MONETARY UNION, EU FINANCIAL TRANSFERS AND REGIONAL INTEGRATION: THE SPANISH CASE

JOSE MARIA MELLA MARQUEZ[*]

UNIVERSIDAD AUTONOMA OF MADRID

SPAIN

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INTRODUCTION

According to the best established economic theories, the monetary union does not spontaneously guarantee a catching-up process among the member states in terms of well-being economic level. On the contrary, the monetary unification can increase the income disparities among countries and regions, if they are not strong compensation policies which help the least developed territorial economies to make an effort of a more intense investment in order to achieve greater production growth rates.

Our attention will be on three points. In the first place, we are going to analyse the cohesion problem in the EU. Secondly, we are going to survey some inconsistences of the EU budget. And, finally, we are going to make some reflections of economic and regional policy taking into account the enlargement of the EU to the east and central european countries in the next future.

A MAIN TARGET: COHESION

The consecutives adhesions to the EU of the less-developed countries and the new challenges derived from the accomplishment of the single market and the evolution toward the Economic and Monetary Union have been the main factors that have promoted the target of a greater economic and social cohesion. And as a result, the EU has been establishing and reinforcing active or voluntary policies to face this target -as they are reflected in the Single European Act and in the Maastrich Treaty.

In other words, the evidence during the last 20 years of the european history is that there is a direct relationship between the progressive enlargement to the periphery of the EU, the deepening of the single market and the achievement of the monetary union, from one side, and the strengthening of the Structural and Cohesion Funds, from the other side.

So, as a previous matter, it seems convenient to define what do we understand by economic and social cohesion. In fact, cohesion is the catching-up or approach process of the less-developed countries to the developed countries in terms of income and economic well-being. It's the so-called "real convergence".

But, in order to achieve the "real convergence", the "nominal convergence" or macroeconomic stability represents a necessary condition, althought no suficient. Even more, both targets -real and nominal convergence, or life level and money stability- can be in contradiction, if the measures adopted to comply the macroeconomic stability prevent the economic growth of the less-developed countries (Mella, 1993; Martin, 1997).

This risk could be very real, because of the celerity of the economic actions to attain the fiscal stability established in the Treaty of the Union.

Concerning this risk or problem, we must take into account that -according to the new economic theories of the endogene growth- the infrastructures, the human and technological capital, and other intangible assets require the support of the public investment and the EU budget.

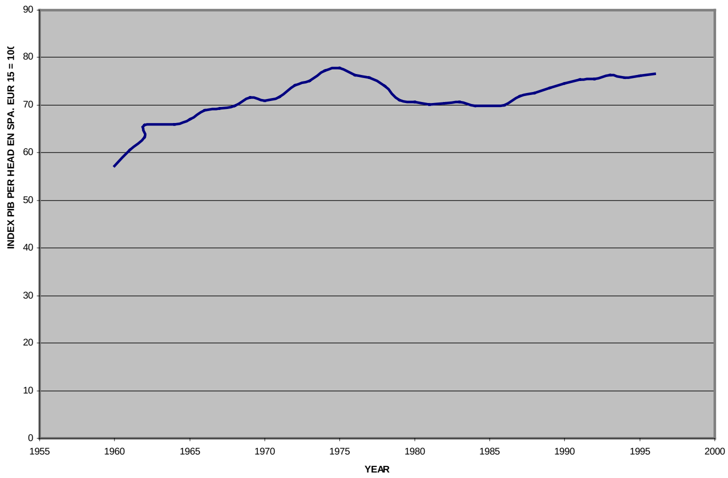
This support is particularly important in countries like Spain, where the relative productivity level and tha GDP per head are still far below the european average.

As Figure 1 shows, the relative gap of divergence between Spain and the European Union is still in 1996 of 23.4%, according to the EUROSTAT statistical data. Nevertheless, the spanish adhesion to EC in 1986 – allowed its economy to advance 6.8 percentage points in this last period (1985-1996). This approaching is mainly the result of higher GDP growth per head in Spain during the economic expansion of the eigthies particularly in the second half.

