

T.C.  
MARMARA ÜNİVERSİTESİ  
AVRUPA BİRLİĞİ ENSTİTÜSÜ

AVRUPA BİRLİĞİ SİYASETİ VE ULUSLARARASI İLİŞKİLER  
ANABİLİM DALI

**REGIONAL POLICY AFTER RENEWED LISBON STRATEGY  
AND IMPLICATIONS FOR TURKEY: A COMPARISON  
BETWEEN EAST AND WEST**

YÜKSEK LİSANS TEZİ

BURÇİN YEŞİLTEPE

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Danışman: Yard. Doç. Dr. YONCA ÖZER

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ONAY SAYFASI

Enstitümüz AB Siyaseti ve Uluslararası İlişkiler Anabilim Dalı Yüksek Lisans öğrencisi Burçin YEŞİLTEPE'nin, **"REGIONAL POLICY AFTER RENEWED LISBON STRATEGY AND IMPLICATION FOR TURKEY COMPARISON OF EAST AND WEST"** konulu tez çalışması.....09.11.2010 ..... tarihinde yapılan tez savunma sınavında aşağıda isimleri yazılı jüri üyeleri tarafından oybirliği / oyçokluğu ile başarılı bulunmuştur.

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29.11.2010 tarih ve 2010-X.V. Sayılı Enstitü Yönetim Kurulu kararı ile onaylanmıştır.

## ACKNOWLEDGEMENTS

Foremost, I would like to express my sincere gratitude to my supervisor Assist. Prof. Dr. Yonca Özer for giving me the opportunity to study with her. Throughout my thesis writing period, I have learned a lot from her perpetual energy, enthusiasm and her way of asking the right questions in pursuit of an intellectual discipline. I would have been lost in this thesis challenge without her.

I would also like to thank the members of my thesis committee: Assoc. Prof. Dr. Çiğdem Nas for her insightful comments and questions and Assist. Prof. Dr. Rana İzci for her guidance and motivation throughout this thesis.

I am indebted to Kevser Can for her stimulating ideas and emotional support since the beginning of the MA and specifically before my thesis defense. I would not get through that defense without her help.

I would like to thank and express my gratitude to Anıl Özge Gökçe for her invaluable talks and proof reads of the contents of the thesis even at times when she was dealing with her PhD challenge.

Special mention is due to my dear friends Elif Yıldırım Karaöz, Gülşah Dalgıç and Ceren Fidan for being there for me all this time even from a distance. With your help in countless ways it was possible for me to complete this thesis.

Special thanks for my the one and only Bülent Emre Tigin, who was there to listen all my whining and always be the one to let me find my way back or to make me see the brightest side. It is a great pity not knowing what you have got 'till it's gone. I miss you every day. May you rest in peace.

Finally my deepest gratitude goes to my parents, Naim and Birsen Yeşiltepe, and my brother Ahmet Çağrı Yeşiltepe. No words can express my love and gratitude for their invaluable care, love and faith in me. Their strength and moral support enabled me to take all the right steps in my life. **To them, I dedicate this thesis.**

## **ABSTRACT**

The global leadership in this new millennium does not only require having an efficient foreign policy or major military power, but it also requires being innovative and economic power. In this context, the Lisbon Strategy, launched to make the EU the most competitive and dynamic knowledge based economy by 2010, was an important roadmap for the global leadership, which is the next step for the Union after deeper and wider integration. Despite its successful objectives in identifying future challenges of the Union, the Lisbon Strategy has failed in its first implementation period due to the administrative, economic and social disparities among the member states. Those disparities indeed would be an obstacle for the Union on its path to global leadership. Accordingly, first the Lisbon Strategy re-launched in 2005 and then the regional policy of the Union, which aims to reduce economic and social disparities within the Union and prevent the future ones, went under a major reform in 2006. In that sense 2006 reform, in line with Lisbon objectives, introduced successful mechanisms to the policy domain. Amongst the other mechanisms, the Instrument for Pre-accession Assistance is the most important one for Turkey as a candidate country since it aims to support the efforts to come closer to European standards and policies. However when the regional disparities and different regional development approaches in Turkey taken into consideration, the Instrument for Pre-Accession Assistance would not be enough to reduce such disparities and differences. In that context, a weak Europeanization process may lead to a Turkey, whose membership would weaken the future dynamism of the Union.

## ÖZET

Yeni binyılda küresel liderlik sadece etkin bir dış politika ya da büyük askeri güç ile mümkün olmamakta aynı zamanda yenilikçi ve ekonomik bir güç olmayı gerektirmektedir. Bu bağlamda, Avrupa Birliği'ni 2010 yılına kadar dünyanın en rekabetçi ve dinamik ekonomisine dönüştürmeyi amaçlayan Lizbon Stratejisi, Birlik'in daha derin ve geniş entegrasyon sürecinin bir sonraki aşaması olan küresel liderlik arayışında önemli bir yol haritası olmuştur. Ancak hedefleriyle gelecek dönemdeki zorlukları iyi tahlil eden Lizbon Stratejisi, çoğunlukla üye ülkeler arasındaki idari, ekonomik ve sosyal kapasite farklılıklar nedeniyle, ilk beş yıllık sürede amaçlarına ulaşamamıştır. Bu farklılıklar uzun vadede Birlik'in küresel liderlik hedefine de sekte vurabileceği için önce 2005 yılında Lizbon Stratejisi gözden geçirilerek yeniden sunulmuş ve hemen ardından da 2006 yılında, birlik içindeki mevcut farklılıkları azaltmayı ve gelecekte oluşabilecek farklılıkları önlemeyi amaçlayan Bölgesel politika, stratejinin hedefleriyle uyumlu olarak yenilenmiştir. 2006 Reformu genel amaçları bağlamında bölgesel politikaya başarılı yenilikler getirmiştir. Bu yenilikler arasında önemli bir yer tutan ve aday ülkelerin Avrupa standartları ve politikalarıyla uyum çabalarını destekleyen Katılım Öncesi Mali Yardım Aracı, aday bir ülke olan Türkiye açısından en önemli mekanizmayı oluşturmaktadır. Bununla beraber bu araçla sağlanan destekler, Türkiye'nin kendi içindeki ciddi bölgesel farklılıklar ve bunları aşmak için kullandığı bölgesel kalkınma yaklaşımlarının Avrupa Birliği'nden farklılığı göz önüne alındığında yeterli olmayacaktır. Bu bağlamda zayıf ilerleyen bir Avrupalılaşıma süreci ise üyelik durumunda Avrupa Birliği'nin gelecekteki dinamizmini zayıflatan bir Türkiye'ye neden olabilecektir.

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## ABBREVIATIONS

<b>ACP</b>	African, Caribbean and Pacific Group of States
<b>CEECs</b>	Central and Eastern European Countries
<b>CoR</b>	Committee of Regions
<b>CAP</b>	Common Agriculture Policy
<b>CSGC</b>	Community Strategic Guidelines on Cohesion
<b>EAGGF</b>	European Agricultural Guidance and Guarantee Fund
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>ECSC</b>	European Coal and Steel Community
<b>ECU</b>	European Currency Unit
<b>EEC</b>	European Economic Community
<b>EES</b>	European Employment Strategy
<b>EGTC</b>	European Grouping for Territorial Cooperation
<b>EIB</b>	European Investment Bank
<b>EMU</b>	Economic and Monetary Union
<b>ERDF</b>	European Regional Development Fund
<b>ESF</b>	European Social Fund
<b>EU</b>	The European Union
<b>EUROSTAT</b>	European Statistics Office
<b>GDP</b>	Gross Domestic Product
<b>GNI</b>	Gross National Income
<b>ICT</b>	Information and communication technologies
<b>IPA</b>	Instrument for Pre-Accession Assistance
<b>ISPA</b>	Instrument for Structural Policies for Pre-Accession
<b>NIPAC</b>	National IPA Coordinator
<b>NSRF</b>	National Strategic Reference Framework
<b>NUTS</b>	Nomenclature of Territorial Units for Statistics
<b>ODA</b>	Official Development Assistance
<b>OMC</b>	Open Method of Coordination
<b>OP</b>	Operational Programme
<b>R&amp;D</b>	Research and Development
<b>RDA</b>	Regional Development Agency
<b>SAPARD</b>	Special Accession Programme for Agriculture and Rural Development
<b>SEA</b>	Single European Act
<b>SGP</b>	Stability and Growth Pact
<b>SME</b>	Small and Medium Sized Enterprise
<b>SPO</b>	State Planning Organisation
<b>TEU</b>	Treaty on European Union
<b>UK</b>	United Kingdom
<b>US</b>	United States of America
<b>WTO</b>	World Trade Organisation

# INTRODUCTION

*In unity there is strength. Together we are stronger.*

Javier Solana, Former High Representative of the  
European Union's Common Foreign and Security Policy

The Continent of Europe had pursued a full time peace in the light of many ideas from Dante to Immanuel Kant for centuries and this intellectual quest has been able to realize only in the aftermath of two actual World Wars. Therefore what initiated by the European Coal and Steel Community (ECSC) was surely not only the most significant political project of the twentieth century but also the most successful integration effort of all times in Europe.

During these 60 years of progressive integration, the world has witnessed radical paradigm shifts and breakthrough developments. Nevertheless preservation of the peace in Europe is still, even it has been considered as a given for decades, the ultimate aim of the European Union (EU) as stated in the preamble of the Lisbon Treaty. However a full-time peace, or as named by Kant, 'perpetual peace', not only requires political balance but also economic and social balance. In that sense, the EU, the European Economic Community (EEC) at the time, has been emphasizing cohesion since the first steps of the integration.

The preamble of Treaty of Rome indeed mentions the anxiousness of six founders to ensure the cohesion through harmonious development. This stated anxiousness, in that sense, proves that the Union's emphasis on the cohesion has not only been a foundation for regional policy but also it has been a reflection of the idea that a progressive political integration, which was indicated in the preamble, would only be possible through a balanced economic unification and development. For that reason, the aim of EU's regional policy has not only been, to reduce existing disparities between developed and less developed regions but also

to prevent further disparities, which would arise from changes in the Union and the World and threaten the integration process.

In that context, aside from the global developments, the Union's continuously evolving nature, due to its enlarging structure, has made the regional policy one of the most important policy domains since its inception. The developments in the Union in 1980's raised the attention on the regional policy and its importance increased incrementally during the 1990's, when the Union had to absorb new enlargements, major treaties, a new economical environment and radically changing international political scene. In 2000's, the past economic developments, like an economy outpaced by the United States (US), higher employment rates, when combined with future political expectations, such as the necessity to take more responsibility as a global actor, ended up with two major actions: the Constitution and the Lisbon Strategy.

The main reason behind of these two actions was positioning a stronger European Union that could lead the globe. The Lisbon Strategy, in that context, was aiming to make the Union the most competitive and dynamic knowledge based economy of the World by 2010. Although this overall aim of the strategy emphasizes the economic power, the Lisbon Strategy was the roadmap of structural reforms for a new model Europe. However as with the constitution process, unfortunately the Lisbon Strategy has also failed in the mid-term and once again more importance has been attached to the regional policy. Therefore, to cope with the existing disparities and future challenges, in 2005 the regional policy underwent a new reform, which had been shaped in line with the Lisbon Strategy objectives.

In terms of future, aside from achieving Lisbon objectives, one of the most important challenges before is Turkey's membership to the EU. It is for sure that accession of Turkey is a multifaceted challenge for the EU. Although significant progress is going on in some aspects, many obstacles that can put the accession in difficulty or in a loop, e.g. Cyprus conflict, continue to exist with slow progress. In that sense significant differences between Turkish regional policy and

EU regional policy approaches and slow harmonization to the EU are the areas among those obstacles that would make Turkey's accession difficult more than as it can be.

Accordingly, the thesis has three main research questions: 'Does the EU really pursue a global leadership', 'Would the EU's regional policy be enough to provide a cohesion on the way to global leadership' and 'Given her regional disparities and different regional policy approaches, where and how does Turkey stand on that path as a candidate country and would EU's IPA mechanism provide enough support to come closer to EU standards in that context?'. In light of these three questions the thesis aims to understand the Union's quest for global leadership and Turkey's position as a candidate country through regional policy approaches both in the EU and Turkey. It is for sure that each enlargement ends up with a less coherent Union, of which's dynamism consequently weakens. And Turkey, in that sense, does not have disparities only among her regions but also with the EU-27 in terms of Lisbon objectives.

In that context, this thesis mainly argues that Turkey's regional disparities and regional development policy approaches would not come closer to EU standards only through EU's pre-accession assistance strategies, but also Turkey's commitment is needed and in case of Turkey's membership, slow or insufficient harmonization in those issues may also lead to a slowing down in overall progress of the EU to become a global leader as foreseen in the Lisbon Strategy.

In light of this argument, the first chapter aims to provide an answer to the first research question with a specific emphasis on the Lisbon Strategy, which was supposed to bring economic global leadership to the Union. Therefore the chapter begins with a section that aims to understand the Union's position in achieving a global leadership. In this first section, the Union's prominence as a leader is being sought through examining different policy domains. The chapter furthers on examining the Lisbon Strategy as a road map for that zeal in the second section through reviewing the circumstances during the launch and mid-term

renewal, as well with the reasons behind the failure in light of the papers of the scholars and official reports.

To provide a background for second research question, the second chapter aims to provide an overall picture of the regional policy from its inception to the 2006 reform, which was shaped in line with Lisbon objectives. The chapter starts with the introduction of region, development and regional policy concepts and furthers on with the evolution of regional policy in the European Union through examining the previous reforms, in order to provide a better understanding the vitality of the policy domain in major movements of the Union.

In pursuit of an answer to the second question, the third chapter of the thesis presents the regional policy as of 2006 reform through a thorough review of policy principles, instruments, objectives and the implementation for the period from 2007 to 2013 and assess' the impact of the Lisbon Strategy on the policy domain.

The chapter four focuses on Turkey as a candidate country, with regard to the third research question. The chapter commences with introducing regional disparities within Turkey through comparison of the east and west of the country. The chapter continues on with the section, which examines regional policy implementations and approaches in Turkey from the foundation of the Republic until today. Regarding to the central argument of the thesis, the chapter continues with Instrument for Pre-Accession Assistance in order to provide an insight for future implications.

Finally, the conclusion offers a summary of findings from the chapters in context of the argument and provides remarks on the future regarding to both Turkey and the EU.

# CHAPTER I

## THE LISBON STRATEGY: ROAD MAP FOR THE GLOBAL LEADERSHIP

Some have speculated that sometime in the future, if the European Union actually unifies to a much higher degree, and has a president, and an effective legislative body that has real power, they might somehow emerge, with potential for global leadership. ... I do think it's objectively true that our country is the only country in the world that can really lead the global community.

**Extracted from Albert Gore, 'Addressing Global Climate Change: The Road to Copenhagen' Speech delivered to the United States Senate Committee on Foreign Relations, Washington, 28<sup>th</sup> January 2009<sup>i</sup>.**

During the European integration process, wider and deeper integration efforts have been paired with a stronger Europe concept. Starting with the implicit statements of 1980's Delors Commission, the idea of EU as a global leader has been emphasized in every policy, procedure and strategy process since Agenda 2000. Surely, the Union may have every right to claim its global leadership being as the most successful regional integration example, the biggest trade bloc of the world and owner of the second most important reserve currency.

However, as argued by Ole Elgstrom (2007, p. 446) "leadership role for the EU is not only dependent upon its construction of itself as a leader; it is also dependent upon whether and how the surrounding world constructs it as a leader". In light of this argument, the above statement by Al Gore, former Vice President of US, would make more sense. It is particularly significant because, Mr. Gore was referring to climate change issue, a domain in which the Union considers itself in a leading position; his statement conversely indicates the doubts of the surrounding world about the EU's leadership.

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<sup>i</sup> Full Hearing Addressing Global Climate Change: The Road to Copenhagen dated 28.01.2009 is retrieved on June 15, 2010 from <http://foreign.senate.gov/hearings/hearing/?id=7aff6c0b-cc9e-c4b7-5352-dfa053d0130f>

In this context, this chapter aims to understand the EU's quest for global leadership, with a specific emphasis on Lisbon Strategy. The first section will focus on the Union's leadership skills with reference to specific policy domains, which the Union has been acting prominently.

The Lisbon Strategy, which has been promoted as a road map for the Union to become the most competitive economy and social regime of the World, will be examined in the second section through discussing its first launch in 2000, renewal in 2005, recent situation of implementation, and the reasons behind the failures.

### **I.1. The European Union: A Growing and Enlarging Power**

It is for sure that, in the first half of the twentieth century, no one would believe that great nation states, the former colonial powers of Europe and opposite belligerents of World War II, would achieve an integration that even led to transfer of sovereignty to some extent. From this point of view, it has been written in almost every paper about the EU integration that the EU is nothing like the Europe continent and the political science have ever seen before.

What makes the Union a unique political entity, which is considered neither as a state nor as an -inter/supra-national body, is the structure that it has been built on; a group of democratic states are voluntarily transferring their national powers to a treaty-based, institutional framework that defines mostly economical and partially political cooperation among the members (Pfetsch, 2006, p.130).

