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The Role of Regions in Federal Europe of the 21st Century¹

1. Introduction

In my opinion, the dilemma: Europe of Nations versus Europe of Regions is an important dilemma of our time.² Having a great admiration for the mega personalities like Napoleon and de Gaulle³ I am convinced, however, that the objective power of history and geography will eventually create a Federal Europe.

Following this assumption, I would like to develop a Scenario: the role of regions in Federal Europe of the 21st century.

This scenario is outlined in the following ideological framework:

1. visions of Europe of the 21st century,
2. the new concept of the region,
3. Federal Europe as a turning point in the development of the European Space,
4. regions on the scene of Federal Europe,

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¹ Paper presented at the Budapest Forum, First International Conference and General Assembly "Europe of Regions: Network of Co-operation", Budapest, September 4-5, 1998.

² Compare J.Vinocur, M.Gallo, *Seeking a Sense of France's Identity*, "International Herald Tribune", 14.07.1998. Max Gallo's books achieved an extraordinary success as bestsellers telling about the triumphs of Napoleon and Charles de Gaulle. Gallo believes in the future of nations, not regions, and is frightened that the idea of nationhood in France has been left in the hands of men like Jean-Marie Le Pen. „Nationalism”, he said, „is virtue if it's an open nation, an assimilating one. We're not talking about blood here. Look at the French World Cup team: 'blanc, black, beur'. (Beur is slang for French citizens of North African origin.) It's the Rights of Man. You can have a xenophobic nation, that's Le Pen, or an open nation, which could be France. It offers a personal relationship between the citizen and the nation. I don't see anything better than that. The region? That's closed and folklore. Europe? Citizen's control doesn't exist and I don't see how it will". He insists on his notion of patriotism, which does not involve concepts of hierarchy or superiority. French civilisation, he says, has been traditionally a universal one, with people interested in it, welcomed to participate.

³ Ibid.

5. the classical model of Regional Policy,
6. the new model of Regional Policy,
7. The challenge of a new School of Strategic European Studies.

2. Visions of Europe of the 21st Century

Contra spem – sperare. We have to believe that the 21st century will not be a century of disaster and that the vision of New Europe will be finally changed into reality.

This vision can be seen as an interaction of four elements:

1. the vision of diversified Europe,
2. the vision of open Europe,
3. the vision of competitive Europe,
4. the vision of United Europe.

2.1. The vision of diversified Europe

Fernand Braudel said: „*What unites Europe, is its diversity*”.⁴ The primordial role of diversity is deeply incorporated in the frameworks promoted by the European Union. In the New Model of European Development outlined recently by A.J.Hingel „special emphasis” has been given to four interpretations of Diversity:

- diversity of local innovation systems,
- diversity of modes of living,
- diversity of modes of usage and diffusion of new technologies,
- Diversity of regional co-operation.⁵

This is a very important diagnostic observation and prospective reflection. Diversity was in the past and will be in the future the fundamental feature and wealth of Europe.⁶

2.2. The vision of open Europe

This is a great dilemma of the future: to what extent the new Europe of the 21st century will be not only an internally open continent (the elimination of infra – European borders) but also an externally open continent? There is

⁴ F.Braudel, *Civilization matérielle, économie et capitalisme, XV^e - XVIII^e siÈcle*, (3Ème édition), Paris 1980.

⁵ A.J.Hingel, *Note on „A New Model of European Development”*. *Innovation, Technological Development and Network-led Integration in: Science – Technology – Economy, Science and Government Series*, ed. A.Kukliński, vol.3, Komitet Badañ Naukowych, Warszawa 1994, p.117-156.

⁶ Compare N.Davies, *Europe*, Oxford University Press, Oxford 1996.

a danger that the pressure from the East and South will promote the idea of a closed continent (Fortress Europe).⁷

2.3. The vision of competitive Europe

The choice between the social option and the global option is the main dilemma of the European future. Will Europe select the model of an egalitarian society or the model of a competitive society? This choice will answer the question whether Europe of the 21st century is to be a continent of neo-Schumpeterian innovative enterprises – winning the competitive struggle of the global economic, technological and scientific scene.

