

Opinion of the Committee of the Regions on the 'Communication on the implementation of EU regional policies in Austria, Finland and Sweden'

(97/C 116/02)

THE COMMITTEE OF THE REGIONS,

having regard to the Communication of the Commission on the implementation of EU policies in Austria, Finland and Sweden (COM(96) 316 final);

having regard to the decision taken by the Commission on 5 July 1996, under the first paragraph of Article 198c of the Treaty establishing the European Community, to consult the Committee of the Regions on the matter;

having regard to its decision on 8 March 1996 to direct Commission 1 (Regional Development, Economic Development and Local and Regional Finances to draw up the relevant opinion;

having regard to the draft opinion (CdR 354/96 rev.) adopted by Commission 1 on 22 November 1996 (rapporteurs: Mr Ollén and Mr Virtanen),

unanimously adopted the following opinion at its 16th plenary session on 15 and 16 January 1997 (meeting of 15 January).

1. Introduction

1.1. Summary of the Commission's communication

1.1.1. On 3 July 1996, the Commission issued its communication, 'Communication of the Commission on the implementation of EU regional policies in Austria, Finland and Sweden', and invited the Committee of the Regions to express its opinion. The communication reports on the starting up of structural fund actions and the implementation of the Union regional policy in the three new Member States, relating to Objectives 1, 2 and 6 of the Structural Funds and the Community Initiatives, for the period January 1995 — May 1996. It completes communication COM(95) 111 final from 29 March 1995 on the twelve other Member States.

1.2. Starting up Structural Funds' actions

1.2.1. Eligible areas for Structural Funds Objectives 1, 2 and 6 concern a total population of almost 4 million, or 18 % of the population in three new member countries (in the communication COM(95) 111 final, Objective 1 and 2 areas included a population of 150 million, or 40 % of the 12 Member State's population). Total cost for the period 1995-1999 for Objectives 1, 2 and 6 in the three new Member States amount to ECU 4,695 million, and for the Community Initiatives to ECU 427,4 million — both approximately equally divided between the three countries.

1.2.2. The majority of the Single Programming Documents (SPD) were submitted before April 1995, with approval in July 1995 (Finland) and November 1995

(Austria and Sweden). The Community Initiatives were submitted in July 1995 by Austria, and during autumn 1995 by Finland and Sweden, and were approved in December 1995 for some of the Austrian initiatives; in Finland and Sweden, at the time of the communication, they were expected to be approved in June 1996.

1.3. Implementation of Union regional policy

1.3.1. Approval of funding proposals involved relatively time-consuming discussions and policy debates with each of the three Member States. The Commission had in-depth discussions with national and regional administrations in the Member States to review implementation arrangements. Local and regional partners — elected representatives and social partners — were encouraged to fully get involved. The visibility of the Structural Funds to SMEs was particularly important, due to their key role in job creation; but it is too early, according to the Commission, to draw conclusions on the visibility of EU assistance to SMEs.

2. General comments

2.1. The Committee of the Regions shares the Commission's view in the following aspects:

— that the implementation process of Union regional policy has been time consuming;

- that the administration needs to be simplified, the eligibility rules need to be clarified, and the internal coordination between the Commission's services needs to be improved;
- that the regional policy of the European Union has contributed to stimulate the participation of regional and local authorities as well as of representatives from the social sector in planning and implementing regional development;
- that it is important to involve elected representatives from national, regional and local level in both programme definition and strategic guidance of programme implementation;
- that SMEs should significantly contribute to job creation and therefore play a key role in the implementation of the Structural Funds.

2.2. This opinion will now focus on those issues where the Commission's views do not coincide with the views from a local or regional perspective, and on matters of special concern for local and regional authorities that the Committee of the Regions wishes to highlight.

3. Specific Comments

3.1. *Starting up Structural Fund actions*

3.1.1. How the process was experienced by local and regional levels in the three Member States

3.1.1.1. The initial discussions of the Structural Funds programmes, in the spring of 1995, seem to have breathed new life into the three countries' debate on regional development, regional internal cooperation and the division of responsibilities at the regional level. The notion of partnership introduced by the Structural Funds was very well perceived by the local and regional authorities.

3.1.1.2. In Austria, the first experiences with EU regional policy have shown that the existing administrative structures often had great problems in creating the necessary infrastructure for implementation and in taking over the related tasks. There were problems concerning the creation of the programmes and their handling. Complex supplementary procedures and poor coordination between EU services caused further problems.