Being as one of the most popular integration theories, the neo-functionalism describes the case of the Union as a political community that aimed to grow bigger than a nation-state gradually with functional, political and geographical spillovers. This political community described by the theory's founder Ernst Haas as "a condition in which specific groups and individuals show



more loyalty to their central political institutions than to any other political authority, in a specific period of time and in a definable geographic space” (1958, p.5).

This political community, or a ‘state-like’ as called by liberals and realists, has a unique construction with all its supranational, national and sub-national actors. Despite there are discussions going on about its legitimacy, this constitution also gives the Union a chance to build its unique relations in international arena, e.g. World Trade Organisation (WTO), where 27 member states represented separately in national level and the Union level.

Nevertheless, the same construction can be a rigour for the Union’s prominence due to its neither centralised nor decentralised structure. To put it in right words; when individual political, economical or social interests of member states resurface consequent to a case where acting with a single voice is needed, this dilemma of ‘being completely centralised or decentralised’ becomes vital.

Pisany-Ferry (2005, p. 12) argues that the Union has already adopted a third-way for the economical relations, to get over such problems, which is called supervised delegation. However, when greater consistency for moving on is needed, the Union always ends up firstly with explaining or identifying itself, which becomes harder day by day in a world restructured with the globalization in terms of economy, culture and emerging new power levels (Sak, 2007, p.174).

The Union tries to make globalization work by playing a major role or having the lead in different domains, in short, embraces the globalization to become a global leader, as said by European Commissioner for External Relations and European Neighbourhood Policy (ENP) Benita Ferrero-Waldner<sup>1</sup>. However, globalization has been also changing the balance of power, which has been shifting towards BRIC, i.e. Brazil, Russia, India and China. Indeed, BRIC countries have been being considered as stronger rivals than US for a while. In several recent

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<sup>1</sup> Extracted from the speech delivered in Hamburg, on August 31, 2007. Full speech is available as text at <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/07/503&format=HTML&aged=1&language=EN&guiLanguage=en> . Last accessed on 29 October 2009 from

reports and papers, the future of international politics envisaged as a tripolar system -China, India and US- where the EU will not be one of those polars (Virmani, 2005; Treverton and Jones, 2005; US National Intelligence Council, 2008; Renard, 2009).

To look on the bright side, anyone would accept that the Union has been operating remarkably successful policy areas as a prominent actor or an agenda setter. One of those areas is the trade policy of the Union. The roots of the Community grew with trade liberalization motive and consequently the Union became the biggest trading bloc of the World.

The Union has been a potential heaven – in terms of new opportunities – and a hell – in case of exclusion from this huge single bloc’s actions – for outside of Europe especially after major achievements, such as single market or Uruguay Round (Meunier and Nicolaidis, 2005). The Union, in terms of its external dimensions, is operating as an equal partner with US in today’s WTO negotiations. Even there were conflicts arisen regarding to common agriculture policy (CAP) of the Union and its earlier association agreements, all those conflicts resolved within the WTO, proving that the Union is quite good with the multilateral system.

The Euro, so the monetary union, also has been a positive indicator for the Union in international monetary system. The launch of the euro was a major step towards the integration of the financial markets in the euro area. (European Central Bank, 2009, p. 9) And it suddenly became the second most important reserve currency of the world at a time when “the world monetary system risks being destabilised by the expanding dollar deficit and the resistance of Asian states to allowing their national currencies to rise”, as explained by William Wallace (2003, p.33).

Heading away from this success, the Economic and Monetary Union (EMU) has also been a sanctuary for the Union from the recent financial crisis that the World’s been suffering from. In the Commission Communication on Annual statement on the Euro Area 2009, the Euro is referred as ‘a valuable shield’ from

the crisis (European Commission, 2009a, p.3). It is also argued that the EMU has been a factor on lightening the impact of the crisis (Almunia, 2009, p.27). However all those were before 2010, when the new government of Greece felt enough about misleading the Union on the budget deficits, which brings us to the flaws of the Euro in helping the EU to gain a global leadership.

Those flaws will be examined later in this section with the flaws in other internationally recognized domains of the Union. But before that it is better to have a look another domain that the EU is a prominent actor, and which has developed the Unions political capacity all around the world from Africa to Asia, from its neighbourhood to Latin America where is mostly under the US sphere of influence.

The development policy of the Union provide actions varying from supporting development through linking trade or institutional capacity building to promoting equity in basic services or sustainable development. Accordingly, in terms of aids, the Union is the largest donor of official development assistance (ODA), and the EU and its member countries paid out more than 49 billion Euros in 2008 in public aid to developing countries, which was the equivalent of 0.40 percent of their GNP, and was higher than the per capita aid levels of the United States or Japan. The target for 2010 is 0.56 percent of GNP, rising to 0.7 percent in 2015 (EU Donor Atlas, 2010).

Talking about the EU's leadership, another domain should be mentioned is the environment policy of the Union. The Union provides a leadership in international environment cooperation by active participation to multilateral agreements, environmental negotiations and process from elaboration to implementation. In international climate change policy, for instance, the Union is a prominent figure since from the beginning of negotiations for Climate Change Convention (1991). In Kyoto negotiations (1997) while the Union proposed deepest emission cuts, it also accepted the highest reduction target among the major industrialised countries (-8 percent) (Oberthür and Kelly, 2008, p.36).

There are factors that ease the Union's leadership on the domain. First of all, in line with the increasing attention to climate change issue, an action on the Union level is expected and the policy domain became a driver in the integration process, to which the policy may provide more legitimacy to the Union. Increasing energy politics and energy security agenda of the Union, second, have also supported the domain in Union level. And finally, the domain, with its high international profile provided a playground for the multilateralism oriented EU in international relations (Oberthür and Kelly, 2008).

Keeping in mind those domains and achievements, there are two surveys conducted, of which results may help us to understand if the Union is constructed as a leader by the surrounding world. In the survey 2006 conducted by Bertelsmann-Stiftung<sup>i</sup>, the purpose was to discover the role of Europe as a global player and define the characteristics of the world power. The other survey conducted in 2007 by the BBC World Service<sup>ii</sup>, asked the participants "which of the countries given are having a mainly positive or mainly negative influence in the world".

Results of the BBC's survey demonstrated that 53 percent of the people, from in or outside of Europe, approve positive influence of the European Union in the world, among others like Canada, Great Britain, Turkey, Egypt, Italy, Mexico, Argentina, Greece, Germany, France, Russia and US.

Results of the Bertelsmann-Stiftung's survey showed that 32 percent of total respondents, 10,250 people from Brazil, China, Germany, France, the United Kingdom, India, Japan, Russia and the United States, consider the EU as a World Power, only after US, China and Japan.

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<sup>i</sup> Detailed report of the Bertelsmann-Stiftung's survey is available at [http://www.bertelsmann-stiftung.de/bst/en/media/xcms\\_bst\\_dms\\_19189\\_19190\\_2.pdf](http://www.bertelsmann-stiftung.de/bst/en/media/xcms_bst_dms_19189_19190_2.pdf)  
Retrieved on July 18, 2010.

<sup>ii</sup> Detailed report of the BBC's survey is available at [http://www.worldpublicopinion.org/pipa/pdf/mar07/BBC\\_VIEWScountries\\_Mar07\\_pr.pdf](http://www.worldpublicopinion.org/pipa/pdf/mar07/BBC_VIEWScountries_Mar07_pr.pdf) retrieved on May 24, 2010 from

The important issue with the second survey is that it also provides a general public opinion for the qualities of a world power. The results show that economic power and potential for growth and political stability is the most important qualities of a world power. Those attributes are followed by strong educational system / R&D sector, wealth of natural resources, leadership potential in international agenda setting, providing a model for other societies, military power and innovativeness and adaptability.

Looking through this perspective the question arise: are above mentioned policy domain operations enough to construct the Union as a World Power? The answer can be found again within those policy domains. The trade and environment, most successful of all, bring out too many expectations before the Union, where the EU ends up as a leader with limitations. The Union's internal disunity and inflexibility and changing roles in the negotiations due to its competence level weaken the status of the Union as a leader (Elgstrom, 2007).

In the aforementioned Euro crisis, Soros (2010) argued that the problem was mainly due to defects of the Euro, which were lack of a common fiscal policy for the Union, being a shield towards inflation not deflation and the most importantly, its structure that leaves no room for mistakes.

Without establishing a strengthening mechanism, this design of single currency puts the Member States in a position to stay on with the criteria and things got worse, as in the recent picture, when European Central Bank's discount facility enabled borrowing even for the countries like Greece, of whom priorities were different than the achieving convergence criteria (Soros, 2010).

Indeed, there are also other factors, which established the foundation for the recent crisis, like the Euro's limited economic base, the Union's neutrality towards to a global currency, non economic limitations such as security ties with euro and non euro area members and finally uncertain governance (Pisani-Ferry and Posen, 2009, p.6-7).

On the other hand, if being a military power considered as an attribute to be a World Power; this is the domain where one can receive much less than the expectations. It should be admitted that following the Maastricht, the Union's capacity in the foreign policy domain has been improved from statements to actions and the Union's external relations have been shifting towards a common foreign policy.

However at the end of the day, everybody knows that the Community was born as a peace project in the aftermath of the two world wars, and it is evident from the preamble of the Lisbon Treaty that the Union is still and forever committed to preserve and strengthen the peace and liberty. This is why in terms of international security the EU practices a power different than its completely opposite rival US. As explained by Manners (2002, p. 242) five main concepts, which are Peace, also the Raison d'être for the Union, Liberty, Democracy, Rule of law and respect for Human Rights, constitutes the normative basis of Union. Even they are the last resort for the most extreme cases only with peacekeeping or humanitarian nature; the Union has also its military means today. Nevertheless, the Union choose to be a normative power, i.e. "neither military nor purely economic, but one that works through ideas and opinions" (Stivacthis, 2007, p.46) through its external policies rather than a being a military power.

Instead the Union has a different approach, i.e. development aids as explained previously in this section, which are actually having assistance in one hand as a carrot and the trade in the other as a stick and have been the only external policy instrument of the Union throughout the cold war era (Olsen, 2007, p.1). A practical instrument to export core European norms and values, which have been installed into multilateral agreements as political conditions since 1989 (Börzel and Risse, 2007, p.5), the official development assistance are directly linked to respect those values following the Maastricht through the concept of conditionality. In a nutshell, this is how EU is practising a sort of normative power by tying up the aids from EU to several conditions (Birchfield, 2007).

As seen in the aforementioned speech of Al Gore, the prominence does not mean leadership. The uncertain governance of the domains is actually common factor that affects leadership role of the Union. Cramer et al (2007, p. 1-2) argues that the competence of the Union affects the international success or the leadership in a policy domain. In trade policy, for instance, the exclusivity, in addition to establishment of single market and single currency, gives the Union the space to act in favour of the Union rather than the individual interests of member states, since the Union has been commissioned with exclusive competence right from signing of the Treaty of Rome.

However in areas like development or the environment, the shared competence makes operating more difficult since the political, economical or social interests can still get over the environmental protection or development interests (Cramer, Gustavsson, Oxelheim, 2007). Or as in the security domain, since security issues have direct impact over the sovereignty of member states, the defence integration of the Union remains strictly inter-governmentalist. And the decisions over this inter-governmentalist domain are being shaped not by the actors of the multi-level governance system of the Union but the Council, in which reality bites “through bargaining, coalition buildings, logrolling et cetera” (Akbaba, 2009, p. 5).

And when it comes to the ‘economic power and potential for growth’ as a World Power attribute; the Union has been suffering from a decline for almost two decades. Examining above mentioned policy domains shows that the Union may be more inspiring and promising than any other state or international organisation but it is still not mature enough to lead the World in terms of its economic power.

The economic power of the Union, in that regard is directly linked to the different development levels of the Member States. And when the cohesion is the issue at stake, the EU, with its 27 member states and 268 regions, is experiencing a significant amount of regional disparities which weakens its overall dynamism. Especially in the 1990’s while the US was experiencing a remarkable economic growth through the new economy, the Europe was lagging behind. Despite many

attempts like the European Employment Strategy (EES), the Stability and Growth Pact (SGP), the Macroeconomic Dialogue, have been made to change this situation; however these strategies have failed to meet the expectations. The reason behind this failure was again the prioritization of different interests at national levels and the Lisbon Strategy, in that sense, was emerged with expectation both to overcome the policy-making failure of the above mentioned processes and to make the Union a leader in the new economy (Collignon, 2008).

## **I.2. The Lisbon Strategy: Road Map for Global Leadership**

This section will be focusing on the first term of the Lisbon Strategy, which was launched in 2000 and then renewed in 2005. Relevant to the aim of this thesis, the section aims to provide a comprehensive understanding of the circumstances that lead to the birth of Lisbon Strategy and its initial objectives set to make the Union a global leader in economical terms.

### **I.2.1. The Lisbon Strategy v.2000**

It is probably be helpful to describe the new economy at that point. During the 20th century, the economy, mainly based on manufacturing that requires manual labour for standardized products, which, a while later – starting from mid 1970's-, started to face serious crises. The reason behind these crises likely to be their market focuses, which was only covering local and nationwide markets (Soji, 2008, p.2). With the rapid development of information and communication technologies (ICT), and stimulation by the globalized financial markets, the world was introduced to a new economy, in which know-how, skills and competencies became main assets, mobilization of the resources and commodity became easier and entrepreneurialism became dominant (Johansson, Karlsson, Backman and Juusola, 2007, p.10).

In such market environment, the general perception that EU's lagging behind of US have emerged new concerns about facing problems of public



financing, growth and even more social inclusion (Johansson et al, 2007; Rodrigues, 2002). Keeping other concerns aside, the growth performance of the Union was significantly slower than the ultimate rival, US and it was also at stake with rising powers: China and India. Luc Soete (2002, p. 41-44) explains this growth performance differences with US's speed in bringing the products to markets as quick as possible, meaning commercialization of ICT's, which was mainly because of quick adaptation of the US to new economy. According to the Andre Sapir (2003, p.25) starting from the 1980's the lagging behind the US was the result of demographic trends, working hours and the labour productivity which was in favour of the EU until 1995 (See Table 1) as well.

**Table 1: Growth of GDP, Labour Input (annual number of hours worked) and Labour Productivity (GDP per hour) (percent per annum)**

	GDP		LABOUR		LABOUR PRODUCTIVITY	
	EU	US	EU	US	EU	US
<b>1970 -1980</b>	3.0	3.2	-0.5	1.8	3.5	1.4
<b>1980 -1990</b>	2.4	3.2	0.0	1.7	2.4	1.4
<b>1991 - 2000</b>	1.5	3.1	-0.9	1.8	2.4	1.3
<b>1991 - 1995</b>	1.5	3.1	-0.9	1.8	2.4	1.3
<b>1995 - 2000</b>	2.6	4.1	1.2	2.0	1.4	2.0

Source: Sapir et al, 2003, p. 25

And the US's successful transition to new economy was the proof of the beginning of a new welfare which mostly depends on the nations' ability to adapt them as quickly as possible to the new competition. With a similar argument, Archibugi and Coco (2005, p. 434 - 435) indicated, at that time the EU's ability to create and disseminate know-how would define the potential problems in growth, employment and productivity. But with all the low rates of ICT adoption, entrepreneurship, human capital and innovation, the Union needed a motive to quicken the transition period (Johansson et al, 2007, p.5).

In this context, mostly Single European Act based growth, competitiveness and employment strategies of the Union were initiated to revise during the Presidency of Portuguese and 2000 Lisbon Council, held on 23-24

March, announced the Lisbon Agenda, which aimed at making the EU “the most competitive and dynamic knowledge based economy of the world, and capable of sustainable economic growth with more and better jobs and greater social cohesion” as stated in the Presidency Conclusions.

The initial road map included medium term economic reforms and short term political and social initiatives, which were set to be achieved by 2010. Based mostly on economical ones accompanied by social cohesion, the specific objectives were defined as;

- a) Preparing the transition to a knowledge-based economy and society by better policies for the information society and R&D, as well as by stepping up the process of structural reform for competitiveness and innovation and by completing the internal market;
- b) Modernising the European social model, investing in people and combating social exclusion;
- c) Sustaining the healthy economic outlook and favourable growth prospects by applying an appropriate macro-economic policy mix (Lisbon European Council, 2000, par. 5).

These three objectives were mainly composed of two pillars<sup>i</sup>: one is the economic reforms which were encouraging a more flexible labour market, liberalization of national controls on service and social reforms which were increasing spending on education, adopting social protection measures to new millennium. The overall intention of those reforms was to reshape the EU as a bright new information society that comforts welfare through the outputs of the new economy. This welfare would consequently bring the social cohesion among the members of the EU.

As Rodrigues (2002, p.32) indicates such important reforms also brings the necessity of better governance for the effective implementation. In that sense the decisions from the summit put the European Council in a coordinating position for monitoring - through mandated spring council - and the Union introduced the Open Method of Coordination (OMC), which aimed to enable cooperation of the

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<sup>i</sup> A third pillar; environmental reforms added to economical and social reforms later in Gotheburg 2001 Council.

member states to achieve the Union's aims during the policy making process. To re-iterate, the OMC was intended to change the EU's commanding role to a supervising one.

