Effects of non-spatial EU policies on spatial developments: the case of the Netherlands

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Abstract
Although the European Union has no formal power to conduct spatial planning as such, many of its policies have had a clear impact on urban and regional development in its member states. Examples include the encouragement of certain kinds of development in particular regions via agricultural subsidies or the structural funds and discouragement of other developments as a result of Natura2000 zones or air and water quality standards. This paper will draw on experiences in the Netherlands regarding the cumulative effects of EU sectoral policies and make some suggestions on how the concept of territorial cohesion, included in the Constitution, may provide a vehicle for reconciling potential policy conflicts.

Keywords: European Union, territorial cohesion, sectoral policy conflicts

I Introduction
There is a growing awareness among planners and geographers that the institution of the EU is changing the European territory. The change in political boundaries in itself produces increased mobility and investment between member states. Even more important however are the various agreements made in the EU Treaty and additional legislation (directives), which are initiated by the Commission, approved by the Council and Parliament, and finally implemented by the member states. In conformance with the subsidiarity principle, directives are issued on the ground of a perceived Community wide interest or because they address issues which have cross-border effects. These directives have increasingly visible consequences for land use; they can be critical for bringing about new forms of development or can block new ones from occurring. This fact is particularly relevant for spatial planners because this means that despite the fact that the EU has no formal authority for conducting spatial policy, it is certainly beginning to feel like it does. Largely drawing upon the
Ruimtelijk Planbureau study *Unseen Europe* (van Ravesteyn and Evers 2004), this paper will reflect on how EU sectoral policy has and is currently affecting spatial developments in the Netherlands. It will also identify some of the conflicts that arise in the process, and offer a few insights towards a solution.

II Policies with a spatial impact

As stated, spatial planning simply does not exist at the EU level. There is no European Masterplan or even an EU planning framework besides the unofficial and increasingly outdated European Spatial Development Perspective (ESDP). No explicit reference is made to spatial policy in the current EU Treaty (2001, Nice). The next (Constitution) does however mention “territorial cohesion” as a shared responsibility between the EU and the member states.¹ How this should be interpreted, and what possibilities it opens up for instigating a kind of spatial policy remains a topic of debate however (Faludi 2004). So, given this lack of competence in spatial policy, how does the EU manage to affect spatial developments?

The answer lies in the areas for which the EU does have authority to act. These of course include activities that deal with the mechanisms of the internal market such as competition, fraud and customs, but also public health, employment, justice, education and human rights. The most interesting policy areas for planners are those that are generally targeted to certain types of areas such as agriculture, environment, transport and regional policy because they are more likely to affect spatial developments. The effects are especially visible if the aims and/or processes differ from those of the member states. The study *Unseen Europe* for example chose to concentrate its analysis on regional, transport, agriculture, competition, environment and water policy. This paper will narrow this scope to the impacts of agriculture, regional policy, competition and the environment in the Netherlands because each of these policy areas highlights a different methodology of application and uncovers some interesting policy conflicts when mapped out.²

¹ Mere mention of the term “spatial policy” — let alone “spatial planning” — is absolutely taboo in Brussels political circles, as it suggests to member states the loss of sovereignty over their territory — even if much of this control has already been lost via sectoral policy.

² Transport has been omitted due to the fact that the spatial impacts in the Netherlands are very indirect and water policy because this will be subsumed under environmental policy.
Before starting, it is useful to discuss briefly some of the mechanisms at work in the process. As we will see, European sectoral policies affect spatial developments, but do so indirectly since they are inherently non-spatial and because they generally work via lower tiers of government. In understanding how such policies gain spatial relevance, it is useful to keep in mind the different kinds of instruments employed by the EU. First, these can take the form of subsidies (i.e. carrots) in order to stimulate certain kinds of development or behavior. Since EU subsidies are always administered as co-financing, they necessarily entail that the others have a stake as well, be it public or private parties. In addition, rather than outright grants EU subsidies are subject to a variety of conditions; oftentimes this involves paying heed to concepts such as sustainable development and socioeconomic cohesion or engaging in some form of transnational cooperation, which in itself is a kind of impact, albeit largely a procedural one. Secondly, EU policies can set certain standards that, if violated, can result in the imposition of sanctions (i.e. sticks). This is not done directly, as the Commission has no inspector-general to monitor compliance, but indirectly — third parties can take legal action against those in noncompliance (e.g. competitors in cases of state aid and public procurement and environmental organizations or concerned citizens in cases of air and water quality). Finally, policies can have effects by introducing new concepts or procedures into the spatial planning system of member states, by publishing information on best practices or benchmarking reports on worst ones (the “name and shame” method) or via interactive approaches such as the open method of coordination (OMC) where peer pressure plays a role. Although this wide palette of approaches is in theory open to all EU activities, different policy sectors have marked affinities with certain kinds of approaches. As we will see in the following Dutch examples, the way this interacts with national policy and the way in which it produces an effect on spatial developments is also quite varied.