3.1.1.3. In Finland, the process of drafting the documents was fast because all the instances had already been involved on the basis of development programmes for individual regions. But practical problems arose in administration and organizing funding: even if the choice of projects lies at joint regional working group level, all EU funding is channelled through the state budget, bringing increased red tape, control and regulations in allocating money, with the risk that central ministries' and their regional boards' own goals carry too much weight. Even if it is too early to tell, the Interreg-EU external border programme risks to suffer from the same heavy administrative and funding procedures as for the Objective 6 programme, even with a budget ten times smaller; on the other hand, the Interreg-EU internal border programme might appear more appropriate for the regional level because EU aid is directly channelled to the regions.

3.1.1.4. It is notable that in Sweden, central government from the very beginning took on a very predominant role through the country administrative boards (länsstyrelse, representing central government at the regional level). This can partly be explained by the lack of time and an unclear division of roles. The negative public opinion of the European Union experienced in Sweden may have dampened the enthusiasm among certain groups and citizens, but did not discourage the involvement of local and regional authorities (kommuner: elected local authorities operating at local level, landsting: elected county councils operating at regional level).

3.1.1.5. A criticism put forward by local and regional authorities in Sweden and Finland is that too much time at the beginning of the process was devoted to setting up administrative routines — time that should rather have been used to initiate the process and discuss goals and means in political terms.

3.1.2. Financial allocations

3.1.2.1. In Austria, EU Structural Funds for Objectives 1, 2 and 5b made in principle a great amount of money available. On the one hand, some Austrian regions (Länder) received increased means for regions with weak structures. But on the other hand, this reduced the national margin due to the necessary national co-financing (principle of additionality).

3.1.2.2. In Finland, EU financing related to structural funds is firmly linked to the state budget, making it part

of national allocation channels. Local and regional authorities (kunta: local authorities, maakunnan liitto: regional councils) wish EU funding could be separated from the state budget, in order to give the regions more to say in the choice of projects. The approved SPDs do not contain a breakdown of the allocation of funds by region and by measures, contrary to the Commission's statement.

3.1.2.3. In Sweden, the allocation procedure of the Structural Funds was carried out within a narrow circle of government officials, negotiators and experts, excluding local and regional authorities. Lack of information on EU contribution level and eligibility criteria increased the difficulties. As regards the Community Initiatives, local and regional authorities were not at all involved in the discussions on the choice of initiatives for Sweden, neither in the resource allocation between the initiatives. This was negotiated only between central government and the Commission. It is one of the reasons why allocation of resources for Community Initiatives was questioned in several regions.

3.1.3. Definition of eligible areas

3.1.3.1. The local and regional levels in Austria appreciate EU flexibility in determining the timeframe for the individual Objective regions — especially for Objective 2. In every case, the programmes should last at least 5 years. Criteria for determining the regional Objective areas qualifying for a grant should include — in addition to unemployment rate and gross regional product of the individual regions — the special regional problems in the specific Member States (in Austria: disadvantages due to climate, altitude, steep hills, peripheral location, high level of commuting etc.). In the future, it should be possible to choose areas for all Community Initiatives also outside of Objective regions (this would be of importance mainly for the wealthier Member States). The state and regional levels were very critical toward the long period of time it took until the Austrian Rechar and Resider regions were determined by the Commission.

3.1.3.2. In Finland, selecting eligible areas was somewhat difficult because the areas meeting the required conditions outnumbered the total that could be included in the programmes. Nonetheless, selection of areas succeeded satisfactorily. Especially in Objective 6 areas, problems were met in the case where an area only constituted a small part of a region. In those areas, when a LFA subsidy is included in the funding framework,

very little money indeed is left over for regional development. Designating part of a region as an Objective 6 area has also meant having to draft one additional regional plan and thereby extra administration and programme control work, compared with for example, designating it as part of the surrounding Objective 5b area.

3.1.3.3. In Sweden, discussions on the definition of eligible areas to Objectives 2, 5b and 6 were held among central government officials, state negotiators and experts. Only a few local and regional authorities were somewhat involved in the definition of eligible areas.

3.1.4. Submission and approval of SPDs and Community Initiatives

3.1.4.1. Austria submitted its complete programmes for the Objective regions and community initiatives on time. It unfortunately took more than a year after submission for the Commission (DG VI) to approve the Austrian Leader programmes — with the exception of the Leader programme in Burgenland (Objective 1 region).