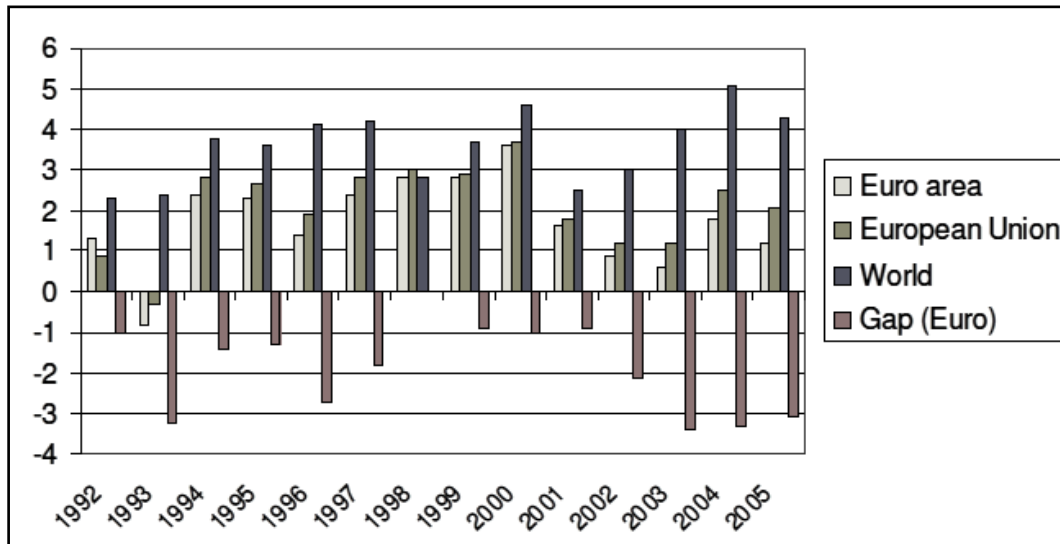
The OMC was a third way "between 'pure integration' and the logic of genuine intergovernmental cooperation" (Dehousse, 2002, p.4). Having its roots back in the Maastricht Treaty, the new OMC introduced in Lisbon aimed to encourage the mutual learning, target development, and benchmarking among the member states as peers providing pressure for achievement. The new design was composed of;

- a) Fixing guidelines for the Union combined with specific timetables for achieving the goals which they set in the short, medium and long terms; (Lisbon European Council, 2000, par. 37).
- b) Establishing, where appropriate, quantitative and qualitative indicators and benchmarks against the best in the world and tailored to the needs of different Member States and sectors as a means of comparing best practice; (Lisbon European Council, 2000, par. 37).
- c) Translating these European guidelines into national and regional policies by setting specific targets and adopting measures, taking into account national and regional differences; (Lisbon European Council, 2000, par. 37).
- d) Periodic monitoring, evaluation and peer review organised as mutual learning processes (Lisbon European Council, 2000, par. 37).

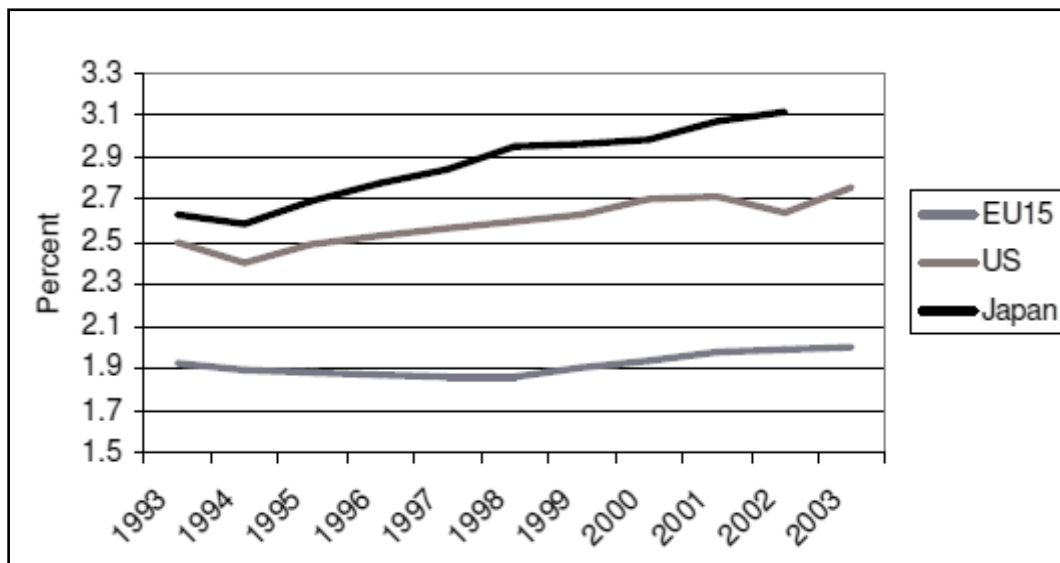
With this new policy making tool and the great objectives, the Lisbon strategy was completed in 2001 Gothenburg Council and the environmental pillar was also added to the agenda. This new pillar focused on decoupling environmental degradation and resource consumption from economic and social development by 2010. The road map was finally adopted and every agent in the process was enthusiastic to achieve a rapid economic growth and overcome the US behind as in the 1980's after single market, despite the fact that there were only 9 years left to 2010, which, in my opinion, was a completely unrealistic deadline for such an ambitious goal.

However during the implementation of the strategy it became more apparent that the Union was moving with baby steps. Despite the fact that significant efforts were made to some extent in transition to an information society or new markets' entrance to competition, the main commitments were failed. The growth gap between the world and the EU was continuing from the launch of the strategy (Figure 1.) and increasing the share of Research and Development (R&D) in GDP to 3 percent did not take place (Figure 2) (Pisani-Ferry, 2005).

**Figure 1 - GDP Growth / Europe vs. World**  
**Source: Pisani-Ferry, 2005,p.2**



**Figure 2 - Research and Development Spending / GDP**  
**Source: Pisani-Ferry, 2005, p.7**



The launch of Andre Sapir's report on 'An Agenda for a Growing Europe: Making the EU Economic System Deliver', which was delivered upon the initiation of Romano Prodi's Commission, turned the emerging concerns into actual facts. The report indicated that ongoing challenges of the Union, like slowing growth rates and high unemployment rates, started to accompany by demographic and technological trends. Another point emphasized in the report was the insufficiency of the OMC, which was putting the implementations to achieve exact expected results of the Lisbon Strategy almost at the Member States' mercy (Sapir et al, 2003).

### **I.2.2. Try and Fail but Not Fail to Try: Lisbon v. 2005**

The Lisbon Strategy was not the first approach of the Union, which had failed in the implementation process. However with the new powers around, like China, India which are rapidly changing, growing and strengthening in addition to US, the failure of Lisbon objectives would mean not only losing a more major role in the global arena but also would mean losing the coherence among the members of the EU. In this aspect, this section will discuss the reasons behind the failure of the first Lisbon Strategy in the light of report by Wim Kok and the launch of the renewed Lisbon Strategy.

Due to increasing critics about the Strategy's realization and the statistics supporting a real failure in achievement of the main objectives, the Council asked the Commission for review of the Strategy. Wim Kok, the Former Dutch Prime Minister, headed this independent review with a High Level Group of experts. Concluded in 2004 November, the report manifested that the achievements till that time were not enough to keep the Union's growth and employment safe from the harm.

The report indicated the Europe's economy was showing a disappointing performance when compared to US and Asia, despite the creation of new jobs, increasing the employment rates to some extent and realizing reforms on social protection systems. However, the whole implementation process needed a full

commitment and major structural reforms for the member states and in Lisbon process methods were different.

As written in the report “Lisbon, because of the range of its ambition, covered a number of areas in which the EU had no constitutional competence and which were the preserve of Member States” and at the end of the day mixing new method – open method of coordination - and the old one – community method – led the process to a point where everybody was in charge, so no one actually was (Kok, 2004, p.9). The report indicated five main areas to be handled with urgent actions and presented recommendations (Table 2).

Since any delays in the implementation process would end up with a Europe, who lagged behind both US and the Asia in terms of growth, the focus turned into three main areas; positioning Europe as a place to invest and work in, promoting knowledge and innovation for growth and creating larger number of better jobs. Following the Spring Council on 22-23 March 2005; the Lisbon Strategy is re-launched based on Kok report.

This time, the keys to success are defined as extension of economic governance to a number of supply-side policy domains, focusing on growth and employment objectives and implementation through national action plans, which was envisaged to ensure national ownership. In that sense strengthening the communication and engaging national stakeholders also envisaged through appointing National Coordinators. Within the context of the new governance form, partnership, responsibilities of the Commission also redistributed. As complexity was another important issue mentioned in the report, simplification of the processes also became a key element and six macroeconomic guidelines<sup>i</sup> were gathered in new integrated guidelines.

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<sup>i</sup> The fiscal elements of the Broad Economic Policy Guidelines, Ten Microeconomic Policy Guidelines that incorporate elements of the original Lisbon goals, The Cardiff process and the supply-side Broad Economic Policy Guidelines, eight Employment Guidelines.

**Table 2: Recommended Actions in Kok Report to Achieve Lisbon objectives**

<b>Objective</b>	<b>Recommendations</b>
<b>Knowledge Society</b>	<ul style="list-style-type: none"> <li>• To attract more researches to Europe through an action plan to be implemented by 2006;</li> <li>• To establish an autonomous European Research Council to fund and coordinate long term basic research at Europe;</li> <li>• To increase the growth performance of ICT sector through e-Europe 2005 action plan and ensure significant performance in the e-government area;</li> <li>• To finalize the adaptation of Community patent legislation; which should protect the intellectual property in a less complex, bureaucratic and cheaper way.</li> </ul>
<b>Internal Market</b>	<ul style="list-style-type: none"> <li>• To agree on a legislation by 2005 to remove obstacles to free movement of services.</li> <li>• To conduct sectoral enquiries; review systematically competition regulations' impact; allocate resources to identify and remove barriers to competition</li> <li>• To adopt remaining financial services action plan (FSAP) legislation and define a strategy to reduce barriers to cross border banking in order to unleash the dynamism of financial markets.</li> </ul>
<b>Business Climate</b>	<ul style="list-style-type: none"> <li>• To progress on developing an impact analysis instrument for legislative proposals</li> <li>• To reduce bureaucracy for the encouragement of entrepreneurship.</li> </ul>
<b>Labour Market</b>	<ul style="list-style-type: none"> <li>• To ensure effective monitoring of the implementation of European Employment Taskforce's recommendations;</li> <li>• To adapt lifelong learning strategies in national level.</li> <li>• To create a new paradigm on ageing population's employment, through promoting lifelong learning for all age groups, improved working conditions and quality.</li> </ul>
<b>Environmental Sustainability</b>	<ul style="list-style-type: none"> <li>• To Invest on eco-efficient innovations</li> <li>• To establish an appropriate regulatory framework to link the area with other policy domains.</li> </ul>

**Source: Own Elaboration from "Facing the Challenge: The Lisbon Strategy for Growth and Employment" (Kok, 2004, p. 19-38)**

However it did not take long for some scholars to see that the renewed strategy was also going to fail. Pisani-Ferry argued in his paper ‘What is Wrong with Lisbon’ that the Lisbon v.2.0 would likely to fail because of the main failure areas, focusing on integration, materializing effective incentives and shaping a more collateral macroeconomic framework for reforms were ignored once again in the revision (2005, p.13). On the other hand, Sapir, with Pisani-Ferry, (2006, p.12) argued that “since progress as regards ownership was not significant at all”, focusing on the ownership problem would have no good in Lisbon v.2.0 because there was another problem, which was ineffective coordination. Stefan Collignon also argued (2008, p.76) the new strategy was obliged to fail as its predecessor and put the blame on the supply-side policy orientations and the lack of a macroeconomic management.

### **I.2.3. Failure Again After All**

Before reviewing the impact of Lisbon Strategy over Regional Policy, it is better to analyze the failure process, because it is relevant to the restructuring process of the Regional Policy. This section aims to seek an answer while the Lisbon objectives failed in the implementation. The Kok report manifested the Union failed to implement one of the milestones of its integration history because of many external and internal challenges but mainly the Union failed as a result of broad scope of the Strategy and the lack of commitment of the member states.

Jacques Pelkmans (2003, p.112) argues:

...The EU cannot be expected to do much more to promote economic growth in Europe, as the limitations of EU powers ... indicate that growth stimulus should mainly come from the *national* level of policy making and where useful the economic coordination between the member states in the fields where they have retained powers.

Marica Frangakis (2007, p.72) argues:

... the primacy of economic goals over social ones derives from the fact that the internal market and the monetary union are the main pillars of the socioeconomic framework of the EU, defined and applied on the Community level, while social



issues are subsumed within this framework, to be dealt with by member states on the national level.

The contradiction between Pelkmans and Frangakis' paraphrases may help us to understand how the Lisbon Strategy became a tragedy. Based on these two citations, it can be argued that, regardless of external challenges like continuously strengthening rivals, the main reason behind the failure was the governance.

Kok (2004, p.17) argued to take the best out of the Lisbon Strategy's benefits would be only able via true commitment of the member states. But as in the Frangakis' argument above, contrary to the Union's traditional approach, this time even the economical objectives were handed over to the Member States. And OMC was not able deliver outputs in the reform needed areas because it was enabling the states to implement their reforms in different durations, which are most likely to them.

The centralization – decentralization dilemma mentioned in the previous sections comes again before us. The Lisbon Strategy was expected to be a new success like the Single Market, one of the greatest achievements of the Union as stated by the European Commission. When compared these two strategies (See Table 3); the Single Market had more realistic objectives, more commitment from the Member States and centralised governance. But in Lisbon Strategy's governance, which is the answer to failure, the framework was relying on the implementation of structural reforms at national level to ensure policy coherence.

Since the OMC was an alternative to the strict Community Method, as previously mentioned the Lisbon Strategy's framework was free of “binding rules such as the antitrust laws of the Single Market, or the threat of financial sanctions, as in the case of the Stability and Growth Pact” (Ioannou et al, 2008, p.13).

**Table 3: The Single Market and the Lisbon Strategy**

	<b>SINGLE MARKET</b>	<b>LISBON STRATEGY</b>
<b>Ultimate Aim</b>	Integration and Growth	Growth Social Cohesion, Employment
<b>Intermediate Objectives</b>	Cuts on cost of cross-border transactions for products and services	Advances in Education and Innovation, Increase in R&D Spending, Liberalisation of service industries, Increase in Labour Force Participation and Employment Rates, et cetera
<b>Means</b>	Elimination of Border Controls, Harmonisation and Approximation of Laws	Definition of common targets; Performance reporting and benchmarking; Joint Monitoring
<b>Instruments</b>	EU Directives, Enforcement by case law of courts	Mostly National (spending, taxation, regulation)

Source: Sapir et al, 2003, p. 85

Even though the Commission had greater responsibilities in coordinating the implementation, and the role of the OMC diminished after 2005, as indicated by Lisbon Strategy Evaluation Document of the Commission the Union completely failed in achieving the main objectives by 2010 (European Commission, 2010, p.3).

Many explicit or implicit reasons, like the objectives could be simpler, the deadline could be more realistic and the mechanism for the implementation could be more enlightening about the job descriptions of the concerning actors, could be found for the failure; however in context of such ambitious objectives and structural reforms the Union should have been the one that setting the rules and left not much to member states. Specifically the objective of finalizing single market and in general terms all of “the economic objectives the strategy should be governed in the EU level” (Tabellini and Wyplosz, 2006).

### **I.3. Assessment**

It is for sure that the European Union's pursuit of global leadership is not surprising after 60 years of successful integration. However the leadership and the prominence are different concepts. The Union would have been prominent in many policy domains but this does not provide a given leadership status.

In that context, the common mindset that equals leadership with an efficient foreign policy and the construction of the Union as a leader by the surrounding world are two important factors that should be examined. The Union's unique construction has always been a little bit complicated for everyone. Even this integrated construction, with its entire supranational, national and sub national actors, provides a prominence to the Union in the international scene; it also may end up the individual interests of the member states come over the Union's interest. In that sense whenever the single voice is needed and could not be provided the leadership of the Union remains questionable.

On the other hand the new millennium defines newer attributes for a world leader other than an efficient foreign policy. Given the status of China and India, it can be said that qualities of a world power now rely on its potential for growth and its economic power, as well as political stability. For that reason the Lisbon Strategy had never been only about making the EU most dynamic and competitive economy. It was about enabling the structural reforms that are needed for the global leadership.

The non-binding structure of the Strategy could not provide a common commitment among the member states and it also enabled lagging states act in favour of their political wills, specifically in terms of social reforms. And its failure, in that sense, was because of the differences among its member states.

In summary, the Union had draw a road-map for its global leadership but the economic, social and political disparities among its regions have become an obstacle for further reform. For that reason the regional policy of the Union, amongst other policy domains, stands out as one of the most contributing one to

further geographical, economical, social and political integration, especially when Turkey is waiting at the door with its 70 million population and huge regional disparities.

## **CHAPTER II**

### **EUROPEAN UNION'S REGIONAL POLICY PRIOR TO LISBON STRATEGY**

The European Union has been attempting to create a more equitable union since from its very first step. However with every enlargement, the disparities among the member states and the regions are getting more and more apparent. Since these disparities interrupt the further integration movements both socially and economically, the Union responds to these interruptions via its regional policy.