In a long term point of view, the Figure 1 also shows that there is a common feature -at least since the beginning of the international opening of Spain in 1960- of the spanish economy along the last decades: the correlation between the economic expansion periods (recession) and the convergence (divergence) of its GDP per capita in relation to the EU countries (Fuentes 1995). Then, Spain needs to take good advantage of the current european economic recovery to reduce the standard of living gap with the EU.

FIGURA 1

FIGURA 1. REAL CONVERGENCE OF SPAIN WITH THE EUROPEAN UNION



In order to get a complete vision of the real level of convergence of Spain, it should be convenient to take into account other important variables like the unemployment rate and other strategic factors of the long term growth: the technology and the human capital (Martin, 1997).

The Spanish unemployment rate is about 22% of the active population, approximately twice the European unemployment rate (11%). Therefore, there is a very important Spanish potential population, that could be employed and incorporated to the economic activity. Some estimations conclude that (Alcaide, 1997) –under the hypothesis of an unemployment rate equivalent to the European average and the productivity of this potential population was similar to the occupied workers –the convergence index would raise to the 91%. The causes of this poor performance of the Spanish economy are the higher rates of the labor cost in comparison with the evolution of the labor productivity, the rigidities of the labor market (especially, the hard legislation about the layoff that makes very expensive the dismissals and -as a consequence- the high segmentation between the permanent and the temporary workers, that are somehow being changed by recent regulations), and serious difficulties of the productive and technological system to take advantage of the technical innovations (Mella and Lorca, 1996; Martín, 1997).

The Spanish level in terms of technological capital stock –or accumulated R+D investment-, despite the reduction of the difference with the EU (13 percentual points during the period 1986-1996), is only the 34% of the EU average in 1996, pointing out in a very strong way the long path that still remains to run for our economy. For instance, according to EUROSTAT, the Spanish R+D expenditures were in 1991 0.87% of the GDP while the EU was expending 2.01%, being more than one half of the expenses financed by the public sector.

The Spanish level in terms of human capital –or proportion of the potential active population (15 to 65 years old) with an education equivalent to the university level in relation to the EU average- has seen a reduction of 6 percentage points from 58% (1986) to 64% (1996).

If we analyse the cohesion from the regional panorama, we can notice very clearly that the territorial disparities among the european regions (Table 1) are very high (even spectacular) in terms of GDP per head, productivity and unemployment. The comparison of the 25 better regions and the 25 worst regions throws a strong evidence: the richest regions have a GDP per capita and a productivity 2.5 and 2.1 times the poorest ones, while the unemployment rate is only one fith. Moreover, the regional disparities have not improved (during the period 1983-1993) according to the GDP per head and the productivity (GDP per employee), but the unemployment has worsened very much (the ratio between the highest rate and the lowest was 3.6 in 1983 and 4.9 in 1993).

The ranking of the Spanish regions in the European context (table 2) allows to say that the cohesion or real convergence problem is really severe for regions as Extremadura (order 194, there are 203 regions in the EU, and 54% of the GDP per head), Andalucía (order 191 and 57% of GDP per head), Galicia (order 186 and 59% of GDP per head) and some others, which are placed in the last positions of the table and the GDP per capita is hardly one fourth of the first regions of the EU. It does not mean that we can mention regions -as Canarias and Comunidad Valenciana, for instance- than have been working and evolving quite well, and can leave their current status of objective 1 regions. But, actually, Spain as a whole, has a very serious cohesion problem because its richest regions (Baleares, Madrid and Cataluña) have only more or less fifty- percent of the GDP per head of the richest regions of the EU (the germans Hamburg and Darmstadt, and the European capital Brussels).