III Impacts of sectoral policies: some Dutch examples

The European policy arena is a continuously evolving environment — new directives in myriad departments are constantly being drafted and implemented, new policy debates are emerging and dying out, new political alliances are being forged, amalgamated or disbanded and new methods of governance being dreamt up, all of which can, in the end, have a physical impact. Acknowledgement of this fact contributed to the perceived necessity of attaining a broader view of how, where and how much impact the EU has on planning matters. The following examples have been borrowed from the work Unseen Europe, which
is a survey of the impact of EU sectoral policy on spatial developments in the Netherlands around 2003, and updated to reflect the present situation.

### III a Agricultural policy

Certainly in terms of hectares, the most extensive impact on land use in the Netherlands by an EU policy is the Common Agricultural Policy (CAP); it is also one of the oldest and the most expensive of all EU policies. The CAP originated from the idea that Europe should be self-sufficient in food provision, setting minimum prices for certain agricultural products in order to encourage production. Eradication of tariff boundaries within the common market and intensification of them outside — some over 200% — allowed a highly regulated market to come into being, one which allowed farmers to produce particular goods profitably. This manipulation of market forces was highly successful in achieving its goals, but also highly costly: CAP absorbed approximately 88% of the entire EEC budget in 1970 (€46 billion). Nowadays the cost is similar in absolute terms (€43 billion), but much less in relative terms (see chart below, taken from EC 2000: 4). Regional policy in particular has since emerged as a major ‘carrot’ policy. It should also be noted that, by raising prices paid by consumers, the total costs of CAP are much higher; one estimate is €100 billion annually (Rollo 2003: 4).
Over the past decades, Dutch farmers — as others — have reaped the benefits of a protected agricultural market and many have succeeded in honing their enterprises into modern export-oriented businesses. From 1950 to 1990 production volumes grew by almost 3.5% annually while the number of farms and persons employed in the sector dropped dramatically. Currently, the Netherlands is second only to the United States in its level of agricultural exports — no small feat considering its size and population density. The main export products are ornamental plants, meat, vegetables and dairy products, and about 90% of all greenhouse produce is exported. The imprint of CAP can thus be read in the Dutch landscape. In the northern part of the country, grain farmers have consolidated their enterprises to achieve better economies of scale and better profits; this has also bestowed on the land a rather monotonous appearance. Dairy farms have also profited greatly from CAP support.

Additional evidence for the spatial imprint of CAP in the Netherlands can be found in the effects of its reform since the early 1990s. Increasingly, EU agricultural policy has been moving away from production support towards rural development (under increasing pressure from budget concerns, conflict with other policy sectors and the WTO). One controversial measure is to pay farmers not to grow crops on their land: this has had a dual effect: a rise in uncultivated agricultural land use, and further intensification of the land remaining in production. In the Southwest, pig farmers in Brabant have profited from the reduction of EU tariffs on certain grain imports (like soy) in the 1990s, allowing them to step up production levels (this intensification has brought them into conflict with EU environmental policy like the Nitrates directive). Even before the May 2004 enlargement, the intensity of Dutch agriculture — thanks in part to the EU — was already three times the European average. This same measure also doomed wheat farmers in the north, who could no longer compete with the cheap imported grain since their crops still fell under the price mechanism. So Dutch pigs ate grain imported from Asia, while the domestic grain rotted away in silos or was dumped on the third world market (Westerman 2003).