In this context, this chapter aims to examine the evolution of regional policy in the Union, with a special focus on the period 1955 – 2000. The first section of the chapter describes the concept of region and development, followed by the emergence of regional policies, with a special focus on European Continent. The second section will focus on the emergence and evolution of regional policy in the European Union through seeking the rationale behind the policy and the historical background of the policy up to 2000, with a focus on reforms and their outcomes.

#### **II.1. The Concepts of Region and Development**

A cohesive area that is homogeneous in selected defining criteria and is distinguished from neighbouring areas or regions by those criteria. It is an intellectual construct created by the selection of features relevant to a particular problem and the disregard of other features considered to be irrelevant (Britannica Online Encyclopedia, 2010).

The 'region' concept is a hard-to-define term since it has many definitions limited by the purpose. The above written description for instance is explaining the 'region' in terms of social sciences and geography. Another definition on region

explains the concept as “a spatial formation that organises the relations among different communities” (Özer, 2008, p.41).

In terms of political geography, the region is “a complex spatial socioeconomic system, characterized by a stable combination of political forces and possessing a specific complex of features” as quoted by Vitkovsky and Kolossov in Janda and Gillies (1983). In international law the region is “a group of national states, possessing common interests and has geographical, economical and political contiguity” (Şen, 2004, p.4).

Brasche (2001, p.13) tries to describe the region concept from two aspects. Taking the homogeneity into account he suggests defining the region concept in terms of geography, culture, history, settlement and density. On the other hand, taking the new economical structuring and common interest factors into account he suggests four areas, which are;

- Sector dominated areas, e.g agriculture, industry, tourism
- Areas with borders to a state and affected by the economical activities of that state.
- Transit regions in terms of long distance traffic flows,
- Regions affected by the economic structure of a common settlement area, Baltic region.

Keeping in mind the fluid definitions of the region, there is not a strict definition used for the region concept also in the Union. The concept can either indicate both the member states and local regions (Hasanoğlu and Aliyev, 2006, p.82) or “a spatial framework and incentive areas for economical planning and development” (Özel, 2003, p.100). Additionally, the regions are divided according to their functions and structures like planning areas, administrative regions, cross-border regions, autonomous regions, homogeneous regions and polarized regions in the Union (Şen, 2004, p. 8).

From another aspect, it can be said that the closest thing to define a region in the Union is the system of Nomenclature of Territorial Units for Statistics (NUTS). The classification divides up the EU's economic territory into three main spatial formations, which are; Major Socio-Economic Regions, (NUTS 1), Basic regions (NUTS 2) and Small regions (NUTS 3), which covers the sub divisions of the greater one. The NUTS classification, established by Statistical office of the European Union's (Eurostat) in 1970's, is the basis of verifiable indicators and statistics which are used to define the regional development levels.

The development, in this context, is another concept that is changing by the conjuncture and the purpose of the study. Following the Industrial Revolution, the development term was referring to the economical development, which was measured by income, productivity or labour. However, industrial revolution did not only change the speed of economical development but also led to many social changes like the emergence of a socially more dynamic society, new family patterns, and a new urban understanding. The rapid developments and increasing congestion in urban areas were followed by the inequalities.

These changes brought new dimensions to the development term in the twentieth century; Social welfare, which covers the certain minimum standards and opportunities for the communities; and the Quality of Life, which can be verified through new indicators like the environment, health, education, social belonging and et cetera.

Parallel to the evolution of development term, paradigms for theorizing development also emerged. These paradigms are (Öğüt and Barbaros, 2003, Table 1, p. 22);

- **National Development Paradigms**, which defines the nation-state as unit of analysis, are the structuralist paradigm and dependency (Neo-Marxist) paradigm. Both paradigms explain development as economic growth through industrialization; only in the latter an independent industrialization is envisaged.

- **Basic Need Paradigm** stresses satisfying the basic needs through growth. The unit of analysis in this paradigm is both nation-state and the social groups.
- **Neo-Liberal Paradigm** puts the individuals in the center of development and envisages growth and capital accumulation based on free trade, market and integration.
- **Sustainable Human Development Paradigm**'s center is the human. This paradigm emphasizes the development of human skills, equitable accession to human opportunities.

In light of the evolution of the term and the paradigms, one can also find the rationale behind the regional development; to reduce the disparities among the regions - composed of states or the local units of a state-. The regional disparities in that sense are the main motive of the regional policies.

## **II.2. The Regional Disparities and Emergence of Regional Policies**

It is evident that regional disparities became apparent as a consequence of the industrial revolution. During the first industrial revolution the disparities emerged were based on natural resources and industrialization, which were mostly between the states. The second industrial revolution ended up with congestion in the centers and depopulation in the periphery<sup>i</sup>.

In Mass Production period, or Fordism, a shift to mass production and consumption economy has occurred. During this era, the congestion, consequent of the industrialization, increased and led to emergence of metropolitan areas. The Post-Fordist, or the flexible production period, changed the nature of production and consumption, market structures and the human capital. The new knowledge

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<sup>i</sup> The center-periphery model of development examines the areas in four different spatial forms, which are the metropolitan regions, development axes, frontier regions and depressed areas (Friedman, 2001, p. 388). The center in this context becomes the core of industrialized and intensified economic activity.



economy and flexible production led to increasing demand for specialization, population expansion to close periphery of metropolitan areas and the new opportunities for the local units (Ardıç, 2007).

Based on this historical evolution of regional disparities, it can be said that disparities among regions can emerge from several factors such as differences in their natural resources, geographical features, economy, demography, and infrastructure (Şen, 2004). And in terms of capitalist development, of which's impetus increases through above mentioned factors, the investment leads to new geographical forms and sites of production for consumption and abandon other more depressed areas.

In that sense it is clear that underdevelopment is a product of capitalist development (Marshall, 1998). However underdevelopment or the regional disparities, i.e. insufficient transportation, communication networks or lower purchasing power, also interrupt the capitalist development in terms of growth and prosperity. This interruption leads to emergence of the regional policies (Marangoz and Uymaz, 2005, p. 2). The regional policy in that sense is directed at problems arising from uneven development between regions.

Having its roots in United Kingdom's (UK) policy implications for high levels of unemployment in 1920's, (Bachtler, 2001: Uğurlu, 2006), the factors that led the emergence of regional policies - apart from the *de facto* ones varying from geographical features to market features - can be set as the underdevelopment of agriculture oriented rural areas, industrialized areas where the development was based on single sector with lack of sufficient infrastructure for transformation, and finally the areas where rapid development led to failure in parallel development of social and economical life (Uğurlu, 2006).

The development of regional policies, in that sense, was mainly driven by the impact of Great Depression in terms high unemployment and defence interests of European countries in the interwar era (Bachtler, 2001, p.10-11). Nevertheless, above mentioned main sets of problems indicate the complexity of regional

development, which result in different regional policies parallel to the existing conjuncture. For instance, the mostly employment focused early agenda of immature policy implications, which was during the time of an economic turmoil, shifted towards inequality and distribution issues in the aftermath of the World War II, which indeed was stimulation for the European countries to develop regional policies. For instance, during the time of an economic turmoil, the mostly employment oriented agenda of immature policy implications, has shifted towards inequality and distribution issues in the aftermath of the World War II, which indeed was motivation for the European countries to develop regional policies.

As stated above, the implications of the policy were - and still are - parallel to the conjuncture of the time and the policy agendas, in this context, were being shaped to respond to the present challenges. In that sense, the aftermath of World War II was also a proof to this assumption. When we compare the European Countries' regional policy agenda at the time being, relevant to the aim of this study, limiting it to the founders of the EU, it is observed that Germany's agenda was focused on emergency assistance for depressed areas, while Italy was focusing on a programme of incentives and investments for the depressed areas. France on the other hand started its regional policy as a response to the dominant centralisation. The Netherlands designed its regional policy agenda for reducing region based unemployment rates (Bachtler, 2001).

### **II.3. The Rationale for Regional Policy in the EU**

A deepened form of integration, the EU, aims to be a political union, as well as an economic and monetary one. These objectives are mainly to increase the welfare of the member states throughout the Union. For that reason many policies are in operation and despite the fact that regional policy was not one of the initial ones, today its one of the major policy domains of the Union.

Every enlargement widened the EU in geographical terms and each enlargement brought more apparent regional disparities among the member states

and the regions. When the issue at stake is integration, disparities may cause a greater failure: integration interrupted. In order to prevent such interruption, it has always been emphasized that sustainable success of the European integration is based on close cooperation of the member states, which means solidarity in EU terms.

Starting from the point of solidarity, the core principle of the Union, the regional policy is mainly a response to the Union's regional disparities because those disparities "not only threaten the integrity of the single market and the EMU but also they are incompatible with the sense of solidarity and being a community which should infuse the movement for European Integration" (Dinan, 2000, p.46).

In view of the argument of Dinan, the regional policy is 'the tool' for the Union in achieving economical and social cohesion; however the deepening integration also brought the domain another aspect, the territorial cohesion. Therefore to seek the rationale behind the policy, it will be helpful to understand first what cohesion stands for.

Being a constituent prime to sustain the existence and further movement of international political and economical regimes, the cohesion in the European Union is the keystone for deeper and wider integration (Teixeira, 2001). In case of social cohesion, which was tried to be defined as a case that can be analyzed in different aspects or as a framework that can be understand through multiple indicators (Friedkin, 2004, p. 408), "the nature and extent of social and economic divisions, by income, ethnicity, political party, caste, language or other demographic variable, within society" is the focus (Easterly, Ritzan and Woolcock, 2006, p.4).

For the purpose of this study, when social cohesion concept is traced back in the official documents of the Union, one can see that the cohesion in social terms are based on equal access to opportunities, preventing discrimination, strengthening disadvantageous groups to ensure a decent living standard for and fully contribution of the individuals for the gain of the Union.

The territorial cohesion, on the other hand, has a different focus than the economic and social cohesion and it puts emphasis on “tangible and physical resources such as natural resources, settlements, supply and transport networks” (Bussadori, 2005, p.1). Seeking for a rationale in terms of territorial cohesion, an answer can be found in the argument that whether an industrial centre or a depressed area, the development tendency of a region is shaped by its “economic geography and certain historical legacies” (European Stability Initiative, 2003, p.3).

It is for sure that being the biggest trade block of the world; the EU has been the land of opportunities for flow of capital and labour. In that sense the suggestion of traditional neoclassical theory, that a convergence *per se* among the regions can be expected following the boost of capital and labour (Uğurlu, 2006). However the wider territory, in the broader sense of the word, creates wider disparities since the metropolitan areas, or areas with advantages in terms of transport, communication, settlement and such, become focus of growth while the others suffer from their territorial disadvantages (Moussis, 2004). Also, as in the previous argument of development tendencies, such spontaneous convergence is hindered by “inherent regional disadvantages and insufficient fiscal capacity” of the regions (Bergs, 2001, p.10).

Keeping in mind cohesion aspects, another motive behind the regional policy is the need for coordination. The member states have been operating their own regional policies even before the EU, or then EEC, and there are too many actors involved in the operations both at the national and sub-national level. An integrated approach in that sense is considered to be in favour of the EU. Moreover, as in the general integration process the EU as a whole, is more likely to achieve objectives compared to the member states since each have different level of resources to allocate to regional policy operations and have different priorities than the EU (Molle, 1991; Teixeira, 2003; Moussis, 2004).

In addition to those, another argument about the rationale of the policy domain is that the regional policy can decrease adverse effects of other policy

domains. Crosscutting with almost all of other community policies in terms of their regional implementation, the regional policy implications have been the key to decrease the adverse effects of any policy that cannot be changed by nature or its source (Molle, 1991).

In view of explanations and those arguments the rationale behind the regional policy can be summarized as to reduce disparities, not only economical ones but also social and territorial ones, among the regions through a coordinated and integrated approach for ensuring a positive impact on behalf of the Union and its policies.

#### **II.4. The Legal Basis of the Regional Policy in the EU**

European Union's regional policy had operated on a program ground, without any legal basis until the Single European Act (SEA). The SEA was the first time the regional policy introduced. Articles 2, 158 and 159 of the Treaty of SEA were the direct references to the regional policy by defining the scope, responsibilities of the Community and instruments to achieve the policy objectives. However the Maastricht Treaty (1992) finally gave the legal basis to the policy through a protocol annexed to the Treaty: Protocol on (No 15) Economic and Social Cohesion.

#### **II.5. The Evolution of the Regional Policy in the EU**

##### **II.5.1. Prior to 1988 Reforms**

Starting from the idea that scarcity of steel may result with an advantageous Germany, the European integration's initial step was taken by French Foreign Minister Robert Schumann's plan launching the ECSC. The Treaty of Paris (1951) established the ECSC. As expected, spill over from sectoral

integration to a larger framework realized and Treaty of Rome (1957), which established the EEC, signed by the founding members.

This founding treaty of the Community did not directly address a regional policy under the community policies since the integration was not at a stage to concern about regional disparities among the members. Nevertheless the preamble of Treaty of Rome showed that the representatives of the founding six are;

... anxious to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing among the various regions and the backwardness of the less-favoured regions (Treaty of Rome, 1957)

Furthermore, the references in the preamble followed by the wording in principle parts of the Treaty under article 2 and 3, by which economical and social cohesion referred as an objective to be achieved by the Community. In line with this, the treaty established the European Social Fund (ESF) to improve employment opportunities, therefore the living standards, for the common market workers; and the European Investment Bank (EIB) to support regional development aimed projects.

Despite the establishment of the European Agricultural Guidance and Guarantee Fund (EAGGF) in 1962 to provide aid for less favoured agricultural areas, in terms of policy, it can be said that the first twenty years of integration was the no policy period. It may be either because of the comparative homogeneity of the Community members (except the southern periphery of Italy) in terms of development levels, or, as mentioned before, the already ongoing regional policies of the member states, which were being operated even before the establishment of the EEC.

Indeed the 1960's were the times when these national policy operations were further progressed. France established its national development agency, the policy agendas of Germany and the Netherlands expanded with dispersion of industry and economic activity in the Netherlands and 'regional action

programmes' in Germany (Bachtler, 2001). Thus the necessity for a regional policy coordinated by community has not emerged until the 1970's.

1970's were the years of first enlargement, oil crisis and ongoing efforts of a monetary union. Those developments made the Community pay attention to the regional disparities. Especially in terms of a functioning common market, disparities needed to be handled at the community level. Ireland's membership in 1973 was almost like manifestation of a center-periphery development in the Community (Dinan, 2000, p.46).

The first response to regional disparities came with the establishment of European Regional Development Fund (ERDF) in 1975. Even though it has been considered as the beginning of regional policy in the EU, it should be noted that ERDF's political background have been shaped by other factors; "to compensate Britain for its poor return from the CAP" (Dinan, 2000, p.46) and "the Commission's plan to control member states' aid to industries" (Bache, 1998, p. 37).

The aims of ERDF, for a test period of three years and budget of more than 1 million European currency units (ECU), were to quicken restructuring in lagging regions via structural measures, to reduce economic and social disparities among the regions of Europe and to complement activities of existing ESF and the guidance section of EAGGF. The projects on investments in small enterprises creating at least ten jobs, in infrastructure in related to the former and in infrastructure for mountain areas were eligible to receive ERDF support.

The 1980's were no better than the 1970's in terms of enlargement; the accession of Greece (1981), Spain and Portuguese (1986) made the Community apparently a heterogeneous area and this southern enlargement became fuel for a major restructuring or regional policy (Borras and Johansen, 2001, p. 41).

### **II.5.2. 1988 Reform**

Finally, 43 years after the regional policy had its legal basis with the SEA, which was a transformation not just for the Community but also for the regional policy.

The article 23 of the SEA, brought the title of ‘Economic and Social Cohesion’ to the Treaty of Rome and put “...reducing disparities between the regions and backwardness of the least favoured nations” as a political objective. In following year the major reform, otherwise known as Delors I, took place, which brought ERDF, ESF, the guidance section of EAGGF, together in order to ensure efficient coordination of the funds among each other, with EIB and other financial instruments.

After adoption at 1988 Brussels summit, within the content of new policy, the regional aid funds allocation doubled and redistributive nature of the Community strengthened (Borras and Johansen, 2001, p. 42). Delors I was prepared as a budgetary package for 1989 – 1993 and it was not only strengthening the structural funds but also intended to “control agricultural spending, increase the Community’s own resources, and impose budgetary discipline” (Teixeira, 2003, p. 65).

The Delors I package also introduced a new set of principles and procedures, which were Additionality, Partnership, Programming and Concentration, in order to gain the most from the spending on structural funds (Teixeira, 2003, p. 76). The concentration, in that regard, limited the Community aids to five priorities (See Table 4).

As effective implementation of those objectives needed a classification to monitor the implementations and their outcomes, the NUTS system, which was being used by the member states and the Community without a legal basis, has become a part of EU legislation with Delors I reform.



