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**Transition and Regionalism  
in East-Central Europe**

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## ABSTRACT

Co-operation between smaller and larger regions is one of the most important components of European integration. The current integration of European economies is taking place primarily on a self-organising basis and at local level, rather than under direction "from the top down.. In order that East-Central Europe may also move closer to European integration, the European practice of establishing increasingly dense co-operation networks should be followed.

In East-Central Europe, it would be justified to foster an deliberate increase in the prestige of various regions – some of which ascribe their existence to events recorded in the annals of economic or cultural history – because the East-Central European economy and society have increasingly become fragmented in terms of various regions. Reducing the development gap between the developed and backward areas is both a long-term modernisation objective and an indispensable precondition of East Central Europe's accession to the European Union.

The various regions may provide a framework for different actors in the economy jointly to evolve regional development decisions, bearing in mind government priorities, and to co-ordinate expenditure.

The development of relations of international integration will have a major impact on the evaluation of international cross-border macro-regions. EU membership may be expected to incorporate East-Central Europe in a unified European economic space, and domestic regional development will be more and more determined by the movements of international capital and labour. In this geographically contiguous space, integration could be deeper and wider-ranging than inter-state integration. The evaluation of the various international macro-regions will have a major impact on the territorial structure of East-Central Europe.

This paper analyses the socio-economic situation of the East-Central European countries, including regional transformation processes and regional political reforms. Following the review of regionalisation efforts in Hungary, the author examines cross-border co-operation in East-Central Europe, giving the example of the Alpine-Adriatic Working Community. The final conclusion of the paper is that the opportunities offered by the various forms of interregional co-operation are economic and political reserves for integration which have not yet been sufficiently utilised, and regionalism below the level of intergovernmental co-operation may offer new methods for East-Central Europe in the elimination of division in Europe.

## ZUSAMMENFASSUNG

Die Zusammenarbeit zwischen kleineren und größeren Regionen ist eine der wichtigsten Komponenten der europäischen Integration. Die gegenwärtige Integration der europäischen Wirtschaften findet primär auf einer Basis der Selbstorganisation und auf lokaler Ebene statt - stärker als in der Richtung "von oben nach unten". Um den Prozeß der Integration der Staaten Mittel- und Osteuropas zu beschleunigen, sollte der bisherigen europäischen Praxis des Ausbaus eines immer dichter werdenden Netzwerkes der Kooperation gefolgt werden.

In Mittel- und Osteuropa wäre die bewußte Förderung einer besseren Position etlicher Regionen - die ihre Existenz den Berichten über wirtschaftliche und kulturelle Ereignisse in den Jahrbüchern zu verdanken haben - angezeigt, da die Fragmentierung der mittel- und osteuropäischen Wirtschaft und Gesellschaft der Regionen ständig wächst. Die Überbrückung der Unterschiede in der Entwicklung zwischen den entwickelten und rückständigen Regionen ist einerseits ein langfristiges und allgemeines Entwicklungsziel und andererseits auch die notwendige Vorbedingung für einen Beitritt zur Europäischen Union.

Die Regionen könnten als Rahmen dienen für die verschiedenen wirtschaftlichen Akteure, könnten Entwicklungsentscheidungen, die auch die Regierungsprioritäten berücksichtigen, gemeinsam treffen, und auch die Ausgaben koordinieren.

Die Entwicklung der Beziehungen der internationalen Integration wird voraussichtlich wichtige Auswirkungen auf die Beurteilung der den Staatsgrenzen naheliegenden Makro-Regionen haben. Durch die EU-Mitgliedschaft wird Mittel- und Osteuropa voraussichtlich in einen vereinigten europäischen Raum integriert, und dadurch wird auch die innerstaatliche Regionalentwicklung immer stärker durch internationalen Kapitaltransfer und internationale Arbeitsmärkte determiniert. Die Integration könnte sich in diesem geographisch zusammenhängenden Raum wesentlich tiefgreifender und umfassender vollziehen, als dies eine rein interstaatliche Integration erreichen könnte. Die Evaluation sämtlicher internationaler Makroregionen wird entscheidende Auswirkungen auf die territorialen Strukturen Mittel- und Osteuropas haben.

Die Studie analysiert die sozioökonomische Situation der mittel- und osteuropäischen Staaten, sowie die Prozesse regionaler Transformation und die regionalpolitischen Reformen. Nach einer kurzer Übersicht der Regionalisierungsbemühungen in Ungarn untersucht der Autor die grenzüberschreitende Zusammenarbeit in Mittel- und Osteuropa anhand des Beispiels der Arbeitsgemeinschaft Alpen-Adria. Die Schlußfolgerung der Studie ist, daß die von den zahlreichen Formen der interregionalen Zusammenarbeit gebotenen Möglichkeiten die wirtschaftlichen und politischen Reserven der Integration bilden, die bisher nicht genügend genutzt wurden. Die Regionalisierung unterhalb der Ebene der zwischenstaatlichen Zusammenarbeit könnte für Mittel- und Osteuropa neue Wege bieten, um die Teilung Europas zu überwinden.

## I TRANSFORMATION PROCESSES IN EAST-CENTRAL EUROPE

### 1 How Many Europes Can We Speak of?

Unfortunately, it is a common experience that the member countries of the European Union regard only themselves as parts of Europe. They emphasise their separation from the eastern half of Europe and enter into a self-defensive alliance against the much more dynamic overseas super-economies. Yet there are also a lot of countries whose reference to themselves as being Central European is no accident, because they wish to be distinguished from East Europe and the Balkans. Just as the notion of Europe is not reflected in mere fancies and ideas, we have to regard its internal geographical division, as well as the differences between the various parts of the Continent which derive from their peculiar historical development, as reality. The Continent has been unified by a network of natural, socio-historical and political regions for centuries (*Enyedi, 1990b*).

Nevertheless the marked separation of the western and eastern halves of Europe started as early as the Middle Ages. The regions of Greek orthodoxy and Western Catholicism have run different paths, while the states of Central Europe have been attracted either by the West or the East. The eastern periphery of western-type development was gradually widening in the period of capitalist development, the countries in the Balkans joined organisations of Western-type development at the turn of the nineteenth and twentieth centuries and European development was homogeneous in its main outlines for about 50 years.

It has never been an easy task to respond to the challenges of modernisation in the Eastern European peripheries. The capitalist modernisation effort of the second half of the nineteenth century resulted in half-hearted success. After World War I the small nations manoeuvring between the Russian and German empires were trying to find a way out of the failures by means of nationalist revolutions and the long overdue establishment of independent national identity and statehood, since they found that dependence was the main source of all their troubles. The independent states which were established again or anew, Poland, Czechoslovakia, Romania, Yugoslavia, and even Hungary (having shrunk to one-third of its former territory), formulated euphoristic economic programmes. Frustration caused by World War I led to a rebellion based on the catching-up modernisation programme which ended in

failure; instead of following the West, the rejection and annihilation of its values were set as an objective. The countries which joined the German lebensraum deviated from the road of modernisation.

Separation continued after World War II as well. The Stalinist model which held out hopes of economic modernisation caused admiration mixed with shock all over the world. It became an obstacle to keeping up with the other countries, or rather a model for falling behind even in its improved, reformed post-Stalinist form, in spite of the fact that in the 1950s the modernisation model seemed to promise much to underdeveloped countries. In poor countries which traditionally had low capital accumulation, the new form of state administration multiplied centralised investment. It also crushed the hardened social structures resistant to modernisation with ruthless brutality, and dictated a forced pace of economic restructuring with the purpose of the rapid development of the most important element of backwardness, that of industry. By means of equalisation, which for long periods amounted to the equalisation of poverty, some kind of economic democracy was achieved, even if completely lacking in human rights and fundamental freedoms. The redistribution of land and industrialisation created millions of jobs and the regime provided for the elementary social and educational needs of everyone. In spite of this, the countries could not change their positions, in the ranking of international development, between 1937 and 1980, although their lag was somewhat reduced over this 40 years relative to the per capita GDP of the USA (13–21 per cent in 1937, 21–32 per cent in 1980). (*Ehrlich, 1990*).

