ECONOMIC DISPARITIES BETWEEN EU STATES AND REGIONS

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Abstract. *EU has 27 Member States representing a community and a market of 493 million citizens, which creates further economic and social disparities between the states and their 271 regions. In a region in four, the GDP (gross domestic product) per capita is 75% below the average for the EU-27. Based on the concepts of solidarity and cohesion, regional policy of the European Union favors reducing structural disparities between EU regions, the balanced development of the community and promoting an effective equality of opportunity between people. Over the past 50 years, European cooperation has helped build highways, sewage plants, bridges, laboratories for biotechnology. She helped to revive urban areas and neglected activities, through countless projects in the poorest regions of the Union.. Two key values: solidarity and cohesion, underlying these projects and the regional policy of the European Union. The economic, social and territorial cohesion will always be at the heart of Europe Strategy 2020, a key mechanism for achieving the priorities for a smart growth, sustainable and inclusive in the Member States and regions.*

Key words: *European Union, economic disparities, political cohesion, GDP per capita.*

JEL Classification: R11, P25

1. INTRODUCTION

Although the EU is one of the richest regions in the world, it has very large disparities in income and opportunity. The European Union has 27 member states representing a community and an internal market of 493 million people, which cause even more economic and social disparities between these countries and their regions 271. A region of four recorded a GDP (gross internal product) per capita below 75% of average in the European Union of 27 Member States.

The European Union's cohesion policy, built into the Treaties since 1986, has been given the objective of reducing the gap in the different regions' levels of development, in order to strengthen economic and social cohesion. The Single European Act (1886) lays the foundations for a genuine cohesion policy designed to offset the constraints of the single market for southern countries and other disadvantaged areas (13).

- 1989-1993. In 1986 key events brought with them the impetus for a more genuine 'European' Cohesion Policy, most notably the Single European Act, the accession of Greece, Spain and Portugal and the adoption of the single market programme. In March 1988, the European Council in Brussels decided to allocate ECU 64 billion to the Structural Funds which represented a doubling of annual resources over the period 1989-93.
- 1994-1999. In December 1992, the European Council decided on the new financial perspective for the period 1994-1999 and ECU 168 billion was set aside for the

Structural and Cohesion Funds. This represented a doubling of annual resources and equalled a third of the EU budget.

- 2000-2006. With the integration of 10 new countries in 2004, then of Bulgaria and Romania in 2007, this attempt at harmonisation had to be reinforced. The main beneficiaries of the funds have been asked to contribute to the economic development of their new partners. Cohesion policy is one of the European Union's most visible policies. Following a decision taken by the European Council of Berlin in March 1999, the 2000-06 budget for Cohesion Policy totalled €213 billion for the fifteen Member States. An additional allocation of € 22 billion was provided for the new Member States for the period 2004-06.
- 2007- 2013. All 27 EU countries benefit from cohesion policy through its three funds - the European Regional Development Fund, the Cohesion Fund and the European Social Fund – to: reduce economic disparities; develop competitive, diversified regional economies**;** boost sustainable growth and jobs. The European Council agreed in December 2005 on the budget for the period 2007-2013 period and allocated € 347 billion on Structural and Cohesion Funds of which 81.5% are planned to be spent in the "Convergence" regions. Based on simplified procedures, nearly all of the 436 programmes covering all EU regions and Member States were agreed before the end of 2007. The radical shift in their priorities means that a quarter of resources is now earmarked for research and innovation and about 30% on environmental infrastructure and measures combating climate change.
- Through its regional policy, the EU seeks to reduce these gaps by transferring resources from wealthy areas to poorer regions. Its objective is to modernize the underdeveloped regions, so they can catch up with the rest of the EU. Cohesion policy is not just a redistribution policy between countries or regions and intends to guide the use of financial transfers to a dual purpose of regional development and convergence (9).

At the same time, the whole of the Union is facing up to the challenges resulting from the acceleration of economic restructuring following globalization, the opening up of trade, the effects of the technological revolution, the development of a knowledge-based economy, of an ageing population and the growth of immigration.

The new regulatory framework (2007 – 2013) provides for a number of reforms. First of all, the cohesion policy is modernized through a new architecture placing greater emphasis on the need for a strategic vision in pursuit of a common set of Community priorities. These priorities are summed up in the Growth and Jobs Agenda which was launched by the Union in 2005. In fact, the European cohesion policy will be the major instrument at Community level for the modernization of the Union’s economy in the years to come.

The economic development of a region is usually expressed through the evolution of gross domestic product (GDP). Comparisons between regions are also reported in this indicator. GDP per capita is the most common indicator for measuring living[1].

The European Parliament stresses the need to define in the context of economic, social and territorial cohesion, additional qualitative indicators for better design and implement the relevant policies in the field, taking into account the different territorial specificities. Parliament calls on the Commission to effect immediately the necessary studies and has the possibility to establish new indicators and reliable procedures for their integration into the evaluation system of regional disparities.

