

Kostopoulos, Trifon

Conference Paper

The European Monetary Union and the Regional Inequalities

43rd Congress of the European Regional Science Association: "Peripheries, Centres, and Spatial Development in the New Europe", 27th - 30th August 2003, Jyväskylä, Finland

Provided in Cooperation with:

European Regional Science Association (ERSA)

Suggested Citation: Kostopoulos, Trifon (2003) : The European Monetary Union and the Regional Inequalities, 43rd Congress of the European Regional Science Association: "Peripheries, Centres, and Spatial Development in the New Europe", 27th - 30th August 2003, Jyväskylä, Finland, European Regional Science Association (ERSA), Louvain-la-Neuve

This Version is available at:

<https://hdl.handle.net/10419/115932>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

**ERSA 2003
European Congress
University of Jyväskylä
Jyväskylä, Finland
27th-30th August 2003**

«The European Monetary Union and the Regional inequalities»

**by
T. Kostopoulos**

**Thessaloniki, Greece
April 2003**

**Trifon Kostopoulos is Lecturer at the Department of International Economic
and Political Studies of the University of Macedonia, Thessaloniki, GREECE.**

1. Introduction

In this paper there will be made an attempt for a comparative political and economic evaluation of the European Monetary Union with the criterion of regional inequalities of the European Union.

The national and regional inequalities of the European Union will be analyzed under the framework of the policies of the European Monetary Union.

Initially we will examine the regional dimension of the European unification on the basis of the European Union with 15 member-states (EU15). As criteria we select the different levels of economic development of the member-states examining the regional inequalities on a national level. On this basis we observe that the member states converge creating the «hard core of Europe» and the member states diverge from the average level of the development of the European Union determining the countries of «community cohesion». Next we apply the previous criteria to the EU27, in other words it is useful to research the inequalities of the levels of economic development, which result in the European Union, if all the other candidate countries would be able to be taken within the EU of 15 as is today. In the EU of 27 with the basis of per capita GNP exist three groups of countries instead of two as exist today.

The first group consists of the present member-states of the EU15, except for Spain, Greece and Portugal of which the GNP per capita exceeds by 20% the new weighted average of the EU27.

The second group consists of the present member states of community cohesion, i.e. Spain Greece and Portugal plus Cyprus, Czechia, and Malta with per capita GNP between 68% (Czechia) and 95% (Spain) of the average of the EU27.¹

The third group consists of the remaining eight (8) candidate countries with GNP per capita below 40% of the average of the EU27, with the exemption of Slovakia and Hungary of which the GNP per capita lies between 56%-58% of the average of the EU27.²

Therefore, the expected expansion with the complex inequalities, will result in a big challenge for the European regional policy, and the policy of the economic and social cohesion.

First, the expansion will more than double the population of the European Union that lives in regions with GNP per capita below of the 75% of the present average of the EU. This number will raise from 71 million at the present to 174 million of people or differently stated from 19% of the total of EU15 to 36% of the total of EU27.

Second, the scale and the size of regional inequalities will be increased. Therefore, in 1998 for the less developed regions of the EU15 the per capita GNP was on average 65% of the average of the EU15. With the expansion, the GNP per capita of the less developed regions of the candidate countries was on the 37% of the average of EU15.³

¹ Eurostat

² Eurostat

³ Eurostat

Therefore, the co-existence of the poor and rich regions within the EU27 will make the regional inequalities more complex in this part of the Union which consists of poor countries. We may possibly find ourselves in a new allocation of poverty.

Finally, we will attempt to achieve the necessary interventions between the EU15 and the EU27, researching the modern problems of the EU under the expected expansion of the European Union.

2. The European Integration and Euro

The project of the Economic and Monetary Unification of Europe is a fabrication of European capital. It was inspired and was first applied almost immediately after the end of the Second World War, aiming at the prospect of creation of a new international economic center. It took a lot of years until it could reach, from economic point of view, a comparison with USA, but finally achieved it. Euro functions as foundation in the direction of an alternative imperialistic pole, because it unifies monetarily the European countries and accordingly their budgetary and economic policy.⁴

This policy, does not result in the base of the existing structure of the European Union, in which dominates the monopolistic capital and more specifically the German monopolistic capital. The conditions that have been placed for the integration in the area of Euro and what will continue to be applied, have been fixed by Germany. In fact, the European Central Bank that resides in Frankfurt, functions as the long hand of the German capitalism. Euro encourages the German capital and particularly the monopolistic one, specifically the most evolved technological parts of the European capitalism, under the hegemony of German capital. Of course, if we make step back and examine the Mechanism of Exchange Parities, which was the last step before Euro, if we analyze the system with which were fixed the parities between the different countries and the different currencies that were constitutive parts of ECU, it is revealed that these parities had already been placed in a concrete level that required the German capital and much less capital.