3.1.4.2. In Finland, one national SPD was drafted for Objective 2 and one for Objective 6. These SPDs included in general terms all of the goals and action of the regions' programmes. The Commission approved the SPDs at record speed. In the case of the region-specific Interreg programmes (7 regions), after a longer drafting and approval phase, the administration-related phase went through rather quickly. However, administration of the Interreg-EU external border programme is not satisfying as it is built like in Objective 2 and 6 areas and is too bureaucratic.

3.1.4.3. The Swedish government did not start the programming of the SPDs until after the EU referendum, which resulted in a very short planning period. Due to the lack of time, a bottom-up approach and the partnership principle were, from a local and regional perspective, not regarded in an appropriate way. The approval of some Community Initiatives programmes have taken a very long time, as for instance the Swedish SME programme, submitted on 22 November 1995 and not yet approved by the Commission 11 months later. Recalling the importance given to SMEs in many of the Structural Funds programmes, high priority should have been given to this programme.

3.2. *The implementation of Union regional policy*

3.2.1. Approval of programmes

3.2.1.1. In the three countries, approval by the Commission of funding proposals related to the Community Initiative programmes has taken too much time.

3.2.1.2. In Austria, time until programmes were approved was used for a comprehensive discussion among all those involved on the Objectives for a future Austrian regional policy. This dialogue has been very important for defining development targets and objectives, for concentrating on the creation of new jobs, for emphasising regional management structures and for clarifying the complexity of Austrian grant regulations.

3.2.1.3. In Finland, the implementation phase got off to a slow start after the programmes had been approved, due to a need to amend national regulations in order for EU money to be released. Different central instances were involved in channelling EU funding, each with separate sets of regulations concerning disposal of funds. This caused delays in project implementation.

3.2.1.4. In Sweden, the subsequent changes in SPDs concerning clarification of development priorities etc. were handled exclusively by the central government and the Commission, without any feedback to the initial partners from the local and regional level. The Commission's very positive perception that, in Sweden, 'proposals coming from the grassroots level needed some adjustment to reflect better changes in the national policy guidelines' does not coincide with the reality experienced by the local and regional authorities. It only shows the dominant role played by the central government.

3.2.2. Organisation of the implementation

3.2.2.1. In Austria, existing administrative structures took over the organization of Structural Fund implementation, without essential changes among their staff. Consequently, over a long period of time, staff resources were used for structural fund purposes on top of their normal national tasks. The Austrian implementation is mainly organized by the Austrian Regional Planning Conference (ÖROK), acting as office for the accompanying bodies of the regional objective programmes and community initiatives. The regions (Länder) are responsible for the implementation of the Objective 1, 2 and 5b programmes.

3.2.2.2. In Finland, as the two SPD programmes (one for Objective 2, one for Objective 6) had been drafted following the principle of subsidiarity, no need was felt from the central administration's point of view to establish several monitoring committees; differences in interpretation arose when moving from national objectives to implementation of measures at regional/area level. Local and regional authorities wish that decision power over EU funds be transferred to the regional councils. They also wish a less complex funding system as well as a simpler way to conduct programme work for areas entitled to be part of more than one Objective programme. Finnish regions have supported the Commission's efforts to pay small funding instalments directly to the regional level; as regards Interreg, they would have been interested in applying to Interreg-EU external border programmes (with Russia and Estonia) the same procedure used in Interreg-EU internal border — i.e. direct EU funding to the regions.

3.2.2.3. In the Swedish Objective 2 and 6 areas, local and regional authorities had a high ambition to ensure the democratic influence in the decision-making process. However this ambition could not be fulfilled: even if local and regional authorities constitute the majority in the management committees, the secretariat and presidency of these management committees are in the hands of the county administrative boards (representing central government at regional level). One innovative answer to this situation has been, in Objective 2 area Bergslagen, the founding by the local and regional authorities of a non-profit association, Bergslaget. In some regions, local authorities have demanded and gained further influence through the global grant rules, a concept not always accepted by county administrative boards. Lack of information on the EU regulation concerning the implementation of the Structural Funds and the difficulties and uncertainties on how to interpret EU regulations have made some management committees somewhat hesitant in their work. Clarification on these matters and simplification of routines are needed to ensure the well functioning of the partnerships.