Will Europe of the 21st century be a continent with a very broad dissemination of the most precious diamonds of competitive advantage?⁸

2.4. The vision of United Europe

The final stage of European integration is the creation of United Europe, which, in practical terms, means Federal Europe as a real political, economic and social Community. This is a very noble dream – but also a dangerous dream. Federal Europe can be envisaged not only in positive, but also in negative terms. I think, however, that the great historical cost vs. benefit analysis will be in favour of Federal Europe.

I would like to formulate a bold hypothesis that the first chapter in the history of Federal Europe will begin on 1 January 1999 at the moment when the European Economic and Monetary Union changes itself into the financial, economic and political reality.

We can push this hypothesis even further. Already in 1998, the first President of Federal Europe was elected. The elected personality is Wim Duisenberg, the President of the European Monetary Institute in Frankfurt. Naturally, this is a President *de facto* and not *de iure*.

This unexpected conclusion is based on the analogy of the existence of two presidents of the USA: Bill Clinton, the president *de iure* and Alan Greenspan, the president *de facto*.⁹ For operating the engine of American capitalism, Alan Greenspan, the President of the Federal Reserve Board, is a more important personality than Bill Clinton.

To my mind, the controversy related to the emergence of Federal Europe has a very limited sense or no sense at all. The logic of the development of the

⁷ Compare S.P.Huntington, *The Clash of Civilizations and the Remaking of World Order*, Simon & Schuster, New York 1996.

⁸ Compare M.Porter, *The Competitive Advantage of Nations*, New York 1990.

⁹ B.Stokes, *A Little Tough Love from Clinton and Greenspan is Needel*, "International Herald Tribune", 21.07.1998.

European Monetary Union¹⁰ is the same logic which is leading consequently to the development of Federal Europe, which in the middle of the XXI century will be Federal Europe not only *de facto* but also *de iure*.

This does not mean that the process of the development of the European Monetary Union as the *spiritus movens* of Federal Europe will be free of conflicts and even dramatic breakdowns. The European societies representing the Popular or Populist Europe, will adapt themselves without special enthusiasm to the new conditions of Federal Europe strongly promoted by Corporate Europe¹¹ which perceives our continent as a fragment of the global megascene. This fragment must be effective and well organised. Federal Europe is probably the best incarnation of the good organisation of society, economy, and the state – if we see this organisation in the global perspective of the 21st century.

3. The new concept of the region

In our discussion, it is not possible to limit ourselves to the classical concept of the region as outlined *inter alia* by Z.Chojnicki.¹² The regions of the 21st century will function as direct actors of the global and European scene.

In the new role, the region must acquire five characteristic features:

1. the region must cross the minimal threshold of economic, social, cultural, political and territorial scale,
2. the region must function as a regional system of innovation,¹³
3. the region must cross the minimal threshold of institutional decision-making power determined not only by the power of the democratic processes but also by technocratic competence and efficiency,
4. the model of the region as the effective decision-making unit must be similar to the model of the corporation.

This evolution of the region from the classical model of region as a quasi-state to the new model of region as a quasi-corporation was described by Sergio Boisier.¹⁴

The strategic planning of regional development should be similar in its methodology and style to the strategic planning of grand corporations. The

¹⁰ *The Euro: Will it Create a New European Economy*, "Business Week", Special Issue, 27.04.1998.

¹¹ Ibid.

¹² Z.Chojnicki, *The Region as a Territorial Social System in: Problematyka przestrzeni europejskiej*, ed. A.Kukliński, EUROREG, Warszawa 1997.

¹³ *Regional Innovation Systems*, ed. H.J.Braczyk, Ph.Cooke, M.Heidenreich, UCL Press, London 1998.

¹⁴ S.Boisier, *Regional Management in the New International Order, Quasi States and Quasi Policy and the Quasi Firms*, CEPAL-ILPES, Santiago de Chile 1992.

crucial point in the strategic planning is the development of the innovative capacity of the region. It is clear that the model of the region functioning in Europe of the 21st century will be quite different from the old model, which is still very strongly rooted in the old theoretical and pragmatic thinking.

4. Federal Europe as a turning point in the development of the European Space

In 1997, I formulated a question „*how to define the identity of the European space in confrontation with the global space*”.¹⁵ I have suggested that the essence of this identity is related to the co-existence of five characteristic features of this space. Ergo, it is a space which is small, rich, diversified, innovative, and competitive at the same time. Now we can extend this question by asking: how will Federal Europe change the features of this space?