Actually, this mechanism of determination of exchange equivalence, blackmails a situation which strengthens the German capital. The Euro, finally completes and solidifies this situation, so now there isn't any point in determining the equivalence. This means that the above mechanism, which is presented as a scientific and neutral mechanism, is actually deeply connected with the social fight and the interests of the social classes. On the other hand, through this mechanism, that retains the states-member inside the area of Euro, the opposition between capital and work is intensified. The less developed capital could become competitively opposite to the dollar, if Euro became a real opponent. But all these are guesses. Only that actually remains is the exacerbation of American-European imperialistic oppositions, is the upgrade of imperialistic force of Germany in Europe, the intensity of competition of capital, the strengthening of urban forces in all Europe and the explosion of exploitation of the working class⁵

In other words, the effort of transformation of European Union in a strictly federation, with all her characteristics, where the states-members will be deprived the national sovereignty, and where the heavy hand of Germany will direct the chances, with the arrival of Euro is found pre pylon. The German plans for a federal organization in Europe, brings into memory the projects of Dr Saht and Foynk, for a European Economic Union, in 1940, where the third Reich would be the sovereign

⁴ Goulielmo Karkeli, "The Euro product of international competition", **BEFORE**, 20/1/2002.

⁵ Goulielmo Karkeli, Organisation of Producers

state in Europe and the Reichmark one from the two regularly global currencies, with the dollar. The countries, that could participate in that Union would be Holland, Denmark, Slovenia, Romania, Bulgaria and Hungary. Connected states-member would be Belgium, Norway and Sweden. Special agreements would be signed after the end of war with France and Britain. The current German project isn't differentiated by the basic perseverant idea of Germans for union of Europe, no via arms, but via Euro, as the 1940. Then the Minister of Finance of Reich saw "as alone simple method of conjunction, the single currency!". Thus however and now, the single currency of European Union becomes the argument of German sovereignty in Europe. As a German diplomat stated, it is time Germany began to practice so much influence in Europe, equal to her budgetary aid. What mainly, however, elects the role of Germany, as leader of Europe is, how it means the European unification, that means the extension of EE15 to EE27, with enlargement to the East. The familiar to all of us" Drang Nach Osten Q... ⁶

With the entry of Euro, for the first time are created the conditions and are placed the terms on a potential convergence of European economic level with that of USA, mainly, and Japan incidentally. One of the main causes of Euro is to rival the dollar, to be proved expedient and sure means of payments and hoarding up for the international capital, in world scale. While the European Union with the entry of Euro, is slowly changed to an economic giant, which does not almost have any base in military level. The Europeans capitalists continue functioning under the umbrella of NATO and accordingly the USA. Euro, therefore is an enormous economic exit, is an escape to the front, which with its line covers the delay of Europe in the military sector. Of course, the moment where the European Union will become what it aspires, a powerful imperialistic force, the probabilities of a conflict with the USA will be increased. This means that the allegation, that the European Union works for the maintenance of peace, doesn't stand. It should become explicit that finally it is a Europe with capitalistic structure. ⁷

The basket of European Currency Unit (ECU) records with the most categorical way the economic sovereignty of Linked Germany in the European Union, while the economy of Greece continues her declining course possessing, based on an important economic indicator, the last place in the Union. ⁸

What should be stressed with the entry of Euro, for countries as Greece is that, as long as the different countries could alter the exchange parities of their currencies, they could rival in international level other countries and other capital which is more productive and more powerful, underestimating even their currency. The moment, however, where it cannot become this, the Greek capital for example, it cannot make further depreciation in order to rival other European countries, the only way in order to survive is to increase continuously the detachment of surplus value. ⁹

3. The regional inequalities in the European Union

In the preamble of the Treaty for the EEC is not forecasted any concrete regional policy from the parts of the Community, but is only formulated a general content statement which refers to a harmonious and balanced growth. More specifically, article 2 reports that, "the community has as mission with the creation of common market and the progressive approach of economic policy of member states, to promote the harmonious growth of economic activities in the Community as a whole, the continuous and balanced extension of economy, increased stability,

⁶ K.Kolmer, "Intergovernmental or federal is nowadays the European Union", **MACEDONIA** 11/6/1995.

⁷ Goulielmo Karkeli, Organisation of Producers

⁸ Eurostat

⁹ Goulielmo Karkeli

accelerated elevation standard of living and relations narrower between the states that it joins"¹⁰. From the creation of EEC up to today they have passed more than 40 years, which appeared not enough to confront the regional problem of the Community. The reasons are obvious. The economic resources which allocates the European Union in order to face the accentuated regional problem are very limited.

Specifically, in our days, a period of extreme neoliberalism, what comes first for the powerful Community partners and the multinational enterprises, is the guarantee of terms but also conditions for the creation in Europe of Common Market, where they might sell free their products. Nevertheless, the absence of serious budgetary policy from the side of EEC, from her constitution until today, despite the individual reforms continues to characterize it.

