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## The Regional Inequalities in the European Union and the Countries of Community Cohesion (Portugal,Spain,Ireland and Greece)

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**The Regional Inequalities in the European Union and the Countries of  
Community Cohesion (Portugal, Spain, Ireland and Greece)**

**By**

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## **The Regional Inequalities in the European Union and the Countries of Community Cohesion (Portugal, Spain, Ireland and Greece)**

### **1. Introduction**

An attempt will be made, in this article, to analyze the regional inequalities within the European Union emphasizing in the countries of Community Cohesion and the relationship between North and South. The estimation of regional policy in this level of economic analysis will be made with the following variables: the deviations from the average community Gross Domestic Product (GDP), the annual growth rates of GDP and the level of Unemployment.

During the process of European integration it has been observed changes in the classification of the cohesion countries within the European Union. It will be an effort to estimate if these changes have been caused from the policies of the European Union or from the national policies of the member-states.

The analysis will be made in comparative terms among the supernational policies of the EU and the national policies of countries of Community Cohesion.

### **1. The European Inequalities and the European Union**

On the basis of the GDP index we examine in the ranking of the various levels of economic development between regions and state-members of the European Union.

**TABLE 1**

<b>REGIONAL INEQUALITIES ON GDP PER CAPITAL IN EVERY MEMBER-STATE 1986 / 1996</b>				
<b>MEMBER- STATES</b>	<b>1986</b>	<b>1996</b>	<b>1997</b>	<b>1999</b>
Belgium	102,8	112,1	111	111
Denmark	112,1	119,3	120	118
Germany	116,1	118,5	108	108
Greece	59,2	67,5	66	67
Spain	69,8	78,7	102	82
France	109,8	103,9	80	99
Ireland	60,8	96,5	99	112
Italy	100,4	102,7	102	100
Luxemburg	137,3	168,5	174	184
Holland	101,8	106,8	113	113
Austria	103,2	112,3	112	112
Portugal	55,1	70,5	73	76
Finland	99,7	96,9	100	100
Sweden	111,5	101,2	102	102
United Kingdom	98,6	99,8	102	102
<b>Source : Eurostat, European Commission</b>				

From the Table 1, we observe the differences are continuing to exist and in the framework of Economic and Monetary Union of the European Union. The non-symmetrical economic development has as a consequence the creation of different levels of development among the state-members.

**TABLE 2**

<b>GDP PER HEAD OF THE COHESION COUNTRIES</b>														
<b>EU COHESION COUNTRIES</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
Greece	59,2	57,4	58,3	59,1	57,4	60,1	61,9	64,2	65,2	66,4	67,5	69,2	68,6	69,3
Portugal	55,1	56,7	59,2	59,4	58,5	63,8	64,8	67,7	69,5	70,1	70,5	70,7	71,1	71,8
Spain	69,8	71,5	72,5	73,1	74,1	78,7	77,0	78,1	78,1	78,6	78,7	77,8	78,6	79,6
Ireland	60,8	62,5	63,8	66,3	71,1	74,7	78,4	82,5	90,7	96,8	96,5	96,4	102, 1	105,1
<b>Source : Eurostat European Commission, 6<sup>th</sup> Report</b>														

From the statistical data of the Table 2, we observe that the regional inequalities for the countries of Community Cohesion are important. The path towards the European integration benefits Ireland, Spain and Portugal in a significant way. Greece is getting less of the benefits among all.

The reasons influencing the less beneficial situation are as follows

- The negative ranking of Greece in the international allocation of labor .
- The isolation of the country in the lower part of Balkan peninsula
- The extremely high level of military expenditures
- Low level of productivity, and
- A high percentage of the labor capacity is employed in the rural sector.

In contrary with Greece, Spain and Portugal are found in a better economic environment paying less for military expenses and reaping more benefits from the European integration.

The case for Ireland presents a special interest. Starting from a low level of economic development achieved in a period of almost ten years to overpass the average community level. The reasons for this rising path are

- a.. Small in a geographical sense
- b. Low military expenditures
- c. Its economy is complementary of the economy of the United Kingdom
- d. The United Kingdom's decision not to enter in the Monetary Union

## **2. The Regional Inequalities in the Countries of Cohesion and The Regional Inequalities and Greece**

The first period of confronting the regional inequalities in Greece essentially starts with the first attempts of designing the economic development, which are included in the Five Year Programme of Economic Development 1960-1964 and stated as “for the effective advancement of the solution of the inequalities problem existing today among the various regions of the country”. From that period until today, the importance of the regional policy in the national programme becomes increased.