[1] Regional GDP is calculated in the currency of the country concerned. To enable comparison of GDP between countries, this indicator is converted into euros at the average official calendar year. Currency rates do not reflect any differences in price levels between countries. To make compensation in this regard, GDP is converted USING conversion factors, called "purchasing power parities (PPP) in a common artificial currency, called" purchasing power standard (SPA), which compares the buying power of different currencies.

Noted that GDP was the only criterion used to determine the eligibility of the Regions under Objective 1 (Convergence), while other indicators have already been used for the regions eligible under the Competitiveness Objective and employment "Parliament has expressed its concern over the fact that the undeniable convergence between advanced countries often mask the differences between ever-increasing and regions, and insists, therefore, on the need to a reflection on the advisability of taking the GDP as the main criterion of eligibility has support under the Structural Funds (10).

Comparable *regional statistics* form an important part of the European statistical system, and have been collected for several decades. Eurostat's regional statistics cover the principal features of economic and social life within the EU. The concepts and definitions used for these regional statistics are as close as possible to those used for the production of statistics at a national level.

All statistics at a regional level within the EU are based on the nomenclature of territorial units for statistics (NUTS) - a hierarchical classification; it subdivides each Member State into a number of regions at NUTS. The current NUTS (version 2006) subdivides the territory of the European Union (EU-27) into 271 NUTS level 2 regions (6).

2. COMPARISON WITH KEY COMPETITORS

GDP per head in PPS terms in the US in 2004 was 60% higher than the EU-27 average, and 43% above the EU-15 average. Only two Member States, Ireland and Luxembourg, had levels above that of the US. In Japan, GDP per head in the same year exceeded the EU-27 average by 19%, though in this case, six Member States had a level above this and in five it was only slightly below. Between 1995 and 2005, GDP per head in the EU grew at virtually the same level as in the US (2% as against 2.1%) and twice as fast as in Japan.

Regional disparities in GDP per head are far more extreme in the EU-27 than in the US or Japan, especially after the two recent enlargements. In the EU, GDP per head in the region where this is highest is 8 times greater than in the region where it is lowest. In the US, the difference is only 2.5 times and in Japan just two times. All US states have a GDP per head that is above the EU average. In Japan, 40 of the 47 regions do. Clearly, the challenge of reducing regional disparities and ensuring economic and social cohesion across the EU is far greater than in the US or Japan.

The variation in rates of GDP per head growth across regions in the EU is also much greater than in the US. Over the period 1997–2004, growth at regional level in the EU varied from below zero to over 8.6%, while in the US it varied from zero to 3.6%. This wider variation in growth rates, however, is in some degree a positive feature given the much greater need for low income regions to catch up.

In China, GDP per head, again in PPS terms, is only one-fifth of the EU average, while in India, it is one-eighth. In Romania and Bulgaria, which have the lowest GDP per head in the EU, the level is still over twice as high as in India and 50% higher than in China. These two countries, however, are catching up rapidly with the EU. Growth of GDP per head in India has been double that in the EU over the past decade and the growth rate in China was three times the one in the EU. Nevertheless, even if such high growth rates can be sustained, it would take over 40 years for GDP per head in China to come close to the current level in the EU (3).

Despite the vast difference in GDP per head, the size of regional disparities in India and China are similar to that in the EU. The region with the highest GDP per head in both China and India has a level seven times greater than in the lowest regions against eight times in the EU. Differences in regional GDP growth rates in India between 2000 and 2004 were very similar to those in the EU, varying between 1% and 13% while, in China, they varied by much less – by between 6% and 11%.

The regional dimension of creativity and innovation also includes a global dimension. Studies indicate that the EU lags behind the United States, but has started to catch up. Investment in R&D are less than 2%, against 2.6% in the U.S. and 3.4% in Japan, the deviation from the U.S. is half of our lower share of firms High Technology (2). The global ICT market weighs 660 billion euros and employs one third of those active in research: EU companies account for only 23%.

Less than 1 in 3 people aged 25-34 years have a university degree, against 40% in the United States and more than 50% in Japan. 1 of 7 young leaves school without a diploma and 1 in 4 is poor reading. Notably, the EU higher growth in respect of higher education graduates, researchers, public R & D, venture capital, access to broadband and service employment-intensive connaissances3, and it ranks near the top in terms of graduates in science and engineering, branding, technology balance of payments and employment in manufacturing medium and high technology (4).

Despite the progress, only two thirds of our working age population (66%), over 70% against the U.S. and Japan. Only 46% of our older workers (55-64) gainfully employed, over 62% against the U.S. and Japan.