**Table 4: Objectives for period 1988-1992**

	<b>Priority</b>	<b>Regions</b>	<b>Funding Source</b>
<b>Objective 1</b>	Assisting lagging behind states with a per capita GDP of less than 75 percent of EU average	Greece, Portugal, Ireland, Most of Spain, Southern Italy, Corsica and French Overseas departments, Highlands and Islands of Scotland, Five Eastern Lander of Germany	ERDF; ESF; EAGGF Guidance Fund, EIB, ECSC
<b>Objective 2</b>	Promoting economic conversions and modernization in declining industrial areas	Britain (except South East), France (except Paris and Lyon), most of Austria and South East Germany	ERDF, ESF, EIB, and ECSC.
<b>Objective 3</b>	Combating long term unemployment	All member states	ESF, EIB and ECSC
<b>Objective 4</b>	Integrating young people to work place	All Member States	ESF, EIB, ECSC
<b>Objective 5a</b>	Restructuring Agriculture	Agricultural areas	EAGGF Guidance Fund
<b>Objective 5b</b>	Promoting Rural Development		EAGGF Guidance Fund, ESF, ERDF

**Source: Dinan, 2000; Teixeira, 2003**

According to Dinan (2000, p. 48) this reform package was not just a transformation of structural funds, which became the main driving force of the policy domain afterwards, but also the creation of the cohesion policy, to which the Delors I reforms included the regional policy, and to some aspect social policy and CAP.

The father of the package, Jacques Delors reasoned the need for establishing a cohesion policy, which would be one of the core features of the Community, “as the equal understanding of assistance with solidarity should be shifted towards the understanding of contribution to robust of the European entity”.<sup>i</sup> In that regard the cohesion policy established with Delors I package achieved positioning solidarity as a part of single market efforts (Dinan, 2000, p.47).

<sup>i</sup> Cited by Dinan, 2000, p. 47

The Commission's first report on Cohesion (1996) indicated that several achievements were measured under these objectives concentration and the reform of the domain encouraged the fundamental economic reforms in the weakest parts of member states.

### **II.5.3. 1993 Reform**

In 1992, the Maastricht Treaty, in other words Treaty on European Union (TEU) was signed and considered as a significant step in favour of economical and political unity in the beginning. Later on it became one of the most controversial cases of the Union. With its multi faceted structure it was mainly aiming to achieve full monetary union until 2000 and the political union, to a larger extent than ever. It has faced many oppositions in ratification process nevertheless it entered into force in 1993. One of the most important features of the TEU was the criteria that laid down for economic and budgetary convergence. The Maastricht criteria specified as:

- an inflation rate no more than 1.5 percentage points above the average of the three countries with the lowest inflation rates
- nominal long-term interest rates not exceeding by more than 2 percentage points those for the three countries with the lowest inflation rates
- no exchange rate realignment for at least two years
- a government budget deficit not in excess of 3 percent of each country's Gross Domestic Product (GDP)
- a gross debt to GDP ratio that does not exceed 60 percent

Those criteria, which would be a problem to Greece, Spain, Ireland and Italy, were compensated by the cohesion policy dimension of the TEU, which came by the Delors II package. By the entry of TEU into force, the cohesion policy gained its legal basis. The TEU in this context "elevated the political

preoccupations with economic disparities into a ‘cohesion and solidarity principle’ of the Union” (Borras and Johansen, 2001, p.42).

Specific reference to ‘cohesion’ in articles 2 and 3 found its basis with the establishment of Cohesion Fund, which was to find a balance between “the budgetary rigor necessary for convergence and the budgetary lenience inherent in cohesion contradiction in the treaty” (Dinan, 2000, p.49). The Cohesion Fund in that context was aiming to provide support poorer countries – Spain, Greece, Portugal and Ireland – in meeting the convergence criteria for EMU and financial contributions on the environment and transport infrastructure.

The TEU also introduced the Committee of Regions (CoR), which was a consultative body and the representative of local and regional bodies in the Union level. Another important change was the inclusion of subsidiarity principle to the existing ones. In financial aspect, the annual payments of three structural funds increased to 20.5 billion ECUs and their relative share increased to 31 percent from 16 percent of the EU Budget (European Commission, 2008). Furthermore, objectives to be concentrated on have also revised (See Table 5).

**Table 5: Objectives for period 1994-1999**

	<b>Priority</b>
<b>Objective 1</b>	Promoting the development and structural adjustment of regions whose development is lagging behind.
<b>Objective 2</b>	Converting the regions or parts of regions seriously affected by industrial decline.
<b>Objective 3</b>	Combating long-term unemployment and facilitating the integration into working life of young people and of persons exposed to exclusion from the labour market, promotion of equal employment opportunities for men and women.
<b>Objective 4</b>	Facilitating the adaptation of workers to industrial changes and to changes in production systems.
<b>Objective 5a</b>	Speeding up the adjustment of agricultural structures in the framework of the reform of the common agricultural policy and promoting the modernisation and structural adjustment of the fisheries sector.
<b>Objective 5b</b>	Facilitating the development and structural adjustment of rural areas.
<b>Objective 6</b>	Development and structural adjustment of regions with an extremely low population density.

Source: Uğurlu, 2006, p. 21

The Delors II or the 1993 reform of the Cohesion Policy was the breakthrough for the domain that has made the policy one of the most important driver of the Union. Indeed Sixth Periodic Report (2001, p.7) indicated that GDP per capita in 10 regions had increased by 9 percent and 7 percent in 25 poorest regions. Regarding to Greece, Ireland and Portugal the GDP per capita had increased by nearly 10 percent and 4 percent in Spain.

#### **II.5.4. 1999 Reform**

The financial and structural changes of the Delors II package not only strengthened the cohesion policy but also firmed its position as a major pillar in the integration process. In the following term, the major output of 1999 Berlin Council Agenda 2000 action programme launched with new introductions for the regional policy. Agenda 2000's main aim was to strengthen the Community policies with a new financial framework that includes the next enlargement wave.

In its general scope, Agenda 2000 was indicating the Union's awareness on the shortcomings through the 1990's, which was a decade that witnessed two enlargements, major treaties and significant financial packages (Avery and Cameron, 1998, p. 104)<sup>i</sup>. Furthermore the special emphasis on human resources development, sustainable development in terms of environment and supporting small and medium enterprises (SMEs) would be the predecessors of the upcoming Lisbon objectives.

Regarding the regional policy the Agenda 2000's priority areas were the Structural Funds and the Pre-accession Assistances. For the structural funds the action aimed to ensure a more effective funding through an increased concentration via improved monitoring procedures and a simpler and more decentralised management system (Borras and Johansen, 2001, p. 43). The Agenda 2000 indeed provided a fundamental renewal to the policy domain in financial aspect. The

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<sup>i</sup> Cited by Nelson Teixeira, 2003, p. 79

budget allocation for structural measures was equal to 35 percent of the entire EU budget (Jovanovic, 2005, p.645). For the period 2000-2006 the structural funds allocated with 195 billion Euros, the cohesion fund allocated with 18 billion and the pre-accession assistance was allocated with 47 billion Euros (European Commission, 2008, p.21).

In case of the latter priority area, the Instrument for Structural Policies for Pre-accession (ISPA) and Pre-accession Agricultural Instrument (SAPARD) were set up as two new mechanisms. The ISPA's objective was to support transport, environmental protection infrastructure projects. The SAPARD, on the other hand, was aiming to ease the harmonization of the candidate countries in terms of agriculture and rural areas.

In terms of simpler management, the reform also reduced objectives – from seven to three - for efficient use of financial resources, with a special focus on objective 1 target regions (See Table 6). The objectives became more compatible with the changing development theories and the changing market conditions.

**Table 6: Objectives for period 2000–2006**

	<b>Priority</b>
<b>Objective 1</b>	Development and structural adjustment of regions whose development is lagging behind.
<b>Objective 2</b>	Economic and social conversion of areas facing structural difficulties
<b>Objective 3</b>	adaptation and modernisation of policies and systems of education, training and employment.

**Source: European Commission, 2001**

## **II.6. Assessment**

The regional policy may have gained its legal basis 30 years later than the establishment of the EEC but it is now one of the major policy areas of the Union because of its contribution to the integration. The solidarity principle of the Union

brings the necessity of an integrated and coordinated approach to reduce regional disparities within the EU.

It is because these disparities would be a threat to further integration process; the regional policy does not only aim to reduce differences but also to prevent future ones. Having started with the objective of ensuring economical cohesion and then extended to social and territorial cohesion, the evolution of the regional policy shows up with a pattern.

The reforms of the policy always came up right before or after an enlargement wave or a major development for further integration. In that regard, the 1988 reform was for enabling the absorption of Mediterranean enlargement and the 1993 reform was a compensation for the countries that could not achieve the Maastricht Criteria. The 1999 reform in that sense was the first step of welcoming the CEECs and a harmonization with changing development paradigms and market conditions.

In sum, being as one of the distributive policies of the Union as stated by Helen Wallace (1983), the community regional policy helped in reducing the gap between specifically the Mediterranean Countries and Ireland and the richer states, despite the effectiveness of the structural funds questioned in every reform.

## **CHAPTER III**

### **EUROPEAN UNION'S REGIONAL POLICY AFTER RENEWED LISBON STRATEGY**

As aforementioned, one of the most important reasons behind the failure of Lisbon Strategy was the difference among the regions of the Union in terms of economic, social and institutional capacity disparities. Being aware of this for the period 2007-2013, the European Commission presented a set of proposals for reform of regional policy to the Council and to the European Parliament as the term 1999-2006 was coming to an end. The rationale for the reform was almost crystal clear to everyone after the enlargement wave became another factor that puts achieving Lisbon objectives into danger.

In that regard this chapter focuses on the novel regional policy, which is mainly shaped in line with the Lisbon Strategy objectives. The chapter starts with what has changed in the policy after renewal of the Lisbon Strategy and continues with examining the present situation of the domain focusing on the new objectives, principles, instruments and the policy-making process.

#### **III.1. 2006 Reform: What Did Renewed Lisbon Do to Regional Policy?**

After the mid-term review of the Lisbon Strategy led to a re-launch, a set of proposals on a new reform package for regional policy has also presented by the Commission. This renewal took place through three separate policy decisions that were made at different times between December 2005 and October 2006, which shaped the new regional policy. Identification of resources and their allocation agreed through an inter-institutional agreement (2006/C 139/01) on May 2006. The governance of the policy was agreed through Regulations 1080 and 1081, and

Council Regulation 1083 in July 2006. The new objectives were set within Community Strategic Guidelines in October 2006 (Barca, 2009, p. 60).

The regional policy, after all, was not only about redistribution but also about cohesion. For that reason in 2005, Structural and Cohesion Funds provided 347 billion Euros. This was the highest concentration ever of resources on the poorest Member States and regions, aimed at the inclusion of all regions, and demonstrated a shift in priorities set to boost growth, jobs and innovation, which were essentially major changes to EU Regional Policy during that period (European Commission, 2009d).

This new reform of the domain was indeed quite successful in identifying the challenges before the Union and the regional policy, which were the aftermath of CEEC enlargement and the Lisbon Objectives. The 2006 reform, in that sense, turned the Objective 1 to convergence criteria and combined the Objective 2 and Objective 3 of the 1999 reform under the ‘Regional Competitiveness and Employment’ heading which covers all other EU regions with the aim of strengthening regions’ competitiveness, attractiveness and employment, in line with renewed Lisbon Strategy (European Commission, 2008, p. 23).

Additionally, the number of the programming phases was also reduced from three to two and the new policy instruments developed in order to ensure the efficiency of the funds within the scope of cohesion policy. The regional and local actors of the EU, freed from their borders, gained the right to establish officially recognized ‘cooperation groupings’ which are eligible to create cross-border projects. Thus, transnational cooperation of the subnational actors obtained legal recognition as their mobilization is arguably promoted and strengthened. The Instrument for Pre-Accession Assistance (IPA), is created to ensure the regional development and cooperation and replaced the former instruments that were liable for the pre-accession aid and support (European Commission, 2008, p.24).



## **III.2. Structure of Regional Policy in the European Union after 2006**

### **III.2.1. The Principles of the Regional Policy**

The implementation of the regional policy in the EU is based on some principles that ensure the efficiency. After Delors I reform; the main principle of the policy 'Complementarity' which was to ensure that the EU's assistance has a complementary nature but not a replacement for the national allocated resources, widened with the new ones; Additionality, partnership, programming, concentration. As of today, the principles guiding the policy are as follows: (Inforegio, 2010).

**Partnership** principle aims to ensure that community action complements and supports all the measures at the national level; which are the output of a close cooperation between the Union, the Commission on behalf, and the member states. At the member states' end, all sub levels of the nation should be and/or encouraged to beinvolved in the implementation.

**Coordination** principle is to prevent any duplications for different financing instruments, so thus the efficient coordination.

**De-centralisation** principle enables competence transfer between the Commission and the Member State. Most importantly, with the acceleration of the impact of the cohesion policy in the EU, regional actors became more visible and active in the process.

**Complementarity** principle as aforementioned ensures the complementary nature of the EU funding.

### **III.2.2. The Objectives of the Regional Policy**

As of 1988 reforms the objectives of Regional Policy were designated to define priorities of the domain under the concentration principle. Starting up with 6

objectives in 1988, the Regional Policy today has three main objectives, which were defined with the 2006 reform.

### **III.2.2.1. Convergence**

The rationale of the Convergence objective is to promote growth-enhancing conditions and factors leading to real convergence for the least-developed Member States and regions. In EU-27, this objective concerns 84 regions of 18 member states with per capita GDP at less than 75 percent of the Community average, and – on a ‘phasing-out’ basis – another 16 regions with a total of 16.4 million inhabitants and a GDP only slightly above the threshold, due to the statistical effect of the larger EU. The amount available under the Convergence objective is 282.8 billion euros, representing 81.5 percent of the total. It is split as follows: 199.3 billion euros for the Convergence regions, while 14 billion euros are reserved for the ‘phasing-out’ regions, and 69.5 billion euros for the Cohesion Fund, the latter applying to 15 Member States (Inforegio, 2010).

### **III.2.2.2. Regional Competitiveness and Employment**

Combining the former Objective 2 and 3, the Regional Competitiveness and Employment objective aims at strengthening competitiveness and attractiveness, as well as employment, outside the convergence regions through a two-fold approach: (Inforegio, 2010).

- Development programmes helping regions to anticipate and promote economic change through innovation and the promotion of the knowledge society, entrepreneurship, the protection of the environment, and the improvement of their accessibility.
- In line again with Lisbon Strategy, more and better jobs to be supported by adapting the workforce and by investing in human resources.

In EU-27, a total of 168 regions are eligible, representing 314 million inhabitants. Within these, 13 regions which are home to a total of 19 million inhabitants represent so-called ‘phasing-in’ areas and are subject to special financial allocations due to their former status as ‘Objective 1’ regions. The amount of 55 billion euros – of which’s 11.4 billion euros is for the ‘phasing-in’ regions – represents just below 16 percent of the total allocation. Regions in 19 Member States are concerned with this objective. The former programmes Urban II and Equal are integrated into the Convergence and Regional Competitiveness and Employment objectives (Inforegio, 2010).

### **III.2.2.3. European Territorial Cooperation**

Incorporating the former Interreg initiative, the European Territorial Cooperation aims to support cross-border, transnational and interregional cooperation and networks. The population living in cross-border areas amounts to 181.7 million (37.5 percent of the total EU population), whereas all EU regions and citizens are covered by one of the existing 13 transnational co-operation areas. 8.7 billion euros (2.5 percent of the total) available for this objective is allocated as follows: 6.44 billion euros for cross-border, 1.83 billion euros for transnational and 445 million for inter-regional co-operation euros (Inforegio, 2010).

### **III.2.3. The Instruments of Regional Policy**

In order to reduce disparities between different regions and social groups, seven instruments have been developed by the EU which are directed to provide finance to the structural economic and social problems. Those instruments are being implemented in two categories: the ones for the Member states and the one for candidate countries, which is the Instrument for Pre-accession Assistance and will be covered in the next chapter. Hereby the ones for the member states will be handled.

### **III.2.3.1. The European Regional Development Fund**

Representing the major portion of structural funds, the ERDF has been established in 1975. The basic objective of the fund is to contribute to the development of the regions that lags behind. The ERDF provides support to the projects in the areas of;

- direct aid to investments in companies (in particular SMEs) to create sustainable jobs;
- infrastructures linked notably to research and innovation, telecommunications, environment, energy and transport;
- financial instruments (capital risk funds, local development funds, etc.) to support regional and local development and to foster cooperation between towns and regions;
- technical assistance measures.

In line with the three objectives defined; the ERDF's support on convergence objective is mainly about modernising and diversifying economic structures as well as safeguarding or creating sustainable jobs, with action in the areas like research and technological development, innovation and entrepreneurship, information society, and environment.

ERDF supports Regional Competitiveness and Employment objective through providing funding to projects on innovation and knowledge based economy, environment and risk prevention and access “to transport and telecommunications services of general economic interest” (Inforegio, 2010). The projects in that sense can vary from R&D development capacity building for regions to manage risk that may arise from natural and technological causes.

For the third objective ERDF provides support in three areas which are the development of economic and social cross-border activities; establishment and development of transnational cooperation, including bilateral cooperation between

maritime regions; increasing the efficiency of regional policy through interregional promotion and cooperation and the networking and exchange of experiences between regional and local authorities (Regulation (EC) No 1080/2006).