TABLA 1

REGIONAL DISPARITIES OF GDP, PRODUCTIVITY AND UNEMPLOYMENT IN THE EU, IN 1983 AND 1993

	GDP PER HEAD (EUR15=100)		**GDP PER OCCUPIED** (EUR15=100)		**UNEMPLOY-MENT** (% active pop.)	
REGIONS	1983	1993	1983	1993	1983	1993
AMONG THE MEMBERS STATES						
The Best	134.8	160.1	124.2	124.3	3.3	2.3
The worst	55.1	63.2	51.3	58.6	17.4	22.3
Best/worst (a)	2.4	2.5	2.4	2.1	5.3	9.7
Standard Deviation	17.2	12.8	13.5	14.4	3.1	4.6
(Gini Coefficient)	(0.89)	(0.059)				
AMONG THE REGIONS						
The Best	184.0	189.0	398.0	420.4	1.7	3.2
The worst	39.0	37.0	32.1	36.6	22.5	33.3
Best/worst (a)	5.0	4.5	12.4	11.5	13.2	9.0
Best 10	154.0	158.0	146.0	156.0	3.8	3.9
Worst 10	44.0	48.0	49.4	48.6	19.4	26.4
10 Best/worst (a)	3.2	3.1	3.0	3.2	5.1	6.8
Best 25	140.0	142.0	131.3	130.7	4.8	4.6
Worst 25	53.0	55.0	63.3	63.1	17.2	22.4
25 Best/Worst (a)	2.5	2.5	2.1	2.1	3.6	4.9
Standard Deviation	26.8	27.2	18.0	17.6	4.2	6.0
(Gini Coefficient)	(0.149)	(0.153)				

(a) In the case of the unemployment, higher rate of unemployment / lower rate of unemployment.
SOURCE: European Commission (1997), *First Report on the economic and social cohesion 1996*, Brussels.

Furthermore, the little regional variations by level and rank during the last period (table 2) underline that the real convergence process is quite slow, which represents the long term nature of the cohesion problem and demands a sustained effort from the private and public agents.

TABLE 2

RANKING OF THE SPANISH REGIONS IN THE EUROPEAN REGIONAL CONTEXT (1988-1994)

(GDP per head in PPS, EUR 15 = 100

REGIONS	EU LEVEL = 100		RANK		VARIATION	
	1994	1988	1994	1988	1994	1988
HAMBURG	196	-	1	-	-	-
BRUXELLES	183	-	2	-	-	-
DARMSTADT	178	-	3	-	-	-
BALEARES	98	100	79	68	-2	-11
MADRID	95	88	87	107	+7	+20
CATALUÑA	93	86	95	118	+7	+23
NAVARRA	91	93	100	93	-2	-7
PAIS VASCO	91	95	103	83	-4	-20
LA RIOJA	87	88	119	110	-1	-9
ARAGÓN	85	81	128	132	+4	+4
CANARIAS	75	73	149	151	+2	+2
CANTABRIA	75	80	150	138	-5	-12
C.VALENCIANA	73	61	153	166	+12	+13
ASTURIAS	72	81	158	135	-9	-23
CAST-LEON	71	66	159	159	+5	0
MURCIA	68	66	164	160	+2	-4
CEUTAY MELILLA	68	64	165	162	+4	-3
CAST-LA MANCHA	64	59	169	167	+5	-2
GALICIA	59	56	174	172	+3	-2
ANDALUCÍA	57	53	177	178	+4	+1
EXTREMADURA	54	-	-	-	-	-

SOURCE: EUROSTAT (1997), *Brief Statistiques. Regions*, Brussels.

EU BUDGET: SOME INCONSISTENCES

A public budget has three main functions: to stabilize, to assign and to distribute (Tamames, 1996). The comparison of the Union budget with the public expenses and the gross national product (GNP) of the member states shows -during the decade 1986/96- its reduced size (1,24% of the EU GDP), the small increase during this last period, the scarce possibilities of raise in the next future included in the current financial perspectives, and the impossibility of becoming indebted to cover expenses. Consequently, the Union budget cannot be used as a tool of economic stabilization.

In addition, the assign function of the budget is made by means of regulations more than by provision of public goods. Finally, the expenses distribution -although limited due to the reduced amount of the budget- is the most important and centralized function, from the geografical point of view.

In this sense, it is noteworthy the growing contrast between the fast unification of the monetary policy (in the European Central Bank) and the high degree of descentralization of the fiscal policy (in the outstanding relevance of the national budgets).