We can not achieve sustainable convergence on condition that they take into account the circumstances in which the economy operates in the Union. In the above context, the "catch up" takes various forms. The role of cohesion policy is to help regional economies to integrate into global markets, networks and global groups of prime importance to enable them to identify their strengths and weaknesses in terms of obstacles and opportunities the world stage and promote their internationalization.

Un aspect essentiel, tant au niveau national qu'au niveau supranational, est l'organisation de systèmes de gouvernance capables de mettre en œuvre des politiques régionales de développement. Reconnaissant cet intérêt, la Commission a signé des protocoles d'accord sur la coopération dans le domaine de la politique régionale avec la Chine, la Fédération de Russie et le Brésil, trois pays confrontés à une aggravation des disparités régionales et ŕ des défis majeurs dans le domaine de la gouvernance.

Davantage d'importance sera donnée aux flux d'information de type ascendant dans les processus de prise de décision et d'élaboration des politiques. De nombreux autres pays et organisations (Afrique du Sud, Ukraine, le MERCOSUR, l'Union économique et monétaire ouest africaine) ont exprimé leur réel intérêt pour le modèle européen de politique de cohésion, considéré comme un mécanisme trčs efficace compte tenu de son envergure budgétaire limitée. Par le biais de la coopération internationale, la politique de cohésion diffuse les valeurs européennes au-delà des territoires de l'Union (8).

For the first time in history, many countries outside the EU have expressed their interest to cooperate with the European Union to share their experiences. Cooperation has been placed on the agenda of a conference which brought together representatives of governments and regions in Europe, Africa, Russia, China and South America. Organized in the context of a growing interest in regional policy in external relations of the European Union, it aims to examine the experience gained in the field of regional policy in the EU and similar policies in other parts of the world.

The conference was not only interested in the EU experience in this field, but also examine different models of development paths for the exchange of experiences in cross-border cooperation and the role of European regions in promotion of direct partnerships with third countries' regions. The conference was organized by the Directorate General for Regional Policy in cooperation with the Directorate General for Development, the Committee of Regions and the Forum of Global Associations of Regions (FOGAR) (11).

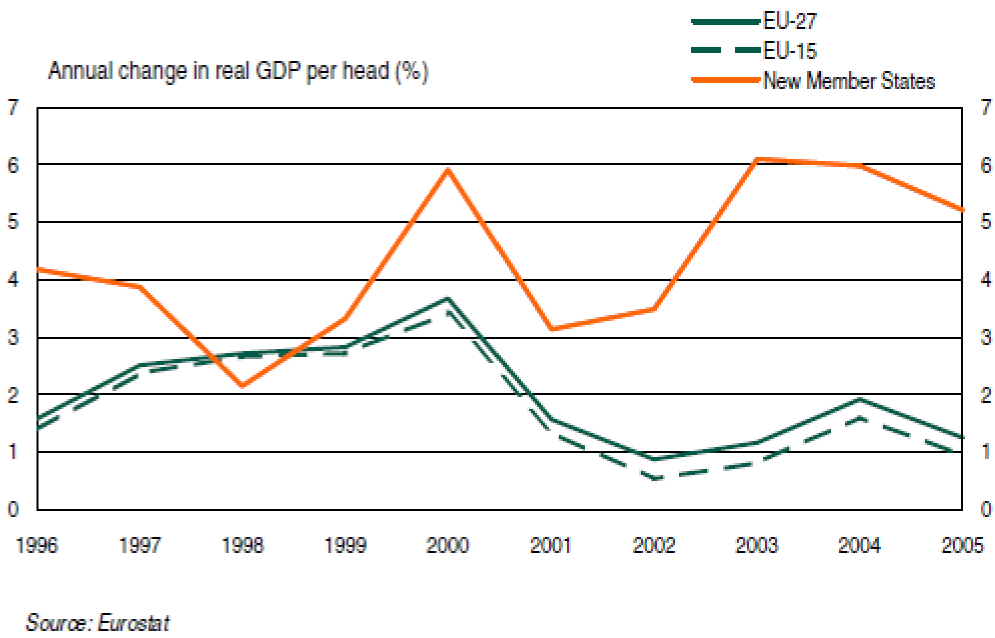
3. SITUATION AND EVOLUTION OF DISPARITIES

Disparities in GDP per head between regions in the EU have narrowed markedly over the past decade as growth in the least prosperous regions has outstripped that elsewhere. This has meant at the same time a lessening of the division in terms of economic potential between the core and the periphery and a corresponding reduction in territorial imbalance. However, although convergence of levels of GDP per head across regions has been accompanied by a narrowing of disparities in rates of employment and unemployment, these remain wide between both different parts of the Union and different areas within regions so posing a threat in some places to social cohesion.

Disparities between EU regions, expressed in terms of GDP per capita, were significantly reduced during the past decade, the least prosperous regions have shown growth rates higher than elsewhere. This development was accompanied by a reduction of the gap between center and periphery in terms of economic potential and a corresponding decrease of territorial imbalance.