The second period has as a beginning the year 1980 which consists a turning point in the history of the Greek regional Policy and becomes an alignment of the Greek regional policy with the regional policy of whatever was called then as European Economic Market with the voting of law 1116/ 81 which had as a main characteristic the subsidiary of the investments and the designing the first Program of the Regional Development 1981-1988 and the receipt of the European Fund of Regional Development and the first loans from the European Investment Bank.<sup>1</sup>

The third period starts with the voting of the law 1262/82, which reinforces the decentralized procedures, and the designing of the five year programme 1988-1992, a program that never was applied in reality.

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<sup>1</sup> Konsolas, Nicholas, “Greece 2000-2006: The “Development Plan” for E.M.U”, Epilogi, Athens, 2000, p. 106.

The last period of the Regional Budget in Greece starts with the application of the Mediterranean Integrated Programs (1985-1990) having total financing for Greece ECU 2,5 billion.<sup>2</sup>

In turn, are following the Third Community Support Framework, the First (1989-1993) with total financing ECU 7,2 billion,<sup>3</sup> the Second Community Support Framework (1994-1999) with total financing ECU 16,5 billion<sup>4</sup> and the Third Community Support Framework (2000-2006) with total financing 27,5 billion<sup>5</sup> of EURO. The allocation of resources of the Third Community Support Framework has as follows:

Transportation structures	27,0%
Symmetrical regional development	26,0%
Competitiveness of Industry-services	28,0%
Development of human resources	10,0%
Agricultural development and farming	8,5%
Information industry	6,5%
Environment, culture and health	4,0% <sup>6</sup>

Based on the above we can evaluate the Greek Economy before and after its accession in the European Union. For the period after its accession, everybody agrees that there is not convergence.

The Report of the *Eurostat 2001* “for the economic conditions of the member-states and the regions of the EU” states that Greece remain the poorest country in the EU while from the eleven poorest regions the seven are Greek for a long period of time.

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<sup>2</sup> Konstantinos Agorastos, Tryfon Kostopoulos, “Evaluation of Regional Development in Eastern-Central Greece though Intergrated Mediterranean Programme”, 37<sup>th</sup> Congress of the *European Regional Science Association*, Roma Taly 1997.

<sup>3</sup> Kostopoulos, Tryfon, European Economic Integration and National State, Regions and Regional Policy of the European Union, Ed. Kyriakidis, Thessaloniki, 2000, p. 129.

<sup>4</sup> Kostopoulos, Tryfon, European Economic Integration and National State, Regions and Regional Policy of the European Union, Ed. Kyriakidis, Thessaloniki, 2000, p. 130

<sup>5</sup> Kostopoulos, Tryfon, European Economic Integration and National State, Regions and Regional Policy of the European Union, Ed. Kyriakidis, Thessaloniki, 2000, p. 130

<sup>6</sup> Association of Greek Regional Scientists, Vol. 6, Athens, 20001, p. 4.

In the time period 1988-1999 all the region of the EU increased the GDP. Only three regions, Epirus, Pelloponisos and West Macedonia had a decrease of their GDP.

The question is where did the money go?

With these funds was financed the destruction of the agricultural economy. For the shake of competitiveness went bankrupt industrial units of small and large size. As a consequence, the unemployment and the poverty were increased.

If we observe the Balance of Trade of Greece and the EU, for every drachma received from the EU we were paying two drachmas and in nowadays we are paying more. In other words, the Community funds were used to satisfy the needs of the multinational corporations.

The economic reality presented in the *Eurostat's* report shows that the capitalistic regional "integration" of the European Union, in the monopolistic phase is a utopia. This verifies the Lenin's opinion that "in the conditions of capitalism we cannot have symmetrical development of the corporations, of the trusts, and the nations". The tendency for accumulation of the capital and the production in a few countries and corporations has as a consequence the enlargement of the inequalities.

Typical example of the law of non-symmetrical development is Greece and its relation with the European Union. Also, Greece and Turkey pay the highest percentage of their GDP for military expenditures. While the NATO's military expenditures were reduced by 24% in the last ten years.

Another important negative factor for the real convergence of the Greek economy with the economies of the member-states of the European Union is the relation between wages and profits.

**TABLE 3 INTERTEMPORAL DEVELOPMENT of GDP – WAGES AND PROFITS**

YEAR	1993/1999
GDP	20%
Sales	83%
Gross Profits	104%
Net Profits	362%
Dividends	228%
Taxes etc	143%
Inflation	182%
Minimum Wage	48,2%
Net Investments	52%

Source: Ministry of National Economy

From the data of the Table 3 during the period of 1993-1999 the real GDP was increased 20%, the wages were increased 52% and the inflation 48,5% while the net profits of the firms were increased 362%. It is worthy to note that the capital in Greece has earned the highest percentage among all the members-states of the European Union.