Recently, many studies support the idea of a greater fiscal autonomy for the European Union in order to face the probable assymetric shocks under the Economic and Monetary Union as a consequence of the different productive structures of the european countries. The reasons are the stabilization necessity of the assimetric shocks, the greater discipline concerning the public deficit and the improvement of the assign and distributive efficience. Even though, it is evident that the recent Stability Agreement (June 1997) limits rigorously the action margin of the states members.

The Community's budget has been changing, during the recent past, its expenditure structure. Firstly, the main change has been the diminution of the CAP expenses and, futhermore, the current guideline ceiling or limit to 74% of the EU GNP growth has to be maintened in the future. This decision prevents, to a certain extent, the protective character of the CAP, reduces the financial cost and inefficiences, develops a market oriented strategy of this policy and eventually allows a greater endowment of the Structural Funds. Even though the CAP keeps representing the most important part of the EU budget (almost fifty percent of the total expenditure).

Secondly, the Strutural Funds have been increasing. This increase has been very intensive during the deepening of the european integration process and, particularly, just in the moment of the Community enlargement.

Let us remember the reform and duplication of the Structural Funds with the Single Market set up in the Single Act and the creation of the Cohesion Fund in the Union Treaty of Maastrich. The adhesion of Spain and Portugal increased later the amount of these funds, provoked the Integrated Mediterranean Programs as a compensation to Grece, France and Italy by the agricultural competence of the new members and the last comers Sweeden, Finland and Austrich, required the sixth objetif for the development of the regions with low population density. These facts show that the European Commission is sensitive and aware of the importance of the economic and social cohesion, as well as the need of mitigating the potencial negative effects of the common market on the less developed regions.

The item of research and technological development -the so-called Framework Programs-, mainly targeted to promote the R+D activities and reduce the technological gap among Europe and Japan and the United States, has experienced very little increasing, contributing hardly to improve the competitiveness of the european companies in the global market and to bring down the european unemployment rate.

In terms of budget revenue, it's important to say that, in spite of the successive reforms, there is still some inequitable treatment among the different countries. The revenue structure has registered a deep transformation, as a result of the reduction of the agricultural levies, the customs duties ant the VAT, and the raising of the fourth resource GNP (Fernández, 1997).

The VAT is a consumption tax and as result it has a regresive role, penalizing the less prosperous countries that have a higher relative rate of comsumption.

The fourth resource establishes an uniform rate applied on the GNP of each country, without taking into acount their income level or contribution capacity. Actually, the least developped countries (Spain, Portugal, Greece and Ireland) contribute -in terms of GNP per capita- significativily more than the developed countries to the european budget. In addition, the poorer countries must contribute to the UK abatement, being Spain one of the most important relative contributors.

Also, let us comment some aspects related with the fiscal competition among state members, which could be negative in terms of economic and social cohesion (Sinn, 1993). The competition among countries to attract capital and high skilled workers could lead to an average tax rate lower throughout the Union, higher expenses of the more mobile production factors (capital, big companies and high income professionals) and increasing pressures to raise the taxes over the less mobile production factors (land, small and middle companies and unskilled workers).

So, paradoxically, it could happen that the less mobile factors would subsidize the more mobile factores, the poor countries transfer income to the rich countries, unless the EU decides to harmonize the income and capital taxes and limits the fiscal subsidiarity principle.

In other words, that means that the EU needs not only less subsidiarity, but also a bigger federal budget folowing the experience of countries like United States, Canada and Australia. A more centralized budget charges a heavier weight to the more prosperous states/regions, while the social expenses benefit the less prosperous states/regions. And a bigger budget helps to the states/regions under economic crisis or affected by the so-called asymmetric shocks.

The EU budget will have to be adapted in the future more deeply -following the guidelines already started in the right direction- in order to correct the forementioned inconsistences bearing in mind the negative potential effects of the Monetary Union on the less development regions, the requirement of cohesion of the least developed regions, and eventually the enlargement toward the eastern european countries.

An accurate appraisal of the impact of the funds on the regional disparities reduction shows that the accumulated total amount for Spain –during the period 1994-1999- only represents 1.3% of the GDP, which does not seem strong enough to create a “big push” on our peripherial economies. Besides it has to be said that not only the amount of the funds are insufficient to the explicited target, but also its structure and territorial distribution among countries.

