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**Book Part**

## Regional specializations in the European space

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Philippe Rollet

## Regional Specializations in the European Space

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### **Preface**

Reflections on the analysis of the impact an integration process has on the location of activities and the international specialization have a very old tradition. Theoretically there are two reference points:

- on the one hand a reflection initiated within the scope of the customs union theory (Viner, Meade) on the most favourable or unfavourable character of the (sectorial or geographic) specialization changes caused by an integration process;
- on the other hand a reflection initiated by the works of Balassa on the nature of the specialization process, both intra-branch or inter-branches.

The works developed since the early 80s have, more or less, pursued these two traditions. The analysis of the most favourable character of the Specializations has been pursued along with the analyses of the consequences the choice of specialization may have on the growth, depending on very different theoretical points of view (models of endogenous growth, models of “Kaldorian” growth drawn by the foreign trade, but also the analysis of sectorial shocks within the meaning of the theory of most favourable monetary zones...). A considerable refinement, especially on the empirical level, of the analysis of cross trade or intra-branch has been realised by taking into account the great extent as to both the vertical and the horizontal differentiation.

These works as a whole have nourished the reflection on the consequences the realisation of the single market and the monetary union may have on the spatial partition of activities in Europe and on certain aspects of their consequences (growth, employment, revenue). These different works have been carried through also within the scope of two application fields which were mutually reinforced by the development of the geographic economy, the international as well as the spatial and regional economy. Therefore the richness of the theoretical and empirical analyses leads to very uncertain results, and two visions are differing as to the consequences of economic integration on the spatial and sectorial evolution of the production systems.

The first reflection has initially been developed by the international economy. All works governed by the methodology of Balassa and Grübel and Lloyd have shown the strong growth, since the beginnings of the European construction, of the trade of similar products and of the intra-branch specialization. The hypothesis prevailing for some time, as is also found e.g. in the Emerson report on the consequences of the single market, is the hypothesis of the sectorial convergence which would accompany the macro-

economic convergence; the countries becoming more and more similar, especially in terms of their factoring endowments, would more and more produce and exchange similar products. The European economies would thus, on the level of the important branches, become more and more similar and the production systems more and more diversified. The European space would be characterised by specialization and intra-branch trade which would reduce the consequences of sectorial shocks considerably and facilitate functioning of the economic and monetary union.

The second reflection has been developed in terms of heterogeneous competition models (in the 80s), then of geographical economy (in the 90s). The presence of economies of scale, the margin of fluctuations of transaction costs are suitable for favouring the accumulation of activities and thus reinforcing the inter-branches specialization of the countries. Krugman, e.g., has taken into consideration that the process which had applied for the U.S.A. (specialization of the American States in a small number of activities) could develop in Europe.

These two visions lead to two scenarios diametrically opposed with very different economic consequences, as the specialization points of view are not neutral influencing growth, employment, the capacity to handle shocks within the monetary union; it is therefore of essential importance to examine the factors which could favour the one or other. A probable hypothesis may be that these two visions complement each other. In fact, when being interested in the nations, the European economy is not homogeneous and the enlargement towards a Central Europe will reinforce this heterogeneity. Which will facilitate the coexistence of different specialization models which is presently the case in other countries (intra-branche in most of the countries, inter-branches in the other ones). When being interested in the infra-national spaces, regions and territories, this becomes even more true. The regional disparities are very strong within the nations, between the nations, which would favour regional inter-branches specialization.

## 1. Factors of National and Regional Specialization

Here the approaches of the international economy and the geographical economy have adopted different approaches for examining the determinants of the spatial partition of activities. The international economy emphasizes the analysis of the specialization phenomenon. Why does a country favour certain production or service activities? The geographic economy is more interested in activity location factors considered in its globality in certain points of the space, but without being too much interested in the sectorial structure of this activity. Both of them do therefore a priori complement each other.

### *The Geographic Economy and the Partition of Activities within the Space*

Before pointing out important features as factors of the spatial location of activities, the still fragile character of the results of the geographic economy should be noted. As underlined by numerous authors (Fujita and Thisse 1997, Gérard-Varet; Mougeot 2001), there is no “theoretical model allowing to explain the economic scenery of very diverse societies”. The models are partial ones since they favour each of the strong, and of course different, hypotheses on the target functions of the economic subjects and on the spaces involved. The regional analysis is often confined to two zones taken into consideration (e.g. a rich centre and a poor periphery in the manner of the North-South models of international economy), the balances are multiple and susceptible to minor modifications of the hypotheses on the economic environment, the relevant dimension is absent thus rendering all approaches in terms of economic policy difficult. This criticism certainly applies to a lot of fields of economic analysing (international trade models in

terms of heterogeneous competition, models of the co-ordination of economic policies e.g.) and is typical of the new approaches. Nevertheless the conclusions are solid as to the factors influencing the location of activities. In this respect the geographic economy distinguishes centripetal forces applicable in terms of observed polarisation of the territories (the blue banana phenomena) and centrifugal forces correspondingly opposing.