At national level, Greece, Spain, Ireland and Portugal – the largest beneficiaries of Cohesion Policy in recent years – have experienced significant growth. Between 1995 and 2005, Greece reduced the gap with the rest of the EU- 27, moving from 74 % to reach 88 % of the EU's average gross domestic product per head. By the same year, Spain had moved from 91 % to 102 %, and Ireland reached 145 % of the Union's average starting from 102 %. We can expect similar results in the new Member States, where Cohesion Policy has just begun to take effect, underpinning the high growth rates (7).

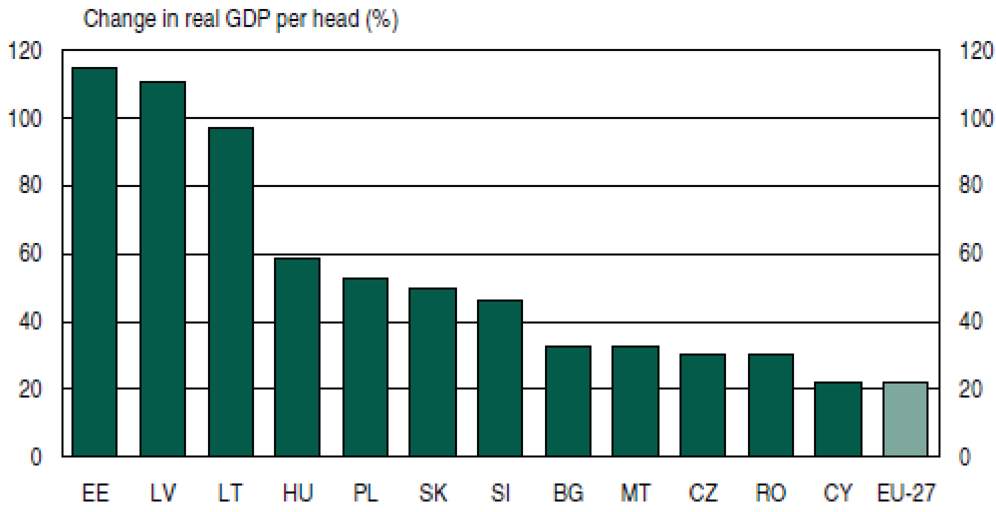
Fig.1. Growth in real GDP per head in the EU-15 and the new Member States, 1996-2005



The situation has evolved very differently in the 12 new Member States, namely the ten that joined the EU in 2004 and two who came in early 2007: GDP per capita has also experienced strong growth 2000 (6%) (Fig.1).

Growth rates varied greatly according to the new Member States between 1995 and 2005. Several of them have grown particularly fast: the three Baltic States and tools doubled in real terms, GDP per capita in a decade with average growth of 7-8% per year. Bulgaria and Romania, however, experienced an economic recession during the second half of the 1990s and have yet both grew by 6% per year on average since 2000 (Fig.2).

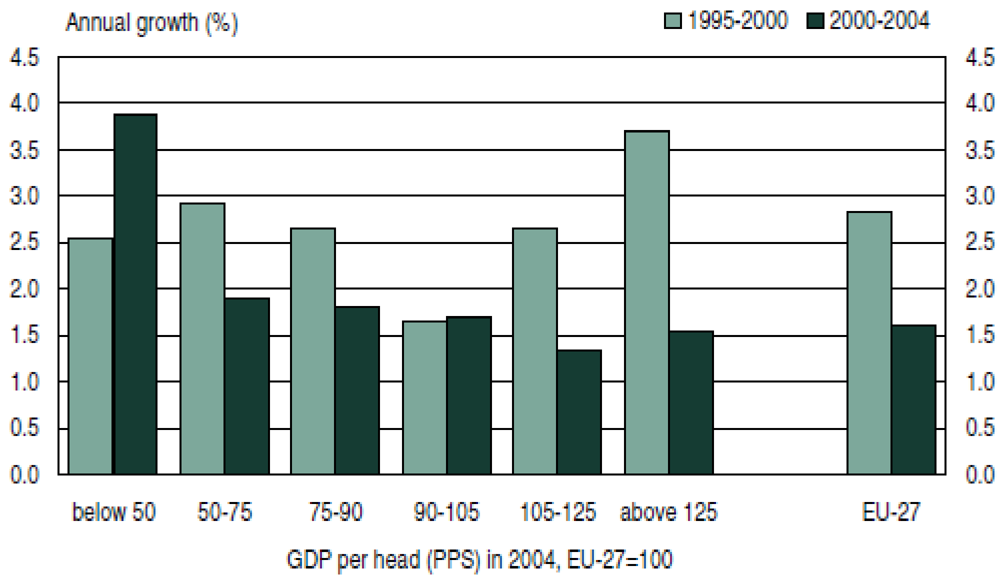
Fig.2. Total increase in real GDP per head, 1995-2005



Source: Eurostat and DG REGIO calculations

Romania and Bulgaria joined the European Union on 1 January 2007. This enlargement added 8.6% to the Union's landmass and 6.3% to its population – a similar addition to when Austria, Finland and Sweden joined in the mid -1990s - but only 1% to its GDP measured in purchasing power standard terms, less than any previous enlargement. GDP per head is, therefore, only 35% of the EU average in Bulgaria and 38% in Romania. Accordingly, the accession of the two countries will lower the EU average level of GDP per head by just over 4%.