The current reforms (e.g. cap on total expenditure, reduction of production support in favour of rural development and strongly supported by the current Dutch government) are expected to affect different parts of the country in different ways (van Eck et al 2002). Areas producing market-protected goods such as starch potatoes, sugar beet, cereals, feed crops, dairy products

\(^3\) In a survey of 3,000 farmers in Europe, for example, 75% mentioned the EU as an important stimulus and
and calves and cattle will probably have to further increase efficiency (economies of scale) or diversify. However, since only a quarter of the agricultural production value in the Netherlands falls under the price mechanism (as opposed to 59% in the EU as a whole), it will be less affected by these changes than other member states. Moreover, the expanded markets following the 2004 enlargement offer new opportunities. Still, given the geography of the country — high population density and polycentric urban structure coupled with high levels of pollution — it is highly probable that much of the rural Netherlands will simply lose its agricultural function. Recreation, nature, commercial and residential uses will increasingly define these areas as production ceases to be profitable.

On balance, therefore, the CAP can be viewed as an important economic policy employing mainly ‘carrot-like’ instruments: direct subsidies for income support to farmers and rural development and indirect subsidies via the price mechanism and tariff walls. These subsidies have affected spatial developments by altering the rural land market. In addition, by helping agricultural production remain profitable, they have also indirectly assisted Dutch planning efforts to promote high-density urban development (see van Ravesteyn and Evers 2004: 116-120).

III b  Regional policy

Of the various policy areas where the European Union delivers a spatial impact, regional policy is the one that is the most explicit in its spatial orientation. After agriculture, it is also the most expensive EU policy, consuming approximately one third of the entire EU budget via the structural funds and cohesion fund. The main engine of regional policy, the structural funds, now in its third term, has a budget of € 213 billion for the 2000-2006 period. The primary objective of EU regional policy (Objective 1) is to reduce socioeconomic disparities between European regions in order to create a more level playing field in the common market. This goal takes up approximately 70% of the current budget. The other two main objectives concern economic and social restructuring (Objective 2: 11.5%) and employment (Objective 3: 12.3%). In addition, Community Initiatives (5.35% of the budget) are funded via the structural funds which aim to improve cross-border cooperation, cities, rural development, gender inequality and the like. By injecting funds into particular regions (Objectives 1 and 2 and some Community Initiatives) to help build roads, bridges, office

national governments as the most important barrier and hindrance (van der Ploeg et al 2002: 227).
parks, nature reserves and the like, the EU is essentially conducting spatial policy, even if it is emphatically referred to as regional development.

As one would expect, the impacts of structural funds on spatial developments are greatest for those countries with the greatest need since the largest ‘carrot’ is given to regions with a GDP below 70% of the Community average (ESPON2.2.1 2005). Spain and Ireland, for example, have undergone a veritable metamorphosis in their transport infrastructure since the injection of massive EU subsidies. Only Flevoland has met the Objective 1 criterion in the Netherlands, and has used the subsidies to build new business parks and carry out the A27 highway expansion fifteen years ahead of schedule as well as to help fund a number of urban projects such as a World Trade Center in Almere, a pedestrian walkway network, two railway stations and regeneration of the harbor area. Specific activities funded via Objective 2 in the Netherlands are too numerous to list here. A few examples include the N391 roadway in Drenthe, public transport and Mondo Verde theme park in Limburg, the Gelderse Poort nature reserve and multimodal transport terminals in Gelderland, restoration of historical monuments in Groningen, the Merenproject for water recreation in Friesland, women empowerment center in Amsterdam, and the ubiquitous business parks. Countless other projects have been co-financed via the Interreg Community Initiative for border areas and transnational cooperation. Whether or not these projects would have been carried out without EU support is of course impossible to say for sure, but it should be obvious that even a relatively affluent country such as the Netherlands has benefited from EU regional policy, primarily designed to help economically weak regions.