### **III.2.3.2. The European Social Fund**

The ESF was established by the EEC Treaty of 1957 (article 123) and the rationale behind the founding was that the functioning of the Common Market would affect employment negatively. Executed under the Directorate General of Employment and Social Affairs of the European Commission, the ESF is an important tool for the establishing consistent employment policies. The ESF supports actions in Member States in the following areas: (Council Regulation (EC) No 1083/2006, Article 3).

a) increasing adaptability of workers, enterprises and entrepreneurs, enhancing access to employment, human capital, promoting partnerships and reinforcing the social inclusion with regard to Convergence and regional competitiveness objectives.

b) investing in human capital through expansions and improvements and institutional capacity building for efficient administration with regard to convergence objective.

### **III.2.3.3. The Cohesion Fund**

Providing support to the member states with less than 90 percent gross national income (GNI) per inhabitant, the cohesion fund supports the projects related to the Convergence objective. The fund's priority areas are as follows (Inforegio, 2010):

a) trans-European transport networks, notably priority projects of European interest as identified by the Union;

b) environment; here, Cohesion Fund can also support projects related to energy or transport, as long as they clearly present a benefit to the environment: energy efficiency, use of renewable

energy, developing rail transport, supporting intermodality, strengthening public transport, etc.

#### **III.2.3.4. The European Union Solidarity Fund**

The European Union Solidarity Fund (EUSF) acts as an emergency agency to provide support in case of major natural disasters. Established in 2002, the fund provides aids “if total direct damage caused by the disaster exceeds 3 billion euros or 0.6 percent of the country’s GNI” (Inforegio, 2010). To complement public expenditure, the fund provide aids only to actions like urgent restoration of basic needs infrastructure, supplying accommodation, protecting cultural heritage and cleaning up of the area.

#### **III.2.3.5. The European Grouping for Territorial Cooperation**

Being a new legal instrument, the European Grouping for Territorial Cooperation (EGTC) is designated for easing and promoting cross-border, transnational and interregional cooperation. Being as a legal entity the EGTC enables regional and local authorities and other public bodies from different member states, to set up cooperation groupings with a legal personality, like member states, regional or local authorities, associations or any other public bodies. Since the EGTC enables mutual working comprehension among the member states’ authorities, it has been one of a kind (European Commission, 2007, p.12-13).

#### **III.2.3.6 Financial Engineering and the New Initiatives**

The financial engineering mechanism was build on cooperation of the Commission, the European Investment Bank Group and other International Financial Institutions. In order to support growth and jobs strategy the mechanism supports entrepreneurship through providing expertise, strong incentives and ensures sustainability in the long term (Inforegio, 2010).

Within the context of financial engineering there are four new community initiatives prepared;

**a) Joint Assistance in Supporting Projects in European Regions (JASPERS);**

JASPERS has been operational since 2006 and offers technical assistance to 12 Central and Eastern EU Member States in the preparation of major projects to be submitted for grant financing under the Structural and Cohesion Funds. The initiative is a partnership between the Commission, the EIB, the European Bank for Reconstruction and Development and KfW. The aim of the initiative is to increase the quantity and quality of projects to be sent for approval to the services of the Commission. JASPERS' assistance, which is provided free of charge, is geared towards accelerating the absorption of the available funds (European Commission, 2009b).

**b) Joint European Resources for Micro to Medium Enterprises (JEREMIE);**

The European Commission with EIB Group launched JEREMIE on 11 October 2005. The main objective here is to promote increased access to finance for the development of SMEs in the context of EU Structural Funds 2007-2013. The initiative offers the Member States, through their national or regional Managing Authorities, the opportunity to use part of their EU Structural Funds to finance SMEs by means of equity, loans or guarantees, through contributions from Operational Programmes to revolving holding funds organising operations. The holding funds are managed according to the EU Structural Funds legislation applicable (European Commission, 2009c, p.4).

The managing authorities awarded with funds have the opportunity to delegate some of the tasks required in implementing JEREMIE – such as proposing specific criteria for the selection of financial intermediaries, proposing criteria for making investments in SMEs, appraising and recommending operations, negotiating contractual arrangements with financial intermediaries, monitoring and reporting to Managing Authorities and Monitoring Committees of

Operational Programmes on the implementation of JEREMIE (European Commission, 2009c, p.4).

**c) Joint European Support for Sustainable Investment in City Areas (JESSICA);**

JESSICA is the initiative of the Commission in cooperation with the EIB and the Council of Europe Development Bank, in order to promote sustainable investment, and growth and jobs, in Europe's urban areas. The rationale for the JESSICA relies on scarce public resources, major need for an integrated urban development policy, and finally in line with Lisbon Strategy perspective that see the cities as the drivers of economic development and competitiveness. As a tool designed for increasing the use of Financial Engineering instruments, JESSICA provides repayable investments with introduction of urban development funds and holding fund concept.

**d) Joint Action to Support Micro-finance Institutions in Europe (JASMINE)**

Having a more recent history than others, JASMINE is mainly dealing with micro-credit supplies and is to improve access to finance for small businesses and for socially excluded people, also ethnic minorities, who want to become self-employed. Again in line with the Lisbon Strategy for growth and jobs, it aims to make small loans, or micro-credit, more widely available in Europe to satisfy unmet demand.

### **III.2.4. The Implementation of the Regional Policy**

Within the politics of regional policy, the Europeanization takes place through multi-level governance. According to Ian Bache (1998, p.22) the core of multi-level governance established by the argument of the sovereignty of national governments erodes through collective decision-making and independent role of



supranational institutions. In light of this argument the system described as including different levels of governing institutions to the management mechanism either vertically –through interaction between different levels of governments- or horizontally – through interaction among the same level actors (Bekemans, p. 3).

Accordingly, the implementation of the domain is based on cooperation between different levels of actors and including almost every actor to the process. In the Union level, the Commission, the Parliament and the Council triad is responsible with formulating guidelines and ensuring to avoid regional aid competition between member states (Moussis, 2004, p.236).

The policy making process commence with a proposal from the Commission, on which both the Commission and the Member States reach consensus through Community Strategic Guidelines on Cohesion (CSGC). CSGC provides the principles and priorities of the policy and a guidance for the maximum benefit from the allocated programme budget for national and regional aids. For the period 2007-2013, the priorities of the cohesion policy set out in line with renewed Lisbon Strategy are;

- Making the regions and the cities environmental friendly attraction centers for entrepreneurs and investments
- Supporting entrepreneurship, research, innovation and ICTs for ensuring the growth of knowledge economy.
- Investing in people through improved adaptability, thus increasing the employment and entrepreneurial activity.

The Member States adjust their programming in line with those priorities and prepare a National Strategic Reference Framework (NSRF) in five months to share with the Commission. The NSFR, in that sense, is the road map of each Member State. It composes of operational programmes and the strategy how to implement them. After receiving the NSRF the Commission comments on the document or requests further information in three months; and finally validate the

certain parts of the NSRF that require a decision, as well as each operational programme.

After the Commission has taken a decision on the operational programmes, the Member States and its regions then have the task of implementing the programmes through management authorities of each country and/or each region concerned. Nevertheless the funding is conditional for each objective. In that sense, 60 percent of the convergence objective related expenses and 75 percent of the competitiveness and employment objective related expenses should involve priorities arising from the Lisbon Strategy (Inforegio, 2010).

### **III.3. Assessment**

Having a budget of 347 billion euros, the 2006 reform made the regional policy the largest structural adjustment programme in the world aiming to reduce economic and social development disparities. The reform has come again after two major developments; CEECs enlargement and the failing Lisbon Strategy.

The burden of the 2004 enlargement, which increased the disparities twice as much, was first challenge to be coped with by the Union. The second challenge was enabling sustainable and equal development and increased institutional capacity at every level in the European Union. Additionally, the new implementation process of the policy domain enabled the Member States to find a middle way with the Union in priorities.

In that sense, as a conclusion, the reform could be considered as successful in identifying the challenges ahead and providing appropriate new instruments for coping with them.

## **CHAPTER IV**

### **IMPLICATIONS FOR TURKEY AS A CANDIDATE COUNTRY**

The relations with the EU has been the most prominent project among the others like membership to NATO, the Council of Europe, OECD within Turkey's 'westernization' objective since the 19th century. Starting with the Ankara Agreement (1963) that constitutes the legal basis of the association between the EU and Turkey, and followed by Additional Protocol (1970), Turkey applied for full membership to the EU in 1987. After 12 years, at the Helsinki European Council held on 10-11 December 1999 as a breakthrough in the relations, Turkey was officially recognised without any precondition as a candidate state .

Following the Helsinki, in line with the Council conclusions, the EU Commission started to prepare an Accession Partnership for Turkey, which was declared on March 8th, 2001. The Accession Partnership was formally approved by the Council on February 26th, 2001. After the approval of the Accession Partnership by the Council and the adoption of the Framework Regulation, the Turkish Government announced its own National Program for the Adoption of the EU acquis on March 19th, 2001.

The regional policies have been a part of this National Program since then, as well being a part of the negotiations. Within this context, this chapter aims to provide a comprehension on the regional policy concept and the disparities in Turkey, which, I argue, is the most important obstacle before the Turkey for full membership. The chapter starts with the regional disparities in Turkey with a special focus on the situation of east and west and continues with the regional policy structure in Turkey. The chapter ends with implications for Turkey within the context of new regional policy of the European Union.

#### **IV.1. Regional Disparities in Turkey: A Comparison East and West**

Social and economic disparities among the regions have been an issue of Turkey, as well as the other countries, for decades. The economic policies implemented following the early years of the Republic were indeed significant steps of the regional development. The public investments in that period were spreading from Western to Central Anatolia. Furthermore, some public investments of the period in Eastern Anatolia had significant impact over the region's economy (Eşiyok, 2002, p. 5).

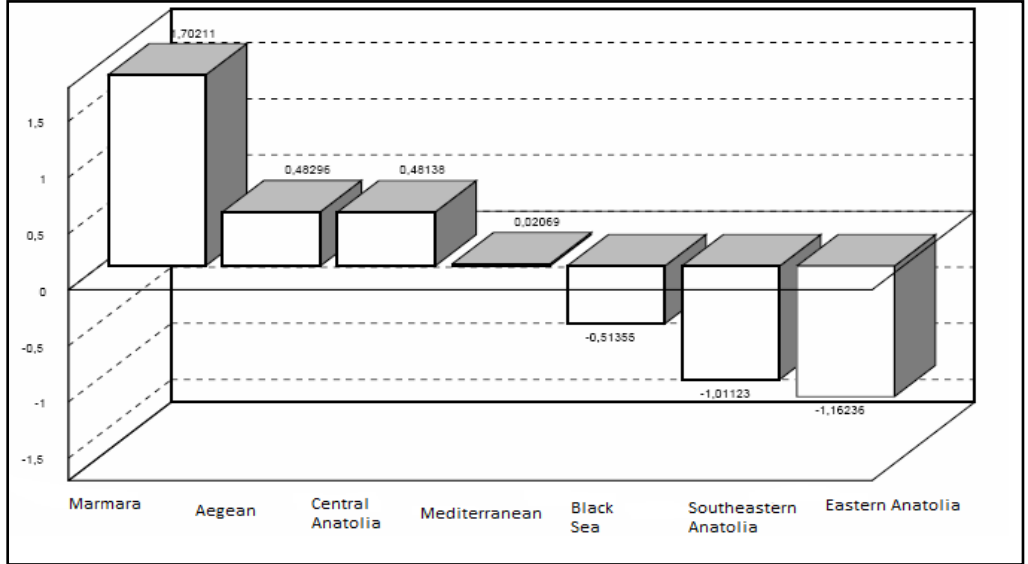
However, the 1950's were shaped with an increasing internal migration and the private sector investments, which were focusing on the western regions, mainly to Marmara and Aegean regions. This period was, indeed, the time that regional disparities became more apparent for the first time. 1980's export oriented growth model had also an impact over the regional economies, as the elimination of subsidies and decreasing public investments worsened the situation in the eastern regions.

Furthermore, the South Eastern Anatolia Project (GAP), one of the most efficient projects of Turkey in reducing regional disparities have led to emergence of territorial concentration within the region through investing mostly in one province, Şanlıurfa, so thus the disparities within the region itself. The Gulf War of the 1990's was another factor that has negatively affected South-eastern Anatolia provinces (Eşiyok, 2002, p. 5).

Based on these factors, the eastern parts of Turkey lagged behind in terms of socio-economic development. In light of Figure 3, the Marmara region which comprises 11 cities is placed first among the 7 regions across the country, with the index value of 1.70211, which reflects the socioeconomic development level. The intensification of industrial and commercial activities of the country in Istanbul makes Marmara the most dynamic development target of the country. South Eastern Anatolia which comprises 9 cities comes sixth with the index value of – 1.01123. The regions placed at the last rank are the East Anatolia region,

comprised of 14 cities, with the index value of -1.16236 (Kentleşme Tematik Grup Raporu, 2007).

**Figure 3: Socio-Economic Development Index by Geographical Regions**



**Source: Kentleşme Tematik Grup Raporu, 2007, p.23**

In terms of economic development, the first indicator here to be considered is the income differences. Based on the gross value added per capita of NUTS 2 level, the share of İstanbul is almost five times larger than four provinces (Mardin, Batman, Şırnak and Siirt) within the South-eastern region (Table 7).

The poverty rates also indicate a significant income inequality within the regions of Turkey. Table 8 shows that derived from 2008 data, when 50 percent of median income is used, almost 48 percent of the poor, live in the eastern regions of Turkey.

“In 1980’s the productivity gap between the most productive and the least productive provinces was 9,5 times as great and in 2000 this gap reached to 11 times” (TUSİAD, 2008, p.55). The labour productivity, which is an important reason behind the Lisbon Strategy of the Union, shows that the differences at NUTS 1 level are again significant and Eastern regions lag behind the western regions (Table 9).

**Table 7: Gross Added Value Per Capita 2006**

NUTS2		GVA (TL)	GVA (USD)
<b>TR</b>	Türkiye	9.628	6.684
<b>TR10</b>	İstanbul	14.914	10.352
<b>TR21</b>	Tekirdağ, Edirne, Kırklareli	12.504	8.680
<b>TR22</b>	Balıkesir, Çanakkale	8.248	5.725
<b>TR31</b>	İzmir	12.099	8.398
<b>TR32</b>	Aydın, Denizli, Muğla	9.868	6.850
<b>TR33</b>	Manisa, Afyon, Kütahya, Uşak	8.048	5.586
<b>TR41</b>	Bursa, Eskişehir, Bilecik	13.509	9.377
<b>TR42</b>	Kocaeli, Sakarya, Düzce, Bolu, Yalova	13.862	9.622
<b>TR51</b>	Ankara	13.047	9.056
<b>TR52</b>	Konya, Karaman	7.115	4.938
<b>TR61</b>	Antalya, Isparta, Burdur	11.110	7.712
<b>TR62</b>	Adana, Mersin	7.661	5.318
<b>TR63</b>	Hatay, Kahramanmaraş, Osmaniye	5.629	3.907
<b>TR71</b>	Kırıkkale, Aksaray, Niğde, Nevşehir, Kırşehir	6.705	4.654
<b>TR72</b>	Kayseri, Sivas, Yozgat	6.683	4.639
<b>TR81</b>	Zonguldak, Karabük, Bartın	10.247	7.113
<b>TR82</b>	Kastamonu, Çankırı, Sinop	6.906	4.794
<b>TR83</b>	Samsun, Tokat, Çorum, Amasya	6.794	4.716
<b>TR90</b>	Trabzon, Ordu, Giresun, Rize, Artvin, Gümüşhane	7.004	4.862
<b>TRA1</b>	Erzurum, Erzincan, Bayburt	5.416	3.760
<b>TRA2</b>	Ağrı, Kars, Iğdır, Ardahan	3.867	2.684
<b>TRB1</b>	Malatya, Elazığ, Bingöl, Tunceli	5.583	3.876
<b>TRB2</b>	Van, Muş, Bitlis, Hakkari	3.392	2.355
<b>TRC1</b>	Gaziantep, Adıyaman, Kilis	5.098	3.539
<b>TRC2</b>	Şanlıurfa, Diyarbakır	4.183	2.904
<b>TRC3</b>	Mardin, Batman, Şırnak, Siirt	4.159	2.887

Source: Turkstat, 2010, Last Accessed on 18 August 2010, from [www.tuik.gov.tr](http://www.tuik.gov.tr)

**Table 8: Number of poors and regional poverty rates by relative poverty thresholds (calculated for Turkey) based on income**