3.2.3. Relevance and visibility of actions

3.2.3.1. Relevance and visibility of actions are too early to evaluate. As regards the visibility of action, the Austrian point of view is that mid-term review of Austrian objective programmes will be followed by a comprehensive discussion of the evaluation results. Information about cofinancing from means of the structural funds is given by the granting offices involved

already when a grant is promised. The allocation procedures have not changed essentially, except that some new instruments have been introduced.

3.2.3.2. In Finland, relevance of action varies according to the authority responsible for actions. However, the joint regional working groups chaired by the regional councils have a good possibility to define projects to be implemented. The situation can vary from region to region. Over time, it is also hoped that the actions become more relevant and in accordance with the programmes.

3.2.3.3. In Sweden, structural fund actions until now have mostly been visible to those involved in setting up partnerships and through information on the programmes communicated by responsible authorities and media. Adequate information on financial support possibilities is still lacking particularly for the general public and the SMEs, which should be one of the major targets. It is likely that joint projects between the region's local and regional actors can contribute to a higher visibility than small projects put through by individual local authorities. Relevance and visibility of individual projects are too early to evaluate.

3.2.4. Problems experienced so far

3.2.4.1. In Austria, the local, regional and state levels experienced too many development goals, too many instruments, partially contradictory goals; too much bureaucracy, lack of internal coordination at EU Commission, difficult coordination between Community Initiatives Interreg-EU external border and Phare programme. The relatively high amount of money from EU Structural Funds leads to a concentration of money in regions with weak structures, which can reduce the national margin, due to the necessary government cofinancing. Agricultural grants are almost completely excluded from the Objective 2 regions. Regional differences between Objective regions and national competition regions (Art. 92 ff of the Treaty on European Union) impede regional efforts: in order to enhance regional efforts, Objective regions should also be recognized as national development regions according to the EU legislation on competition.

3.2.4.2. As an outcome of Finland's accession negotiations, 5a-type subsidies were included in the funding framework in Objective 6 areas. Especially in Objective 6 areas covering only parts of regions, they take too

large a part of the funding required for general rural development. The level of intensity of Objective 3-type measures needed to promote employment has also suffered as a result of the scarcity of funding in the overall framework for Objective 6 areas. Although those areas have the highest unemployment levels, this is not reflected in the funding allocated to them. As regards Community Initiatives, it would be important to better co-ordinate Interreg II programmes with Tacis and Phare programmes, in order to stimulate smooth cross-border cooperation. It should be possible to allocate matching funds to Interreg projects as well as to fund infrastructure projects in Russia and Estonia, in order to eliminate bottlenecks.

3.2.4.3. In Sweden, implementation of Objective 2 and 6 programmes has reached a stage where the implementation organization is set up and a practice of handling project proposals is established. In spite of their high representation in the management committees, the local and regional authorities are very critical of the dominance of the county administrative boards (central government operating at regional level) that have the presidency of the management committees and are responsible for the secretariat. This limits the local and regional authorities' possibility to influence the work of the management committee and the overall policies. As regards the lack of confidence in the allocation of funds and the EU regulations on this matter, different practices have developed in various regions, as for instance concerning global grants and the possibility for local and regional authorities to include staff costs in the national cofinancing. Delayed payment from EU grants has caused severe problems in the starting up of projects where local and regional authorities — or private bodies — have been forced to advance financing.

3.2.4.4. Another major problem in Sweden is the uncertainty regarding the participation and the direct financial support to SMEs in local partnerships. This matter needs a clarification as soon as possible to get SMEs involved in the programmes. Most SPDs aim at creating jobs and promoting structural changes. Job creation is quantified in number of new jobs, whereas structural changes are described in qualitative terms (increase in competence). It is obvious that these two objectives are sometimes contradictory, when structural changes sometimes mean that jobs disappear.

3.3. *Added value resulting from the introduction of the structural funds*

3.3.1. In the three new Member States, more cooperation between national, regional and local authorities and a more programme and project-oriented thinking

must be considered part of the added value resulting from the introduction of the Structural Funds. Likewise, acceptance of the bottom-up perspective in development programmes appears to have increased among state authorities, but there is still much room for improvement in this respect. Local and regional authorities' internationalisation is probably one of the most important results of the Structural Funds in the three countries; participation in various Article 10 pilot projects has also given new opportunities to widen international cooperation, both for the three new Member States and for the twelve old ones.