We have to mention two directions of change:

1. the European space of the XXI century will be richer, more diversified, more innovative and competitive than the space of the past,
2. the European space will no longer be a mere collection of small economic spaces.

The mechanism of the European Monetary Union will turn this collection into a grand integrated European space. In this sense, the European space of the 21st century will be similar to the American Space.

5. Regions on the scene of Federal Europe

On the scene of Federal Europe of the 21st century three groups of grand subjects will be most important: the transnational corporations, the national states and the regions.

The transnational corporations will be an important, and sometimes a leading factor of the European space. Unfortunately, the conventional wisdom has very little to say about the mechanisms determining the spatial behaviour of the transnational corporation in Europe. To my knowledge, it is impossible to find comprehensive empirical studies which could answer the following questions:

- the cost- benefit analysis of the impact of on the development of European regions and localities,
- how to outline the regionalisation of the activity of transnational corporation in Europe, in other words, how do they divide the European space into *sui generis* internal managerial regions,

¹⁵ A.Kukliński, *Problematyka przestrzeni europejskiej*, „*Ad Meritum*”, jesień-zima 1997.

- the changing perception of the European space by transnational corporation in comparison with other fragments of global space.

These questions are difficult, sometimes hitting the great wall of the secret of competition. We should try, however, to find hypothetical answers in this field.

The development of Federal Europe will not eliminate the classical nation-state issue, which will be an important subject in the framework of the federation. These states will be obliged to adapt a new definition of pluralistic sovereignty,¹⁶ which will replace the monistic sovereignty of the past.

In many fields, this pluralistic sovereignty will mean a *sui generis* cohabitation of competencies and responsibilities of four subjects: the federation, the state, the region and the transnational corporation. In these conditions, the old state-pyramid will be replaced by the new network state.

There is, however, one domain where the role of the state will be strengthened. This domain is related to the broad sphere of the indicatory system.¹⁷ In this domain, the state cannot be replaced by any other institution, enterprise or corporation. Only the state can support an effective juridical system which is a necessary condition for the proper operation of the capitalistic economy.

The point of view of Alan Greenspan¹⁸ deserves special attention in this field. In this context we can examine the following thesis related to the functioning of the regions on the scene of Federal Europe.

- Thesis 1. The role of regions, as defined in this paper, will grow in a decisive way.
- Thesis 2. The regions seen as regional innovation systems are changing into a creative environment for the enterprise, which has to face a growing competitive challenge on the national, continental and global scene.
- Thesis 3. The regions – in these conditions – must assume the function of creative centres of strategic thinking and strategic activity in the perspective of different horizons of time and space.¹⁹
- Thesis 4. The regions have to function as holistic organisms, integrating comprehensive and socially embedded processes of technological, economic, scientific and cultural innovations.²⁰ In this context, especially important is the role of regions as the space of encountering the phenomena emanating from the global scene and the phenomena which are created by the local forces.

¹⁶ A.Kukliński, *O przyszłości państwa*, Warszawa 1997.

¹⁷ Compare J.Rawls, *A Theory of Justice*, Oxford University Press 1976.

¹⁸ J.Hoagland, *Look Who Says Capitalism Needs Government*, "International Herald Tribune", 28.08.1997.

¹⁹ S.Boisier, *op.cit.*

²⁰ Compare *OECD – Technology and Economy*, Paris 1992.

Naturally, these theses may be formulated in different ways – remembering, however, the new concept of Federal Europe and the new concept of the region as a strategic link in the development of the European Space. It is necessary in this context to remind the original ideas of R.Galar²¹, related to the European perspective in the field of the creation and diffusion of innovation.

6. The classical model of regional policy²²

The classical model of regional policy was created by the industrial societies and welfare states. Two ideological and pragmatic principles were incorporated in the construction of the Keynesian welfare state: the principle of full employment, and the principle of social justice. These two principles were applied not only to the sphere of interpersonal relations but also to the interpretation of the regional scene – and especially to the relations between strong and weak regions.

The Doctrine of Diminishing Interregional Disparities (DDID) was generally accepted as the theoretical and pragmatic foundation in the broad domain of regional policies and regional planning. The essence of this Doctrine may be formulated as follows: „*For political, social, moral and economic reasons, the society and the state should not tolerate such movements of the spontaneous market forces which generate and multiply long-term disparities between more and less developed regions*”.