**TABLE 4 TAX ALLOCATION ACCORDING THE PROFESSIONAL GROUP**

Professional Groups	1980	1985	1990	1995	1997
Income Earners	5,6%	4,2%	4,6%	5,4%	5,2%
Merchants-Industrialist	28,1%	23,1%	24,6%	26,3%	24,0%
Liberal Professionals	12,3%	9,3%	10,5%	12,35%	12,8%
Wage Earners	39,2%	46,5%	43,4%	39,1%	41,2%
Pensioners	14,6%	16,7%	16,6%	14,4%	15,6%
Farmers	0,1%	0,2%	0,3%	0,9%	1,1%

Source: Ministry of National Economy

The Table 4 shows that the merchants and the industrialists contribute the 24\* of taxation revenues while the wage earners and the pensioners the 54%. In conjunction with the fact that the Greek capital continues to be dependent from overseas has as a consequence a portion of the profits to be transferred overseas.



TABLE 5 TRADE BALANCE 1990 – 2000											
											in billion dollars
COUNTRY	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000*
Austria	-7	-8,6	-7,7	-6,5	-7,9	-76,7	-7,3	-4,3	-3,7	-3,6	-3,5
Belgium	3	3,3	5	6,9	8,1	11,1	10,4	9,7	8,9	8,3	7
Denmark	5,3	5,2	7,4	7,8	7,4	6,5	7,6	5,7	3,9	6,9	7
Finland	0,7	2,2	4	6,4	7,7	12,4	11,3	11,6	12,5	11,7	11,6
Germany	68,4	19,5	28,2	41,2	50,9	65,1	70,6	72	79,7	73,1	64,1
France	13,3	-9,7	2,4	7,2	7,2	11	15,1	26,6	24,8	19,8	8
Italy	-1,7	-2,2	-0,3	29	31,4	38,7	54	40,1	36,4	20,6	12,3
Ireland	3,9	4,3	7	8,1	9,3	13,5	15,7	18,6	20	24,2	25,8
Holland	12	12	12,3	16,9	18,7	23,9	22,8	21,8	20,8	17,9	17,2
Spain	-29,1	-30,4	-30,4	-15	-14,8	-18,2	-16	-13,2	-18,7	-29,3	-33,2
Portugal	-6,7	-7,7	-9,4	-8,1	-8,3	-9	-9,4	-10,1	-12,3	-14,2	-15,3
Sweden	3,4	6,3	6,2	7,2	9,4	16,9	18,7	18,4	16,8	15,7	15,5
England	-32,8	-18,2	-22,8	-20	-17	-18,5	-20,4	-19,5	-34,1	-43,4	-45,5
GREECE	-12	-11,9	-13,7	-12,4	-13,4	-17,1	-18,3	-17,3	-16,8	-18	-18,7
Euro-zone	18,3	-29,2	-2,6	73,7	89	124,8	149	155,5	151,8	110,5	75,4
EU	-5,8	-35,9	-11,7	68,8	88,8	129,7	154,9	160,1	138,5	89,8	52,4
USA	-109	-74,1	-96,1	-130,6	-166,2	-173,7	-191,3	-196,7	-246,9	-345,6	-450,9
Japan	69,2	96,2	124,7	139,4	144,1	132,1	83,7	101,6	122,4	123,1	124,8

\*valuation Source: OECD Statistical Yearbook 2000

From the Table 5, we observe that the countries of the Community Cohension represent Trade of Balance of Payments deficit with the exemption of Ireland that shows surplus. Greece in relation with its own size of the Economy represent the greater deficit in the Balance of Trade. This is another reason that Greece divergences and not convergences towards to the European Union average index of Development.

### 3. Conclusion

The conclusions that can be drawn from the above analysis are that Greece is getting the less benefit from the integration among the countries of the Community Cohesion of the European Union. The last years has been observed that the average community index of development has been reached from the most of the countries of the community cohesion. In contrast, Greece did not converge to this index of development. The rates of growth of development were small, the unemployment was explosive reaching its highest point in the year 1999 the level of 11,7. Therefore, it is necessary the Greek policy to be changed. towards a

cooperation on the basis of mutual benefit, military expenditures should be reduced, and Greece should be a country of peace and development in the Balkan area and Europe.

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