encouraging competitiveness, they promote economic development and cohesion.

Only economic development targeted at large enterprises in more densely populated areas could be at the expense of the smaller ones located in sparsely populated peripheries. Also, only some areas have sufficient strength to meet the territorial specificities with the help of local policy-makers. For example, new EU Member States differ from the old EU Member States according to the perception of rural development which they perceive only as an alternative to the usual support for farmers under Pillar 1.

Table 3 lists authors who address the issue of cohesion-competitiveness conflict in their research. Their papers provide an insight into the reasons and examples of cohesion-competitiveness conflict and warn of the negative consequences of such conflict.

CHALLENGES AND PERSPECTIVES

The cohesion concept respects the bottom-up decision-making process which often gives only spurious opportunity to the most socio-economically deprived areas to benefit from funding through common policies. A well-coordinated combination of bottom-up (local initiative) and top-down (policy framework) support would be a possible solution as it would channel resources to the most deprived areas and prevent negative effects of weak local administration. Future studies on territorial development should answer the question of the best balance between top-down and bottom-up approaches.

Obvious diversity of socio-economic wellbeing and political atmosphere in EU Member States and regions complicates the understanding or anticipation

of the cause-effect relationship between policy actions and their outcomes. A possible solution is a deep analysis of individual spatial cases and their comparison with other similar studies or programmes.

Existing indicators of cohesion are too general, and they do not reflect the state of facts and development priorities clear enough to adequately define and properly apply the measures and instruments. The availability of indicators and information is negatively influenced by the human factor, i.e. insufficient cooperation between the administration and experts and the discontinuous or total lack of dissemination of information. Furthermore, a proper expert assessment of the impact of local agriculture and intervention logic on rural development is needed. In this way, it would be more sensible to determine whether the territorial development of an area follows the logic of Cohesion Policy or that of the CAP or both.

Overall, there is a great literature gap on the coherence between measures of different policies and their accordance with public-private interests concentrated on a specific area. Further research should be more interdisciplinary oriented and focus on finding the most suitable combination of spatial-based and sector-based policies as both could assist in territorial development.

CONCLUSION

The analysis of discourse has shown how different authors interpret the activities and effects of common policies on the integrated territorial development of the EU. The CAP was created in historical circumstances, with market price support as the most important factor in the agricultural sector. Measures of regional policies are intended to balance the development of the EU regions, i.e. achieve convergence. All authors agree that regional policy can not contribute to total cohesion. In other words, the process of cohesion takes place in some Member States with the help of regional policy, but the dynamics are very slow. Regional policy instruments serve the purpose of polarisation of development in several major urban centres of the EU because more developed areas within the country already have the necessary infrastructure and human capacities that are quick to see and recognise the opportunity to fund their priorities through funds available.

Cohesion and competitiveness have questionable compatibility that researchers often discuss in their studies and warn of the need for a clearer definition of these goals and measures for their achievement. If competitiveness was considered only as a microeconomic

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term and referred to the growth in the private sector as a consequence of private interests, it would be in full contrast to the concept of cohesion whose main drivers are the comparative advantage of the region, entrepreneurship, innovation, social sensitivity and environmental condition. That is why competitiveness should be defined according to the context and goals and considered as the microeconomic and macroeconomic phenomenon. According to lessons learnt through analysed studies, there are no “one-size-fits-all” measures to promote cohesion. It is important for local actors to make the most of their territorial specificities even if those specificities are unfavourable.

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