Fig.3. Growth in real GDP per head in EU regions, 1995-2004



Source: Eurostat and DG REGIO calculations

However, due to levels of GDP per capita very low, based on current growth rates, it seems that Poland and, more specifically, Bulgaria and Romania will take more than 15-20 years before reaching a GDP per capita 75% of the average EU-27.

At the regional level, the relatively strong growth seen over the last ten years in regions with low GDP per capita means that all EU regions are converging. Between 1995 and 2004, the number of regions with GDP per capita below 75% of the EU average has declined from 78 to 70 and the regions to GDP below 50% of the EU average has dropped from 39-32 (Fig. 3).

The lagging regions in the EU-15, the main beneficiaries of aid under the Cohesion Policy during the period 2000-2006, showed a significant increase in GDP per capita relative to the rest of the EU between 1995 and 2004. In 1995, 50 regions with a total population of 71 million people have registered a GDP per capita below 75% of the average EU-15. In 2004, almost one in four regions, which roughly corresponds to 10 million inhabitants, GDP per capita has exceeded the threshold of 75% of the average.

In 1995, 78 of the 268 NUTS 2 regions now forming the EU-27 had a GDP per capita below 75% of the EU average - designated hereinafter as "lagging behind". Among these 78 regions, 51 were located in the new Member States and 27 in the rest of the Union. Of the 51 regions of the new members, 39 had a GDP per capita below 50% of the EU average, and only four per capita GDP higher than 75% of the EU average, namely: Prague Bratislava, Cyprus and Malta (3).

4. DISPARITIES REMAIN IMPORTANT

Despite these advances, disparities remain large. In 2007, the 12 countries that joined the EU since 2004, GDP per capita is below the EU average (see Table 2.2). Of the 14 countries that are below the average, only Greece and Portugal part needle. Romania and Bulgaria not only occupies the last two places, but also the only countries whose share is below 40% of the EU average (Table 1) (13).

There are significant differences in levels of prosperity among the Member States and within Member States themselves. Luxembourg, the most prosperous country in the EU (65 700 PPS, 279,6 %), is over seven times richer that Romania (9 100 PPS) and Bulgaria (8 600 PPS), the last countries arrived in the EU, which are also the poorer Member States (Table 1 and Fig.4). The most prosperous regions in terms of GDP per capita (the most common indicator for measuring living standards) are all urban areas (such as London, Brussels and Hamburg).

Eurostat regional yearbook 2009 gives an overview of the regional distribution of GDP per capita (percentage of the average for EU-27 23 600 PPS) for the European Union and Croatia, as well as the former Republic Macedonia.

It ranges from 25 % of the EU-27 average (5 800 PPS) per inhabitant in North-East (Romania) to 336 % (79 400 PPS) in the UK capital region of Inner London. The factor between the two ends of the distribution is therefore 13.6:1. Luxembourg at 267 % (63 100 PPS) and Bruxelles / Brussel at 233 % (55 100 PPS) are in positions 2 and 3, followed by Hamburg at 200 % (47 200 PPS) and Groningen (Netherlands) at 174 % (41 000 PPS) in positions 4 and 5.