3.3.2. In Austria, the introduction of Structural Funds has given new impetus mainly in the agricultural sector (Objective 5b and Leader) and has led to a 'new project quality' and positive innovations in these fields. In cross-border cooperation (Interreg) as well as in urban areas (Urban), positive developments can be noticed too. In the economic and social sectors, changes have not taken place to such an extent, as in most cases the original granting rules have mainly been kept. The main added value of EU structural policy can be seen in the enhanced joint cooperation between all institutions involved. The EU structural policy has also initiated an important innovative impetus in the regions with weak structures.

3.3.3. In Finland, the EU membership and the introduction of Structural Funds have created a new attitude to the development activities at regional level. All the actors are more aware of the importance and the benefit of cooperation and joint actions. The Structural Fund operations have given new stimuli to old working habits; they also had positive effect to the acceptance of the European Union in those regions where opinions had previously been against the EU. One reason could be the regional councils' close involvement in the planning and programming phase of the development programmes. The Interreg programmes will hopefully give new stimuli for cross-border cooperation. The emerging awareness of the information society and the contribution of information technology applications in sparsely populated areas are particularly regarded as concrete examples of added value from the Structural Funds in Finland.

3.3.4. The various regions established for the purposes of EU aid within the framework of structural policy tend to cut across country and local authority boundaries in Sweden and have opened up for new partnerships. Participation in the management committees is important for the local and regional authorities.

4. Conclusions

4.1. *Starting up structural fund actions and implementation of Union regional policy — how adequate it is perceived*

4.1.1. In the three Member States, the role of regional and local authorities in drafting and implementing structural fund programmes is still not on the level that it should be. Too much decision power is still vested in the central administration, preventing to apply a bottom-up approach. The regions are not sure that their own development programme will be fully implemented in an appropriate manner.

4.1.2. Still, in order to facilitate and encourage further work with the Structural Funds, it is indispensable to simplify administration procedures and to improve coordination between Commission services. Furthermore the national authorities responsible for the implementation of the Structural Funds must step up their activities and take on their responsibilities to communicate information on the programmes to local and regional authorities, and not least to the general public and to SMEs.

4.1.3. Thanks to their previous know-how in regional development and to their recent immersion into the EU process, the three new Member States' ideas might bring fresh and valuable insights on the Structural Fund process. The Committee of the Regions hopes that this opinion can help to improve the Structural Funds implementation for the actual period as well as to give some reflection for the planning of the subsequent period.

4.1.4. In Austria, EU Structural Funds have in general considerably contributed to a reform of regional development schemes and to cooperation among all the Austrian participants in the EU regional policy. It has also been possible to comply with the needs of individual regions. It is unfortunately too soon to assess the effects on national politics but it is particularly important to strengthen the role of the local political level in the planning as well as in the implementation of the Structural Funds.

4.1.5. In Finland, regional councils have had a leading role in the preparation of development programmes, and local and regional politicians have accepted the programme proposals. As the Finnish Government decided to prepare only one SPD for Objective 2 and one for Objective 6, the local and regional authorities felt that the regional aspects were not sufficiently taken into account in the national programmes. As regards

the implementation, experiences are still modest. The state authorities' role is and will be more important than the regional councils' role, as state authorities — providing most of the funds — have the formal decision-making power. In order to get better balance for decision-making in the implementation, it has been considered that regional councils or joint regional working groups should have total decision power on EU funding for projects. It is also important that the local administration level be more effectively involved in implementation. In order to simplify the funding system, it is suggested that only one Objective programme be drafted for each area.

4.1.6. Throughout the preparation and programming phase, local and regional authorities in Sweden only participated in the discussions to a limited extent. The programming was highly dominated by central government and state county administrative boards (länsstyrelse). It is clear from a local and regional perspective, that the value of the regional and local political dimension was not given the emphasis and the attention it should with regard to the important role the Structural Funds play in shaping the policies for regional development in the regions. When it came to final negotiations with the Commission and approval of the programmes, local and regional authorities were excluded and only central government and county administrative boards took part. Local and regional authorities are in a majority in the management committees. However the presidency and the secretariat in most of the regions lie within the county administrative boards, which in practice reduces the local and regional authorities' influence. Nevertheless starting up structural fund actions and implementing the Union's regional policy in Sweden have awakened discussions on regional division of competencies. The role of local and regional authorities and their potentials to encourage a rewarding regional development have been emphasized. Starting up Structural Funds has also simulated cross-border cooperation and working in partnerships.