With the general appearance of industrial production systems, however, several processes analogous to those of Western Europe occurred in East-Central Europe, too. For instance, forms of modern urbanisation spread at the time of the state socialist regime (*Enyedi, 1992a*). In the late 1940s this periphery of Europe was predominantly of rural character.

The proportion of the rural population was 80 per cent in the former Yugoslavia and Bulgaria, 70 per cent in Poland and Romania, 60 per cent in Hungary and 50 per cent in the Czech Republic. In this rural space, urbanisation did not follow the model of the developing countries, but rather that of an earlier period of Western European urbanisation. In general the number of towns with a population of 50–100,000 grew most rapidly, while the network of the cities formed before World War I did not change. This period of urbanisation, however, also had peculiarities deriving from the character of state power (*Enyedi, 1990a*).

First, the gap between the town and the village was widening through the neglect of infrastructure out of ideological considerations, and the reallocation policy of the state, which affected the villages adversely. Second, technical backwardness and organisational inflexibility (which ultimately resulted in the collapse of state socialism) reproduced the backwardness of the region in terms of the degree of urbanisation. Third, the nationalisation of settlement administration could not subjugate the local societies completely and particularly in the 1980s urban administrations tried to follow Western European models in collaboration with planning experts. Consequently, in the formulation of urbanisation objectives the division of Europe is less obvious today, although there are still significant differences with regard to instruments and organisational forms.

Under the impact of the 1989–1990 velvet revolutions the totalitarian regimes collapsed. The communist governments of the smaller socialist countries were compelled one after the other to give up power, or at least to share it with the opposition. The political changes brought about the restructuring of the economy. Not only did the small Comecon countries turn their backs on socialist economic management with dictatorial methods and set out to build a market economy, but the Soviet Union and its successor states also attempted to control the endemic economic crisis by means of reforms and market solutions. With the collapse of state socialism and the disintegration of the imperial frameworks the countries situated in this region had to face a challenge which was unexpected in many respects. While earlier debate was concerned with the option of a more cautious or radical renewal of the socialist economy, after the change of regime these regional societies could start to develop the Western, pluralist economic and political system.

The transfer of the regional and settlement development models of the developed democracies and market economies is made more difficult by the fact that in East-Central Europe the settlement development processes have also come to a critical point. Economic restructuring, the introduction of the market mechanisms, the integration of the ex-socialist countries into the European division of labour and the decentralisation of power all combine to influence the future shape of regional policy.

## 2 Constraints and Dilemmas of the Economic Change of Regime

The democratic governments of the post-communist countries set themselves the task of the reconstruction and the creation of a market economy in a critical period, because all over Europe:

- the decrease of the growth rate resulted in an economic decline,
- the overwhelming majority of the population grew poor, as a consequence of which social polarisation is greater than the situation which is generally characteristic of the market economies,
- there was a great increase in unemployment,
- inflation rose,
- huge external and internal debts were accumulated,
- the artificially maintained Eastern European integration, the Comecon, disintegrated and the former member countries were compelled to find new orientations and economic relations in the wider European and international economy,
- regional inequalities increased.

Examination of the constraining factors shows:

1. The *model of planned economy* which was mainly related to contemporary Soviet practice and fed mostly on Marxian ideas was built upon two pillars, those of "uninterrupted growth" and the new type of man being the subject of the collective power. The system of the planned economy differed fundamentally from the market economy in the respect that the investment decisions were made in central offices, heavy industry was considered to be the motor of the economic development. The economy-developing role of the infrastructure was undervalued, and, above all, economic management was carried out by a narrow circle, namely the communist party (Kornai, 1992).

2. In the central plan management the *state socialist governments* elaborated numerous detailed programmes, projects and action packages in order to organise production and sales, chiefly in the competitive sector. In the meantime – in contrast to the basic logic of economics – public infrastructural developments were merely decorations for state programmes, or the financing of these goods was provided for from private resources. (In a few countries in the 1970s and 1980s, for example, telephone provision, water supply for the population and sewage disposal.) It is not easy for the state to withdraw in Western Europe either, if a sector

or region is in crisis, particularly if the government is expected to adjust the defective functioning of the market according to the social common law. In East-Central Europe the new governments proposed cost-reducing programmes, but did not resist the customary propensity to overspend the state budget. In addition to the regular budgetary deficits this psychological pressure greatly limited the decentralisation of administration and the allocation of market resources. Restructuring is progressing at a different pace in the individual countries due to such political and economic factors and the inadequate development of the vertical controls of public administration.

3. The general crisis emerging in the East-Central European region, and the change of regime, is accompanied unavoidably by the disappearance of the less competitive agents of the economy, and, consequently, by tensions in employment, society and politics. The complex costs of the transformation to the new economic models of restructuring are indicated by the extent of the losses in growth (Table 1).

Table 1

*Growth rates of GDP in East-Central Europe, per cent*

Countries	1950–1959	1960–1969	1970–1979	1980–1988	1990	1992	1994
Bulgaria	6.0	5.2	2.3	1.2	-9.1	-10	-1.0
Czechoslovakia	3.8	2.4	2.0	1.2	-0.4	-7	
Czech Republic							2.0
Slovakia							3.9
Hungary	3.8	3.1	2.3	1.1	-3.3	-4	2.0
Poland	2.7	3.2	2.6	-0.2	-11.6	-2	5.1
Romania	4.8	4.2	4.4	0.8	-7.4	-13	1.0
Yugoslavia	...	5.0*	...	...			
Croatia					-14.4	-9.0	2.0
Slovenia					-8.1	-5.4	5.0

Source: National statistics; Economic Bulletin for Europe.

\* = 1960–1980

4. The most important trouble spot is represented by *unemployment*. The former Comecon countries were unprepared both with regard to the social safety net and the required institutions and resources (Table 2).

Table 2

*Unemployment rates in East-Central Europe, per cent of labour force*

Countries	1989	1990	1992	March 1994
Bulgaria	0	1.0	14.8	16.1
Czechoslovakia	0	1.0		
Czech Republic			2.6	3.5
Slovakia			10.4	14.8
Hungary	0.5	1.6	12.0	12.2
Poland	0.3	6.1	13.6	16.7
Romania	n.a.	n.a.	8.5	11.5
Yugoslavia	n.a.	n.a.		
Croatia			17.8	17.4
Slovenia			13.4	14.8

Source: National statistics; Economic Bulletin for Europe.

On the basis of the growth rates it can be predicted that unemployment will continue to rise in future years, and furthermore, the inter-regional differences will also widen. Unemployment has also become the most significant regional issue in East-Central European countries. The unemployment rates of the backward and developed regions show triple, even fourfold differences from place to place. For example, compared with the 6.4 per cent unemployment rate of Prague in the Czech Republic, Eastern Slovakia had higher than 20 per cent unemployment rate in 1994; in Hungary the rate was 5.9 per cent in Budapest compared with 19 per cent in the northeast counties in June 1995; in Poland there were differences of similar magnitude at the end of 1994.

5. The economic change of regime is made difficult chiefly by *high inflation* (Table 3) and foreign debt burdens in all the countries. The external financial position of the five East-Central European countries had already deteriorated significantly in 1990, prior to the collapse of the trade with the Soviet Union. Their total gross debts had grown from 80 billion to 90 billion US dollars (85 per cent of this amount made up of the debts of the Czech Republic, Slovakia, Hungary and Poland) and the various indices of indebtedness have also deteriorated (Gibb and Michalek, 1993).

Table 3

*Inflation rates in East-Central Europe  
(percentage change in consumer price indices)*

Countries	1989	1990	1991	1992	1993	1994
Bulgaria	6.4	26.3	334	90	60	96.0
Czechoslovakia	1.4	10	58	11		
Czech Republic					25	10.0
Slovakia					50	13.4
Hungary	17.1	28.4	35	21	15	19.1
Poland	251	586	70	40	35	33.3
Romania	0.9	4.2	161	200	95	136.8
Yugoslavia	n.a.	n.a.				
Croatia			123.0	665.5	1517.5	97.6
Slovenia			117.7	201.3	32.3	19.9

Source: PlanEcon Business Report; Economic Survey of Europe in 1994-1995.