And the question is placed as follows: How will the regional policy of the community face the income differences, which continue to constitute the structural element of the unequal European Completion, with the limited economic resources which allocates, consequence of lean Community budget? Moreover, the budgetary policy of European Union can be comprehended better when compared to the corresponding policies of federal states, as for example the USA, Canada and Australia, where the expenses of federation cover at least the 50% of total government owned expenses. At the same moment, the Community Budget amounts hardly 2% of total of public expenses in the European Union.

This negative situation has as result, that the European Union slowly begins to give special weight in the promotion of programs of **regional growth**. At least, in theoretical level, the modern regional economic policy, owes very much to the regional policy of European Union. And this because the **Address of Regional Policy** in Brussels, in collaboration with the member states, the regional and local beginnings, processes important statistical data which describe with the best possible way, the dimensions of regional problem.

The statistical data of European Committee are referred not only in the general economic situation of member states, what 222 regions of community, something which we consider very important, for useful conclusions. The treatment and the publication of regional statistical data, have been guaranteed in the article 159 of the Treaty for the European Union, in which it is reported expressly, that per three-year period the Committee is compelled to submit a relative report for the economic and social cohesion in Union.

This reports replace older periodical reports, concerning the situation and the growth of regions.

The Second Report, which is referred to the economic and social cohesion was published in the beginnings of 2001, and includes statistical data for the regional growth and the regional inequalities of European Union.

This interesting report¹¹, the European Committee in her introductory part, marks that the income inequalities in GNP per capita, among the member states, but mainly among the regions, continue to be intense. That means that income of the 10% of population that lives in the richest regions is at 2,6 times bigger than that of the 10% of population that live in the poorer regions. The bigger geographic inequality in the E.E is this between the less developed regions and the rests. the economic activity of European Union is assembled in core, which is extended in the triangle between North Yorkshire in the Britain, Franche - Compte in France and Hamburg in Germany. It is a region which corresponds hardly to the 1/7 of territory of European Union, and lives the 1/3 of population. Nevertheless in this region is produced the half of income of (47%) the community.¹² This has as consequence that the productivity is in the rich

¹⁰ Paroula Naskou Peraki, *The right of international organisations*, Sakoulas, Athens -Komotini, 1993, page 256.

¹¹ Committee of European Communities, Second Report with regard to the economic and social cohesion, Brussels 31.1.2001.

¹² Committee of European Communities, Second Report, VII.

European "banana" 2,4 times bigger than that in the removed regions. While in other comparable economies as for example in the USA, exists better territorial distribution of economic activities.

This has as consequence that the E.E is deprived in this way a polycentric model of economic activities, which is undoubtedly a positive factor for the territorial cohesion of USA, where the territorial imbalances as far as the income and the employment are concerned, are obviously smaller. Inequalities with regard to the unemployment continue to be big enough in the Union. In 1999, Greece, Spain, France, Italy and Finland had rates of unemployment more than 10%, that means that the percentage is twice bigger than Luxembourg, Holland, Austria and Portugal, where the same percentage was under 5%.¹³ the regional inequalities will become more intense. The 10% of population in the problematic regions in 1999 had rate of unemployment 23%, 8 roughly times bigger indicator of unemployment from the affecting regions with unemployment of 3%. Also in 1996, the income of the 18% of population in the Union, that means one in the six residents, were under the limit of poverty, which according to the *EUROSTAT*, is the department of population with income equal or smaller than 60% of total average income of its country. Trying to decrease this negative situation, the European Committee during the period 1999-2000 established objective criteria for the determination of eligibility for regional aid. Thus, the percentage of population of European Union, that is eligible with economic aid was decreased by 46,7% in 42,7%, while the aid has been focused more on the most problematic regions.

In the course of time however, the inequalities have been decreased. More specifically in the countries of Community Cohesion (Greece, Spain Portugal and until some years Ireland), the average GNP per capita has been increased by 68% of total average of European Union, which was in year 1988, and 79% in 1999.

That means that there has been a reduction of initial shear to 1/3. The reduction of regional inequalities between the regions is smaller, something which is owed, partly, to the opening of shear between the regions inside certain member states. On the other hand, there has been observed an important improvement in the infrastructures of poor regions, something which is very important for their long-term prospects of growth.

With the enlargement of European Union, the economic frame will be altered to a large extent. Based on the analysis of the existing situation results that the income inequalities among the states and the regions will be doubled. That means that a Union with 27 member states, will have as consequence, in national level, that above the 1/3 of population lives in countries with income per capita smaller than 90% of total average of the Union, compared to the 1/6 in the current Union of 15.

