The EU's ultra-peripheral regions: developmental considerations and reflections

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Introductory comments

While there is a variety of ways in which capitalist economies can be constituted and regulated, all such economies are characterised by chronic and endemic tendencies to spatially uneven development, expressed at a range of spatial scales. This is recognised by economists, political economists and geographers of varying theoretical persuasions and while they differ – often radically – in the explanations that they offer for this, there is widespread agreement on the facts of regionally uneven development – with the region understood here to mean spatial units below the scale of the national. This is in part due to issues such as the uneven distribution of natural resources but more importantly is a consequence of the social relations and structures that characterise capitalism. In short, spatially uneven development is structurally inscribed into capitalist economies, and these tendencies towards regional differentiation have deepened with globalization in recent years. Moreover, having narrowed somewhat over two decades, regional inequalities in the European Union have again widened as the Union has both widened and deepened.

While there is a general acceptance of the fact that regional uneven development is a persistent feature of capitalist development and not something that can be eliminated, the issue of whether it can be managed and its effects ameliorated so that it remains within politically and socially acceptable limits is a much more contentious one. While governments – national and supra-national – can seek to deal with the consequences of uneven development via a range of policies, their ability to do so is limited precisely because uneven development is inherent to capitalism and acceptance of this raises some awkward questions. The recent widening of intra-EU regional inequalities has raises difficult issues for the EU, for example. While some national governments are better equipped to respond to the challenges of uneven development than others, it is important to recognise that the limits to such action in the ultra-peripheral regions of the Azores, the Canary Islands, Reunion, Guadeloupe, Martinique and French Guyana is likely to be severe..

This is emphasised when one considers the defining features of these regions (in part based on Eurisles, 2002):

- Extreme remoteness from the European mainland and form the core territories and centres of power of the EU. Each is located between 1,000

and 10,000 kms. from the respective national capital on the European mainland.
- A totally different spatial environment. 6 of the 7 are islands or archipeligos, and often mountainous, with consequent impacts upon transport a costs and ease of access.
- Limited resources, both natural (such as arable land and water) and human (especially skilled labour).
- A strong degree of economic dependency and so exposure to risks as a result of decisions made elsewhere.
- Difficult social and economic conditions to those found over the vast majority of the other territory of the EU. For example, local markets are limited and there are difficulties in exporting, making it difficult to raise scale economies. All are located in economic and geographical areas that are non-European, while an integral part of the EU.
- A special vulnerability to natural disasters, as a result of the inter-play of social and natural processes.

While there is variation among the ultra-peripheral regions in the strength and salience of these characteristics, all to a degree share them. As the Fundo de Maneeio. Lda report puts it (2006, 11): "Summing up, living in the ultra-peripheral regions of the European Union means living on a territory small, remote, isolated and far way from the country of sovereignty. Most of the cases in islands, and therefore constantly cut off by the sea, with limited possibilities in terms of space, natural and human resources, or the size of markets. These factors can vary among regions in nature or intensity, but they nevertheless constitute permanent and ubiquitous realities". What, then, can theories of regionally uneven development indicate about the developmental possibilities for these very particular regions in the face of these "permanent and ubiquitous realities"?

Theoretical considerations and insights

A corollary of widespread agreement on the inevitability of regional uneven development is that a variety of approaches to understanding and explaining regional uneven development have been constructed, some of which are compatible and complementary, others of which are competitive and incompatible. Life is further complicated by those approaches that also seek to problematise the very notion of 'development' itself, though for reasons of space I will largely ignore these here. Before reviewing some of the major perspectives on uneven development, however, I begin with a brief consideration of neo-liberal approaches that assume that uneven development would cease to be an issue if only people behaved as rational economic actors and allowed market forces to establish equilibrium conditions and thereby abolish uneven development.

The denial of the necessity and inevitability of uneven development

The essence of neo-liberal approaches is an assertion that freeing up markets, so that capital and labour can flow to where they are most efficiently deployed, will lead to an equalisation of factor returns and convergence between regions and/or to a balanced pattern of regional development. Labour and capital, it is claimed, will move from areas of surplus to areas of shortage in response to differential in wage rates and profit rates, respectively. Thus, labour should move from poorer, less developed to richer, more developed regions; conversely, capital should move in the opposite direction until wage and profit rates are equalised across regions, resulting in an efficient and balanced pattern of development. On this reading, unfettered market forces left to themselves would solve the developmental problems of the ultra-peripheral regions and the role of government policies should be no more - or no less – than ensuring the framework conditions in which such market allocation of resources can occur. This involves both a rolling back and a rolling out of state policies, of de-regulation and re-regulation. The point is not that the state should have no role in steering the economy; quite the contrary. However, that role is a very precise one: the construction of markets in very particular ways so they become the prime resource allocation and steering mechanism.