Two types of disparities were recognised:

1. relatively shallow disparities of quantitative character,
2. relatively deep disparities of quantitative and qualitative character.

The disparities of the second type were described as gaps. The classical example is the case of Italy, where a gap divides the country into Mezzogiorno and Central and Northern parts of the country. In such situation, we also use the concept of dual economy and dual society. The classical Doctrine of Diminishing Interregional Disparities is a product of the Keynesian welfare state.

It is not an accident that the crisis of the welfare state is, at the same time, the crisis of the theory and practice of the DDIT. The socially-oriented regional policies were developed by the industrial society and by the welfare state. The crisis of these two institutional foundations creates an empirical and ideological crisis of socially-oriented regional policies in Europe.

²¹ R.Galar, *Europe as a Continent of Regional Systems of Innovations Regarded from the Evolutionary Viewpoint* in: *Innovation – Education Regional Development*, ed. A.Kukliński, K.Pawłowska, Nowy Sącz 1998.

²² Compare A.Kukliński, *Regional Policy and the Information Society. Third EU/CEEC Information Society Forum, Proceedings*, European Parliament, European Commission, Brussels 1997.

The analysis of this crisis in the different European countries is outside the framework of this paper. Let me present only some general observations:

- The empirical dimensions of this crisis are more evident than the ideological dimensions. In other words, the ideology of socially-oriented regional policies survives more often than the empirical evidence of the diminishing interregional disparities.
- The Netherlands are the best example of the shift from socially- to globally-oriented regional policies. Twenty years ago, the Dutch were worrying about how to diminish the disparities between Randstadt Holland and the eastern provinces of the country. Now, the Dutch are concentrating their attention on policies and activities, which improve the competitive advantage of Randstadt Holland in relation to New York, London, Paris or Tokyo.
- DG XVI is now the most outstanding institution in Europe promoting ideologically and empirically the model of socially-oriented regional policies. To use the term of Gunnar Myrdal, DG XVI is “*swimming against the stream*”. We should answer the question: is this approach “a virtue”, “a mistake” or both “a virtue” and “a mistake”? It seems, however that this approach will be changed in the not so distant future. This shift can be seen in the activity of other Directorates General of the European Commission (e.g. DG III, IV, XII, XIII), which are already implementing a *de facto* global regional policy. The European Commission is stimulating discussions on the new model of global regional policy. This was, *inter alia*, demonstrated by a tolerant attitude of my paper²³ presented in the framework of the Third EU/CEEC Information Society Forum (Brussels, October 1997).

7. A new model of regional policy²⁴

The last quarter of the 21st century is a great Sturm and Drang Periode. This historical turning point can be described as a quartet of mutually interrelated transitions:

1. From Fordism to post-Fordism,
2. From modernism to post-modernism,
3. From industrial to information society,
4. From the state seen as a pyramid to network state.

In this context, we find a deep metamorphosis of the global developmental scene²⁵ and the transformation of the European scene promoted by the

²³ Ibid.

²⁴ Ibid.

²⁵ OECD – *National Systems for Financing Innovation*, Paris 1995.

implementation of the European Monetary Union opening the first chapter in the history of the Federal Europe of the 21st century.

In these conditions, we face an accelerated development of a new model of global regional policy which sooner or later will become a leading doctrine of the European regional policy promoted in Federal Europe. This policy will be transformed into an important instrument of European global strategies, accelerating the growth of innovative and competitive power of the new European economy – the Knowledge Economy.²⁶

The region in this framework will be a direct actor of the global scene. The object of the European regional policy will be the promotion of regional locomotives of growth integrating the comprehensive mechanism of technological, economic, social, scientific and cultural development. The regional policy of the 21st century will not be dominated by the obsession of diminishing or not diminishing interregional disparities.

This, however, does not mean that the problem of social and territorial cohesion will vanish from the European horizon of the 21st century. This problem will find a new formulation in the program of gradual liquidation of the grand developmental gap separating the European Centre from the European Periphery. The European Periphery must generate endogenous forces creating on its territory new “regional locomotives of growth” which – in a relatively short time – will transform themselves into competitive partners of the leading regions of the European Centre.

This is the most important mechanism of the revolutionary transformation of the map of Europe, which has already in the times of Roman Empire been divided in a European Centre and European Periphery.