Regions	2007	2008	2007	2008	2007	2008
<b>Total</b>						
Risk of poverty rate, 50%	3 013	3 146	10 525	11 123	100,0	100,0
Risk of poverty rate, 60%	3 616	3 775	15 589	16 381	100,0	100,0
<b>TR1 İstanbul</b>						
Risk of poverty rate, 50%	3 013	3 146	75	393	0,7	3,5
Risk of poverty rate, 60%	3 616	3 775	256	719	1,6	4,4
<b>TR2 West Marmara</b>						
Risk of poverty rate, 50%	3 013	3 146	322	343	3,1	3,1
Risk of poverty rate, 60%	3 616	3 775	491	552	3,2	3,4
<b>TR3 Aegean</b>						
Risk of poverty rate, 50%	3 013	3 146	889	1 041	8,4	9,4
Risk of poverty rate, 60%	3 616	3 775	1 510	1 616	9,7	9,9
<b>TR4 East Marmara</b>						
Risk of poverty rate, 50%	3 013	3 146	340	310	3,2	2,8
Risk of poverty rate, 60%	3 616	3 775	648	568	4,2	3,5
<b>TR5 West Anatolia</b>						
Risk of poverty rate, 50%	3 013	3 146	346	586	3,3	5,3
Risk of poverty rate, 60%	3 616	3 775	753	1 002	4,8	6,1
<b>TR6 Mediterranean</b>						
Risk of poverty rate, 50%	3 013	3 146	1 849	1 444	17,6	13,0
Risk of poverty rate, 60%	3 616	3 775	2 754	2 473	17,7	15,1
<b>TR7 Central Anatolia</b>						
Risk of poverty rate, 50%	3 013	3 146	417	604	4,0	5,4
Risk of poverty rate, 60%	3 616	3 775	780	892	5,0	5,4
<b>TR8 West Black Sea</b>						
Risk of poverty rate, 50%	3 013	3 146	705	740	6,7	6,6
Risk of poverty rate, 60%	3 616	3 775	1 017	1 206	6,5	7,4
<b>TR9 East Black Sea</b>						
Risk of poverty rate, 50%	3 013	3 146	217	285	2,1	2,6
Risk of poverty rate, 60%	3 616	3 775	363	429	2,3	2,6
<b>TRA North East Anatolia</b>						
Risk of poverty rate, 50%	3 013	3 146	631	726	6,0	6,5
Risk of poverty rate, 60%	3 616	3 775	828	935	5,3	5,7
<b>TRB Central East Anatolia</b>						
Risk of poverty rate, 50%	3 013	3 146	1 192	1 276	11,3	11,5
Risk of poverty rate, 60%	3 616	3 775	1 639	1 735	10,5	10,6
<b>TRC South East Anatolia</b>						
Risk of poverty rate, 50%	3 013	3 146	3 541	3 376	33,6	30,4
Risk of poverty rate, 60%	3 616	3 775	4 550	4 255	29,2	26,0

Source: Turkstat, Last Accessed on 18 August 2010, from [www.tuik.gov.tr](http://www.tuik.gov.tr)

**Table 9: Gross Added Value (Labour Productivity)**

<b>NUTS 1</b>	<b>1980</b>	<b>2000</b>	<b>Annual Growth Rate (%)</b>
<b>Turkey</b>	2,672.20	4,301.30	2.38
<b>İstanbul</b>	2.33	1.74	0.94
<b>West Marmara</b>	0.92	0.93	2.44
<b>Aegean</b>	1.12	1.01	1.85
<b>East Marmara</b>	1.30	1.40	2.78
<b>West Anatolia</b>	1.23	1.20	2.23
<b>Mediterranean</b>	1.02	0.94	1.93
<b>Central Anatolia</b>	0.62	0.69	2.95
<b>Western Black Sea</b>	0.77	0.70	1.92
<b>Eastern Black Sea</b>	0.59	0.55	2.06
<b>Northeastern Anatolia</b>	0.37	0.37	2.40
<b>Central Eastern Anatolia</b>	0.53	0.47	1.80
<b>South Eastern Anatolia</b>	0.61	0.65	2.72

Source: TUSIAD, 2008, p. 55

Such economic disparities are also an important factor behind the high levels of internal migration. As of 2009, almost 45 percent of the total population live in the western regions of Turkey. More than 50 percent of the mobilization in the Eastern regions of Turkey was towards to western regions, mainly to Istanbul, Eastern and Western Marmara, and to Aegean in 2008-2009 period (Turkstat, 2009).

Another indicator for regional disparities and a factor for internal migration is the education level. Out of the 166 total universities and vocational colleges, 47 are located in İstanbul and only 23<sup>1</sup> are located in Eastern and Southeastern Anatolian regions. Since most of those, which are located in Eastern regions, are established in recent times, there are also great insufficiencies in the number of education staff member, physical infrastructure and equipments in lagging regions.

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<sup>1</sup>The figures have been taken from the Directorate of Higher Education's web site. Last accessed on 21 August 2010, [www.yogm.meb.gov.tr](http://www.yogm.meb.gov.tr)



As a conclusion, Turkey has been suffering from disparities among its regions, mainly among the eastern and western regions, for almost five decades and those disparities are not only causing lack of social cohesion but also loss of welfare in economical terms. Looking from the EU's perspective, those differences can be reduced to an important extent through social and economic measures, however for a better implementation and effective results the institutional structure should be also revised.

## **IV.2. The Regional Policy in Turkey**

### **IV.2.1. The Region Concept in Turkey**

The concept of region is not well defined also in Turkey. While dividing Turkey into regions several criteria, such as the geographical, economical, historical, cultural, environmental and administrative, can be used. Turkey was divided into seven regions in terms of its topography and climate and the purpose of the division is not political.

Nevertheless, this division does not provide a regional basis in administrative structure of Turkey. Only planning regions in Turkey can be categorized as less developed regions, deteriorating regions problematic industrial regions, regions which are under pressure of development, rapid reaction regions, risk regions, sensitive regions and regions which have special status (Şen, 2004, p. 30).

In Turkey there are also priority regions for development which were determined as a result of evaluating regional policy as the development policy. These regions have huge development gaps and to reduce regional disparities, some provinces and regions in Eastern Anatolia and South Eastern Anatolia were

identified as priority regions for development. In every planning period, it is implemented as stimulate industry policy in 49 provinces and 2 counties.

#### **IV.2.2. Evolution of Regional Policies in Turkey**

The regional policy in Turkey has been implemented and determined through a centralist approach since its early years. The State Planning Organisation (SPO) has become the main responsible body from the regional policy which prepares long term strategies, programs after its establishment in 1961. However prior to that Turkey's regional policy history starts with the extensive development period after the foundation of the Republic. This first phase is the pre-mature period, when all administrative structure of the country were about to re-shaped, focusing on overall development and restructuring. For that reason the policy in this initial period was composed of extensive development strategy initiated by central government's economic planning (Uğurlu, 2006, p. 87).

The second phase of the regional policy in Turkey commenced with the 1950's when the government's burden of economic planning was started to share – to some extent – with the private sector. Second half of the 1950's and early 60's were the times that administrative structure of the regional planning started to be shaped in Turkey, through the establishment of Directorate of Regional Planning Science Board (1957) under the Ministry of Public Works and the Ministry of Reconstruction and Settlement (1958) and finally State Planning Organisation (1961) (Uğurlu, 2006, p. 88).

After the establishment of the SPO the conception that considers the regional planning as a tool for spatial planning has shifted towards to a development focused approach. Five Year Development Plans of the SPO -and the Ministry of Reconstruction and Settlement until 1984 - has become the focal point for reducing regional disparities and accelerating economic development (Şen, 2004, p. 43). This third period between 1960's and 1980's was a state-centered planning period (Uğurlu, 2006, p. 86) and from a more traditional aspect, the policy implementations' nature was based on state aids and incentives. The 1980's

was a significant period in terms of regional policy in Turkey, as the GAP commenced and led to establishment of the first regional authority in 1989: GAP Regional Development Authority (GAP-RDA).

A contemporary novel regional policy in Turkey, has only been possible after the EU accession process, because the global changes of the 1990's' could not find a place for themselves in the agenda of Turkey (Bilen, 2006, p. 264). In this context, the 8<sup>th</sup> Five Year Development Plan for the period 2001-2005 included the acceleration of regional policies adaptation to the EU policies and the intensification of cooperation on regional policies as the objectives.

### **IV.2.3. Regional Policy Tools in Turkey**

Based on the Five Year Development Plans, the regional policy implementations are being executed through two main instruments, which are the projects for regional/rural development and incentives (Şen, 2004, p. 33).

#### **IV.2.3.1. Development Projects**

Regional development projects and the rural development projects, which focus on agriculture, irrigation, road construction and clean water supplies, have been executed within the context of five-year development plans. The rural development projects have been executed since 1970's through the World Bank loans. The most prominent of those projects are ;

- South-eastern Anatolian Project (GAP)
- East Black Sea Regional Development Project (DOKAP)
- East Anatolian Project (DAP)
- East Marmara Planning Project
- Çukurova Region Project
- Zonguldak-Karabük-Bartın Regional Development project
- Yesilirmak Basin Development Project
- Rural Development Projects
- Çorum Çankırı Rural Development Projects

- Erzurum Rural Development Project
- Bingöl-Mus Rural Development Project
- Yozgat Rural Development Project
- Ordu-Giresun Rural Development Project

#### **IV.2.3.2. Incentives**

Since the 1960s, various policy measures such as tax exemptions, application of preferential interest rates and investment allowances have been designed as investment incentives to support development in Turkey. While some of these measures were available for the entire country, others either could only be utilized in the priority provinces for development, or the advantages to the priority provinces for development were privileged (Uğurlu, 2006, p. 93). Those incentives are categorized in three, which are state aids provided in extraordinary circumstances regions and priority regions in development under law number 4235, state aids decisions in investments and investments that can benefit from assistance in developed regions.

### **IV.3. The Instrument for Pre-Accession Assistance and Implications for Turkey**

#### **IV.3.1. The Instrument for Pre-Accession Assistance**

In line with the mission of ensuring social and economic cohesion, pre-accession assistance programmes have been an important part of the regional policy. The aim of the pre-accession assistances is to prepare the candidate country for the accession, which means the convergence and harmonization of the legal and institutional infrastructure of the country to the EU standards.

Before 2006 reform, the pre-accession programmes were the Phare, Sapard for structural measures in agriculture, Ispa for infrastructure development

in the fields of the environment and transport, the special pre-accession instrument for Turkey, as well as the CARDS programme for the Western Balkan countries.

In line with the 2006 reform of the regional policy, the instruments for pre-accession have also changed. The Instrument for Pre-Accession (IPA) adopted (IPA Council Regulation No 1085/2006) as a unified pre-accession instrument instead of the above mentioned former instruments. Being the sole funding instrument of the period from 2007 to 2013 with a budget of 11,468 billion euros, the IPA is composed of five main components:

1. Transition Assistance and Institution Building
2. Cross-Border Co-operation
3. Regional Development
4. Human Resources Development
5. Rural Development

IPA is provided within the framework of the European Partnerships of the potential candidate countries and the Accession Partnerships of the candidate countries. All of those components are available for funding for the candidate countries, but potential candidate countries can not benefit from the regional development, human resources development and rural development strands, since those are mainly aiming to provide support in preparing the accession countries to implement cohesion policy and the structural funds.

Each strand of IPA is designed to address different needs of the accession countries. The Transition Assistance and Institution Building strand aims to finance capacity-building and institution building efforts of the beneficiary countries. The second strand aims to support cross-border cooperation between the beneficiaries and the EU member states.

The regional development and the human resources development strands mainly target to prepare the candidate countries for the cohesion policy involvement and managing ERDF, ESF and Cohesion Fund implementations. The rural development strand, on the other hand mainly aims to prepare the candidate countries for CAP and related policy domains and for European Agricultural Fund for Rural Development (EAFRD) (Info regio, 2010).

In line with these strands, the IPA funding has some priority areas like institution-building and the rule of law, human rights, including the fundamental freedoms, minority rights, gender equality and non-discrimination, both administrative and economic reforms, economic and social development, reconciliation and reconstruction, and regional and cross-border co-operation (German Foundation for World Population, p.1).

Nevertheless, being as a more flexible instrument, the assistance to be provided within IPA is linked to the progress of the beneficiary and its needs in line with Commission evaluation and strategy papers. The implementation of IPA is based on strategic multi-annual planning established in accordance with the broad political guidelines set out in the Commission's enlargement package, which now includes a Multi-annual Indicative Financial Framework (MIFF) (IPA Programming Guideline, 2008).

The MIFF provides the beneficiary countries information about the financial allocation intentions of the Commission through a financial matrix. Annually revised MIFFs establish link between political framework and budgetary process on a rolling three year basis. The strategic planning on the other hand is composed of multi-annual indicative planning documents (MIPD), with the MIFF constituting the reference framework. They are established for each beneficiary country and cover the main intervention areas envisaged for that country (German Foundation for World Population, p.1).

### **IV.3.2. Implications for Turkey: Is IPA the solution?**

#### **IV.3.2.1. EU's Financial Assistance to Turkey before IPA**

Turkey has been a beneficiary of the EU's financial support since the Ankara Agreement times. Either as a loan or as a grant Turkey has received 827 million ECUs from the Union in the period from 1963 to 1981. In 1981 – 1995 period Turkey received a total of 178 million ECU (3 million ECUs of grant and 175 million ECUs of loan), which was planned as to be 600 million euros but did not realized upon the Council decision. During the period from 1995 to 1999, a total of 914,5 million ECU received from the Union, of which's 375 million ECU was grant. In the post-Helsinki period, specifically until 2002, the EU's financial support to Turkey covered mostly within the context of MEDA regulation, which is the European-Mediterranean Partnership established in 1995 by Barcelona Declaration (Bilici, 2003).

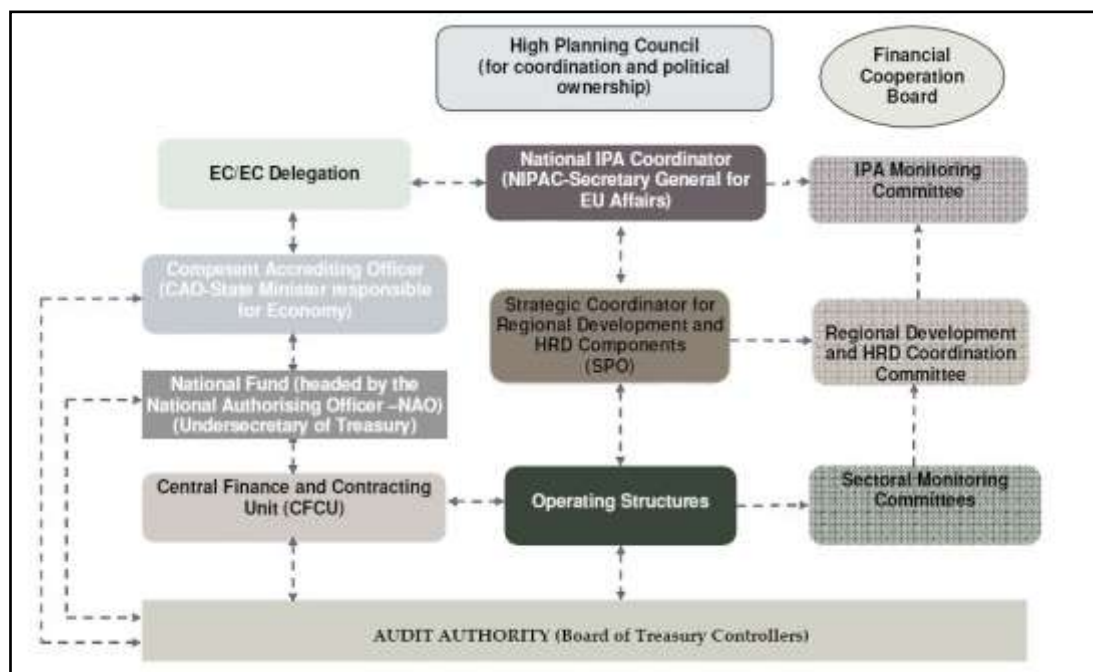
The Council Regulation of 17 December 2001 concerning pre-accession financial assistance combined different budgetary instruments available to Turkey under one heading with the objective of supporting Turkey's pre-accession preparations in line with areas defined in the Accession Partnership, Turkish National Program for Adoption of the Acquis, Preliminary National Development Programme and progress reports. Turkey in that period finalized the establishment of its Decentralized Implementation System (DIS) for the management of EU funded projects, CFCU and National Fund; the DIS became fully operational upon the decision of the Commission on October 8<sup>th</sup>, 2003 (Regional Competitiveness Operational Programme, 2008).

#### **IV.3.2.2. The Administrative Structure of IPA in Turkey**

As the Commission Regulation (EC) No 2499/2007 on the implementation of IPA came enter into force on June 12th 2007, the framework agreement between Turkey and the EU published in Turkish Official Gazzette on December 24th, 2008 (No:27090) and legal basis of the IPA implementation in Turkey has been established.

In line with the decentralization principle of the regional policy; Turkey, as the rest of the candidate countries, had to build a separate administrative body for the implementation of IPA. This is conditional for the Union to transfer the management authority of the funds to beneficiary country. With this regard, the political owner and coordinator of IPA in Turkey is the High Planning Council. Under this Council there are necessary units and authorities (Figure 4) (Turkish Official Gazette, No:27090, 2008; Regional Competitiveness Operational Programme, 2008; Council Regulation(EC)1085/2006).

**Figure 4: IPA Structure in Turkey**



Source: Ministry of Industry and Commerce, [www.ipa.stb.gov.tr](http://www.ipa.stb.gov.tr)

According to this structure National IPA Coordinator (NIPAC), which is Secretariat General for EU Affairs (EUSG) in Turkey, is responsible from the relations with the Commission and the coordination of financial assistance. The coordination of Regional Development and Human Resources Development components are being coordinated by the Strategic Coordinator, which also



prepares the Strategic Coherence Framework<sup>i</sup>. The SPO is the sectoral coordinator in Turkey and works under the NIPAC.