The polarisation factors have been analysed e.g. by Jayet, Puig and Thisse (1996). Three factors are being distinguished:

- the arbitrage between the economies of scale and transport costs (or, in a wider sense, the different transaction costs). Should the economies of scale of any kind (due to research development, equipment etc.) be important and transport costs weak, the tendency shows the spatial concentration of activities which explains the shifting of a model of activity dispersion (19<sup>th</sup> and early 20<sup>th</sup> century) towards the contemporary model of polarisation;
- the roles of positive externalization: communication externalities, disposition of specialized and common inputs (basins of qualified manpower, service activities, existing infrastructures in terms of research and education);
- finally the phenomenon of spatial competition: price competition slowing down, spatial competition of activities will reinforce.

Two series of centrifugal forces can be brought forward:

- the concentration of activities can produce negative externalities: pollution, traffic congestion;
- the concentration favours the rise of real estate prices (land, housing) and the factoring prices; it thus favours a more “egalitarian” spatial partition, the new potential competitors (companies, households) thus being increasingly induced to move towards the periphery.

The combined game of these agglomeration and dispersion forces can certainly favour a lot of partition structures of the economic activity within the space and, in particular, of the polycentric structures.

The models underline also the importance of history, of the initial situations. Should on the one hand, and this is important for examining the consequences of the modification of economic environment set forth by the economic and monetary union, the activity be initially partitioned homogeneously, this will complicate the game of centrifugal forces and the activity will be able to remain spatially diversified. On the other hand, the processes are cumulative or self-preserving: there are limits above which locations entail locations.

An important question refers to the sectorial composition of this activity and the model of regional or territorial specialization resulting. For answering this question an exact typology of the sectorial activities is necessary. The report of the team “Géographie Économique” of the Commissariat du Plan (Maurel, 1999) opportunely states that Weber (1909) had initiated an analysis distinguishing the activities for fixed location determined by natural advantages, then the activities working for diffuse location if transport costs are high, finally the activities for free location. As far as we know, such a work, of essentially empirical nature, has not yet been developed for contemporary economy and there are only approximate ratings available, sufficient for the theoretical models, but insufficient when an exact analysis and description of spatial partition of the activities within a space like the European Union is desired. The centrifugal forces therefore a priori apply in terms of spaces (city, region), and the centripetal forces

are applicable with a variable intensity depending on the activities: the needs for high technology services, for qualified manpower, the importance of significant economies, the inter-dependent relations between different activities are much varying from one activity to the other. From this can e.g. be deduced a tendency towards the concentration of high technology activities, of input or specialized services (e.g. qualified manpower) requiring activities or activities showing an increase in earnings in the Centre (or the North), and intensive activities in terms of less qualified low-wage work in the periphery (or in the South). This conclusion very much corresponds to the conclusions which can be drawn from the traditional approach of international trade. The other conclusion refers to the fact that, should the agglomeration forces prevail, the regional specialization could be of inter-branches nature.

### *Conclusions as to International Economy*

Certain complements can be added by the – ancient or recent – developments of international economy to the specialization determinants and to the characteristics of intra-branch specialization.

Should the new models of international economy in terms of heterogeneous competition have emphasized the same factors as the spatial economy by insisting on the major role on the part of the important industries, the traditional analyses of international exchange have contrarily examined the impact of other factors of international specialization or location activities: factoring endowments (capital, work of different qualifications, natural resources), technological capacity (volume and orientation of research and development expenses), the sectorial productivity differences. It is very often considered that these are the determinants of the traditional comparative advantage and that these factors are particularly pertinent for understanding the phenomenon of inter-branches specialization. The development of intra-branch exchanges observed with a lot of industrial countries – in fact, more the important European countries than the U.S.A. and Japan – has resulted in minimizing the margin of fluctuations of these factors. It is true that the empirical tests carried through in the countries have lost some of their explanatory power. The estimates made for the 60s and 70s strengthen the traditional approaches, the recent tests are both rarer and less convincing. This can be easily explained; the traditional approaches emphasize the international differences as explication of the exchange; the convergence process particularly observed between the principal European countries has reduced these differences – has, however, not necessarily made them disappear – and has favoured the margin of fluctuations of other specialization factors (economies of scale, characteristics of demand) which have well been analysed by new approaches (life cycle of the product, approaches à la Linder, and, of course, models of heterogeneous competition). Therefore a conclusion as to the obsolescence of these approaches would be at least rash:

- these approaches retain their explanatory power as soon as the international differences (productivity, salaries, factoring endowments, research and development) become noticeable. The neo-factoring approaches explain the important tendencies of North-South trade very well; the tests of neo-technological approaches (CEPII 1998) clearly show the specialization differences in the high technology sectors, even within the triad (U.S.A., Japan and EU countries, the latter obviously keeping in the background of their competitors); empirical analyses of the foreign trade data of the EU show that certain countries still have an inter-branches specialization (Portugal, Greece) and that others are in a medium position which does not develop on a long-term basis (Italy). It is probable that the enlargement towards the East will

make the new member countries, at least within some years, develop a more inter-branches specialization;<sup>1</sup>

- the specialization phenomena are not bogged down. Recent works (Mitelfart-Knarvik et al. 2000) suggest that the differences between the sectorial structure of the production of each of the European countries and the medium structure of the Union had diminished until the mid-80s, but had grown again since that time; the same works try to characterise the specialization structures of a more qualitative nature and underline the differences between the countries: the important EU countries (Germany, France, Great Britain) would thus be more specialized in activities in the fields of high revenue, high technological intensity and of qualified manpower, but the differences as to certain countries, particularly Ireland and Finland, would, especially in the high technology sectors, decrease;
- numerous empirical works (De Nardis 1996) argue that the Specializations are more obvious on the regional than on the national level; production structures would there be less diversified and inter-branch specialization would prevail; within the same meaning other works point to the existence of a process of convergence between the nations within the EU, and to the maintenance of the disparity observed between the European regions thus favouring an inter-branches specialization between themselves.

In the same way recent empirical works (e.g. Fontagne et al. 1998) show that the progression of intra-branch trade observed in Europe is based on a vertical differentiation of the products, the intra-European exchanges mainly being cross exchanges of products of different quality. One may think that the production processes realised for different qualities are also differentiated (more or less intensive as to technology or qualified manpower), which lends again more weight to the specialization factors brought forward by the traditional approaches. In the same sense a specialization of a very differentiated spread within the European Union can be observed. The northern countries show structural export surpluses in terms of high performance products (but with perceptible differences between themselves since Ireland and Germany clearly outstrip Denmark, the Netherlands, Sweden and France) or of medium performance (Finland, Benelux and Austria). The southern countries are particularly specialized in low performance products.

Therefore, when making use of analytical classifications different from habitual statistical classifications, e.g. by giving preference to the quality of the products (measured according to the unitary value indexes), technology contents, factoring contents (more or less intensive processes in terms of qualified labour), more differentiated visions are achieved: the specialization features are rather different even within the richest countries of the European Community as a whole. Which suggests that the specialization forces are not only a phenomenon of important economies, which the new models have very much emphasized.

The variables which have just been examined to some extent constitute market forces. They suggest that inequalities are standard, before all between the regions, and that on medium term situations can change, sometimes slowly when taking into account the historical importance, sometimes quickly if the economic environment changes extremely. The game of these market forces can be modified by economic policy. We often think of the impact of industrial location policy on regional and local level, or of the

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<sup>1</sup> The example of Spain shows that structures can sometimes also develop very quickly.

impact of industrial policies on national level controlled by or carried through within the scope of local government policy. But within the European monetary union constituting one of the major changes of economic environment, special attention should also be attributed to the evolutions of the real foreign exchange rate since they affect, in a manner not to be neglected, the international evolutions of competitiveness and specialization<sup>2</sup>. Within the Euro zone the maintenance of disparities as to the evolution of the inflation rates can be expected which will thus be shown by real revaluations for certain currencies, devaluations for others and thus modifications of the competitive price which will differently affect international trade and the production of the sectors – and therefore the Specializations – depending on price elasticities. The phenomenon will undoubtedly be even more remarkable in the relations with the rest of the world: the evolutions of the rate of exchange, particularly as to the U.S. Dollar, are far from correcting the inflation differences; the purchasing power parity is at best just a tendency at very long run, and the persisting phenomena of monetary over- or undervaluation will have to be taken into consideration. Those countries or regions specialized in activities where the competitors are guided particularly by the prices (activities of low spreads, e.g. intensive activities in terms of manpower) will be particularly susceptible to these evolutions. This phenomenon should particularly concern the New Member States and candidates of Central or Western Europe (Rollet 2002).