6. The majority of the economic troubles of the small East-Central European countries were due to the collapse of the Comecon. The liberalisation of foreign trade and the restructuring of the foreign relations have resulted in the *drop in exports* (Table 4). Until 1992 Hungary managed to increase its exports temporarily – by means of state subsidies – but reductions were expected in subsequent years.



Table 4

*Foreign trade turnover in East-Central Europe,  
billion USD*

Countries	1980	1990	1991	1992	1993	1994
<i>Export</i>						
Bulgaria	7.16	5.23	3.44	3.92	3.58	4.00
Czechoslovakia	10.48	10.73	11.32			
Czech Republic				8.84	10.37	11.97
Slovakia				3.50	3.13	4.24
Hungary	8.61	9.73	10.23	10.67	8.92	10.70
Poland	13.07	18.29	14.91	13.19	14.22	17.04
Romania	9.22	4.57	4.25	4.47	4.98	5.97
Yugoslavia	7.51	12.95				
Croatia			3.86	4.18	5.12	5.78
Slovenia			1.10	0.94	1.07	0.98
<i>Import</i>						
Bulgaria	6.32	5.58	2.71	4.47	4.31	4.11
Czechoslovakia	10.62	11.81	10.96			
Czech Republic				10.27	10.61	12.64
Slovakia				3.70	4.04	4.73
Hungary	9.12	8.80	11.45	11.12	12.65	14.60
Poland	14.71	12.62	15.53	16.14	18.78	21.38
Romania	11.06	6.89	5.67	6.14	6.71	6.29
Yugoslavia	13.23	17.33				
Croatia			4.68	3.43	3.94	4.66
Slovenia			4.14	4.14	5.81	6.67

Source: Economic Survey of Europe in 1994-1995.

### 3 Regional Problems of Transition

The ideology of the regional and settlement development policy of state socialism (the classical Marxist theory, the utopian urban conceptions and theory of planning) as well as the related objectives (proportional development, moderation of the civilisation differences between the town and the village, the regionally-equal allocation of the free or heavily subsidised social allowances) have lost ground and the shaping powers of the market economy have launched a *new differentiation*.

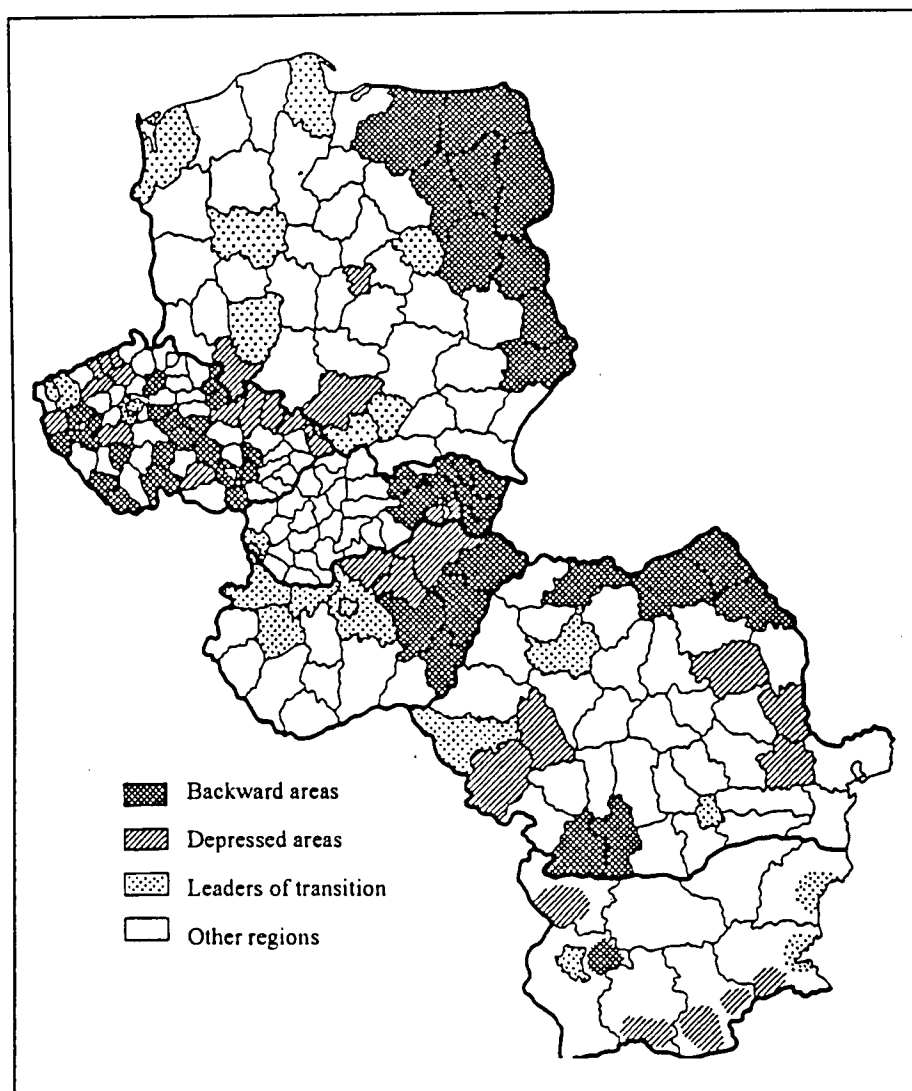
The dramatic cutback of state subsidies, changes in the geographical and foreign trade guiding principles, the disintegration of the major companies with multiple plants have all affected the *central regions* and the *peripheries*. Although restructuring also adversely affected the traditional growth poles, their formerly diversified economy and relatively more complex socioeconomic functions meant that the regions with large cities can arrive at the end

of the restructuring process in a relatively stronger position than the monocultural industrial regions and rural areas. The spread of the market economy and the establishment of the modern economic structure can be observed in the voivodeships of Warsaw, Krakow, Poznan and Wroclaw in Poland; in the Budapest metropolitan area and the Northeast-Transdanubian counties of Hungary; in the neighbourhood of Prague, Karlovy Vary and Bratislava in the former Czechoslovakia. In these regions the number of private businesses greatly exceeded the national average; the share of foreign capital and the service sector (mainly as a result of the growth of business and financial services) had slowly become the dominant sector of the economy. These regions can be credited with most innovations, the production of new goods and participation in international economic co-operation.

The "flagships" of restructuring have formulated ambitious development programmes, particularly in the regions of the capitals – more often than not asserting their superiority in political decision-making – where they have tried to follow a *post-industrial development* path and become modern multifunction metropolises of the Western European type integrated into the network of European cities. If the endeavours of the capitals to become internationalised are not coupled with a decentralised regional policy and accompanying deregulation of the unitary construction of the government, then in the future there will be an intensification of the contrast between the capital and the provinces (provincial cities), or maybe the rise of federalist regional movements.

The obvious losers in the restructuring, however, are the formerly strongly supported citadels of the working classes, namely the *centres of the extracting, heavy and light industries*. The cities of Łódź, Katowice (Poland), Ostrava (Czech), Košice (Slovakia) Miskolc, Salgótarján (Hungary) and their agglomerations bear the typical signs of recession which include: the high unemployment rate, the high proportion of companies becoming bankrupt, difficulty in the conversion of the vocational skills of the labour-force, the migration of the progressive labour-force, and the serious impairment of the environment (*Figure 1*).

Figure 1

*Typology of regions in East-Central Europe*

Source: Blázek and Kára, 1992; Gorzelak, 1992; Horváth, 1992.

The market mechanism has also affected the *rural areas* with an underdeveloped and weak economic structure. In the regions which were anyway at a disadvantage historically – chiefly in the ones along the eastern border (the voivodeships of Olsztyn, Suwalki, Siedlice, Biala-Podlaska, Chelm and Zamosc in Poland and Eastern Slovakia, Szabolcs-Szatmár-Bereg, Hajdú-Bihar and Békés counties in Hungary) – earlier slow economic progress has been replaced by a significant decline. In the course of the earlier central by-directed industrialisation hundreds of plants with a low technological level which were moved there from the core regions on the basis of social considerations have been closed. Furthermore, the output of the food-industry plants situated close to the Soviet recipient market has declined to one-fifth to one-tenth of its former output.