Competent Accrediting Officer is responsible from the accreditation and monitoring of National Authorising Officer and National Fund. The State Minister responsible for Economy is the Competent Accrediting Officer of Turkey. National Authorising Officer also acts as the head of National Fund, which is a ministerial body with a budgetary competence and responsible for the financial management of assistances. The Undersecretary of Treasury is the National Authorising Officer in Turkey. Responsible for the management and monitoring processes' verification, audit authority acts in line with the international auditing standards. Having assigned by the beneficiary country, the audit authority should act independent from all other actors involved in the process, and share the findings through annual reports to the NIPAC and Competent Accrediting Officer.

Within the management structure of IPA two main committees exist: IPA Monitoring Committee and Sectoral Monitoring Committee. The latter assists the former one. The IPA Monitoring Committee is responsible from harmonization and the coordination among the IPA components' implementation. The Sectoral Monitoring Committee advises the Commission, NIPAC and Competent Accrediting Officer on how to increase efficiency of the programmes and suggests strategies for better achievements.

The IPA implementation process is being executed mainly through operational programmes (OPs). Operating Structures, in that case, are the bodies responsible for the implementation and management of the programs of the relevant components. In Turkey, OPs under the third, fourth and fifth component are being implemented through relevant ministries. The Environment OP is being implemented by the Ministry of Environment and Forestry. The Transportation OP

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<sup>i</sup> The Strategic Coherence Framework provides a "frame of reference" for the operational programmes under regional development and human resources development components of the IPA.

is being implemented by the Ministry of Transportation. Regional Competitiveness Program is being implemented by the Ministry of Industry and Commerce. All three OPs are operational under the Regional Development component. The Human Resources OP, under the fourth component, is being implemented by the Ministry of Labour and Social Security and the Rural Development OP, under the fifth component, is being implemented by the Ministry of Agriculture and Rural Affairs.

#### IV.3.2.3. IPA Budget in Turkey

Turkey is allocated with a total budget of 2.256 billion euros from the IPA funding. The budget allocation for the strands are shown in Table 10.

**Table 10: Budget Allocation Per IPA Component**

	2007	2008	2009	2010	Total (€)
<b>Component 1</b>	252.2	250.2	233.2	211.3	946.9
<b>Component 2</b>	6.6	8.8	9.4	9.6	34.4
<b>Component 3</b>	167.5	173.8	182.7	238.1	762.1
<b>Component 4</b>	50.2	52.9	55.6	63.4	222.1
<b>Component 5</b>	20.7	53.0	85.5	131.3	290.5
<b>Total</b>	497.2	538.7	566.4	653.7	2.256

Source: Ministry of Industry and Commerce, [www.ipa.stb.gov.tr](http://www.ipa.stb.gov.tr)

#### IV.3.2.4. Objectives for the IPA Components

Each of five components of IPA has different priority areas defined by the Commission and Turkey. Based on the MIPD 2008-2010 Turkey's objectives in each strand are as follows:

a) **Transition Assistance and Institution Building** fundings target Judiciary reforms, law enforcement services, public administration reforms, Civil

Society involvement, ad transposition and implementation of the acquis communautaire in agriculture, environment, justice, liberty and security sectors, as well as obligations stemming from the Customs Union agreement.

**b) Cross Border Co-operation** fundings provides assistance to Bulgaria – Turkey cross border co-operation and participation of Turkey in the ENPI Black Sea basin programme.

**c) Regional Development** funding target environment oriented projects like water supply, urban waste water treatment, waste management; interconnection projects in order to increase the competitiveness of the regions like intelligent transport systems; strengthening the SMEs and future entrepreneurship; and finally economic and social tourism development.

**d) Human Resources Development** funding provides assistance through Human Resources OP to measures for registered employment, women employment, lifelong learning, education, training and social inclusion.

**e) Rural Development** funding targets the modernization of agriculture sector in line with EU standards, preparation for the measures that should be taken for environmental protection, mobilizing rural communities to develop and implement their own strategies through multi-sectoral approaches, the diversification and development of rural economic activities.

#### **IV.4. Assessment**

As mentioned before the core argument of this thesis is that the most prominent obstacle before Turkey's membership is its regional policy approach and the huge disparities within Turkey. In order to provide a better insight in this argument, this section will examine the existing situation in line with the 2009 progress report conclusions and the examples from Turkey.

As aforementioned, the legal basis for the implementation of IPA has been completed in 2008 and 2009 Progress Report of the Commission indicates a visible progress in that sense about the legislative framework. *De facto* appointments of relevant institutions are completed although *de jure* appointments were not done for every unit.

The institutional framework for the implementation of regional development and human resources development components are also completed. Afterwards 2009 progress report, the following grant schemes under the Human Resources Development OP are opened and still in the tender process;

- Promoting Women's Employment Grant Scheme
- Promotion Of Lifelong Learning Grant Scheme
- Promoting Registered Employment Through Innovative Measures Grant Scheme
- Increasing School Enrolment Rates Especially For Girls Grant Scheme
- Promoting Youth Employment Grant Scheme

Under the Regional Development component, Regional Competitiveness OP's first phase of project has been completed with the call for proposals and selection of the projects to be granted.

Regarding to Regional Policy, even the establishment of regional development agencies (RDAs) is a positive progress; the work of the RDAs can still be questionable because of their organization structure and the nature of the work being done. The Executive Boards of the RDAs is being composed of local, central and civil actors, who are headed by the central administration representative. Even the development boards have representatives from NGOs; still dominant presence of the central administration can be seen in that committees.

Another point regarding the work of RDAs is the grant programmes, of which's priority areas are more focused on rural development and agriculture. Even though this is a part of the IPA, it should not be forgotten that the Lisbon Objectives of the EU also have to be a priority of Turkey. And in that context RDAs' financial support should be varied with different programs that are focusing on innovation, ICTs and competitiveness.

This on the other hand brings out the concern of Turkey's not seeing the big picture. Turkey ranked 61th in Global Competitiveness Index 2009 and the competitiveness rate was 4.2, which - aside from the EU member states- was less than even some African Countries. The Lisbon Strategy is crucial for the Union's global leadership and in that context, Turkey, being a candidate country, also has to follow the footprints of the Union in strengthening its innovation, R&D, competitiveness and entrepreneurship capacity. In that sense, coping with the lagging regions should not result in losing sight of the importance of those objectives in the long term. Turkey has to set her own agenda to identify the future challenges in the regional and national levels in that aspect to ease the accession.

Turning back to regional policy aspect, 2009 progress report emphasized the weakness of administrative capacity at regional level. The de-centralization principle of the EU is being continued to be a misunderstood concept in Turkey and as indicated by Ertugal (2005, p.33) decentralization concept is almost being paired with separatism. Having this fear in mind, everything is being planned, implemented and monitored at the central level, thus administrative capacity could not evolve as it would be.

In that context, the most remarkable example was the GAP-RDA, which is the first regional authority of Turkey. And being a regional authority, the GAP administration had its headquarters, with almost three out of four of its staff located in the Capital city Ankara, and a small regional directorate located in Şanlıurfa. Only 20 years later, in 2009, the GAP-RDA headquarters moved with its entire staff to the region, where it should have been in the first place, to ensure better coordination and monitoring at the regional level.

Another consequence of this central approach is the weak participation of the regional actors. Despite the claim of the report regarding the progress made on the involvement of regional and local actors in programming, the lack of experience of those sub national actors' causes to delays and sometimes missed opportunities.

Another consequence of this central approach is the lack of project development capacity at regional levels. Even though project management and development trainings have been a part of almost every EU funded project, the lack of project development capacity results with two main circumstances: either the project development processes are being outsourced to the consulting firms, of which's competence are questionable in most cases, or as in the case of Transportation OP, the funding cannot be mobilized.

Another concern that should be emphasized here is that, even all of the EU funded projects puts sustainability as a condition or as a component, those projects could not be potent enough to address that sustainability. In the case of a social and economical project funded by the EU and implemented by four major metropolitan municipality, the street children centers became fully operational through EU funding and provided lunches to ensure the children's adoption to the centers. However, as soon as the funding came to and end, the municipalities could not cover such expense on their own budget either they ended up decreasing their numbers of children registered or stopped accepting children until they find another solution.

This shows that sole EU funding are not enough to solve the problems or to prepare Turkey to accession. The absorption of those capacity building skills are also needed. However, the experience and knowledge built in such projects are almost disappearing by the end of contracts of the consultants assigned.

To conclude, aside from EU funding mechanism and conditionality, Turkey should have mobilize her own internal dynamics to increase her institutional capacity, not only in terms of regional policy but also elsewhere, and

should rapidly renew its central approach to regional development and regional policies before the EU membership.

Unless these issues are resolved, Turkey would only be a burden to the EU, which is already in need of increasing its institutional capacity, and her accession would be a never ending road.

## CONCLUSION

This thesis has argued that Turkey's regional disparities and regional development policy approaches would not come closer to EU standards only through EU's pre-accession assistance strategies, but also Turkey's commitment is needed and in case of Turkey's membership, slow or insufficient harmonization in those issues may also lead to a slowing down in overall progress of the EU to become a global leader as foreseen in the Lisbon Strategy.

The first question at issue was to understand the Union's motives for global leadership and present prominence in the global arena, as well its future challenges. As explained in the introduction, the Union today is the output of many ideas, actions and efforts of centuries and having achieved such an integration success, it has now every right to pursue a global leadership. Furthering on from this view, the first chapter examined this zeal of the Union with a specific emphasis on Lisbon Strategy, which was supposed to bring major structural reforms to the Union to be the most competitive and knowledge based economy of the World by 2010.

It should be admitted the Union has remarkably successful policy domains and its overall success in the integration process has its own impact over the leadership of the Union. But these two factors should be separately addressed in the Union's quest for global leadership. First of all, nature of the Union's entity is still not clear for the outside world. Thanks to the Lisbon Treaty, now Henry Kissinger would have known whom to call when he wants to talk to "Europe", but this still would neither make the Union a simpler structure nor understood easily.

Because it is still that unique political construction, which is nothing like the world has ever seen before. Although such integration provides prominence to the Union in the international arena, unfortunately it does not provide a leadership due to that construction, which is still a riddle for the others. The Union has



different competence levels that sort out things within the process, however that construction enables the member states to act in favour of their individual interests. This failing unity, in that sense, results with an international scene that preserves its cautious approach towards the Union's leadership.

The second factor is the common mindset that pairs or reduces the leadership of the Union to establishment of an efficient common foreign and security policy. It is a fact that global leadership concept mostly composed of an efficient foreign policy but it should also be noted that the new millennium defines other qualities for a world leader. In terms of an efficient foreign policy, leadership potential in international agenda setting and military power may be important attributes for any state and/or political entity as in the case of EU; however, the globalisation also changed the leadership definitions as everything else. In this new era economic power accompanied by political stability has also been considered among the most important qualities of a world power. The success of the emerging new powers would provide proof for that assumption. Neither China nor India, which are now considered as one of the powers in a future tripolar world, has become a rival before the EU through their military success or their foreign policies but through their remarkable growth rates in the last two decades.

The Union tries to set its own rules in influencing the global developments. Its foreign policy may not meet the expectations all the time but at the end of the day only the founding six sovereign state's main intention was to build a political stability after World War II, the rest of the members came together initially for an economic bloc. For that reason the Union has to build tailor made leadership features for all relevant policy domains instead of putting all the responsibility on a common foreign and security policy.

Accordingly, the Lisbon Strategy was quite a roadmap for the Union's quest of global leadership. The strategy was likely to fill in the blanks for the Union to establish abovementioned tailor-made leadership features, as the overall intention of three pillars based reforms was restructuring the EU as an information society that comforts welfare through the new economy's features and its

completed single market project. However, as presented in chapter one, the Lisbon Strategy has failed in the implementation and the strategy has been resting in peace anyway as of 2010.

Although there have been many explanations and arguments to assess the failure of the Lisbon Strategy, which are varying from the broader scope of the strategy to the lack of commitment among the member states, the thesis argued that the OMC, despite it has provided benefits to the Union in terms of benchmarks and creating multiplying effects between the member states, was the main suspect behind the failure.

It was obvious that such important reforms would have needed better governance and could not only be a matter of high politics and handled solely in the Union level. In that sense the OMC, which was likely to be a transition of the Union from being the commander to the supervisor role, have been introduced as the mechanism to meet that expectation. However being as a refreshing alternative for the strict mechanism of the Union, the OMC's flexible constitution has left much to member states, of which's economical, social and political capacity differs. When such differences combined with different political wills, the OMC could not be the appropriate mechanism that would enable the member states to commit themselves to succeed such major structural reforms. That is why the regional policy has again gained more importance and even indicated as an instrument to achieve objectives after the mid-term review of Lisbon Strategy.

Therefore, before seeking an adequate answer to the second research question of the thesis, the second chapter mainly aimed to provide an understanding on the regional policy in general terms and examined the domain's evolution from its inception to 2006 through the reforms. Having its foundation on the principle of solidarity, the policy domain is vital for the Union because the disparities within the Union would be a threat to the entire integration process. Keeping in mind that, the evolution of the domain also proves that the regional policy does not dealing only with the disparities among the present members but also it deals with development of future members.

In that context, it would not be difficult to see the pattern in the regional policy's evolution. Each enlargement and further integration movement like single market or the EMU put more emphasize on the domain and a reform came through that. The 1988 reform was a result of the Mediterranean enlargement in 1986, and to some extent accession of Greece in 1981; 1993 reform was a preparation for the newcomers in 1995 and a compensation for the lagging member states in terms of Maastricht criteria; 1999 reform was a fundamental reform to welcome CEECs.

In light of this pattern and relevant to the second research question, the third chapter reviewed 2006 reform in the domain through following the traces of Lisbon objectives. The reform in 2006 made policy objectives leaner and Lisbon targets oriented and introduced new mechanisms to the regional policy. Furthermore it can be argued that not only the structural funds priorities have been defined as an instrument to achieve Lisbon objectives but also the management system, the implementation of the policy domain provided the Member States a space to adjust their programming in line with their priorities over the consensus with the Commission, which would be in favour of the OMC in the long term.

In a broader scope, the reform also proved that the regional policy was not all about redistribution, as the highest budget concentration ever shifted priorities also to the future challenges. In that sense it can be argued that the 2006 reform was as important and efficient as the 1988 reform, since this time the reform was quite successful in identifying the challenges before, adopting priorities of rapidly changing globe and the burden of future enlargements.

In context of the future enlargements, the most important mechanism introduced has been the Instrument for Pre-Accession Assistance. The IPA composed of five strands that have been shaped completely in line with Lisbon objectives. Considering this structure, indeed it is apparent that the Union is now aware of pursuing global leadership while coping with deeper and wider integration would be possible only through preparing future members in advance.

When new enlargements are the issue, Turkey becomes more prominent than any other candidate country. Despite the fact that Turkey's membership will provide many pros, considering the huge regional disparities of Turkey, this membership would also be not a promising one but a challenging one. In that sense, given the fact that there has been a Lisbon incident depending on indirectly to the disparities among the member states, Turkey's regional disparities and regional policy approaches have been examined as a problematic framework before membership, and IPA has been examined as a possible solution in the fourth chapter.

When Turkey's regional disparities have been examined it is obvious that the eastern part of Turkey has been disadvantageous in terms of economic and social development. Since the spatial balance in development has been expanded mostly through the western part, the eastern part should be strengthened through new policy instruments and development approaches. In that sense, despite the fact that EU harmonization process is ongoing, the existing approaches would not be enough to reduce the disparities.

Since decentralisation has been a delicate matter for Turkey due to political reasons, the regional development has been managed by the central administration in Turkey for decades. However the existing situation proves that management from the center approach in development has not been enough to reduce economic and social disparities in Turkey until now and it is for sure that they would not do better from now on. The establishment of RDA's has been a positive step both in terms of Turkish regional policy and the Europeanization process, however even the management structure of the RDA's shows the dominant presence of central administration.

This central authority oriented approach also led to limited administrative capacity at regional level. Planning, implementing and monitoring at central level not only weaken the dynamism of institutions at regional level but also limits the involvement of local actors in processes. When considered that this has been ongoing for decades, indeed since the formation of the Republic, it is obvious that

not only regulatory changes are needed in Turkey's harmonization to the EU but also a paradigm shift would be needed.

In this context, the IPA, which has been examined in the third section of chapter four, surely would provide an important contribution to harmonization process. Indeed during the second half of 2000's many projects in national, regional or local level have been implemented and it is for sure that in case of membership which means benefitting from the structural funds, at least most of the institutions and civil actors would be experienced in project management. However what's important here is not to have project management experience but to build project development skills. In order to achieve that the IPA will not be solely enough, additionally Turkey should have her own dynamics to mobilize for capacity building.

To conclude, the European Union has now more powerful and challenging rivals before its global leadership than two decades ago nevertheless the Lisbon Strategy and reformed cohesion policy had already identified existing problematic areas before that intention. However, it is still possible that in next enlargement waves these challenges may become retarding problems for the Union, unless it ensures the commitment of the candidate countries as well as its members on those issues. In that sense, being as a candidate country, Turkey should interpret pre-accession assistance mechanisms not only as funding opportunities for major operational programs and reforms which would enable technical harmonization but also as tools that would enable Europeanization of prevailing paradigms, which indeed would transform Turkey to a major strength for the EU.

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