8. The challenge of a New School of Strategic European Studies

The European Commission does not allocate big resources for strategic studies related to the future of Europe. Nevertheless, such studies exist creating a basis for strategic discussions involving the European Commission and the academic establishments of the present and future members of the European Union. In these conditions, we face the challenge to develop a new School of Strategic European Studies, which would create the methodological and empirical foundations for an extended diagnostic and prospective dialogue between the European Community and the academic communities in Europe. Maybe in the first stage of this dialogue four problems would be particularly interesting:

²⁶ Ibid.

1. the processes of the development of the new European economy and especially the European Knowledge Economy;²⁷
2. the processes of the development of information societies in Europe and a decreasing role of industrial and agrarian societies;
3. the processes of the development of Federal Europe in the *de facto* and *de iure* perspective;
4. the processes of the development of the new European Space in the context of the transformation of grand geopolitical global systems.²⁸

²⁷ Ibid.

²⁸ „Paris – The Asian financial crisis is now a year old. Its origin in the globalization of the Asian economies, opening fragile societies to powerful, intrusive and exploitative foreign forces, has yet to be addressed in the public debate. Today’s dominant economic and trade doctrines rule out an interpretation of the crisis that puts part of the blame on the effects of the ideology of global markets. However, the intellectual challenge to these doctrines dictating Western policies on trade and development is becoming more formidable and includes two important books published in recent weeks. These are Robert u. Ayres’s ‘Turning Point: The End of the Growth Paradigm’ and John Gray’s ‘False Dawn: The Delusions of Global Capitalism’.

Mr. Gray’s ‘False Dawn’ is a brilliant polemic against what he calls the ‘utopian’ effort to create a global free market. This utopia, he says, can never be realised, and its pursuit already has produced ‘social dislocation and economic and political instability on a large scale’. The global market, he argues, is the latest and probably the final utopian project inspired by the 18th century Enlightenment vision of rationally directed historical progress. It is driven ‘by the world’s last great Enlightenment regime’, the United States. It is yet another attempt to remake human society, of a kind that earlier in this century inflicted on mankind the false utopia of a Communist ‘universal civilisation’. Market and Marxist utopias have ‘their cult of reason and efficiency, their ignorance of history and their contempt for the ways of life they consign to poverty or extinction’ in common. They ‘embody the same rationalist hubris and cultural imperialism that have marked the central traditions of Enlightenment thinking throughout its history’. The global project is, he argues, ultimately incompatible with democracy, and tends to destroy the values and institutions of middle-class civilisation that were responsible for the development of modern democracy in Europe and North America. He thinks that the project will eventually fracture and fail, but in doing so will promote international anarchy. The ultimate effects of ‘the emancipation of market forces from social and political control’, he says, will ensure ‘that the age of globalization will be remembered as another turn in the history of servitude’.

The rather dramatic quotations I have taken from these two books do not do justice to the subtlety and originality of them both. These are works of great intelligence, the first essentially scientific in its argument, the second a work of impassioned intellectual history and political and moral persuasion. They contribute to the refutation of an ideology that is as dangerous to civilised society as the Marxism, its predecessor was, in a perverse way, an intellectual begetter of the market utopianism of our day”. (W.Pfaff, *What Happens When Market Forces Get Out of Control*, “International Herald Tribune”, 14.07.1998.)

Compare also R.Kutner, *Who Sankt Asia? Money Slashing Around the World*; D.Woodruff, *Don’t Lough: Europe May Start Slashing Taxes*, “Business Week”, 27.07.1998, and *Capitalism and Culture*, Institute for Human Sciences, Vienna, “Newsletter” no. 60, February-April 1998.

Naturally, these proposals have only an indicative character. The essence of these proposals is a rapid acceleration of the development of strategic European studies related to the future of our continent in the 21st century.²⁹

9. Conclusion

This is not a conventional paper. This is an attempt to create a new vision of the processes, which lead to the development of Federal Europe in a realistic perspective, which is much more important than the classical nominal controversy. In this context, a new light is given to the analysis of the growing role of regions as direct actors of the global and European scenes.

²⁹ Compare R.A.Levine, *Beware Monotheism – When it Comes to the Market*, “*International Herald Tribune*”, 18-19.07.1998.