There are, however, a number of difficulties with this perspective, both empirical and theoretical. Empirically, there is very little if any evidence of actual patterns of regional development following the path to strong convergence; and in cases where there is some evidence of weak convergence, as in the EU in the 1970s and 1980s (Dunford, 1994), this can be attributed more to the effects of state regional policies than to market forces. In any case, as the Union deepened and widened, renewed regional divergence replaced convergence. Theoretically, for markets to operate in the unfettered way assumed by neo-liberal perspectives, it is necessary to make a series of sweepingly implausible assumptions about the knowledge and motives of actors (much in the same way that the neo-classically inspired location theories that were seen as cutting edge in economic geography in the 1960s required a similar suite of heroic assumptions: see for example Hudson, 2001).

Cumulative causation and uneven development

In contrast to those who argued that regional uneven development could be eliminated if only market forces were allowed to operate in an unfettered manner, others saw the play of market forces as setting in motion processes of cumulative causation that would reinforce uneven development, as economically ‘successful’ and ’unsuccessful’ regions became locked into their respective trajectories of growth and decline. This raised the question of how governments should seek to ameliorate and contain uneven development via policy interventions to shape markets in particular ways or, in some cases, replace markets as resource allocation mechanisms.

Perhaps the best known of these theories is Myrdal’s Theory of Cumulative Causation (1957). Myrdal’s approach directly challenges the view of self-equilibrating markets and that movements of capital and labour are in opposite and self-regulating directions. As a result, such movements do not “call forth countervailing changes but, instead, supporting changes, which move the system in the same direction as the first change but much further” (Myrdal, 1957, 13). As a result, “the play of the forces in the market tends to increase, rather than decrease, the inequalities between regions (Myrdal, 1957, 26). The pattern of spatial interaction between growing and stagnating regions is therefore an important aspect of Myrdal’s explanation of differential regional growth and decline, as he sees flows of capital, labour and commodities developing spontaneously in such a way as to support growth in growing regions, as both enterprising individuals and capital migrate into these regions, thereby reinforcing the peripheral status of the origin regions and the gap between them and the regions of growth. In parallel to these flows, commodities produced in the successful growth regions flood as imports into the remaining regions, undercutting local businesses and causing loss of capacity and employment. In short, a variety of "backwash effects" emerge that militate against growth in peripheral regions while sustaining it in the growing economic core regions.

Hirschman (1958) independently developed an interpretation that was remarkably similar to Myrdal's except that in Hirschman's view, if an imbalance between regions emerges as a result of "polarization effects" during the early stages of growth, counter-balancing forces will in time come into being to restore an equilibrium position (for an extended review of the work of Hirschman, Myrdal and others who have sought empirically to test their ideas, see Keeble, 1967). Hirschman's interpretation of process would therefore offer a more optimistic scenario of the developmental possibilities for the ultra-peripheral regions than would Myrdal's. However, if counter-balancing forces will "in time" come into being, the issue of how much time will pass before this is the case becomes a quite critical one. To paraphrase Keynes, in the long run we're all dead and the prospect of regional convergence at some point in an unknown future is not necessarily an attractive one.