In East-Central Europe the days of uninterrupted growth, rapid industrialisation and the perceivable rise of living standards are over. The reserves of growth have come to an end. The sense of the beginning of a new era is also justified by a reversal in the regional processes.

The elaboration of the content of *regional policy* to replace regional planning, the identification of the organisational system and instruments, and the representation of this spatial policy as an independent socioeconomic field of force and its integration within the process of modernisation is feasible but dependent upon the type of strategy adapted in East-Central Europe. One alternative is a regional policy based on the dominant role of the state and a deconcentrated system of institutions. The other solution is a policy which starts from regional initiatives and the decentralisation of the instruments of state commitment. The second approach is the determining tendency of Western European development, even in those countries where the ruling political forces advocate the greater role of the state in the regulation of the market processes. Because of the regionalisation of European integration, the re-evaluation of the role of regional decision-making centres in the international division of labour and the geopolitical position of East-Central Europe (Horváth, 1992), a co-operative, restructuring-oriented and innovative regional policy may become an effective strategy in modernisation. Of course, the possibility that the necessary conditions for this may not be created in each country or region in the long run has to be reckoned with. Therefore, it is probable that for a long time a combination of the traditional Western European regional policy of the 1970s–1980s and elements of the new regional political paradigms will be characteristic of East-Central European regional development strategies.

The scale of the *environmental problems* in East-Central Europe is vast. Rapid industrial development, the large-scale, crude exploitation of raw materials, obsolete technology and minimal environmental controls have all contributed to serious environmental degradation in certain areas. Pollution affects not only the atmosphere, water and land area, but also the health and living conditions of the population.

Economic development in the socialist era concentrated predominately on rapid industrialisation and the exploitation of raw materials for use in the expanding industrial sector. The environmental impact of such a strategy was given comparatively little consideration. The functioning of a planned economy could, in fact, have had a number of advantages in containing environmental pollution; central control of the economy could have led to a mix of industries being developed which would have the least adverse environmental impact; consumer disposable goods and private cars, the cause of much environmental damage in the West, were less generally available; surplus labour could have been utilised in the collection of waste and environmental projects.

In fact, the degree of *environmental damage* appears to be worse than in capitalist nations. A primary factor comes from the socialist decision-makers who regard the environment in terms of potential production rather than potential habitability (Rugg, 1985). The importance of economic and industrial development, and the attempts to achieve regional equity, were placed above the social costs of environmental degradation. Obsolete and environmentally damaging technology was often used, and particularly harmful raw materials such as lignite and brown coal were the principal sources of energy. There was a lack of investment in purification plants and waste processing facilities.

The *largest industrial agglomerations*, with a concentration of heavy industrial plants and urban development, have suffered the worst environmental problems. In East-Central Europe as a whole, the following regions are particularly affected: Sofia (Bulgaria), North Bohemia and North Moravia (Czech Republic), Košice region (Slovakia), Borsod area (Hungary), Upper Silesia (Poland), Resita and Copsa Mica (Romania), and Jesenica in Slovenia (Figure 2).

Atmospheric and water pollution are the two types of environmental problem which are particularly serious in Central and Eastern Europe, although the damage to agricultural land,

countryside, and forestry is also an area of great concern eg. 64 per cent of the Polish forest area is affected by industrial pollution.

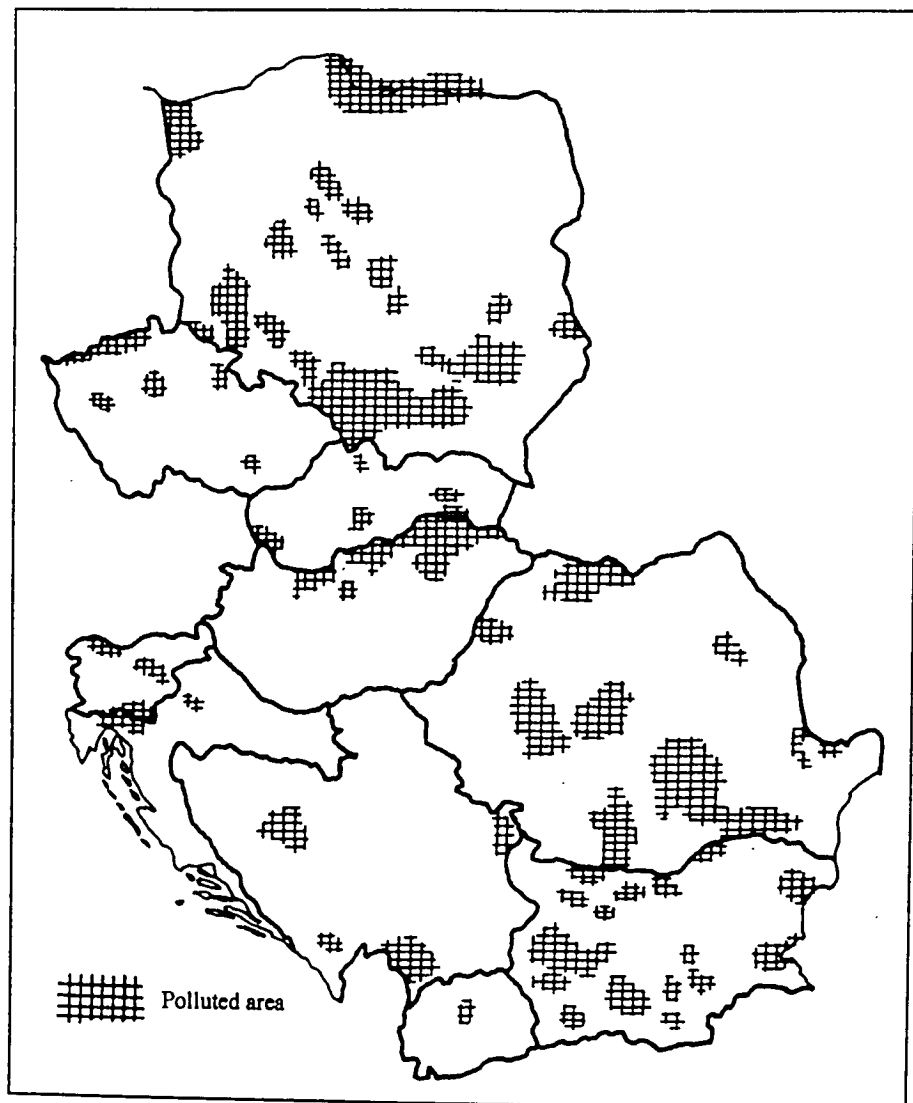
*Atmospheric pollution* is primarily a result of the use of low-grade brown coal as a principal source of energy in power stations and industrial plants. Inefficient and poorly designed cars and vehicles also contribute to this form of pollution. The problem is particularly serious in the industrial axis running from the southern regions of the former GDR to Upper Silesia and the Kraków area in Poland, and including Ostrava, Prague and North Bohemia in Czech Republic.

Very high levels of pollution have also been recorded in other relatively localised and contained areas. This is the case in some of the Balkan countries, which have a generally lower level of pollution, but with certain areas suffering particularly badly. These areas include: Sofia, Burgas, Devnya, Dimitrovgrad, Kardzjali and Pirdop (Bulgaria); Bicz, Hunedoara, Giurgiu and Copsa Mica (Romania); and, Bor, Trepcia and Zenica (Serbia). The prevailing winds also carry much of the atmospheric pollution from the source country to neighbouring states. Thus, for example, the environmental situation in southern Poland is exacerbated by pollution from Czech Republic and the former GDR, while the most of Hungary's pollution originates in neighbouring countries (Figure 2).