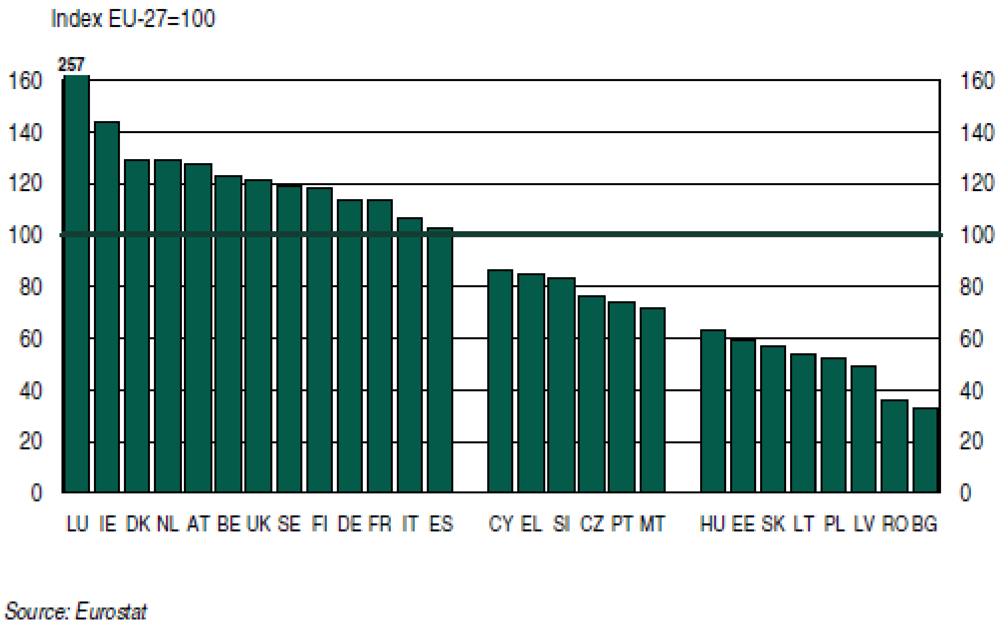
The regions with the highest per inhabitant GDP are in southern Germany, the south of the UK, northern Italy and Belgium, Luxembourg, the Netherlands, Austria, Ireland and Scandinavia. The capital regions of Madrid, Paris and Praha also fall into this category. The economically weaker regions are concentrated at the southern and western periphery of the Union and in eastern Germany, the new Member States, Croatia and the former Yugoslav Republic of Macedonia.

Table 1. PIB par habitant en SPA dans l'UE-27 (2007)

Member States across the EU-27	GDP in PPS	% Average EU 27 = 100	Member States across the EU-27	GDP in PPS	% Average EU 27 = 100
1. Luxembourg (LU)	65700	279,6	14. Grčce (EL)	22900	97,4
2. Irland (IE)	34200	145,5	15. Chypre (CY)	21600	91,9
3. Netherlands (NL)	30700	130,6	16. Slovénie (SI)	20700	88,1
4. Austria (AT)	30000	127,7	17. République tchèque (CZ)	18500	78,7
5. Sweden (SE)	29300	124,7	18. Malte (MT)	18100	77.0
6. Denmark (DK)	29600	126,0	19. Portugal (PT)	17500	74,5
7. Belgium (BE)	28200	120,0	20. Estonie (EE)	16100	68,5
8. United Kingdom (UK)	27800	118,3	21. Hongrie (HU)	15300	65,5
9. Finland (FI)	27500	117,0	22. Slovaquie (SK)	15000	63,8
10. Germany (DE)	26900	114,5	23. Lituanie (LT)	13200	56,1
11. France (FR)	26300	111,9	24. Lettonie (LV)	12600	53,6
12. Spain (ES)	24700	105,1	25. Pologne (PL)	12300	53,3
13. Italy (IT)	24300	103,4	26. Roumanie (RO)	9100	38,7
EU-27	**23500**	**100,0**	27. Bulgarie (BG)	8600	36,6

Sursa: Eurostat.

Fig.4. GDP per head (PPS), 2005



Praha (Czech Republic), the region with the highest GDP per inhabitant in the new Member States, has 162 % of the EU-27 average of 38 400 PPS and is thus in 12th place, whilst Bratislavský kraj (Slovakia) at 149 % (35 100 PPS) is in 19th place among the 275 NUTS 2 regions of the countries examined here (EU-27 plus Croatia and the former Yugoslav Republic of Macedonia). However, these two regions must be regarded as exceptions among the regions in the new Member States which joined in 2004, since the next richest regions in the new Member States are far behind: Közép-Magyarország (Hungary) at 106 % (24 900 PPS) in position 101, Zahodna Slovenija (Slovenia) at 105 % (24 900 PPS) in position 103 and Cypru at 90 % (21 300 PPS) in position 161. With the exception of three other regions (Mazowieckie in Poland, Malta and Bucureşti – Ilfov in Romania), all the other regions of the new Member States, Croatia and the former Yugoslav Republic of Macedonia have a per inhabitant GDP in PPS of less than 75 % of the EU-27 average.

If we classify the 275 regions considered here by their per inhabitant GDP (in PPS), the following picture emerges: in 2006, GDP in 72 regions was less than 75 % of the EU-27 average. These 72 regions are home to 25.2 % of the population (EU-27, Croatia and the former Yugoslav Republic of Macedonia), of which three quarters are in the new Member States, Croatia and the former Yugoslav Republic of Macedonia and one quarter are in EU-15 countries. (1).

Even within countries there are considerable differences between regions. For many economic and social rights, the considerable differences can also be detected Inside one country. In most cases, the area of the capital of a country is doing better, economically speaking, than the more rural areas. The richest European regions in 2005, according to GDP per capita, were concentrated in the major conurbations of the Member States of the EU-15, the region of Inner London topping the rankings (with 67,798 euros per capita) (6).