## 2. Non-Neutrality of Specializations

When being interested in medium and long-term effects, the orientations of international specialization, on regional and national level, affect the economic results of these different spaces thus not being neutral. The models of endogenous growth and international economy, developed since the mid-80s, put forward the cumulative processes, either favourable or unfavourable depending on the orientations of international specialization. E.g., the analyses of Grossman and Helpman show that the specialization is favourable for the growth if taking place in the high-yielding sectors, especially the sectors of high technology, and unfavourable when being orientated towards the low-yielding sectors. The process is largely cumulative and an initial advantage may undermine the difference. In order to explain these cumulative dynamics, these new approaches emphasize the major economies (or, more generally, the externalities) or the activity of research and development. The intuition and the mechanisms are rather simple. The specialization in an activity of strong major economies – with productivity gains increasing and unit costs decreasing depending on the size – allows to improve competitiveness, to win new parts of the market and to draw supplementary competitiveness gains. At the same time all this favours reinforcement of the specialization and, thanks to productivity gains and increase of production, of growth. Therefore the exchange gain is not static (reallocation of resources, increase of the diversification of products e.g.), but dynamic since it favours growth. This gain is of unequal profit for the countries depending on their specialization. The taking into consideration of the knowledge accumulated leads to the same results. The approaches of the technological difference of Posner and Hufbauer already underlined that the technological lead, originating from the specialization of certain countries in high technology activities, tends to support itself. On the one hand, those countries being able to dedicate important resources to research and deve-

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<sup>2</sup> This problem has not sufficiently been studied in the literature. The Ricardian models à la Dornbusch-Fisher show that modifications of the exchange rate can affect the competitive price, but also the partition of Specializations between countries.

development benefit from a large potential of researchers and can protect themselves by good patent legislation, they are systematically the first ones when new products or new processes are concerned. On the other hand, those companies having a technological lead realize profits allowing them to finance new research. Innovation thus produces innovation, and the technological difference remains, even increases. The models of endogenous growth complete this approach. On the one hand, research and development do not drop from the sky and they are a factor of important growth. They are not only for the benefit of the individuals developing them, but for the society as a whole along with an increase of the store of knowledge of public character. On the other hand, the link is assured with the new approaches of international economy by examining the links between the growth and the variety and quality of the products marketed.

The specializations not being neutral and in different manners influencing growth and thus, in the end, employment, it will therefore still be important to wonder about the typology of products allowing to appreciate in a more concrete form the consequences of the development of certain economic activities within national and regional spaces. What matters is to more and more reflect upon the regulative mechanisms of the dynamics more or less virtuous of the specialization related growth. Economic reflection is necessary in this respect, and it is doubtlessly useful to recall certain ancient works. The works carried through in the 60s, particularly by W. Beckerman<sup>3</sup>, examined the relations between international trade and growth setting force the circular causations – in terms of competitiveness, productivity, export growth – generating growth dynamics of the most different kinds depending on the countries. Being of post-Keynesian inspiration these works are based particularly on the application, within the scope of foreign trade, of one of the laws of Kaldor and Verdoorn – “the growth of productivity is produced by the growth of demand; its expansion in fact allows a better exploitation of major economies and has a stimulating effect on the process of innovation”. This virtuous dynamic is as follows. On the one hand, the enlargement of the market improves the general conditions of the functioning of economy: the reinforcement of the competitive process favours the productivity gains, the innovation and thus the process of economic growth. On the other hand, the reallocation of productive resources favours the phenomena of specialization and a better exploitation of the comparative advantages by the countries. The companies therefore try to benefit from foreign demand by developing investments and production. Productivity gains will appear, in particular in the industrial field, thanks both to the major economies as well as to the technical progress associated with the development of production (induced technical progress, phenomena of learning process) and will have a depressive effect on the costs, at least for the time when they are not compensated by salary increases or other regulative mechanisms. Competitiveness will therefore grow allowing a new development of exportations. The countries are thus dragged into a virtuous circle of improvement of the competitiveness, of growth and of productivity. These approaches underline also the fact that certain countries are not able, for different reasons – the maintenance of exchange obstacles, a lack of competitiveness, the bad adjustment of their products to world demand –, to benefit, or they benefit less, from the initial stimulation caused by the export development.