In fact, the table 3 shows that the four least developed countries (Greece, Portugal, Spain and Ireland) absorve 23.6% of the CAP funds, while the structural and cohesion funds represents 55.4% and as a consequence the accumulated total payments only are the 36.5%. So, it means that the richest countries as Germany, Denmark, Belgium, Netherlands and France are been very much benefited by the application of the CAP, receiving 52.8% of this agricultural fund via prices and market regulations. Futhermore, during the period 1994-1999, Spain is receiving on average 893 ecus per person, while Ireland, Portugal and Greece are receiving 1,604, 1,417 and 1,369 ecus per person respectively, and Germany and Italy 534 ecus per person, when on average the EU as a whole receives 628 ecus per

TABLA 3

ACCUMULATED POPULATION AND EU FINANTIAL TRANSFERS ORDERED BY GDP PER HEAD (1994-1999)

COUNTRIES	**GDP IN ECU PER HEAD AS % OF EU AVERAGE**	**ACCUMULATED POPULATION (%)**	**FEOGA-G** (Accumulated percentaje)	**STRUCTURAL AND COHESION FUNDS** (Accumulated perce.)	**STRUCTURAL AND COHESION FUNDS** (M. ECUS)	**ECUS PER HEAD OF OBJECTIVES 1, 2, 5, 6**	**TOTAL PAYMENTS** [2] (Accumulated percents)
GREECE	66	2.8	7.4	11.8	17,736	1,369	9.1
PORTUGAL	67	5.5	8.5	23.4	17,642	1,417	14.6
SPAIN	77	16.0	18.7	50.5	42,399	893	31.6
IRELAND	93	17.0	23.6	55.4	7,405	1,604	36.5
FINLAND	96	18.4	-	-	1,654	301	-
UNITED KINGDOM	96	34.1	31.0	61.9	11,734	1.573	43.6
SWEDEN	101	36.5	-	-	1,304	248	-
ITALY	103	51.9	47.2	75.4	21,649	534	58.7
NETHERLANDS	107	56.1	56.1	76.8	2,616	263	64.5
FRANCE	107	71.8	77.2	84.9	14,939	305	80.3
GERMANY	110	93.7	92.3	98.2	21,730	534	94.6
BELGIUM	112	96.4	96.1	99.4	2,096	367	97.4
ASTRIA	112	98.5	-	-	1,576	210	-
DENMARK	116	99.9	99.9	99.8	843	216	99.9
LUXEMBURG	169	100	100	100	102	131	100
EU 15	100				167,709[1]	628	

[1] This amount includes the so-called community initiatives

[2] These total payments include the FEOGA-G and other policies (excluded the Structural Funds).

SOURCE: EUROSTAT EC (1997), *First Report of the Cohesion Fund*, and own calculations.

person. These figures are not proportional at all, according to the relative depth of the regional problem of the forementioned countries and then they would be corrected in order to obtain the strongest effect of the structural and cohesion interventions.

On the other hand, table 4 permits to observe the regional distribution of the structural and cohesion funds in Spain since the spanish adhesion to the EC.

TABLE 4

STRUCTURAL AND COHESION FUNDS DISTRIBUTION (1985-1996) (Pesetas of 1986)

REGIONS	**STRUCTURAL INTERVENTIONS (percents)**	**ECUS PER HEAD (National Index=100)**
ANDALUCIA	22.31	125
CASTILLA Y LEON	9.29	142
GALICIA	9.07	128
C. VALENCIANA	7.90	80
CASTILLA-LA MANCHA	7.36	172
SEVERAL REGIONS	6.61	-
CATALUÑA	6.42	41
EXTREMADURA	5.26	191
CANARIAS	5.11	133
ASTURIAS	4.32	153
MADRID	4.05	32
PAÍS VASC0	3.54	65
MURCIA	2.63	98
ARAGON	2.55	83
CANTABRIA	1.23	91
NAVARRA	0.84	63
BALEARES	0.67	37
CEUTA Y MELILLA	0.49	150
LA RIOJA	0.33	49
SPAIN	100	100