*Water pollution* is a particular problem in several areas of East-Central Europe. The lack of purification facilities in all countries has led to much untreated sewage and industrial waste being dumped directly into waterways, causing serious environmental harm. It is estimated that up to 40 percent of Poland's waterways fall below any environmental standard and are unusable for any economic purpose. The cause of water pollution is not always industrial – in Hungary, Lake Balaton faces a serious threat from tourist development, and the same situation is found on the Adriatic coast of Croatia and on the Baltic coast in Poland. In Romania, the Danube delta also suffers from severe ecological damage.

Figure 2

*Areas of severe environmental degradation in East-Central Europe*



Designed by Horváth on the basis of Bachtler, 1992.

#### 4 Regional Political Reform and Public Administration

If regional policy in East-Central Europe is regarded as an essential element of modernisation, it is necessary to examine its organisational structure as well. The former decisive organisational form of regional development was the powerful central planning office at the peak of the hierarchical planning apparatus in all the countries. The regional developments which depended upon the central capital investments and the social welfare policy of the state did not require a system of institutions active at regional level and cooperating with a number of interrelated agents. The interests of state controlled redistribution and the exercise of a central will were asserted most effectively by the vertically subordinated organisations. Thus, state logistics determined the regional-administrative division as well.

Even though formally, and with regard to operational functioning, socialist public administration was not much different from that of the developed democracies, the dominant organising principle, the so-called "democratic centralism" and the omnipotence of the communist party resulted in a peculiar functioning in public administration. The organs of local power were – especially in the first three decades of extensive industrialisation and settlement development – ruthless executors of the central will, completely leaving out of consideration the regional implications of the developments. As dictatorship became milder in a few countries – for example, in Poland and Hungary – local initiatives started to gain more and more ground. As a result, in these countries civic values (the tertiary sphere, private initiatives) could also appear in the field of urbanisation in the 1980s.

Yet the structure of public administration and the number of its levels changed several times in the East-Central European countries during the 40 years of the communist regime. The reason for this is to be found in the actual tasks of the social reconstruction. When the authorities regarded the social reorganisation of agriculture as their main assignment – in the 1950s – the most important units of state administration were the settlements and accordingly the socialist state management elaborated new forms and organisational solutions focusing on them. When, however, industrialisation and the planning of inter-settlement migration became a priority of state organisation, then the reorganisation (political but not functional) of the territorial-regional administrative units was a task of the utmost importance.

Although the changes in the administrative influence of central management derived from common economic and political objectives, the precise form of public administration

exhibited great variations. The transformation of public administration took place in several stages after the communist take-over. The organisational system of the bourgeois public administrations in the period before the transformation reflected historical traditions. Public administration was made up of 10 provinces, 95 districts and 2000 communes in Bulgaria; 3 regions, 269 districts and 142,000 communes in Czechoslovakia; 27 counties, 113 districts and 3000 communes in Hungary; 16 voivodeships, 264 districts and 14,609 communes in Poland; 58 provinces, 421 districts and 6,248 communes in Romania (Hoffmann, 1971). In the early 1950s this three-level hierarchic administrative structure suited the system of councils which had been formulated on the Soviet model and the changes taking place affected first of all the territorial level on the basis of the "Divide and rule!" principle. In the following three decades more and more administrative reforms were effected – with the exception of Hungary – and the basic logic of organisation, the centralised management, remained unaltered (Table 5).

After the change of regime the East-Central European state construction went through significant changes of content with the hierarchic system of councils with its executive character being replaced by self-governmental structures. The laws of self-government created the constitutional bases for the decentralised execution of power. Today local governments already have constitutional safeguards of their independence in both organisation and decision-making. Significant changes have also occurred in their financing.

In spite of these advantageous changes, the public administrative units which can be found (at the mesolevel) between the central government and the settlements still await the defining of their role. It is a general phenomenon in East-Central Europe that these levels – mostly to counterbalance the negative role they used to play in the former regime and their extremely strong political and redistributive functions – have only insignificant degrees of self-government. The territorial level was either abolished (in the Czech Republic and Slovakia) or formed the unambiguous basis of the role of state influence (in Poland, Bulgaria and Romania), or even though it has self-governing functions (in Hungary), its influence on the regional development process is negligible.

Table 5

Summary of changes in administrative units in East-Central Europe

Countries	Pre-communist pattern			First period of communist era, 1950-1960			Second period of communist era, 1970-1980			
	Number of			Number of			Number of			
	regions	districts	communes	regions	districts	communes	provinces	districts	communes	
Bulgaria	-	10	2,000	-	27	867	-	27	-	291
Czechoslovakia	3	-	14,200	-	10	108	-	10	112	10,257
Hungary	-	27	3,169	-	19	128	-	19	107	3,026
Poland	-	16	14,609	-	17	391	-	49	-	2,417
Romania	-	58	6,248	-	16	146	-	39	-	2,942

Source: Hoffmann, 1971; Gorzelak, 1992; Dostál – Kára, 1992; Horváth, 1989.

The further development and improvement of public administration at the intermediate level in East-Central Europe can be justified by the following factors:

- 1) The disintegrational phenomena that can be experienced in the sphere of self-government point to the fact that the legal and interest-related linkage points of the system are lacking. The notion of the model of self-government building exclusively from the bottom and voluntarily has proved to be mistaken and unrealistic;
- 2) Because of the one-level system of self-government the tasks of regional development remain unattended to. Although the decentralised organs of the state are trying to fill this gap, the part of the decentralised state administration entering the vacuum of the intermediate level of self-government faces tasks alien to its organisation. In particular, its sectorally divided structure has resulted in a lack of coordination, information and conciliation of interests;
- 3) The disintegrated nature of the system of local government and the dysfunctions of decentralised public administration have intensified the centralising efforts of central government. In the administrative units the beginnings of a competition between the state and the self-governing models have appeared;
- 4) The tendency of the nationalisation of the intermediate level is in contrast with West-European integrative processes, and this absurdity can be eliminated only by means of the establishment of an intermediate level of self-government;
- 5) An important task facing the territorial public administration in the future may be the representation and protection of the idea of inter-regional co-operation against the wishes and demands of central governmental institutions. It has to be taken into consideration that the Europe of regions is possible only through co-operation between territorial units of relatively similar competence and complexity.

If an important role is assigned to the intermediate units in the regional policy of East-Central Europe in the future, then the issue of the present division at the intermediate level comes into the debate. The size and economic potential of the current counties, voivodeships and districts is too small for them to become basic units of a decentralised regional policy (Table 6). Thus, it is no accident that conceptions concerning the establishment of new territorial administrative units have been formulated (Figure 3). It can be expected that in the

future regionalisation will become stronger in several countries which will provoke the reformulation of the division of labour between the centre and the provinces (Bennett, 1992; Geshev – Chavdarova, 1982; Gorzelak, 1992; Horváth, 1993).