With the enlargement, the policy arena for regional policy has changed considerably: the new member states are much poorer, making it much more difficult to meet the 70% requirement for Objective 1. This, and other concerns, led to a heated debate on how regional policy should be reformed. The Third Report on Economic and Social Cohesion embodies the outcome of these negotiations, setting out the policy objectives for the following structural funds period (2007-2013). The most significant changes are a redefinition of the core Objectives. The first (no longer listed by ordinals however) is Convergence, which signifies no substantive change. The second however is Competitiveness and Employment, inspired no doubt from the Lisbon strategy, and seems to combine Objectives 2 and 3 in the current period. The third new objective is European Territorial Cooperation, which elevates various
Community Initiatives — particularly Interreg — to Objective status (European Commission 2004).

So what kinds of spatial impacts are these changes likely to bring the Netherlands? The answer is probably: less of the same. The heavy infrastructural improvements are generally drawn from the Objective 1/Convergence pot, which is definitively out of reach after the enlargement. That leaves Competitiveness and Territorial Cooperation, both of which serve as proof that no end is in sight to the money-go-round decried by the Dutch government during the negotiations leading up to the Third Cohesion Report. Initiatives carried out under the banner of Interreg IIIb (North West Europe and Northsea) and the various Interreg IIIa cross-border projects may be financed in the future by these structural funds. Here, the decision by the province of Brabant to make European cooperation a guiding principle in its regional plan, shows foresight. Less happy are the northern provinces that would prefer a cohesion-based policy, and are now faced with a national government which has set as its priority to increase the status of the most competitive regions in the Netherlands. If the national government refuses to co-finance EU programmes in these areas, it would come as a double blow. In the end, this would reduce what now in Euro-jargon is called “territorial cohesion” in the Netherlands; the rise in economic disparities could provoke increased job-based migration to the urbanized West.

In conclusion, it cannot be stated for certainty exactly what the land-use impact of European regional policy has had in the Netherlands. A host of projects, mainly business parks, have been realized using EU funds which has shifted employment intensities in the country. Flevoland has shown exceptional job growth, but then again, was never really “deprived” to begin with. Priorities have shifted, with EU funding allowing eligible projects to be completed ahead of schedule, and European concepts have found their way into various spatial plans. New forms of cooperation (cross-border and between provinces) are direct results of regional policy, as are the establishment of lobby offices in Brussels. The current administration has continually sought to distance itself with EU regional policy, condemning the money-go-round aspect at the EU level and adopting a diametrically opposed strategy to regional development (targeting already competitive regions). Although regional policy seems to have borne the brunt in the political discourse, we have seen that the CAP, especially Pillar 1, is the true money-go-round of European policy.
IIIc Competition policy

Evening out the economic playing field of Europe may lie at the heart of regional policy in theory, but to DG Competition this is core business. As the oldest EU policy, competition policy monitors and protects the European internal market, intervening when necessary, ensuring that competition is open and fair. Unlike regional policy and agriculture, competition policy generally intervenes by establishing clear standards (for products, advertisements) to expedite trade between member states, and taking action against situations, events or actions that distort free competition. One example is monopoly formation. Another is public-sector favoritism, either in the form of state aid, public procurement or financing state-owned companies.

The influence of competition policy occurs in an unseen manner via changes to the opportunity structure of the actors involved in urban development. Planning rules often work by distorting the land market in order to achieve certain social, economic or environmental goals (RPB 2005). In this sense, planning itself is suspect. However, the EU has shown no inclination to intervene in this market if no discrimination of non-citizens can be proved (unlike similar cases in Denmark and Austria); besides it is hard to make the case on the basis of subsidiarity. So, although EU competition policy has not so far affected the content of planning, it is proving to influence planning procedures, and has even derailed some projects. The massive Grensmaas river works project in Limburg, for example, which involved enlarging the Meuse river and gravel extraction was delayed and even threatened because it had not been properly put to tender, but simply awarded to a Dutch contractor owning land along the river (van Ravesteyn and Evers 2004: 80-81). These rules on public procurement illustrate that governments are no longer completely free to choose which company they wish to do business with. Public authorities are also less free to provide incentives because these may be considered as state aid: the Netherlands was forced to pay back subsidies to petrol stations on the German border (Klinge-van Rooij 2003: 28) and an investigation into possible breach of state aid rules has slowed the development of the AZ stadium in Alkmaar (van Houdt 2004: 35). Due to the current decentralization of national planning policy and emphasis on developmental planning, these kinds of conflicts could become more common in the future.

