



**European
community**

BACKGROUND INFORMATION

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BACKGROUND INFORMATION

REGIONAL DIFFERENCES IN THE EUROPEAN COMMUNITY STILL EXIST

WASHINGTON, D.C., February 16 -- Several regions in the Common Market have continued to lag in economic and social development despite Community objectives of balanced growth throughout the six member countries.

This is the conclusion of a 1971 study by the Commission of the European Communities which shows that population, employment, and economic differences among many Community regions have remained and in some cases increased since 1950.

Coupled with a 1969 study on the same topic, the 1971 study is intended to serve as a basis for the development of a Community regional policy. It describes the current situation in specific regions and outlines regional trends developing between 1950 and 1969.

The Community's regional policy is not yet as fully developed as Community policy in other areas such as agriculture. Nevertheless, regional objectives are clearly defined in the Rome Treaty establishing the Common Market. In the preamble, the Six expressed the desire to "strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and by mitigating the backwardness of the less favored" Article 2 says the aim of the Community is "to promote a harmonious development of economic activities throughout the Community."

To achieve these objectives, the Community allows certain exceptions to the Treaty's general rules for reasons of regional policy. For example, the Treaty states that regional conditions must be taken into consideration when the Community carries out its Common Agricultural Policy (CAP). In addition, the Community established the European Investment Bank in 1958 to finance projects designed to promote development in the backward areas.

So far, the only Council action taken in the area of regional policy was the October 1971 establishment of a ceiling on the amount of aid a member government could contribute to any one investment. This new policy was intended, among other things, to discourage aid to the congested "central" areas so that the less-favored regions could benefit.

The Commission's study of regional development in the Community indicates that, despite Community attention to regional development, regional differences have continued to exist. The study discusses three aspects of regional development: population, employment, and economic growth. The regional comparisons in the study are intended to be helpful to both national and Community officials in developing a coordinated regional policy. The Commission's study is summarized below.

POPULATION

Population Increases

For the 1950-69 period, southern Germany, the Paris region and northwestern Italy experienced the greatest population increase.

Southern Germany's population climbed from 15.4 million in 1950 to 19.4 million in 1969; the Paris region from 7.0 to 9.5 million; and northwestern Italy from 11.3 to 14.6 million. These increases are respectively 0.5 per cent, 0.6 per cent and 0.6 per cent faster than the increase of the Community's

total population.

Northern Germany, western France, and northeastern Italy experienced the greatest decrease in percentage of total Community population. From 1950 to 1969, their percentages decreased as follows: northern Germany, 7.2 to 6.5 per cent; western France, 10.5 to 9.7 per cent; northeastern Italy, 5.7 to 5.3 per cent. West Berlin not only showed a decrease in percentage (from 1.4 to 1.1 per cent) but also experienced a decrease in actual population (from 2.15 million to 2.13 million).

Considering regions according to socio-economic categories, the report found that the population of agricultural regions had decreased compared to the rest of the Community (1955: 45 million people, 27.1 per cent of the total population; 1969: 47.8 million, 25.3 per cent of the total population). Semi-industrialized regions showed an increase (1955: 51.1 million people, 30.8 per cent of the total; 1969: 59.0 million people, 31.3 per cent of the total population) and so did industrialized regions (1955: 69.9 million people, 42.1 per cent; 1969: 81.9 million people, 43.3 per cent).

Movement of Population

During 1960-68, southern Italy proved to be the main emigration region. Approximately 183,000 people left this area to settle elsewhere in Italy or abroad. The report pointed out that most Italian emigrants (60.8 per cent between 1960 and 1968) left for non-Community countries and that most of the immigrants in other member countries came from non-Community countries.

Population Distribution in Different Regions

Population is most dense in the northwestern part of the Community, comprising parts of Germany, Belgium, and the Netherlands. With 1,269 persons per sq. mile in 1960-62, this region, which is approximately 6.5 per cent of the Community's area, was home for 33 million people, 20 per cent of the total Community population. Another zone of population concentration is found in the Paris

region, with its density in 1968 of 1,991 persons per square mile and a total population of 9.2 million. (New York, with a metropolitan area population of 11.4 million, had a population density in 1969 of 25,000 per sq. mile.

EMPLOYMENT

Agriculture

Agricultural employment in the Community decreased from 30 million people in 1950 to less than 15 million in 1960 and 11.5 million in 1968.