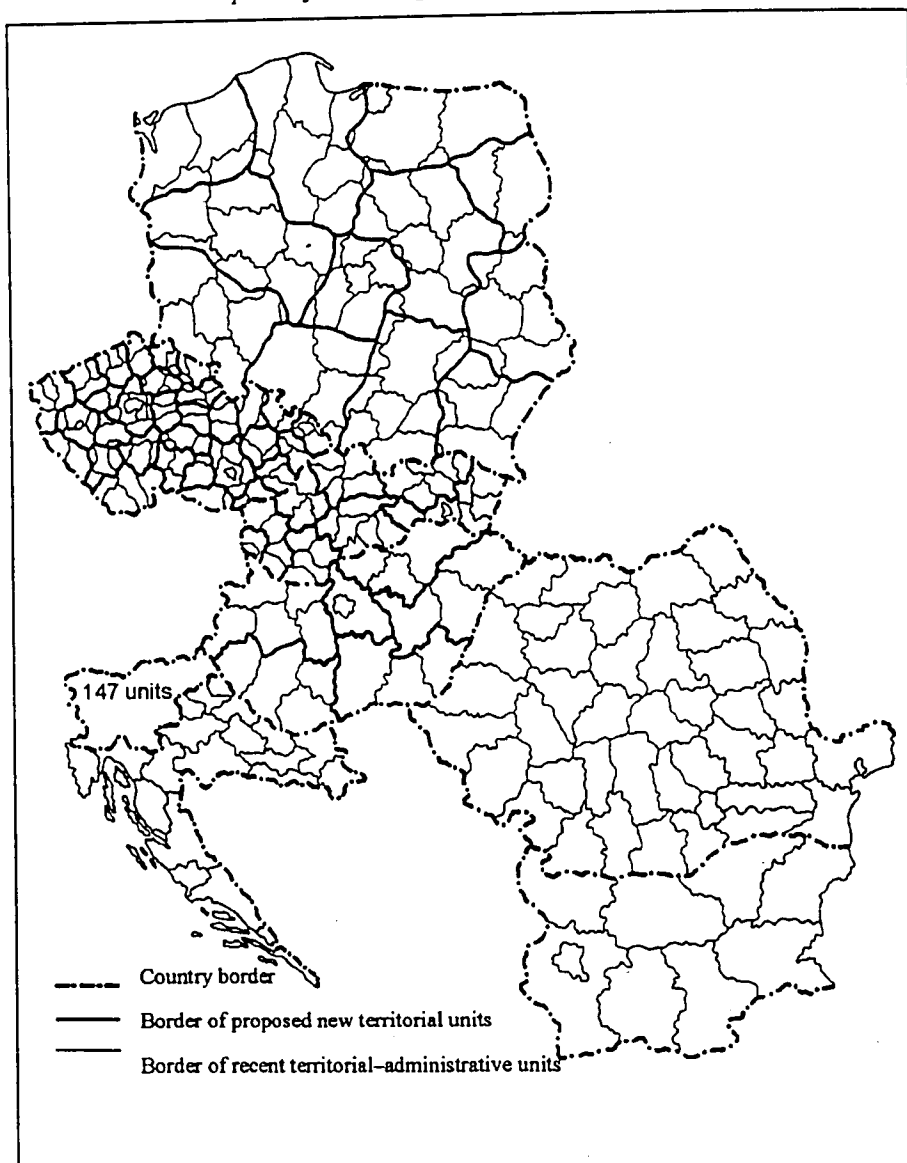
Table 6

*Territorial-administrative structure in East-Central Europe, 1994*

Countries	Number of subnational units	Average surface area, sq km	Average population, thousands
Bulgaria	9	12,322	997
Czech Republic	76	1,671	137
Hungary	19	4,896	542
Poland	49	6,381	774
Romania	39	6,090	588
Slovakia	38	1,290	138
Croatia	20	2,835	239
Slovenia	147	138	13

Source: National statistical yearbooks, 1994.

Figure 3

*Proposals for new regional-administrative units***II REGIONALISATION EFFORTS IN HUNGARY****1 Historical Preliminaries**

In Hungarian public thinking, the inner macro-regional view of the country gradually appeared. In the historical Hungary, the units created by special historical development (Transsylvania) and the topographical names ("Upper Northern Hungary" and "Southern Lands"), as well as the topographic spatial division based on rivers (Transdanubia, Cisdanubia etc.) were all present in the spatial view of Hungary. Public administration, during its historical development, used multi-county structures erected above the individual counties. Hungarian geography tried again and again from the 19th century to explore the regional structure of the country and to designate large regions within it (*Hajdú, 1987*).

Regionalisation efforts (i.e. to divide the country into spatial units connecting groups of counties by some aspects) have had a long historical tradition in Hungary. In the beginning they were mainly connected to the problems of administrative spatial division. Later statistical analyses, data supply and planning required a kind of grouping based on regional characteristics.

Within the present state borders, as early as the 1920s, the necessity of creating new regional frameworks emerged, in the field of public administration, statistics and, (as a new element) economic analysis. From the 1930s, urban and regional development problems became an organic part of the regionalisation agenda.

From the mid-1930s, the theory of the "seven natural centres" – Budapest, Debrecen, Győr, Miskolc, Pécs, Szeged, Szombathely – was stated, as was the need for focusing development on these centres. There was no complete consensus either about the number of the centres or in the designation of the regions belonging to them.

From the early 1950s the problems of the regionalisation of Hungary emerged in the social, economic and political structure as well. A significant difference compared to the previous periods was the fact that the problems of regionalisation were integrated into the formation of the system of planned economy and into the regional implementation of state economic policy. Beyond that, it had an ideological content, too (*Hajdú, 1993*).

In 1953 and 1956 the debate over the new, regional-type administrative division of Hungary was connected to the reform efforts in public administration. The number of regional units planned varied from 6 to 14 according to the different concepts.

From the early 1960s, regionalisation efforts were given a new impetus, and a large number of hypothetical (economic geographical, settlement science) and planning-oriented concepts of regional division were born. The basic question was whether regional divisions considered the actual administrative structure by taking actual county borders, district borders or (perhaps) only the borders of the individual settlements into account. The number of the regional units varied from 6 to 12 in these concepts. The main conflict points of the concepts were: how to designate the region of Budapest; whether to divide Transdanubia into 2 or 4 units, (within which the most characteristic issue was where Middle Transdanubia belonged); and whether to divide the Great Plain into 2 or 4 regions.

The six planning-economic regions accepted in 1971 can be considered as a designation based on compromises. They were delimited by county borders and relatively equal in size regarding territory and population. The planning-economic regions were not institutionalised in the real processes, so they were essentially nothing more than units of statistical enumeration. Co-operative efforts among the counties in the same region only occasionally appeared.

Following the systemic change, the regional configuration of Commissioners of the State regions (there were 8) carried a lot of contradictions, this being one reason why they could not become permanent elements of the regional structure.

The present regional divisions are extremely versatile: Within certain branches, systems, several divisions can be found. Regional statistics uses, for example, besides the 3-region (Great Plain – with Budapest and Pest county –, Transdanubia and Northern Hungary) and 4-region (Great Plain, Transdanubia, Northern and Central Hungary) division, a 7-region breakdown, as well (Central Hungary, Northern Hungary, Northern Great Plain, Southern Great Plain, Western Transdanubia, Northern Transdanubia and Southern Transdanubia).

The fundamental problem is the fact that both Transdanubia and Northern Hungary, and especially the Great Plain, have homogeneous features based on which they can be or should be treated as units. At the same time, they have inner functional divisions, as well. The three

large regions are actually connected to each other and organised into a system of division of labour by Budapest.

Given the present counties (the actual county system is a middle-county one, on the whole, but it involves some elements of the small- and large-county systems, as well) we cannot create units proportionate in all aspects, thus compromises of several elements are needed. A key element of the compromise can be the promotion of the regional self-organising activity of the counties or the integration of the "spatial communities" already created and socially accepted into the system.

## 2 Timelines of the Regionalisation

Both the Regional Development Concept of Hungary and the Act on Regional Development and Physical Planning accepted by the Parliament in March 1996 contain tasks for the implementation of which the present institutionalised (or 'about to be institutionalised) frameworks (counties, small regions, settlements) are too narrow. Due to the specific features of the Hungarian settlement structure, a number of spatial and micro-economic categories have special meanings. The regional structure-shaping effects of the returns to scale (economies of scale) or the agglomeration effect cannot exert their effects in Hungary the way they do in Western Europe because of the relatively small size of the population. The modernisation strategies focussed on growth centres or technopoles cannot be mechanically adapted in Hungarian regional development policy, either. The lack of the multi-functional secondary centres with large economic capacities gives greater importance to the *role of interregional division of labour and co-operation* in a country where the prerequisite of modernisation is the elimination of the hindrances of post-industrial development and scaling-down the exaggerated spatial concentration of the institutions of market economy.

One of the most important arguments for regionalisation in Hungary today is to stimulate diffusion the spatial of innovative and market-oriented activities and the creation of the infrastructural and organisational conditions necessary for that. Regional decentralisation – if accompanied by the appearance of regional economic clusters – has also to strengthen the inner cohesion of the economic spaces.