In national level, in a Union of 27 member states, the countries will be separated in three big categories. The team of richest member states with income above the total average, which will include 12 from the current member states of the Union - all apart from Greece, Spain and Portugal. It will follow a intermediary team, with Greece, Spain, Portugal, Cyprus, Malta, Slovenia and Czech Republic, whose income will amount roughly 80% of the total average and will have a population of 13% of total population of Union 27.¹⁴

The real, however, change compared to the current Union is created by the existence of a third big team, in which will be included the remained 8 candidate countries, whose per capita income will amount only 40% of the total average of EE27. It is a big team, with population that corresponds the 16% of total population of EE27. So, with the enlargement the income inequalities will be considerably increased. This imbalances and their need of confrontation acquires a additional dimension with the enlargement, after the territory of the Union will be doubled, concerning the beginning of the '90's, with the integration of new countries.

The unequal therefore also non-symmetrical growth between states of European Union t will be increased as long as we move to the enlargement. Also, it is certain, that the intra-EC oppositions and the competitions, between the leading countries will be mainly maximized aiming at the complete control of Union.

¹³ Committee of European Communities, Second Report ,VI.

¹⁴ Eurostat

As it appears from the statistical data of *Eurostat*, the income inequalities among the regions are much bigger than the differences between the states-member. For example, the poorer European region of European Union, Ipiros (44%) in 1996 was by 4,5 times poorer than the richer area of Hamburg (192%). That means that "compared to countries that have federal structure, as eg the USA, the regional inequalities in the Community are at least two times bigger"¹⁵. Accordingly the size of Community regional problem, concerning that of USA is much bigger after, "the regional inequalities in the Community are two times more important with regard to the income and three times with regard to the unemployment of that of the United States"¹⁶. Moreover, the poorer regions of rich countries exceed by far the rich regions of poor countries. That means that in the poor countries of Union, in the interior of their regions their economic misery is substantially reshared, while on the contrary in developed states of European Union the wealth is redistributed. It is therefore preferable for somebody to live in a poor region of a rich country, rather than in a rich region of a poor one.

4. Economic and social cohesion and regional inequalities

Undoubtedly, the macroeconomic stability contributes to the achievement of economic convergence. In order high rates of economic growth to be maintained in the regions of Union that fall short, it is important that the structural policies are combined with macroeconomic policies, which will ensure economic stability.

For example the strict economic policy which was applied in the countries of Community cohesion during the 90's, in the prospect of their course to the monetary unification, had as result same for Greece, Portugal and Spain that the inflation was much bigger than the total average of E.U of decreasing itself in 2,5%. Also at the second half of the 90's, the rate of increase of GNP and for the four countries of Community cohesion was above the total average. Consequently, the nominal convergence was accompanied by real convergence. This tendency was observed particularly in Ireland, while the convergence was marked with bigger slowness in Spain and in Portugal. Greece presents more difficulties for economic convergence.

The import of EURO will certainly lead to increased competition reducing the effectiveness of market in a defining factor of economic growth. While the reduction of interest-rates in combination with the reduction of transactions' costs has as result the reduction of capital cost. It is therefore very likely that the capital moves with relative comfort in those regions where the productivity of work and the output are higher, that means that the less competitive countries and regions will be exposed to the inexorable laws of the market. The rise of competition in the frame of European completion and the decreased possibility of protection of local industries is likely to encourage the technological know-how and to decrease still more the demand for not specialised workers.

That means that the economic completion is very likely to lead to the concentration of certain sectors of production to certain countries or even regions so that economies of scale can be created. This negative prospect and decisions which were taken in 1988 and in 1992 for the aid of those regions, which present structural problems, recognizing thus the community that the course to the European Economic Completion will not decrease obligatorily the regional inequalities, and it can at least initially, lead to the enlargement of regional inequalities.

The unequal therefore growth has as result that the community with policies of cohesion helps the most developed regions to profit from the advantages of European completion. In the duration of ten years from the reform of Structural Funds, important changes were marked in the policy of convergence of European

¹⁵Helen Andrikopoulou, *The regions in the European Union, the development of regional policy from the Treaty of Rome until Maastricht*, Themelio, Athens, 1995, p. 93.

¹⁶ Committee of European Communities, *Third Periodical Report*, Brussels, 1991.

Union. The financing by the Structural Funds was almost doubled, between 1989 and 1999, after amounting from 0,27% of GNP of E.U to 0,46%. More specifically, the financing represented for a decade for the countries of Community cohesion that were also the main recipients of the 1,5% of GNP in Spain, 3,3% in Portugal and 3,5% in Greece.¹⁷

the Community financing in Greece and in Portugal represented above 10% of investment, a sum which cannot be considered very high. What however has more importance for the E.U is that, this finally decides which investments will be proposed and which will be rejected. In other words, the "model of" economic growth which they follow the countries of Community cohesion is not defined by itself. On the contrary, it imposes the European Committee. There are big changes which are marked in the international distribution of production and bring the seal of rich countries and their particular interests.

This economic tendencies have as consequence, that the regional inequalities between the member states of E.U to be extended. The present European Union can be separated in two teams of countries based on their GNP. It exists an explicit gap between, Greece, Portugal, and Spain, whose GNP per capita measured in terms of Models of Purchasing Force (PAD), amounts among 67-82% the total average of E.U and, from the other hand, the rest member states, which have GNP per capita close or above the total average of E.U.