In 1950 the share of agricultural employment in each member state's total employment picture differed significantly. For example, 43.9 per cent of Italian workers were employed in the agriculture sector, whereas the comparable figure for Belgium was only 12.6 per cent. Among the member states in 1968, Italy still employed the most agricultural workers, and Belgium employed the least. Nonetheless, by 1968 the percentage of those employed in agriculture had decreased in both states to 21.9 per cent in Italy and 6.1 per cent in Belgium. The French agricultural sector (27.6 per cent in 1950, 15.7 per cent in 1968) is also significantly larger than that of other member countries (Germany: 22.1 per cent in 1950, 9.8 per cent in 1969; the Netherlands: 12.6 per cent in 1950, 6.1 per cent in 1968; Luxembourg: 25.9 per cent in 1950, 11.2 per cent in 1968).

The regions where agricultural employment is still high are concentrated in peripheral parts of the Community (11 regions in western France, 13 regions in southern and eastern Italy, and 4 northern regions in the Netherlands and Germany.

Industry

The number of persons in the Six working in industry increased from 26 million in 1950 to 31 million in 1960 (38.2 per cent of total employment in 1950, 42.7 per cent in 1960). Industrial employment remained at this level during

the entire period 1960-68.

In 1950 most of the regions with high industrial employment were concentrated in three main geographic zones. The first spread from northern France to Braunschweig through the Benelux and the Ruhr Valley. The second one linked the Lorraine to Unterfranken, and the third was Lombardy. Between 1950 and 1968, these three zones merged into a wide belt linking northern France to Lombardy via the Rhine Valley.

Service Sector

In all the Community countries, employment in service industries increased during 1950-68. The report estimated that in 1950 nearly 23 million people were employed in the service sector. In 1960 this figure climbed to 28 million and, in 1968, to more than 30 million. Employment in Community service industries was 32.8 per cent of total Community employment in 1950, 37.7 per cent in 1960, and 42.1 per cent in 1968.

In 1950 the countries differed greatly in the percentage of total working population in service industries. In the Netherlands, 45 per cent of workers were in the service industry, nearly twice that of Italy with only 26.6 per cent. By 1968, however, the share of this sector of employment was above 40 per cent of total employment in most Community countries (Netherlands, 52 per cent; Belgium, 50.5 per cent; Luxembourg, 43.9 per cent; France, 43.8 per cent; Germany, 41.5 per cent). Only Italy (37.3 per cent) had a percentage lower than 40.

Total Employment

The report points out that employment decreased in 45 of the 100 regions making up the Community. This group includes 14 of the 38 German regions, 16 of the 20 Italian regions, 9 of the 21 French regions, 5 of the 9 Belgian provinces, and Luxembourg, a region in itself.

These 45 regions include:

- 31 regions in which the increase in non-agricultural employment was

not enough to compensate for the drop in agricultural employment. One group was concentrated in three zones on the periphery of the Community: 8 regions in the west of France; 14 regions in southern and eastern Italy; and 5 of the northern and eastern German provinces. A second group was situated at the heart of the Community, far from the large industrial and commercial centers. This group included Luxembourg, Belgian Luxembourg, Trèves, and Coblenze.

- 14 regions in which a decrease in industrial or services employment coincided with a drop in agricultural employment. Most of these were found in two distinct geographic areas, the first situated in northeast Germany, the second in the coal basin of northern France and southern Belgium.

Looking at the distribution of total Community employment in the large geographic zones, using 1950, 1960, and 1968 as reference years, the report indicated that, though growth patterns have fluctuated, certain large areas significantly increased their share of total Community employment between 1950 and 1968.

- the Parisian region, from 5.16 to 5.44 to 5.83 per cent;
- eastern Netherlands, from 0.98 to 0.99 to 1.08 per cent;
- western Netherlands, from 2.50 to 2.63 to 2.88 per cent; and
- western Germany, from 8.29 to 9.72 to 9.33 per cent.

Other zones experienced a large decrease in their share of the Six's employment:

- West Berlin, from 1.45 to 1.44 to 1.32 per cent;
- western France, from 10.62 to 9.48 to 9.78 per cent;
- northeast Italy, from 5.84 to 5.53 to 5.31 per cent;
- southern Italy, from 9.36 to 8.64 to 8.22 per cent;
- central Italy, from 5.50 to 5.41 to 4.98 per cent; and
- the Belgian Walloon region, from 1.71 to 1.44 to 1.50 per cent.

