

35. Globalization – international aid and regional policy

International aid

Governments lend money (aid) for:

- *economic factors* = important markets for manufactured goods in the future, e.g. employed engineers and scientists from developed countries
- *political reasons* = bonds between the 2 countries are strengthened, e.g. USA + Egypt = more aid – more strengthened bonds
- *moral reasons* = the rich have duty (obligation) to try to give the poor

If the gap between the N and S gets too large, it will lead to global instability => importance of maintaining the aid relationship.

Regional policy

Regional inequalities (disparities) \Leftrightarrow economic forces increase regional inequalities rather than reduce them => *theory (model) of cumulative causation*:

natural resources (minerals, labour, location) \rightarrow industrial development (multiplier effect) \rightarrow improvements in infrastructure \rightarrow skilled workforce \rightarrow tax revenues \rightarrow attraction for further investments \rightarrow a region stays ahead of other regions

Regional inequalities are reduced by attracting new industrial development and investments with low rents and taxes, labour subsidies, etc.

European Union and regional policy

Number of programmes have been developed by EU to combat regional inequalities. Several programmes focus to:

- less developed regions (GDP <75% of the EU average \rightarrow infrastructural improvements into transport, communications, services and facilities)
- declining of old industrial regions (coal, iron and steel, textiles and shipbuilding \rightarrow out-dated manufacturing sector)
- rural problem regions

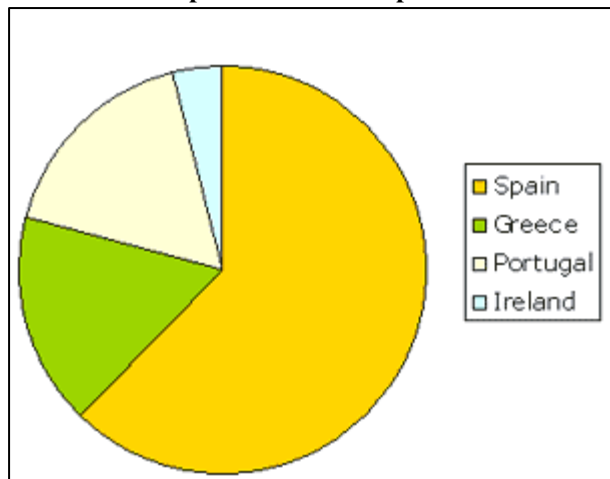
EU funds

ERDF – European regional development fund

ESF – European social fund

CF – Cohesion fund

Share of EU funds spent on the development



Keywords

international aid, regional policy, regional inequalities (disparities), cumulative causation, multiplier effect