The Cohesion Fund is aimed at Member States whose gross national income (GNI) per inhabitant is less than 90 % of the EU average. It serves to reduce their economic and social shortfall, as well as to stabilise their economy. It supports actions in the framework of the convergence objective. For the 2007-2013 period, the Cohesion Fund concerns Bulgaria, the Czech Republic, Estonia, Greece, Cyprus, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovenia and Slovakia; Spain is eligible to a phase-out fund only. The Cohesion Fund finances activities under two categories: trans- European transport networks, notably priority projects of European interest; and the environment, also supporting projects related to energy or transport, as long as they clearly present a benefit to the environment.

Regional differences are most pronounced in the United Kingdom, which shows a factor of 4.3 between the two extreme values, as well as France and Romania, with a factor of 3.5 and 3.4 respectively. The lowest values were recorded in Slovenia, with a factor of 1.5, as well as Ireland and Sweden, with a factor of 1.6. Moderate regional differences in GDP per capita (that is to say less than a factor 2 between the highest value and lowest) are observed only in the member states of the EU-15 and in Slovenia and Croatia.

The convergence is making progress. A simple approach is to establish the interval between the highest value and lowest. It appears that this value has declined by a factor of 16.0 in 2001 13.6 in 2006. The main reason for this sharp decline has been accelerating the economic development of Bulgaria and Romania. But since this approach takes into account the extremes of the distribution, it illustrates clearly not much lag between the regions.

In another approach, which allows a more accurate assessment of convergence, regions are divided into categories according to their GDP per capita (PPS). Economic convergence among regions has made significant progress during the five year period from 2001 to 2006: thus, the share of population living in regions where GDP per capita is less than 75% of the average of the EU-27 fell by 28.5 to 25.2 percentage points.

At the same time, the share of the population live in areas with a higher GDP to 125% of the average was reduced from 23.0 to 20.1%. With the changes occurring at the top and bottom of the ladder, the proportion of population located halfway (GDP per capita from 75 to 125%) has increased significantly, from 48.5 to 54.7%. This corresponds to an increase of more than 35 million inhabitants.

Cohesion policy has adapted over the years and never deviate from its main focus: working towards sustainable and balanced development of regions in Europe (5). In over 20 years of European cohesion policy we define four stages evolution: 1989-1993; 1994-1999; 2000-2006; 2007-2013. Table 2 summarizes the steps, the total budget, the main beneficiary countries and the expected results.

Table 2. Stages of policy, the total budget, the main recipient countries and expected results

Stages of policy	The total budget	The main recipient countries	Expected results
1989-1993	ECU 69 billion, or 25% of the Community budget and 0.3% of total GDP of the EU	Spain Italy Portugal Greece	• Creation of 600,000 jobs through in Germany Greece, Ireland, Portugal and Spain, average GDP per capita in these countries from 68.3% to 74.5% of the EU average; • 917,000 beneficiaries of training; • 470,000 small and medium enterprises have received assistance.
1994-1999	168 billion ECU, approximately one third of the EU budget and 0.4% of Total GDP of the Union	Spain Germany Italy Portugal Greece France	• 700,000 net new jobs were created in Portugal, in the new Lander, in southern Italy and Spain; • 800,000 small and medium enterprises have benefited from direct aid to investment; • 4104 km of highways have been built or upgraded, and about 31,844 km of other roads; • The funding has enabled the creation of approximately 567,000 gross new jobs.
2000-2006	213 billion euros in EU-15 between 2000 and 2006, and 21.7 billion euros for the 10 new Member States between2004 and 2006, about one third of the budget of the EU and 0.4%the total GDP of the EU	Spain Germany Italy Greece Portugal UK and France	• Creation of approximately 570,000 net new jobs, according to estimates, including roughly 160,000 in the new Member States; • In Spain, the Structural Funds have invested about 4 billion euros in research, technological development, innovation and information technology; • In Greece, the Athens Metro, Spain, investments in highways have reduced travel time; • 30,000 gross jobs were created; • In the UK, more than 250,000 small and medium enterprises have received support.
2007-2013	347 billion euros or 35.7% of the EU budget and 0.38%the total GDP of the EU, which, for the regions of Objective 1: 81.5%170 million(35% the total, including the phasing-out regions)	Poland Spain Italy Czech Republic Germany, Hungary Portugal and Greece	• By 2015, structural funds and cohesion could have created up to 2 million additional jobs; • According to ex ante priority now given to research and innovation will create 40,000 additional jobs; • In the transport sector, 25,000 km of new roads or roads rehabilitated, and 7,700 km of new railway tracks; • Many Member States and regions have made the fight against climate change and developing economies with low carbon emissions a priority in their programs.