The other economic factor that can emphasise the necessity for regional co-operation is the *foreign economic orientation* of Hungary. More than 50 per cent of the foreign trade of



Hungary is carried on with countries that, because of their federal or regionalised state structure, have endowed their units of regional administration with significant authority (Table 7). Thus it is not at all indifferent how Hungary appears on these markets – apart from its companies, enterprises and the central foreign trade apparatus, the size and competence of the nascent regional units are important, as are the potentials of the regions that Hungary can offer to the international investors. A region with 1–1.5 million population, with differentiated infrastructural and production endowments is a more attractive investment target than the present territorial-administrative units of Hungary.

Table 7

*Foreign trade turnover by state groups, 1994*

Countries	Billion USD	Percentage share
<i>Federal states</i>	<i>11.56</i>	<i>45.8</i>
Germany	6.43	25.5
Austria	2.91	11.6
USA	0.88	3.5
Switzerland	0.54	2.1
Belgium	0.52	2.0
Brasil	0.16	0.6
Canada	0.07	0.3
India	0.05	0.2
<i>Regionalised states</i>	<i>3.04</i>	<i>12.0</i>
Italy	1.92	7.6
France	0.88	3.5
Spain	0.24	0.9
Total	14.60	57.8

Total foreign trade turnover in 1994 = 25.3 billion USD (See Table 4).

Source: Magyar Statisztikai Évkönyv (Statistical Yearbook of Hungary), 1994, Budapest, KSH, 1995, p. 254.; Külkereskedelmi Statisztikai Évkönyv (Statistical Yearbook of External Trade), 1994, Budapest, KSH, 1995, pp. 25–26.

The third argument for regionalisation is connected with the modernisation of the system of state administration. In the creation of an effective public administration, the modernisation of the system of deconcentrated organisations is likely to have an important role in the future. Several *public administration tasks* (from statistical administration to treasury organisation) are able to *organise themselves with larger regional range of effect* and to create the *regional organisations* of public administration, provided that regional information systems are established.

The fourth factor compelling the organisation of a stable district system is the necessity for the spatial unit (the region) suitable for the important tool of regional development, i.e. *regional programming and strategic planning*.

Finally, as a fifth factor we have to mention the need for the establishment of a *NUTS 2 regional-statistical unit* that helps joining in European integration and provides access to the *European Structural Funds*.

We are convinced, however, that the main reason for the timeliness of regionalisation is not this latter task. The combined effect of the first four factors is much more important. On the one hand this can mean a driving force (not very strong, so far) for the modernisation of the Hungarian economy, on the other hand, it can contribute to achieving regional decentralisation, and, in the long run, to the creation of regional administration compatible with the European trends.

### 3 Designation of the Programme Regions

The legal regulation and practice of the European Union have recently and significantly increased the *role of the regions*. The first step of this process was the organisation of the Integrated Mediterranean Programme. The Commission of the Communities commanded the creation of a development programme for all of the regions along the Mediterranean Sea. Today in most of the member states belonging to the Objective 1 regions actively participate in the planning process, among other things by creating their own regional development programmes. Simultaneously, in the regulation of the Structural Funds the principle of *partnership* was introduced, and by now the participation of the regions in the decision-making mechanisms of the funds is generally accepted. The interregional co-operation programmes increased in number, too. A significant organisational development was the new institution declared in the Maastricht Treaty, the Commission of the Regions. Changes of similar character took place in the member states, as well. Apart from federal Germany – where the *Länder* are state-like formations – regional administrations of different power evolved in France, Spain, Italy and Belgium. Also, the rest of the member states, Portugal, Ireland and Greece are developing towards regionalisation (Keating, 1988, 1993; Sharpe, 1993).

The reform of the Structural Funds resulted in the decrease in the number of regions to be supported. Only the most problematic regions can now rely upon community contribution.

The *designation* of the eligible regions took place through much more complex and subtle statistical analyses than before. It is not the large regions but mainly smaller districts and employment zones that became the targets of intervention. This was a great challenge for regional statistics, too, since the socio-economic processes now had not only to be studied in the larger administrative and planning units. That is why the regional statistical units had to be put into a system. Based on the decree No. 2052 of 1988 of the Council of the EEC (Official Journal, 1985, 15. July 1988), a three-level statistical system (*Nomenclature of territorial units for statistics*, NUTS) was introduced. Regional units can be designated either in a normative form (taking administrative borders into consideration) or with an analytical purpose. Because of access to data, the statistical data system is built on different types of administrative units. The regional statistical system is divided into three levels: NUTS 1 contains 71 macro-regions, NUTS 2 has 183 meso-regions and 1,044 districts belong to NUTS 3. Because of the different systems of public administration within the Community and the different sizes of the member states, the first two levels mainly consist of artificial statistical units. Only federal Germany and Belgium represent administrative units at all three levels, the regionalised states (Spain, France and Italy) appear in NUTS 2 with their administrative regions, while the unitary countries (Denmark, Greece, Portugal and the United Kingdom) represent their administrative units at the NUTS 3 level, only.

Since *Hungary* will have to use this system of categories, too, it is worth looking at the size of the units (in territory and in population) at the different levels.

At the NUTS 1 level we find large regions with areas of 33 thousand km<sup>2</sup> and 4.9 million population, on the average, the NUTS 2 level consists of regions with 13 thousand km<sup>2</sup> and 1.9 million population, while NUTS 3 features regions with 2 thousand km<sup>2</sup> and 330 thousand population.

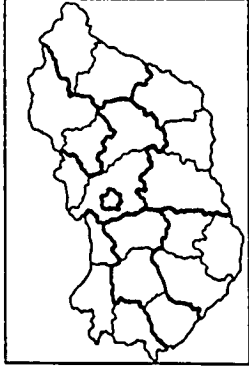
The definition of the place of the Hungarian territorial units in NUTS 3 seems to be the simplest task. The average territory (4.65 thousand km<sup>2</sup>) of the 20 regional-administrative units and their average population (517 thousand) exceeds the units of the European Union twice and 1.3 times, respectively, which are not essential differences.

At the other two statistical observation levels, however, there are several possible solutions. In NUTS 2 one alternative is to use the former regions of the Commissioner of the State, the other may be the application of the planning regions used in the 1970s and 1980s. The first

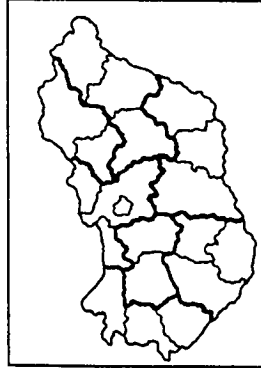
option means 8 regional units with an average area of 11.6 thousand km<sup>2</sup> and an average population of 1.29 million people. The second alternative involves 6 regional units, in this case the average territory is 15.5 thousand km<sup>2</sup> and the average population is 1.72 million inhabitants (*Figure 4*). If we compare these data to the EU averages, we can see that *the second solution seems to be a better choice*. This Hungarian NUTS 2 level is compatible with the Danish, German, Portuguese and British units in population, it is also quite close the average French and Spanish regions (*Table 8*).

At NUTS 1 level two solutions can be offered, too. The first alternative would contain Transdanubia, Budapest and Pest county, also, the Great Plain and Northern Hungary. In this case the average surface area of a macro-region would be 31 thousand km<sup>2</sup>, while the average population 3.43 million. The second alternative would treat Northern Hungary and the Great Plain separately. Then the average surface area would be 23.3 thousand km<sup>2</sup> and the average population 2.58 million. Considering the fact that this unit is only relevant in the creation of long-term forecasts and the fact that this is the category where the dispersion of the EU data is the largest, either solution can be chosen. Regional differences and the tasks of Hungarian regional policy, however, suggest that the second solution will most likely be decided upon.

a) Regions of the Commissioners of the State



b) Programme regions proposed by an earlier draft version of the Law on Regional Development



NUTS 2-level designation proposals

c) Proposed planning regions (second alternative in Table 8)

