

***'TERRITORIAL COHESION': A CHIMERA?***

*Rolf Bergs*

## **,Territorial Cohesion': a Chimera ?**

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The short note aims to contribute to the invited debate on the EU Commission *Green Paper on Territorial Cohesion* (SEC(2008) 2550). The question on definition (p.11) is particularly addressed.

In 2005, when I worked on the *Notes on the Spatial Vision for North-West Europe*<sup>2</sup>, a complementary study for the updated mid-term evaluation of the INTERREG IIIB programme North-West Europe, I first stunned about the term 'Territorial Cohesion' and how the European Commission has tried to define it in the Third Report on Economic Cohesion. Here it says:

'... The concept of territorial cohesion extends beyond the notion of economic and social cohesion, adding to this and reinforcing it. ... The concern is also to improve territorial integration ...'

What means 'extending beyond economic and social cohesion' and what means 'territorial integration', a second similar notion not being explained in the Commission report? It was impossible to use this term operationally, as it was not clear how economic and social cohesion differ from territorial cohesion. Interestingly, the inherent policy objective is identical, namely reducing existing disparities (which are always sectoral and spatial, i.e. two sides of one coin)<sup>3</sup>. My impression is that 'territorial cohesion' had been invented as a term before its substance has been grasped.<sup>4</sup>

If territorial cohesion is defined as a stand-alone category, it can be only a feasible notion if it clearly differs from economic and social cohesion, otherwise diffusing a chimera. But, here my question, can it differ anyway, i.e. can there be a situation of economic and social cohesion without territorial cohesion and vice versa ? I don't think so. This way, I understand my short contribution to the public debate invited by the European Commission DG Regio.

Willem Molle, who finds the notion of territorial cohesion likewise unclear and ambiguous has been the only (to my knowledge) who tried to be creative with that term and to operationalise it to some extent:

'... In line with economic and social cohesion the notion of territorial cohesion can then be operationalised by specifying the spatial disparities in statistical terms. The ones that are generally considered most relevant are those that relate to the urban-rural dichotomy, as urban centres are concentrations of most services and are nodal points of infrastructure. They determine disparities in access to essential services and knowledge hence in development potential. A decrease in disparities (e.g. lower urban concentration) could then be interpreted

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<sup>2</sup> R. Bergs 2005, *Notes on the Spatial Vision for North-West Europe – A complementary analysis for the updated mid-term evaluation of the INTERREG IIIB programme NEW/ENO*, Bad Soden and Leiden, p. 12

<sup>3</sup> Green Paper, pp.4 ff.

<sup>4</sup> The term was first mentioned in the Treaty of Amsterdam addressing ultra-peripheral regions, such as Martinique, Réunion, the Acores, Madeira etc. and later broadened in its application to disadvantaged regions in general.

as an improvement of territorial cohesion an increase as a deterioration of territorial cohesion.<sup>5</sup>

Even though appealing at a first glimpse, I think that this approach of explanation is rather neglecting the close and important relationship between the economy and space. Space is a major factor of natural market failures as resources are not distributed evenly across the space. Disparities of income and economic strength are directly determined by space, i.e. where people live and work.

In reasoning about that one has to go back to the original rationale of European regional policy. Regional policy intervenes in order to offset natural market failures hampering lagging or declining regions to catch-up economically. It simply aims at removing barriers of automatic convergence between poorer and richer regions in the sense of the Solow-Swan growth model. This says that, under perfect market conditions, poorer regions grow faster than richer ones, so that there is a simultaneous growth and convergence process. Convergence, however, is not to be achieved by negative growth of the richer region; this would be an absurdity of economic policy. Hence, different (positive) growth rates are the key. The convergence process in theory is assumed to be *pareto*-efficient in a way that growth of the poorer region  $j$  is not at the absolute cost of the richer region  $i$  ( $0 \leq dy_i \leq dy_j$ ). With reference to Molle's standpoint, this pattern goes also hand in hand with deconcentration processes, since once cities have achieved a particular level of economic concentration, where prevailing agglomeration advantages are about to be outweighed by disadvantages, economic activities resume in lagging regions, otherwise resources are simply not allocated optimally.<sup>6</sup>

That means that cohesion, as a steady state, must represent an optimum in a sense that the welfare levels of two regions are not only balanced but at the highest possible level. In other words, if two adjacent regions exhibit the same GDP per capita (in PPS), but have not yet reaped their combined potential market capacity due to any kind of inefficiency, there is no genuine cohesion. One paramount way to improve the market potential, and to lift the welfare level, is to improve transparency of the joint potential market. This can be certainly achieved through better co-operation. Hence, territorial policy interventions like INTERREG or policies boosting large transport and energy infrastructure (TEN) can reinforce the traditional policy interventions (Objectives 1 and 2) fuelling convergence, stabilising competitiveness and, in the end, leading to cohesion. Interestingly, the Cohesion Fund, with its emphasis on large and strategic infrastructure investments in transport and environment, has intervened with a clear territorial policy thrust, but aims at accelerating cohesion and relieving budget deficits to better cope with Maastricht criteria of the poorer member states. 'Territorial cohesion', as a notion, was not used when this instrument was unleashed in 1993, and very obviously this was also not necessary.

In my opinion, the term 'territorial cohesion', in addition to economic and social cohesion, appears redundant and even misleading, at least if it is used as an empirical variable.

The slightly different notion, also used in the Green Paper, would however make a strong sense in the argumentative thread. This is '*territorial cohesion policy*' with a stress on 'cohesion policy'<sup>7</sup> to illustrate the distinct difference. For some regions *economic cohesion*

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<sup>5</sup> W. Molle 2006, *EU Cohesion policies - adequate constitutional Foundations and regulatory and financial Constructions - need for further Optimisation*, Working Paper, Jean Monnet Chair, Università degli studi di Milano

<sup>6</sup> Pioneering on this: H. W. Richardson 1977, *The new urban economics*, London, pp. 89 ff.

<sup>7</sup> Interestingly the distinct difference between 'territorial cohesion' and 'territorial cohesion policy', as it is also used in the Community Strategic Guidelines ('The territorial dimension of cohesion policy', OJ L 291, p 28) is watered down in the text, talking of the territorial dimension of cohesion policy and territorial cohesion simultaneously.

policy (e.g. Objective 1) could be important, for others rather territorial prongs of cohesion policy. INTERREG or the former URBAN initiative are definitely *territorial* cohesion policy threads, but in the end they just contribute to cohesion.

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