SOURCE: Adapted and taken from CORDERO (1997)

It clearly shows an evident spatial eligibility, channeling the most part of the funds to the objective 1 regions. The least developed regions or regions below 75% of the EU GDP average (see Table 2). This is the case of Extremadura which receives 191 ecus per head (almost twice the amount received by the spanish economy), Castilla - La Mancha (172 ecus per head), Asturias (153 ecus per head), Ceuta y Melilla (150 ecus per head), Castilla y León (142 ecus per head), Canarias (133 ecus per head), Galicia (128 ecus per head) and Andalucía (125 ecus per head). These less developed regions get much more -according with the concentration guideline of the structural funds- that the more developed regions like Madrid (32 ecus per head), Baleares (37 ecus per head), Cataluña (43 ecus per head), La Rioja (49 ecus per head) and Navarra (63 ecus per head).

In other words, spanish authorities have been very careful in the regional application of the structural and cohesion funds, taking into account the GDP per head criteria as a high priority..

It is very difficult to evaluate the regional impact of these interventions. But we can say that the overall impact on the spanish economy, according to some estimations (Herce, 1995), was during the period 1989-1993 of more 400.000 created jobs or the same number of no job loss. Similar estimates or simulations for the period 1994-1999 present an impact of the 4.3% on the GDP, 1.8% on the employment, a reduction of the 0.27% of the public deficit and also a diminution of the 1.32% of the trade deficit (both in terms of percent of the GDP). The main impact in the middle term is the improvement of the private inputs productivity due to the accumulation of infrastructures, human capital and aids to the companies.

In short, the EU has good reasons to carry out such reform initiative. Firstly, the Structural Funds are contributing more and more to the cohesion objetive, but the payments related to other policies like CAP, internal policies as environment and R+D, are weakening the impact of the Structural Funds to the real convergence. Secondly, the cohesion funds received by the least developed countries do not represent strongs percents of the GNP of the countries and they are much lesser for Spain than for Ireland and no much bigger than for Germany and Italy. Therefore, Spain is of course the main recipient country in absolute terms, but its position does not play a leader first beneficiary member state. Thirdly, the structural and cohesion funds have been distribuiting in a concentrated way to reinforce the internal convergence. And fourthly, the economic impact of those funds are not negliable at all in terms of production, employment and macroeconomic balances.

SOME REFLECTIONS

Economists are professionals that discover logic inconsistences in the economic policies, but fortunately they are not responsible of their execution. On the contrary, politicians do not need to be so keen in their analysis, but they are obliged of an adequate application of their decisions. Therefore, priorities and the timing of the execution of the different policies are chosen or should be chosen by the politicians, according to an appropiate consensus and the support of the public opinion.

From one hand, according to some studies (Beutel, 1996), the Structural Funds and the Cohesion Fund impacts are being very favorable not only for the income and the employment of the less developed regions, but also for their strengthening of productive capacity by means of the improvement of the infrastructures, the skills of the labour resources and eventually a stronger regional competitivity.

On the other hand, the integration in the Monetary Union and the compliance of the Stability Agreement are requiring and will require an strict monetary and budgetary policy, a severe control of the inflation rate, the déficit and the public debt and the impossibility of the competitives devaluations as an instrument of foreign economic policy.

It is clear that bearing in mind the possitive effects of the Structural Funds and the mentioned macroeconomic conditions and bearing in mind also that the territorial inequalities will persist in the middle term among the states and regions of the EU, a stronger cohesion target and a pertinent adequation of the budget and de comunnity's policies not only should they be kept but also reinforced.

Nevertheless, the uncertainties concerning the accomplishment of the Monetary Union process, the repercussions of this process in the Union budget and in the different community's policies, and the implications of the future enlargement to the eastern countries, will have no negligable effects on the structural Funds and on the CAP.