Some four decades after the pioneering work of Hirschman and Myrdal, Paul Krugman (for example, 1991; 1998) also set out to explore the rationale for cumulative causation and the dynamics and processes of uneven development. Krugman's "new economic geography" (perhaps more accurately described as "new geographical economics") involves quite formal mathematical analysis of endogenous growth within an otherwise neo-classical framework that remains committed to methodological individualism and a very thinly socialised explanatory account of the processes of cumulative causation (Dymski, 1996). Krugman's approach focuses upon the balance between centripetal and centrifugal forces in determining the extent and form of regional concentration of economic activities. Centripetal forces, which tend towards spatial concentration, include market size, co-operative and functional linkages between firms, dense labour markets with a diversity of available skills, and external economies of scale, such as knowledge spillovers. Centrifugal forces are those that tend towards spatial de-concentration, notably labour immobility, lower land and property prices and rents, and external diseconomies of various sorts such as congestion. Within the range of centripetal and centrifugal forces, Krugman emphasises economies of scale and transport costs – variables more amenable to quantitative measurement and as such consistent with his methodological preference for building mathematical models. Within these models, then, the tendency for spatial clustering is positively correlated with economies of scale and negatively correlated with transport costs. Growing regional divergence and a core-periphery pattern of economic development is a result of specialisation leading to increased efficiency, comparative advantage and cumulative growth in 'core' regions because firms there benefit from cost savings and/or revenue increases as a result of mutual interaction and intra-regional co-operation. Krugman (1998) acknowledges that regional specialisation can evolve accidentally but, having done so, economies of scale and external economies will lead to cumulative growth, leading to lock-in and path dependency, thereby reinforcing regional unevenness and uneven development as a consequence of processes internal to the workings of capitalist economies.

In contrast to the main emphases of the new economic geography/new geographical economies inspired by Krugman's work, other economic geographers and others (such as the business economist Porter, with his emphasis upon clusters and regional development: see Porter 2000; 2003, for example) have in parallel sought to develop explanations of regional uneven development much more in cultural and institutional terms. As Allen Scott has pointed out, "a strictly economic logic will only take us so far in understanding industrial organizational processes …[T[ransactional systems are always and of necessity embedded historically determinate social conditions"[1]. In seeking to explicate this process of social embedding and the socio-cultural constitution of economies, cultural and institutional analysts have drawn upon notions of knowledge, innovation and learning (Morgan, 1997), of untraded interdependencies' and the non-economic relationships that underpin regional economic success (Storper, 1995) or of institutional capability and 'thickness' (Amin and Thrift, 1994), as the reasons for increasingly divergent regional economic performance. Thus successful regions are seen as those that possess apposite institutional structures, rich patterns of supportive social relationships beyond the workplace and the boundaries of the company that facilitate successful economic practices and flows and systems of exchange of both codified and tacit knowledge exchange. These latter help ensure that knowledge of 'best practice' diffuses within the regional economy and that knowledge flows and interaction underpin regional innovation systems. Whilst clearly such issues have always been crucial in underpinning regional economic success (Hudson, 1999), they are claimed to be of added salience in the context of contemporary 'knowledge-based economies' (although how *any* economy could exist without being knowledge-based is difficult to conceive: Hudson, 2004).

Conversely, poorly performing regions are seen to be in a very different position. Many perform poorly because they have always been locked out of, or occupied subordinate roles in, growth processes and decisive circuits of capital. Others perform poorly because they continue to be locked into institutional structures and forms of knowledge that may once have been relevant to regional economic success but are now obsolete, rendered redundant by wider processes of economic change and changes in spatial divisions of labour (for example, see Grabher, 1993; Hudson, 1994). This remains the case despite policy-induced attempts to change the institutional and knowledge bases of these poorly performing regions (for example, see Hudson, 2006a).

However, there is a distinct spatial selective in the regions chosen as case studies as proponents of such institutional and knowledge-based approaches typically focus upon case studies of particular regions, generally - though not always - the successful ones. As a result, while providing often rich and detailed insights into the reasons for the economic success or – more rarely - failure of individual regions, such studies lack the capacity to provide insights into the wider overall patterns of regional uneven development and the systemic reasons for them and the inter-relationships between economic 'success' in some regions and 'failure' in others. However, given the theorisations of the systemic character of processes of uneven development, the prospects for the ultra-peripheral regions remain gloomy.

The approaches discussed so far, in various ways, all seek to account for uneven regional development and set out the reasons why growth or decline becomes a cumulative and self-reinforcing process. They all see regions becoming locked into their respective trajectories of growth or decline once these have been established, an essentially – thought implicitly - evolutionary perspective on regional development. This

[1] Others would, more radically, argue against the notion of 'the economy' being socially embedded on the grounds that this accepts an ontological separation of 'economy' from 'society' and instead insist that the economy is *always* a social construction, a product of social relationships, so that what counts as 'the economy' is always socially defined (for example, see Lee, 2007).