Regional convergence of per inhabitant GDP (in PPS) can be assessed in various ways on the basis of indicators supplied to Eurostat by the national statistical institutes. A simple approach is to measure the gap between the highest and the lowest values. By this method, the gap closed from a factor of 16.0 in 2001 to 13.6 in 2006. The main reason for this clear convergence was the faster economic growth in Bulgaria and Romania. However, as this approach looks at only the extreme values, it is clear that the majority of shifts between regions are not taken into account.

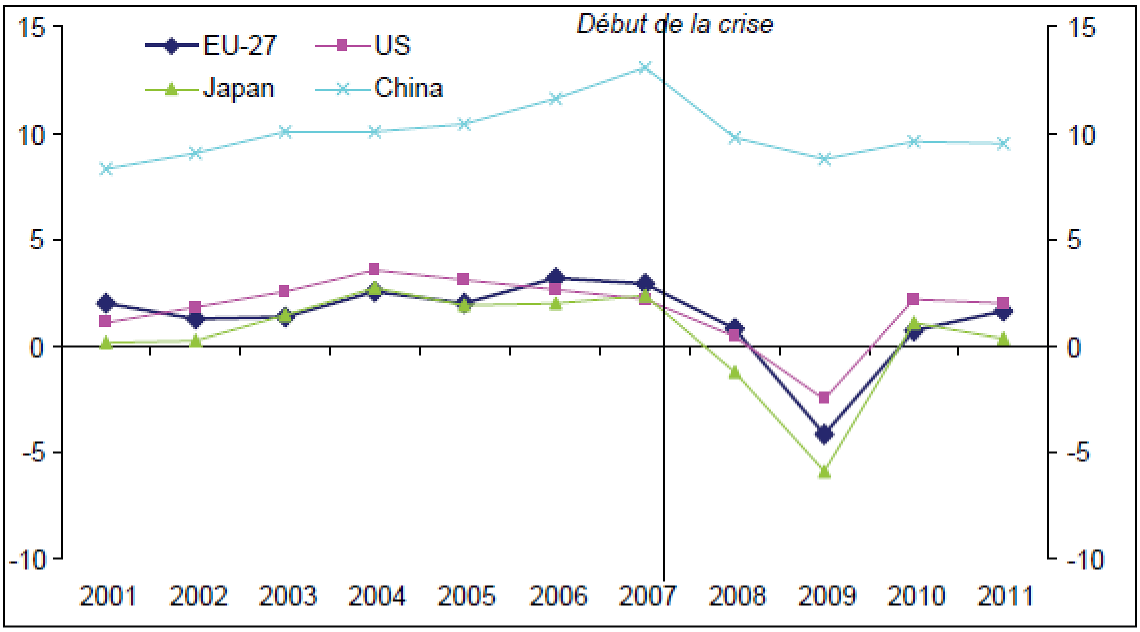
Another, much more precise, assessment of convergence consists of classifying the regions according to their per inhabitant GDP in PPS. In this way, the proportion of the population of the countries being considered (the EU-27 living in richer or poorer regions, and how this proportion has changed, can be ascertained.

Table 3. Proportions of resident population in economically stronger and weaker regions

Percentage of population of EU-27, Croatia and the former Yugoslav Republic of Macedonia resident in regions with a GDP per inhabitant of	2001	2006
> 125 % of EU-27 = 100	23.0	20.1
> 110–125 % of EU-27 = 100	16.0	16.5
> 90–110 % of EU-27 = 100	22.7	24.9
> 75–90 % of EU-27 = 100	9.8	13.3
less than 75 % of EU-27 = 100	28.5	25.2
less than 50 % of EU-27 = 100	15.3	11.5

Table 3 shows that economic convergence between the regions over the five-year period 2001–06 did indeed make clear progress. The proportion of the population living in regions where per inhabitant GDP is less than 75 % of the EU-27 average fell from 28.5 % to 25.2 %. At the same time, the proportion of the population living in regions where this value is greater than 125 % fell from 23.0 % to 20.1 %. These shifts at the top and bottom ends of the distribution meant that the proportion of the population in the mid-range (per inhabitant GDP of 75–125 %) increased significantly from 48.5 % to 54.7 %, i.e. by more than 35 million persons.

Fig. 4. Annual GDP Growth (%)



Source: Commission européenne

The financial crisis and economic downturn that followed have hit all parts of the Union. The effects are still very important economic development and employment:

- Evolution of GDP – 4 % in 2009, the highest since the 1930s (Fig. 4)
- Industrial production: - 20 % because of the crisis, back in the 1990s
- Figures of unemployment with 23 million unemployed; 7 million unemployed and more in 20 months; the rate of unemployment should reach 10.3% in 2010 (back in the 1990s); youth unemployment exceeds 21 %. By investing further capital in regional research, innovation and education, we can contribute to support competitiveness and innovation in our region.

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