Discussions around these models have specified the game of the regulative mechanisms<sup>4</sup>, the cumulative circles can disappear, even be reversed for different reasons:

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<sup>3</sup> It initially had been the matter of explaining the permanent divergences of economic growth between Great Britain and the six founder economies of the European Community.

<sup>4</sup> For a presentation see Ph. Rollet (1990)



- production increase inevitably leads to pressure on the labour market – this can be the labour market of a special sector, and this phenomenon can therefore occur even in connection with unemployment – and to salary increases which can more than compensate the productivity gains and entail deterioration of competitiveness;
- the major economies are not infinite, even when observing that the optimum size tends, along with the technical progress, to grow;
- the outlook for demand, the expansion of selling markets and therefore the increase of parts of the market are not unlimited;
- finally, the economies which benefit particularly well from these virtuous dynamics generally know of the foreign trade surpluses and, consequently, sooner or later, of a valuation of their currency reducing their price competitiveness.

The profound causes determining the divergences between countries are not really precise in these analyses, except concerning rather vague references to the differences of comparative advantages. The above stated new approaches have gone farther by emphasizing the importance of a specialization in the activities of gradual proceeds or in the activities of high technology, but useful complements can be found in certain essentially empirical works, carried through in particular in the 80s in France, on the quality of international specialization of the principal industrialized countries and thus on the links between the Specializations and macroeconomic performances of the countries. Two important complementary approaches can be distinguished:

- one of them has emphasized the role of driving activities thus pursuing the initial works of F. Perroux (1950). The driving activities are those achieving the highest growth rates – since they benefit particularly from a stabilized demand –, but also and before all those having driving effects on the rest of the economy, effects which are especially linked with the creation of products or new production procedures, and new activities leading, upstream or downstream, to an increase of productivity. In the train of these reflections emphasis has been laid on the existence of strategic activities being situated in the heart of the principal production branches, on the special role of certain fixed investment goods defining the production standards and of the competitiveness of other sectors – robot technology, goods for producing the other goods (Mistral 1978);
- the other approach, developed by the Centre d'Études Prospectives et d'Informations Internationales (CEPII) (1998), underlines the importance of a specialization in “progressive” activities marked by a strong growth of world demand. In fact, such a specialization favours three mechanisms:
  - the dynamic of exportations favours the virtuous circles described above;
  - the relaxation of the exterior constraint: with an unchanged price competitiveness the trade balance will tend to improve when exportations concern products – or clients – the demand for which grows strongly, and the importations of products showing a weak growth<sup>5</sup>;
  - the constitution of competitiveness priorities, since the reinforcement of the commercial situation of sectors where the specialization takes place is profitable for the rest of the economy by opening a huge internal market to upstream sectors which can thus increase their competitiveness thanks to the major

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<sup>5</sup> As in the models à la Thirlwall, of course, the well specialized countries have revenue elasticities of strong exportations and revenue elasticities of weak importations; the growth rate compatible with the equilibrium of the trade balance is therefore higher than the growth rate of other countries.

economies by contributing, in the same manner, to the decrease of the production costs of the downstream activities.

From all these works, which would merit some empirical studies, follows the idea that the specialization changes being normally the rule as far as the introduction of new products and new varieties, changes of factoring endowments or productivity conditions and the appearance of new competitors are concerned – do have repercussions on the economic growth, national or regional, and therefore on the process of convergence. They also set forth some appreciation criteria: the importance of driving activities, high technology activities, activities towards strong major economies and activities borne by a strong external demand.

### **3. Effects of Economic and Monetary Integration on National and Regional Specializations**

Just as the establishment of a customs union and of elements of a common market has profoundly affected the partition of activities within the European space during the first two decades of the European construction, also the establishment of the economic and monetary union – the achievement of the common market and the monetary unification of a large part of the European space – is susceptible to modify the economic geography in Europe. The previous developments lead to two series of conclusions.