is because past conditions are seen strongly to influence, though not rigidly to determine, the future (see Martin and Sunley, 2006) . There are certainly many regions that can be described and interpreted in these terms. However, the historical geography of capitalist development is also replete with examples of regions – the north east of England, the Ruhrgebiet, Wallonia, Nord-Pas-de-Calais, the industrial mid-west of the USA and Nova Scotia (those often described as 'old industrial regions': see Hudson, 1989a) – that were once centres of capital accumulation and cumulative economic growth but which 'flipped' and became regions of decline, characterised by capital flight, devalorisation and disinvestment. Subsequently, to varying degrees, they have experienced a limited degree of renewal, based upon flows of new capital into these regions. Clearly such regions reached 'tipping points' that then lead to a rapid reversals in fortunes that cannot easily be accounted for in the approaches considered so far. Such dramatic reversals from trajectories of growth to decline to renewed growth of a different type and scale require a different sort of conceptual and explanatory approach.

Such an alternative is provided by Marxian political economy, with its emphasis upon competition among and within the structurally defined classes of capital and labour in search of enhanced profitability as the driving force of the capitalist economy. Individual companies seek to compete in a range of ways – via innovative products and production processes, for example – and also, of particular relevance in the context of regional uneven development, by seeking out locations that are particularly profitable and so favourable for production (for a fuller discussion, see Hudson, 2001). These can include both locations in which existing products can be produced more profitably with existing production technologies and locations in which new innovative processes and or products can be introduced. Thus as an integral part of their competitive strategies, companies are regularly scouring the globe for more locations that will enable them to produce more profitably and so gain a competitive edge over their rivals. As communication and transport technologies have become more effective, and as political barriers to capital flows have weakened, this the range of locations considered has widened considerably. Consequently, they routinely devalorise capital and disinvest from some regions while investing in others, either regions previously not penetrated by capitalist relations of production or regions that have been abandoned by other companies (or national states) as locations for profitable production. Thus regions may sequentially experience successive waves of investment and disinvestment expressed as sequences of regional industrialisation, deindustrialisation and reindustrialisation, as part of the processes of combined and uneven development that are structurally inscribed integral to capitalist development, with spatially uneven development seen a product not just of the uneven distribution of natural resources and the influences of nature on economic geographies but as arising but of the social relations of capital (Harvey, 1982; Smith, 1984).

However, this still leaves open the question of which regions experience which sorts of trajectories of growth and decline (Massey, 1984) and the capacity of agency (including that exercised via government policies) to shift regional developmental trajectories. Rather than see the fate of regions as simply the end product of the decisions of capital as layers of investment and disinvestment are sedimented sequentially in a region at capital's behest, with regions as little more than passive objects resulting from the logic of capital, Massey emphasised the need to take account of both the natural and socially produced attributes of regions, the activities of people in their place seeking to make and defend the economic viability of their regions, as critical in understanding which regions experienced which sorts of growth, decline and revival. In short, the economic success or failure of regions is a result of the interplay between regionally specific attributes and processes and wider systemic forces shaping flows of capital. In this sense, there are points of convergence between the sort of explanatory approach that Massey developed and more recent cultural and institutional perspectives on why some regions 'succeed' while others 'fail', provided that these can be connected with more systemic explanations of uneven development.

Does this emphasis on agency and people acting "in and for" their region suggest that there are, or at least potentially could be, more optimistic developmental possibilities for the ultra-peripheral regions? The short answer is probably "in principle yes but in practice no", since their particular attributes and location militate strongly against them assuming a more central place in the decisive global circuits of capital and against them taking a more central role in processes of accumulation and growth. The forces of history, lock-in and path-dependent development will in all probability remains stubbornly resistant to efforts to change them in the ultra-peripheral regions.

Can the policies of the EU and national states provide a solution?

While there are therefore strong pressures militating against a reversal in the economic fortunes of the ultra-peripheral regions, some scope for action exists, not least as 'regions' may become active subjects, seeking to influence their own fate and development trajectory and governments cannot be entirely indifferent to the resultant pressures that then emanate from them. Regions may develop a "structured coherence", generating a sense of regional identity and interest shared by a range of social groups and forces, expressed via a particular "structure of feeling" (Hudson, 2001, Chapter 8). Such a structure of feeling and attachment to a region can, when linked to uneven regional economic development, often become the trigger for a variety of regionalist campaigns, as different alliances of social groups come together to defend or promote a shared regional interest. This might involve a campaign to protect existing economic activities (for example, see Hudson and Sadler, 1983) or to attract new ones to peripheral regions (for example, see Hudson, 1989b). It might involve pressures to reduce income transfers from economically successful peripheral regions, or to increase central state resource allocations to economically successful peripheral regions, or to establish more devolved forms of regional governance that give more powers and resources to regions (or, more precisely those empowered to speak and act on behalf of the region) as active subjects that can act "for themselves" (Lipietz, 1993) and have greater degree of influence over their own economic well-being, although such moves may be contested within the region itself (for example, see Hudson, 2006b). In one form or another, then, the political effects of regional uneven development are to generate pressures to alter patterns of resource allocation via the state and keep state expenditures within acceptable limits and/or to restructure the state itself in an effort to smooth the path of regional economic growth, secure the legitimacy of state action, or to secure the territorial integrity of the national state and avoid various potential forms of crisis.