The unequal distribution of growth in the frame of E.U, continues to exist, despite the important convergence which was achieved by the three countries of Community cohesion last decade. As total, the per capita GNP them amounted from 69% of total average of E.U in 1988 to 79% in 1999. More specifically, the gap between Spain and Greece and the total average of E.U were decreased to 9-10 percentage units for each country, while for Portugal it was limited to 17 percentage units.

Despite, however that the countries of Community cohesion marked these important results in the field of economic convergence, the European Committee points out that if they continue their growth with these rhythms they will be required at least 20-30 years for the complete obliteration of inequalities¹⁸. Encouraging mark from the viewpoint of convergence constitutes the economic record of Ireland, which while before a decade was included in the countries of Community cohesion with GNP per capita hardly reached the 70% of total average of E.U, today amounted in a level of 14% above the total average.

In the frame of European regional policy the European Council of Berlin (2000), decided issuing 213 twice, Euro in the Structural Funds and the Fund of Cohesion, etc for the period 2000-2006. That means on average, 30 billions of Euros annually. Also the resources which are granted as aid previous to the membership (3 billions of Euros), and are intended for countries what will adhere in the Union period 2002-2006 constitute a additional part of total program of regional policy. The policy of cohesion for the new member states afterwards the integration was fixed progressively it amounts in 2006 in 12 billions of Euros.

The decisions of Berlin (2000), in the frame of EE27, will have however as result the height of financing which is granted for the political cohesion in the current EE15 member states of be decreased from 2006 and of coming back in the levels 1992, that is to say in the 0,31% of GNP of current EE15. From cause of this reduction concerning the previous period, the results of Community intervention in the growth of countries of Community cohesion she will be much smaller than that in the past.

With base therefore this negative developments, it appears practically impossible, for the European regional policy to continue being reliable in the negative frame of EE27, which begins slowly-slowly to be shaped. And this because the economic and social inequalities in the interior of community, will be increased considerably with the imminent enlargement. The demand therefore for the exercise political economic and social cohesion is to intensify itself.

¹⁷Committee of European Communities, Second Report, XIX.

¹⁸Committee of European Communities, *Second Report* o.p p. 4.

5. The inequalities between the regions of European Union. "Central" and "regional" states.

TABLE 1: The more and less prosperous regions of E.U, 1988-1998
***GNP per capita as percentage of the total average of the Union**

Regionals	EE15		EE27
	1988	1998	1998
10%+	155,3	160,9	176,9
10%-	55,1	61,0	31,1
	2,8	2,6	5,7
25%+	134,1	137,1	152,0
25%-	66,6	68,3	44,3
	2,0	2,0	3,4

- ❖ **10%+ and 25%+:** The regions with the highest GNP per capita, which analogue in 10% and 25% of the total population of E.U.
- ❖ **10%- and 25%-:** The regions with the lowest GNP per capita, which analogue in 10% and 25% of the total population of E.U.

SOURCE: Eurostat

The regional inequalities between the regions of E.U are still bigger. The 10% of rich regions in which the GNP per capita is the highest in the E.U, are composed mainly from northern capitals cities and the thriving regions of southern Germany and northern Italy. The enlargement of sample in the regions with GNP per capita above 25% of total average of E.U, has as result the inclusion of many regions of United Kingdom, certain of Austria, Belgium and Holland of Madrid and Rome (Lazio). (Cf. Table 1)

Precisely on the contrary to rich regions are found the poor regions of E.U of the 10% of poor regions are composed mainly from those of Greece and Overseas Apartments of France and include also certain regions in Portugal, Spain and southern Italy. While extending our sample in the 25% of poorest regions of E.U it has as result are included a lot of other Spanish and Portuguese regions, the bigger remainder department of southern Italy and Eastern Germany, as well as certain regions of France and United Kingdom.

The oppositions between the rich (10%+) and poor (10%-) regions are very intense. Rich regions which are found in the top of pyramid, have GNP per capita 60% above the mean of E.U. On the contrary, poor regions which are found at the base of the pyramid, have a medium level in the GNP per capita 40% under the mean of E.U.

In other words, the total of rich regions in which lives the 10% of population of E.U has GNP per capita 2,5 times bigger than the income of poor regions in which it lives the 10% of population of E.U. Proportionally, rich regions which are found above the 25% of the scale allocate a level of income that is double from that of poor regions and which are beyond 25%. Also in the rich regions (25%+) correspond the 1/3 of total GNP of E.U, against the 1/6 which corresponds in the poorer (25% -) regions ¹⁹, existed important convergence at the decade 1988-1998. In the poorer 10% regions, GNP per capita was increased by 55%, from the total average of E.U, to 60%, even if in the poorer 25% the corresponding change has been only from 66% to 68%. This underlines the long-term nature of economic convergence, after the gap between the poorer 10% regions and the total average of E.U, which were only decreased by 1% in the duration of 10 years.