On the one hand, the working forces, as far as being sufficiently identified, have a complex effect and can entail very different configurations. When being interested in location factors, the agglomeration factors seem to prevail. The existence of growing graded proceeds, positive externalities and the reduction of transaction costs explain the spatial concentration of certain types of activities. The economic and monetary union could amplify the interplay of these forces: the achievement of the single market facilitates the exploitation of major economies, the standard currency makes disappear the transaction costs and uncertainty and unifies the markets. Generally the standard currency makes the exploitation by particular competent enterprises, attached to the infra-national spaces (cities, regions) easier. The fact that the unification of the market will never be complete should nevertheless not be underestimated: obstacles will persist due to difficulties as to the application of the principle of mutual recognition or to the rules of opening of the public markets, and there will generally be a “frontier” effect (comparable with the transport costs) persisting which favours a dispersion of activities.

The combined game of specialization and agglomeration forces must also be specified. Even if it seems as if this would be a certain kind of activities agglomerating (high technology, strong major economies, intensive activities as to qualified labour), the consequences for the national spaces are not evident: the assimilation of the agglomeration and the inter-branches specialization, the dispersion and diversification are not just chance. Various configurations are possible. One extreme would be that the agglomeration takes place in numerous centres of the North, and the other activities settle down, in a more or less concentrated manner, in the South; this would favour an inter-branch north-south and an intra-branch exchange within each space, and thus between the countries of the North or between the countries of the South. Another extreme would be that the agglomeration takes place also in the South and the countries would therefore appear diversified assuring between them the exchange of similar products. In these two cases, and in intermediary cases, one should beware of a naive vision of the specialization schemes. The differences between the countries, more or less marked depending on the blocs of countries involved (e.g. the advanced Northern countries, the applicant

countries, certain Southern countries in an intermediary position like Spain), can produce both inter-branches as well as intra-branch exchanges: intra-branch trade is based on vertical differentiation (exchange of products of different qualities), and the countries can be prepared for a variety of different products or different technological standards.

On the other hand, irrespective of the spatial configuration of the activities, these will affect global performances of growth and employment of regions and nations. They will be able to emphasize the differences or, on the contrary, favour the convergence process, thus raising the problem of economic policies: should they correct or accompany e.g. the agglomeration forces, on the basis of which criteria (efficacy, equity), and on which level should they be carried through?

For advancing on these tracks, the method of the scenarios seems to be pertinent. This is the attempt particularly initiated by the “economic geography” team of the Commissariat du Plan in France. This team distinguishes two polar scenarios in order to elaborate a third one constituting the central scenario.

The first scenario is a scenario of agglomeration. This scenario is based on the transposition of the location scheme of the activities, prevailing in the American space, to Europe. The economic and monetary integration would reinforce the interplay of agglomeration forces and lead to a strong differentiation of the European space. The metropolises in the heart of Europe would absorb the essential of the “noble” activities towards growing proceeds and strong intensity and thus a very qualified population. The peripheral regions would absorb the economic manpower-intensive activities and services industries. The different regional blocks would be sectorially specialized and would exchange according to an inter-branches scheme.

The second one is a scenario of diversification. It emphasizes for its own part the tendency, observed since the beginnings of integration, of intra-branch trade development and claims the persistence of the dispersion of activities within the European countries. It is based on the idea that the conditions underlying the first one would not be fulfilled due to e.g. a too weak reduction of transaction costs (e.g., the monetary union would not enlarge), the “burden of history” and thus the influence of former specialization models, and the maintenance of obstacles to exchange or to the mobility of the factors.

A central scenario combines these different hypotheses and suggests at the same time the diversification of nations and the specialization of regions. It can be regarded as the scenario of tendency continuation observed by the geographic economy on the one hand, and international economy on the other hand. In fact, it suggests that the national concept remains a pertinent notion for analysing the spatial partition of activities and therefore the existence of different forces in terms of nations and regions (the agglomeration forces being essentially pertinent inside the frontiers). Two remarks concerning this scenario:

- the forces which would limit the agglomeration phenomena to the frontiers – the weak mobility of factors, the different cultures and national peculiarities of any kind – must be specified and the formation of Euro-regional blocks should undoubtedly not be excluded; also the nature of interactions between national and regional Specializations must be specified;
- the diversification of the nations should not be understood strictly within the meaning of the traditional intra-branch notion; if the regional production systems are more diversified since they are the sum of regional Specializations, the important differences between countries persist, as has been underlined; in an enlarged European space these differences will strengthen somewhere else.

Those scenarios do not have a predicting significance; their heuristic value is undoubtedly more interesting for analysing the desirable orientations of various policies (of technology, regional planning, regional policy), and their establishment, depending on the principle of subsidiarity, on the different levels of the Union.

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