At present, DG Competition is continuing its struggle to create a more liberalized common market. Many of the issues will no longer affect the Netherlands however. Together with the
UK, the Netherlands was a forerunner in the privatization of state companies. Some effects are already apparent: three of the four privatized Dutch energy companies have been taken over, KLM was taken over by Air France shortly after the government sold off shares, individual mobile phone networks were set up following the opening of the telecom market, and the privatized railways and housing associations are increasingly acting like profit-driven private companies. The Netherlands is also third in Europe (following Luxemburg and the UK) in its low levels of state aid (European Commission 2005). At present, state aid in the EU remains stable but “there was a shift away from aid to individual companies and towards horizontal objectives and in particular R&D and the environment” (European Commission 2005). Interestingly, the Dutch may have been more fanatic about fighting state aid than necessary — R&D public investments have actually fallen since 1999 — given the objectives of the Lisbon agenda. Finally, a pet project of DG Competition has been to introduce more transparency into the fiscal systems in Europe. This was given a boost by the midterm evaluation of the Lisbon agenda: “the harmonization of the corporate tax base throughout the Union would significantly cut the administrative burden on companies operating in several member states and should be agreed without delay” (Kok 2004: 27). The Netherlands currently profiles itself as a business-friendly tax environment — and has been criticized, together with Ireland, for this — and could be potentially disadvantaged by actions taken at the European level to level out the playing field in this way.

In conclusion, European competition policy affects spatial developments rather indirectly. Rules on state aid and public procurement constrict the options available for especially local governments to engage in developmental-oriented planning. Harmonization of tax laws may have a similar effect in the future. The liberalization and privatization promoted by the European Union has also resulted in having less control over developments in the territory. It should be obvious that competition policy relies exclusively on ‘sticks’ to effectuate change: fines can be imposed or projects blocked. There are no subsidies issued to encourage better competitive practices, for example.

### III d Environmental policy

Currently, the spatially relevant policy area that is drawing the most attention in the Netherlands is EU environmental policy. It is also one which clearly illustrates the mismatch between a sectoral and a territorial approach. The justification for conducting environmental
policy at the European level lies in the principle of the common market, namely that companies should compete in a similar regulatory environment, and the fact that environmental problems disregard national borders — polluted water flows downstream into other member states, polluted air and acid rain follows the wind and climate change and biodiversity is even a global matter. In order to overcome a ‘tragedy of the commons’ situation it is best to resolve such issues at a high level of scale with clear standards.

The impact of environmental policy is only now beginning to become fully appreciated in the Netherlands. The designation of the Natura2000 ecological network on the basis of the Birds Directive of 1979 and the Habitats Directive of 1992 places an effective block on urban development in these areas. Recent experience has shown that the EU is rather rigid in its enforcement, and this nearly thwarted efforts to expand the Rotterdam harbor (Maasvlakte 2). In this case, the Dutch had to agree to implement a range of compensatory measures, which will be monitored by the European Commission. Countless other projects have run into problems, largely because building permits had been issued prior to designation of Natura2000 in the planning system and had caught planners, municipalities and developers off-guard. On the other hand, environmental concepts, particularly sustainable development, have found their way into planning practices and plans, partly due to the criteria for obtaining structural funds.