Beyond regional inequalities which are observed in the total of European Union, exist in a lot of cases big inequalities in the interior of member states. More specifically, the

¹⁹Committee of European Communities, Second Report .

divided economies of Italy and Germany constitute characteristically examples. In most however countries, a region, or few only of them, have levels of GNP per capita, which exceeds by far or remain from the national average. For example, the capitals cities, as London or Paris (I de France), tend to have income much higher than the medium level, while in a lot of removed and rural regions, as the Ipiros, Calabria in Italy and Azores in Portugal, GNP per capita is lower enough from the total average.

This non-homogeneous situation which prevails in the interior of member states shows in the best way that the countries of community cannot be considered that they constitute homogeneous economies and that it is very important regional characteristics with erased national tendencies to be examined.

The tendency therefore which pointed out also the First Report of Cohesion, is that the regional inequalities on the course of time continue to be extended.

The recent therefore reduction of regional inequalities, which was probably observed in certain member states is simply circular, since the delayed regions tend they converge more in periods of economic blossoming that in periods of economic crisis. Thus, the real regional inequalities continue remaining, same in certain from the thriving member states.

In Greece for example, while the GNP per capita does not deviate a lot among its 13 regions, however the last years an economic gap has created, between Athens and Thessaloniki from the one side, and the rest country from the other hand. Particularly after the closure of access to the rest E.U via former single Yugoslavia, the harbor of Piraeus and the airport of Athens constitute the main points of entry and expense of trade with the rest world. The permanent shaped situation in the northern borders of Greece has as consequence, that the removed regions also mountainous hinterland remain poorest in the continental E.U.

In Spain, the second in size country of community with criterion the territorial extent, the model of economic growth appears to be differentiated also the interest of economic policy in this country is focused mainly on the confrontation of intense regional inequalities. Thus therefore GNP per capita continues to remain relatively high in Madrid and Catalonia, while during 1988-1998 in that regions the indicator of per capita GNP showed further increase. Also the regions of North, mainly Navara and Pais Vasco, present important economic records. On the contrary regions, which are found in north-eastern utmost the country, as the regions of the undeveloped South, present intense regional inequalities. In north-eastern regions the GNP is increased with rhythms under the Europe average, while in regions of South which are included in the less developed departments of E.U, the increase of GNP is almost zero. That means that proportionally, the regional inequalities in Spain were further extended.

Intense regional inequalities are also observed in Portugal, even if the last 10 years were considerably limited. The economic growth of this country is assembled mainly with the coastal band, Lisbon, Porto and Algarvi.

Italy continues to be a characteristic example of contradiction between North-South. The inequalities here are also intense but also long-lasting. Despite that the northern regions made important economic progress, nevertheless their GNP per capita in the Mezzogiorno continues to sink in 60-70% of the total average of E.U.

Important progress in the increase of GNP per capita have marked the new German confederate small states, in which the rhythms of growth existed particularly rapid at the first years of unification. Nevertheless the per capita GNP in 1998 in the new regions of Germany amounts 68-70% of the total average of E.U.

Provided that they are continued the tendencies of past, will be required enough decades for the obliteration of regional inequalities in the present European Union. More specifically, while the regional economies it is possible they converge temporally in their own level of balance of GNP, nevertheless does not exist no necessary reason for which the process the proper will be supposed to lead to convergence with the level of per capita GNP of European Union

6. Integration of new states-member (EE27) and the doubling of regional inequalities

It would be exceptionally useful if we investigated inequalities in the levels of economic growth, which would result in the community, if all the candidate countries could be included with the member states in the current EE15.

In the E.U of 27 member states based on per GNP capita, distinguish three teams of countries instead of two which we distinguished up to today²⁰. The first team constitutes the current states of EE15, except for Spain, Greece and Portugal, whose GNP per capita exceeds at 20% the new parked average of EE27. The second team consists of the current states of Community cohesion, Spain, Greece and Portugal, plus Cyprus, Czech Republic and Malta, with GNP per capita between 68% (Czech Republic) and 95% (Spain) the mean of E.U 27.

The Third team of countries includes the rest eight (8) candidate countries with GNP per capita under the 40% of total average of EE27, with the exception of Slovakia and Hungary which GNP per capita is found among 56-58% the total average of EE27. (cf. Eurostat).

Consequently the imminent enlargement with the labyrinthian regional inequalities, will constitute a big challenge for the European Regional Policy, and the policy economic and social cohesion.

Firstly the enlargement overdoubles the population of European Union which lives in regions with GNP per capita beyond 75% of present mean of E.U this number will amount from 71 millions today, to 174 millions residents, or otherwise from 19% of total of EE15 to 36% of total of EE27.

Secondly, it will increase the intensity, or otherwise, the scale and the size of regional inequalities. Thus therefore in 1998 for the delayed regions of EE15 the per capita GNP was on average in the 65% of means of EE15. With the enlargement the per capita GNP of delayed regions of candidate countries they was found roughly in the 37% of means of EE15.