4.1.7. Both in Finland and Sweden, it is believed that there is a need to inform EU institutions better about the special features of the northern regions of Finland and Sweden — in terms of peripheral location, large surface area, sparse population and exceptional climatic conditions —, as mentioned in the Committee of the Regions' opinion of 12 June 1996 on 'The Northern Dimension of the European Union and Cross-Border Cooperation on the Border between the European Union and the Russian Federation and in the Barents Region' ⁽¹⁾.

4.2. Recommendations

4.2.1. The Committee of the Regions is of the opinion that programme implementation of the Structural Funds and of the Community Initiatives as well as Article 10 pilot projects will probably affect positively the development of target areas in the new Member States. The regional and local authorities' internationalisation of activities has developed, with an increased awareness for the European Union. Cross-border cooperation has acquired a new dimension through the support of the structural fund programmes.

4.2.2. The Committee of the Regions recommends that the democratic influence in the Structural Fund process be strengthened.

4.2.3. The Committee of the Regions regards local and regional authorities' participation and partnership indispensable and crucial in every phase of the Structural Fund process, as already stressed in its Opinion on the regional and local authorities' role in relation to the principle of partnership in the Structural Funds ⁽²⁾. The Committee of the Regions therefore recommends that, in future, the Commission ensure regional and local authorities be given decisive power for approving and implementing the structural fund programmes. The Committee stresses that only through an overall dialogue in political terms between the local, regional and central/EU levels can the principle of partnership be realised and the democratic added value best be attained.

4.2.4. The Committee of the Regions requires that the Commission and central governments in the Union ensure clearer rules of play, and that the interpretation of EU regulations is well adapted to the various Member States' situation.

4.2.5. The Committee of the Regions would particularly like to point out the various problems that arise as regards financing and unnecessary bureaucracy. Administrative and funding practice should be less bureaucratic (for instance there is a need for simplifying administration, for improving coordination between the Commission's different offices — the rules should be used and interpreted in the same meaning by all the DGs concerned), and give more final weight to decision-making bodies in the region.

4.2.6. The Committee of the Regions also wants to stress the importance of introducing more flexibility in the choice of implementation organizations.

⁽¹⁾ OJ No C 337, 11. 11. 1996, p. 7.

⁽²⁾ OJ No C 100, 2. 4. 1996, p. 72.

4.2.7. As all are unanimous on the key role SMEs can play in job creation, the central level should quickly make explicit and public its general orientation to

support SMEs and give precision on how state support can apply to SMEs' joint projects in the framework of the Structural Funds.

Brussels, 15 January 1997.

The Chairman
of the Committee of the Regions
Pasqual MARAGALL i MIRA

Opinion of the Committee of the Regions on 'The global challenge of international trade: a market access strategy for the European Union'

(97/C 116/03)

THE COMMITTEE OF THE REGIONS,

having regard to the Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on the global challenge of international trade: a market access strategy for the European Union (COM(96) 53 final);

having regard to the European Commission's decision of 11 March 1996 to consult the Committee of the Regions on this matter, in accordance with Article 198c, first paragraph, of the Treaty establishing the European Community;

having regard to its decision of 12 June 1996 to allocate the preparation of this opinion to Commission 1 for Regional Development, Economic Development, Local and Regional Finances;

having regard to the draft opinion (CdR 353/96 rev.) adopted by Commission 1 on 22 November 1996 (rapporteur: Mr Tindemans),

adopted the following opinion at its 16th plenary session of 15 and 16 January 1997 (meeting of 15 January).

1. Introduction

1.1. To date, European policymaking on the development of world trade has paid too little heed to the regional impact of international trade policy.

1.2. The EU has an open economy in which many jobs depend directly, and even more depend indirectly, on exports. Furthermore, millions of jobs are directly dependent on foreign investment.

1.3. Since the entry into force of the first internal market directives, however, regional and social differences have widened and pressure on employment conditions and the labour market has increased.

1.4. Since the period 1966-1988 many poor regions have made no economic progress whatsoever and in some regions the situation has even got worse. The social differences between developed and lagging regions have become greater.

1.5. In the White Paper on European Social Policy, the Commission therefore states that: 'The globalization of trade and production, the huge impact of new technologies on work, society and individuals, the ageing of the population and the persistent high level of unemployment are all combining to put unprecedented strains on the economic and social fabric of all the Member States'.