It is safe to say that EU environmental policy will become increasingly important in the Netherlands. Not because the country is becoming more polluted — it is not — but because the deadlines for realizing the agreed targets are approaching. A glimpse at what is to come arrived at the beginning of 2005 when the Dutch were required to comply with the particulates requirement (fine particles and dust) stemming from the Air Quality Framework Directive. This has already created panic in the Netherlands because various projects (infrastructure, urban development) cannot move ahead since they are to be realized in areas that do not comply with the air quality standards. The newspaper Trouw identified over twenty such projects around the Randstad where the problem is greatest (in Bouwman and Visser 2005). Ironically, the “solution” to this problem of air quality is to abandon hopes of dense urban development and opt for a more sprawl-oriented pattern; this of course flies in the face with notions of sustainable development espoused by DG Environment and others, but does offer temporary development opportunities. In 2010 a similar panic will surely erupt as the deadline for meeting maximum nitrogen oxide levels in the air arrives and the
particulates standard is tightened (which is currently exceeded throughout almost the entire country). In terms of space, the most far-reaching of EU environmental policies may be the Water Framework Directive (WFD), which sets targets for water quantity and quality beginning in 2015. It is already virtually certain that these targets will be impossible to meet. This is because the Netherlands has an exceptionally high levels of phosphorus and nitrate in the soil, compounded by agriculture (especially intensive livestock farming), which seeps into the groundwater. According to one estimate, complying with the WFD would entail the loss of over half of all land-based agricultural production in the country. Although air quality has currently captured most media attention, the WFD has the potential to be much more significant in terms of its spatial (and economic) impacts.

In sum, environmental policy is having an increasing impact on land-use in the Netherlands by setting standards that demand spatial responses (rerouting of traffic, transforming agricultural land into nature) and by prohibiting the development in certain areas (residences due to excessive air pollution or Natura2000). Like competition, environmental policy also uses ‘sticks’ rather ‘carrots’ to effectuate compliance, although some of its methods like ‘name and shame’, are more politically than legally motivated.

IV Reflection on impacts

This paper examined the various ways that sectoral policy drafted at the EU level can affect spatial developments, using the Netherlands as an example. It should be noted that in some respects the Netherlands is a unique case in Europe: it is the largest net-payer to Europe, it has the highest population density, and greatest concentration of pollution. In this sense, it is not necessarily representative. Still, some of the findings here correspond to those found in other territorial impact studies of sectoral policy carried out by ESPON and others (Robert et al 2001). In addition, many of the general conclusions regarding mismatch of policies due to the lack of spatial imbedding will be valid in any case.

The location of the sector policy impacts have been summarized in two maps below, one relating to the investments made (carrots) and the other to the regulations (sticks). Problems with non-spatial nature of sectoral policies can be seen by strange overlaps of areas on the two maps. This lack of geographical sensitivity heightens the probability of policy conflict.
Regional policy areas (whose goal, stimulation of employment, is often achieved via infrastructure and commercial land development)

From these two maps, one can read that regional development areas overlap with Natura2000 zones. Similarly, agricultural subsidies are being received in the same areas where ground water quality should necessitate the removal of the productive function. At the same time, rules on public procurement have thwarted projects that would benefit regional development in an EU border region and state aid makes it difficult to initiate public-private partnerships for dense urban development, as advocated by the EU. Worse, this kind of development, particularly in the Netherlands, can clash with rigid environmental directives on air quality.

Some of these policy conflicts could have been avoided if more attention had been paid to the territorial aspect of these sectoral policies. This had already been identified by Robert et al (2001) and steps taken towards a solution in the European Spatial Development Perspective (Committee on Spatial Development 1999). Increasing evidence from ESPON — especially regarding agriculture — seems to confirm the long-held suspicion that ignoring the territorial dimension can lead to unwanted and contradictory results. The inclusion of the term “territorial cohesion” in addition to social and economic cohesion as a shared responsibility of the European Union in the Constitution seems, in part at least, an answer to this rallying cry by planners and geographers. The results of the referenda in the Netherlands and France notwithstanding, it seems likely that the next EU Treaty will still include this term. The
question, then, is what to do next. Regarding this, the Dutch and Luxemburg presidencies have both embraced the term, and have advocated the continuation of the ESPON programme, which signals important steps towards a more spatial orientation. The upcoming British presidency plans to work on a document called “The Territorial State and Perspective of the European Union” to be published under the German presidency in 2007. Thus, the EU seems to be slowly but surely moving ahead on this issue.

In the meantime, hopefully, this geographical, spatial or territorial dimension will find its way into the thinking of the various sectoral departments. The question of whether or not the EU can ever or should ever engage in spatial policy may be rendered irrelevant if the sectors, particularly clearly spatially relevant ones like DG Regio and DG Environment, take up the task. This would require in some cases a change in mentality (adjusting standards to match geographic attributes), but would be an important step forward in the effectiveness of European policy.

Bibliography