The interlacement therefore rich and poor regions in the EE27 will complicate more the regional inequalities in that department of Union which constituting the poor countries. Potentially we found itself front in a contradictory form of distribution of misery.

The incorporation of 12 candidate countries will not have no essential result that report the economic identity of rich countries as regions with the higher per capita GNP in the EE15. Contrary to the other side it will radically alter the composition and the relative level of income of countries and regions with the lower per capita GNP.

Also, with criterion the population, the poorer 10% of regions, in the extended EE27 it will be composed almost entirely from the regions of Eastern Poland, Bulgaria and Romania with Lithuania and Latvia. The 25% of regions with the lower per capita GNP will include almost all the regions of candidate countries and most regions of Greece, the Azores and the Madeira in Portugal and Andalucia and the Extremoyda in Spain.

It is equally remarkable, how much GNP per capita has decreased for the poor regions the (10% -). From 61% of European total average in the EE15, is descended to 31% of total average in the extended EE27. Thus therefore, while up to now, only Ipiros has income lower than the half of the total average of E.U, in a extended EE27, roughly 79 millions individuals will live in regions with GNP per capita lower than this of Ipiros. (cf. Eurostat)

In an extended EE27, the inequalities in the level of member states, based on their GNP per capita will mark elation. More specifically the reason why rich and poor countries in the EE27, will be roughly double than the one which is in effect in the EE15. In regional level riches (25% +), in a extended EE27, will have an average level of GNP per capita 3,3 bigger times from that of poor regions (25% -), contrary to the present proportion in the EE15, who is 1,9 times. Finally, the richer regions (10%+) after the enlargement will have GNP per capita 5,3 times bigger, from that of poorer regions (10% -), compared to the present proportion who are 2,4. (cf. Eurostat)

The enlargement of E.U to the countries of Central and Eastern Europe will alter importantly the current picture of the Union, overdoubling its territorial extent concerning this in the beginnings of the 90's , strengthening the validity of model

²⁰ Commission of European Communities, Second Report.

centre-region, which will be strengthened with the integration of new member states. This only causes new challenges for the territorial cohesion, given the continuous importance of restriction of regional inequalities.

Recent studies on the repercussions of incorporation in the regional balance of European Union have stressed the need for accompanying policies, so that a potential enlargement of inequalities between the more powerful and worse regions can be avoided²¹. In conclusion, based on the acceptance that the economic space is characterized by important economies of scale, other positive and other negative, and does not appear that the forces of market, from, are in place to counterbalance the positive and negative repercussions, so that they lead to a balanced economic growth to the total of European Union. Therefore while the concentration of economic activities in the more powerful regions medium-termly probably leads to bigger efficiency of production to the E.U, this however turns out to weight long-term competitiveness of economy of Union, as far as it harms the productive potential of worse regions and limits their faculty to develop their comparative advantages.

Consequently, the economic activity in the European Union continues to remain to a large extent assembled with a relatively small central region, with result the vertical increase of cost of congestion, higher wages, economic imbalance and opposition of center-region. In the extended EE27 are distinguished three totals of regions:

Underdeveloped regions, with high participant in the agricultural sector, share of attendance in employment industry above the total average, and low employment in services. This regions are mainly situated in southern member states and in countries of Central Europe except for Czech Republic, Slovakia and Hungary. Also, while the agricultural employment in E.U is found beyond 5% of total, in certain regions in Spain and Portugal, are above 15% and in regions of Greece and in the most removed Eastern departments of candidate countries, are above 20%.

Regions with high employment in the industry. Many of this regions are found assembled with a central arc, which is extended by the West Midlands of England, Eastern France and northern Spain, via means of southern Germany and northern Italy in the Republic of Czech Republic, Slovakia and Slovenia. Many of these regions, however are thrived, many are not, reflecting the big fluctuation in the added value from the various manufacturing industries.

Regions with high employment in the services. It is regions which the share of employment of in the tertiary sector of economy amounts in the 70% or even more. Most of this regions are thrived and they include enough capitals in the North of E.U. Also, in this category are included regions in southern France, Spain and Italy, what they have relatively low levels in the per capita GNP, but the employment it is assembled in the basic services, many from which they supply the tourist growth²².

7. Conclusion

Based on the Marxist dialectic method of economic, social and political phenomena analysis, we approached the European unification. Moreover, the Marxism, constitutes a better methodology of capitalism's criticism, and at extension of capitalistic completions. The Marxism "has the possibility of analyzing better present because it sees the future, because the more you read so much better you see what runs under your nose"²³. Following the dialectic method, from general, to the expert, and reversely, we lead to a line conclusions, which come contrary to the sovereign place which is possessed by the perception of "neutral" and classless European Completion. We did not stand in a simple description of the phenomenon, as would make the father of German idealism Hegel or Feuerbach, and is repeated today in all the tons from the supporters of unequal European completion, but faces dynamically the phenomenon, in his prospect of change, restoring the unit, person and

²¹ *See "Integration and the regions of Europe: how the right policies can prevent polarisation", Braunerhjelm et al.