Futhermore, the "2000 Agenda" of the EC proposes for the 2000-2006 period (Table 5) a budget ceiling (1.27% of the Union GNP for the same foreseen level of the year 1999), a very definite percent (0.46% of the Union GNP, 275.000 millions of 1997 ecus) for the Structural and Cohesion Fund, the financial support for the preadhesion and the cohesion for the new eastern members (45.000 Mecus of the 275.000 Mecus, aproximately a 20% of the total amount) and the current state members will obtain 230.000 Mecus (210.000 for the Structural Funds and 20.000 for Cohesion Fund) and the global amount for them will nearly diminish a 5% as result of the enlargement (Table 6).

TABLE 5

GENERAL NEW FINANCIAL FRAMEWORK 2000-2006 (Prices 1997)

BILLIONS OF ECUS CREDITS FOR COMPRO- MISES	1999	2000	2001	2002	2003	2004	2005	2006
AGRICULTURE	43.3	44.1	45.0	46.1	47.0	48.0	49.0	50.0
STRUCTURAL ACTIONS	36.1	35.2	36.0	338.8	39.8	40.7	41.7	42.8
INTERNAL POLICIES	6.1	6.1	6.4	7.3	7.5	7.7	7.9	8.1
FOREIGN ACTIONS	6.6	6.6	6.8	7.0	7.1	7.3	7.5	7.6
ADMINISTRATION	4.5	4.5	4.6	5.1	5.2	5.3	5.4	5.5
RESERVES	1.2	1.0	1.0	0.8	0.5	0.5	0.5	0.5
CREDITS FOR COMPROMISES	97.8	97.5	99.8	105.1	107.1	109.5	112.0	114.5

TOTAL CREDIT. FOR PAYMENTS	92.5	94.1	96.6	101.1	103.9	106.5	108.9	111.4
Credits for payments (% of GDP)	1.25	1.24	1.24	1.22	1.22	11.22	1.22	1.22
Margin	0.02	0.03	0.03	0.05	0.05	0.05	0.05	0.05
Maximun limit of the own resources	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27

TABLE 6

EVOLUTION OF THE STRUCURAL ACTION EXPENSES (Prices 1997)

BILLIONS OF ECUS	1999	2000	2001	2002	2003	2004	2005	2006
EU 15								
STRUCTURAL FUNDS	31.4	31.3	32.1	31.3	30.3	29.2	28.2	27.3
COHESION FUNDS	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
MEMBER STATES*		0.0	0.0	3.6	5.6	7.6	9.6	11.6
PREVIOS AID TO THE ADHESION		1.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	34.3	35.2	36.0	38.8	39.8	40.7	41.7	42.8

* Included the participation of the Cohesion Fund.

SOURCE: EC, *Agenda 2000*.

In a context of budget ceiling, the only way to keep or even to increase the cohesion effort would be the reduction of the correspondent amount of the other common policies (for instance, the CAP, which benefit very particularly the North Europe). But this one is not the case, if we compare the financial perspectives of the agricultural expenditures (Table 5) and the structural funds (Table 6). So, the financial cost of the enlargement basically falls on the cohesion resources of the current fifteen state members and very especially on the net recipient countries of the South Europe.

Even more, as the 2000 Agenda warns, the enlargement to the eastern countries will provoke a steep reduction of the community's average GNP per capita (much higher that in previous enlargements).

To bring to mind that the GNP per capita of the eastern countries is hardly 32% of the community's average, leaving far behind the less developed countries of the fifteen Union which level is around 74%. Therefore, the current criteria to be benefited for the Structural Fund (GNP per head below 75% of the community's average) and for the Cohesion Fund (GNP per head below 90% of the Community's average) imply a revision of the current elegible regions and state members. Obviously, this new situation will create a natural uneasiness and uncertainty in the objective 1 regions and other regions with economic adaptation problems that require a very careful design and execution of the economic and regional policy.

In conclusion, the brilliant trajectory of the EU, the political capacity of the European Commission and the wise negotiations which would take place among state members would be able of increasing corrections of some inconsistences of the EU budget, to elaborate new adequate gidelines for the structural funds working and to enhance the economic and social cohesion of the new Europe at the beginning of the new century.

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FIGURA 1. REAL CONVERGENCE OF SPAIN WITH THE EUROPEAN UNION