ECONOMIC GROWTH

The Commission reported that the limitations and the heterogeneous nature of available data in each of the member states made comparisons difficult. Although specific dates and indices of growth were often different, the report did succeed in pointing out several comparable trends among the member states.

In Germany, the annual national rate of growth at fixed prices was 5.2 per cent between 1957 and 1966. However, the rates for the regions varied between 4 per cent for the Saar and 7.1 per cent for Rheinessen.

Regions which have always had an important share of Germany's heavy industry witnessed a growth rate considerably less than the national average. Among these were the regions of Rhenan, north-Westphalia, and the Ruhr.

Higher growth rates were observed in Rheinessen, Oberbayern, and Luneburg, all characterized by much activity in the industrial and service sectors.

At the level of large geographic areas, southern and central Germany increased their share of the gross domestic product, while that of the north and the west fell.

In France, direct incomes for the years 1962 to 1966 provided the only regional data on which to base a comparison with the other countries.

Between 1962 and 1966, the increase in direct income in the 21 regions excluding the Paris region varied, at fixed prices, between a low of 3.5 per cent in Auvergne and a high of 5.2 per cent in Upper Normandy. In the Paris region, the rate of increase, 8.5 per cent, was higher than the national average.

Owing to this divergent growth, the gap between the maximum and the minimum regional direct incomes widened. In other words, regional differences in direct income were increasing in France rather than decreasing.

In Italy, the 1957 production capacities of the various regions differed greatly.

However, the gaps between the 19 regions had narrowed by 1966. The report pointed out that the convergence of production capacity in Italian regions was due more to a slowing-down of growth in the more-developed regions (Liguria, Piedmont, and Val d'Aoste) than to a faster growth in the less-developed areas.

In Belgium, the regional rates of growth varied at fixed prices from 2.6 per cent in Hainaut to 4.4 per cent in the province of Antwerp between 1957 and 1966. Grouping the regions in large geographic areas, the report revealed that southern Belgium had an annual rate of growth (3.8 per cent) inferior both to the national average and to those of the two other major geographic regions: northern Belgium, 5.5 per cent; and the Brussels region, 5.6 per cent.

In the Netherlands, the period for which regional data was available only extended from 1960 to 1965.

During that period, the regional rates of growth varied little in comparison to the national rate (5.1 per cent). The weakest growth rate occurred in the province of Zeeland, at 4.4 per cent, and the highest occurred in North-Brabant (5.4 per cent). Rates of growth were fairly similar in the four geographic zones except in the north where the rate was lower.

Luxembourg, a region in itself, witnessed an average rate of growth at fixed prices of 3.4 per cent between 1960 and 1969. The corresponding per capita rate, also at fixed prices, was 2.5 per cent.

In summary, differences in economic growth rates among large geographic zones have increased in Belgium and the Netherlands and decreased in Germany and Italy. Differences in regional incomes have increased in France.

ECONOMIC TREND ANALYSIS

In addition to describing growth rate trends, the report tried to analyze

them. For instance, the report attempted to determine whether a convergent growth trend was due to a decrease in the growth rate of the stronger regions, or an increase in the growth rate of the weaker regions. The latter trend is obviously the most desirable one and remains the goal of a Community regional policy.

The report analyzed trends on a country by country basis:

In Germany, the rate of growth for the group of less-developed regions in 1957 was greater than that for the group of more advanced regions. This brought about a narrowing of the economic gap among regions.

In France, the seven regions where per capita income was lowest experienced a smaller growth rate than other regions, causing a slight increase in the difference between the most-developed region and the least-developed region.

In Italy, the rate of growth in the less-developed regions was less than in the two other regional groups. However, due to the less rapid increase in population in the less-developed regions, per capita growth was higher there than in the more-developed regions. Therefore, the narrowing of the economic gap between less-developed and more-developed regions is primarily due to migratory movements which caused a decrease in the growth rate for the developed regions and a slight increase for the less-developed regions.

In Belgium, and in the Netherlands, the group of less-developed regions had a slightly higher growth rate than the group of more advanced regions. But within these two groups, regional growth rates were very different, causing a slight widening in the gap between the least-developed region and the most-developed region.

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