²² Commission European Communities, **Second Report**, p. 38.

²³ Giorgos Roy'si, *Communism end? Or the beginning of history*, edk. STAHY, Athens, sel.24.

society. Nevertheless, the marxistic methodology does not constitute a method of neutral recording, but revolutionary confrontation of reality. The European unification under capitalistic arrangement, cannot in any case "be the end of history" or the "end of ideologies".

In our research the European unification is interpreted with criterion force. As long as more possible economically and politically he is a country member of Union, so important is her place. Which type equality therefore it can exist, between Greece and Germany when this country does possess above the 30% of percentage composition of **EURO**, and does Greece participate hardly with 0,5%? Germany, the hegemonic economic force of European Union, characterized by huge economic growth, which is pressed by its big commercial surpluses of her balance, having shatters the European economies, comes out in the world fixation seeking there her hegemony. This country is very careful in the increase of Community budget, appears to prefer the growth of Germany from the growth of Europe. It alleges with the other countries of industrial North, that it overwhelms huge sums for the support of structural policy of Union. Our research led to the conclusion that this countries overwhelm that to them it corresponds, and then mainly via the market him they collect multiple.

In the frame of European unification, take place the big conflicts among the separate states nations. When it predominates a force and when the other. Initially we have the French sovereignty in the then EEC, today we see clock changing to profit of Germany, the country that caused so much pain only the 20th century two times Europe and the world entire and raised the fascism. All these today strike very distantly, the market the big school capitalism, appears to lead the developments, and to be changed in big crucible, which in his altar profit scatters the eternal oblivion, in the crimes at the humanity.

Germany wants to erase, from the modern political history of Europe, its crimes, and this initially was attempted through the force of mark, and then via the *EURO*. The hard core of European unification is disputed on the other hand, that means that the workers of member states of European Union, which resist in the unequal European unification.

The European manufacture under German hegemony, has as consequence, the "small" regionally "member states the Union progressively they lose their national substance. In opposition with the "central" hegemonic member states which are strengthened the economy devaluation of worse "regional " member states of Union appears to constitute result of unequal growth. Moreover in the frame of European Union, does not only exist Community interest, but individual national interests. With this significance nations are developed also nations are marginalized.

The income inequalities in at head GNP, among the member states, but mainly among the regions, continue being intense. In the region of London at GNP it amounts in the 243%, the means of Community GNP, against 42% of Continent. That is to say we have a difference between the two extreme regions at 5,8 times. Something which is not observed in the federal states. In the USA the income differences seldom exceed double. This negative situation, will be worsened still more with the imminent enlargement of European Union, to the countries Central and Eastern Europe.

The unequal European unification appears to be also strengthened via the decentralized policy of Community Frames of Support. This programs of are limited character, and remain by far even the postwar drawing Marshall. The market and only the market leads unequal European unification, and in no case the lean Community Frames of Support.

The general conclusion of article, can be formulated as follows: The economic-political phenomenon of European unification, corresponds in objective tendencies of movement and growth of economy, which is permanently internationalized. The economic completions constitute uncontradictable physical laws of our capitalistic era, and are result of international competition. The efforts of imperialistic countries for world hegemony, it ties up in their chariot, the small states, as wagons in train. The competition is intense, the wars is carried out when concealedly and when they burst out openly. In this frame of international competition, functions also the European

unification. Future uncertain. General critic the mother of history. The fight of orders, and her necessary supplement in her extreme expression. Violence.

8. Bibliography

1. Andrikopoulou Helen, "*The regions in the European Union, the development of regional policy from the Treaty of Rome until Maastricht*", Themelio, Athens, 1995, p. 93.
2. Committee of European Communities, *Third Periodical Report*, Brussels, 1991.
3. Committee of European Communities, *Second Report with regard to the economic and social cohesion*, Brussels 31.1.2001.
4. Dyson Kenneth, (ed), *European states and the Euro, europeanization, variation, and convergence*, Oxford university press, 2002.
5. Dyson Kenneth, *The politics of the Euro-Zone stability or breakdown?* Oxford university press, 2000.
6. Karkeli Goulielmo, "The Euro product of international competition", *BEFORE*, 20/1/2002.
7. Kolmer K., "Intergovernmental or federal is nowadays the European Union", *MACEDONIA* 11/6/1995.
8. Naskou Peraki Paroula, *The right of international organisations*, Sakoulas, Athens - Komotini, 1993, page 256.
9. Roy'si Giorgos, *Communism end? Or the beginning of history*, ekd. STAHY, Athens, 24.1991.
10. Werner Bonefeld (ed), *The politics of Europe Monetary Union and class*, Palgrave Publishers Ltd 2001.