As a result of pressures such as these, regional uneven development long since ceased to be seen simply as an inevitable and unremarked feature of industrial capitalism and became seen as a potential political problem, a potential source of social unrest and dissent and a brake on national economic growth, to which the state "had" to respond, Regional policies have been developed in a variety of ways and become part of the policy repertoire of virtually all national states. Such policies must seek to defuse the unavoidable tensions and latent conflicts that arise as a result of a region being simultaneously a socially-produced place with multiply dimensional meanings and attachments for a variety of people and a part of a socially-produced space in which capitals seek to make profits. While there is, then some 'room for manoeuvre' in policy, the key issue is the extent to which national state and/or EU policies can counter the structural forces that generate uneven development and the structural weaknesses that underlie the position of the ultra-peripheral regions.

This 'room for manoeuvre' offers certainly some scope for political forces in the ultra-peripheral regions to press their case, for example in terms of re-distributive policies to ensure a certain floor to consumption levels and so allow people to continue to live in "their region". Whether it will allow those forces to press for policies that would enable these regional economies to shift to different developmental trajectories, underpinned by stronger economic growth and performance, remains a moot point – but such an outcome remains unlikely, not least given competition for resources from other EU regions.. While there is 'room for manoeuvre' and it is politically necessary to be seen to address the problems of the ultra-peripheral regions – and indeed other problem regions - the boundaries of this space are tightly circumscribed by more pressing political and economic imperatives. Again, the prognoses for the ultra-peripheral regions are unpromising.

Issues for the future: threats and opportunities?

It is only too easy to identify a series of looming challenges and threats to the future of the ultra-peripheral regions, including in no particular order:

- Further EU expansion eastwards into Europe, increasing competition for EU resources.
- Deepening globalization processes, leading to increased inter-place competition for investment and resources and further marginalisation of these already ultra-peripheral regions.
- Increasing real costs of travel, air travel in particular, increasing the peripherality of these regions.
- Climate change, the risks of sea-level rise and the potentially adverse effects of climate change on agriculture and tourism.
- Age selective out-migration, stripping these regions of their most able and qualified inhabitants.

This does not bode well for their future prospects, even more so given the current marginalised position of the ultra-peripheral regions.

More generally, the ultra-peripheral regions must be situated in the context of chronic uneven development. Few would deny the reality of regional uneven development as a chronic feature of capitalist development, as a feature that has become more pronounced as processes of neo-liberal globalization have deepened, and as such something that will certainly be with us for the foreseeable future; the weight of empirical evidence, along with the insights provided by a variety of theoretical positions, renders any other conclusion both unreasonable and implausible. However, because of the ways in which regional inequality impinges upon daily life for so many people, regional uneven development long ago ceased to be seen simply as a feature of capitalist development of theoretical interest and became a political issue of some significance, one that national states have felt obliged to address.

Thus in seeking to manage the tensions arising from pressures that arise precisely because of the regionally uneven character of economic development, national states and the EU have devised and implemented a repertoire of regional policies *for* regions as objects of central state policies and/or devolved power and responsibility *to* regions to become active subjects and deal with their own developmental issues. Through these varied policy responses, national states seek to ensure that their national territories remain (or become) key nodes in global capital flows while ensuring that regional, inequalities remain within tolerable limits – an ambition shared with the EU. It is a sobering comment upon the practical limits to the capacity of national states in the EU and the EU itself to shape the trajectories of uneven development that regional inequalities and regional uneven development remain as chronic and persistent features of EU economies, with the ultra-peripheral regions at one extreme of the distribution of regionally uneven economic well-being – a position that in all probability they will continue to occupy for the foreseeable future.

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