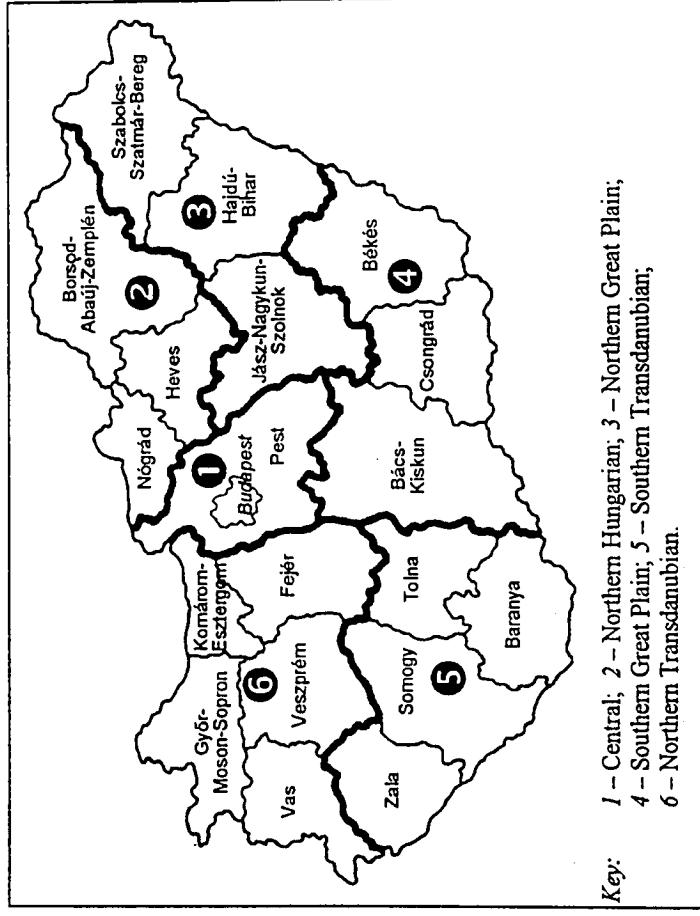


Table 8

Population of the NUTS regions, 1990, '000

Countries	NUTS 1			NUTS 2			NUTS 3				
	Num-ber	Mini-mum	Maxi-mum	Num-ber	Mini-mum	Maxi-mum	Num-ber	Mini-mum	Maxi-mum	Ave-rage	
Belgium	3	962	5,754	9	232	2,248	43	38	962	232	
Denmark	1	5,141	5,141	1	5,141	5,141	15	46	601	343	
Germany	16	684	17,510	40	489	5,253	545	17	3,446	148	
Greece	4	986	3,507	13	190	3,507	785	21	3,507	200	
Spain	7	1,485	10,477	18	125	6,920	2,164	52	4,878	749	
France	9	1,509	10,692	26	156	10,692	2,182	100	2,533	567	
Ireland	1	3,503	3,503	1	3,503	3,503	9	198	1,330	389	
Italy	11	1,605	8,926	20	116	8,926	2,883	95	3,990	607	
Luxembourg	1	381	381	1	381	381	1	381	381	381	
Netherlands	4	1,596	6,997	12	217	3,233	1,246	40	1,278	374	
Portugal	3	238	9,377	7	238	3,456	1,410	30	1,850	329	
United Kingdom	11	1,589	17,458	35	277	6,794	1,640	65	6,794	883	
EUR 12	71	238	17,510	183	116	10,692	1,860	1,044	17	6,794	330
Hungary, 1994											
1. alternative	3	2,961	4,199	8	1,012	1,996	1,287	20	221	1,996	514
2. alternative	4	1,294	3,118	6	1,302	2,966	1,716	20	221	1,996	514

Source: Competitiveness and Cohesion, p. 174.; Területi Statisztikai Évkönyv (Regional Statistical Yearbook), Budapest, KSH, 1995.

Although it is not part of the statistical nomenclature, a territorial unit smaller than NUTS 3 – the *labour market district* – is more and more widely used. Only three countries have official labour market districts at the time. In France and the United Kingdom their number is considerably higher than that of the NUTS 3 units, while in Germany the labour market regions cover units that are bigger than districts. In examples of this district type the situation in Hungary is more favourable than in most of the EU-countries, the indices of the employment zones or the small regions defined by the Central Statistical Office can be well used in comparative studies (*Table 9*).

Table 9.

*Labour market districts in Europe, 1994*

	Germany	France	UK	Hungary
Unit	Arbeitsmarkt-regionen	Zone d'emploi	Travel-to-work areas	Labour market zones
Number	170	365	334	187
Average surface area, km <sup>2</sup>	1,463	1,490	731	497
Average population, '000	365	155	162	55

The regional comparative data of the European Union are regularly published according to the units of the NUTS 2 level, but in the designation of crisis regions it is NUTS 3 units and labour market districts (or similar artificial statistical units) that are used.

An argument for the creation of regions functioning with directly elected organs in the long run is that in case of joining the European Union Hungary will need regional units that – among other things – can represent the country in the Committee of the Regions of the EU.

Long debates may take place before the establishment of the administrative regions, but the *organisation of the programme (planning) regions has to be considered as a key task* to be solved as soon as possible. The organisational conditions of the programme regions have to be clarified as soon as possible, too. The Act on Regional Development provides for the organisation of development councils on regional level. This regional organisation would be responsible for the preparation and implementation of the regional programmes (also, the regional basic programmes financed from the regional development fund), as well as co-operation in working out the Hungarian development concept and strategy and the regional co-ordination of the sectoral programmes. Its sphere of authority would cover issues of

regional planning, environmental protection etc. as well. This option can be a suitable transitional solution between the present structures and the future administrative regionalisation.

The guidelines of the Regional Development Concept of Hungary list 6 macro-regions as one of the spatial dimensions for regional developments. This breakdown is the same as the suggestion we have made for the NUTS 2 level. The appropriateness of these regions for long term development purposes and for the co-ordination of medium term regional development programmes are supported by the following facts:

- Their sizes (apart from the central region) are balanced; the number of the regional administrative units belonging to the regions is optimal, influencing the efficiency of the organisation in a favourable way;
- Their economic structure is diversified, despite their heterogeneous character, the counties making up the regions are similar in many respects in development endowments, their general, common development priorities can be defined;
- All regions have multi-functional large towns that are capable – in a close division of labour with other large and medium-sized towns – of strengthening regional cohesion of their functions;
- In the spatial organising practice of the past few decades, the functioning of several institutions of these regions provided favourable experience. We can sense a certain "feeling of belonging" (even though this cannot be called regional identity yet). These traditions can be relied on, considering of course the negative consequences of the exaggerations of the former centralised character of regional organisation.

### III TRANSBOUNDARY REGIONALISM

#### 1 Towards a New Focus in European Unification: Interregional Co-operation in East-Central Europe

What are the chances for East-Central Europe of ending separation, and of becoming an equal partner of the unified Europe? At a time of such fundamental changes pondering on the future involves obvious risks, yet it is possible to make some assumptions about the last decade of our century. There may be several alternative scenarios (*Enyedi*, 1990a). These may be presented as follows:

- Complete or partial integration with East-Central Europe, with the modernised realisation of the confederative dream not affecting state sovereignties (through Eastern-Central European or Balkan and/or Central European integration);
- Integration of the Central European small states with Germany;
- The Alpine-Adriatic integration as a partial counterbalance of Germany;
- The gradual integration of both halves of Europe, etc.

Complete integration may come into being only in contiguous spaces. Integration is not merely close economic (corporative) intertwining, but also the linkage of the infrastructural networks, systems of settlements and – through work, education, culture, medical treatment and friendly visits – the civilian societies.

The term "geopolitical reality" was merely a euphemism in the political usage of former years: it replaced the statement that the Soviet Union was to be feared. Although today there is no need to be afraid of the Soviet Union any more, this does not alter the geographical situation of East-Central Europe. The "Ferry Region" has approached the West once again, its pieces – the small countries – being united more out of necessity than by solidarity. It is quite probable that external dependence might continue and Germany could obtain the role of an external power again. It can be hoped that this intermediary region of Europe will break with not only the past forty years but the past seventy years as well. For this reason it is hard to approve of its separation from the Balkan countries. The whole of East-Central Europe is an internal market of 120 million consumers, and the integration between these small countries might reduce external dependence.

Boundaries between nations serve two important but contradictory functions. While they are defensive in nature, defining the contours of nation-states and safeguarding national sovereignty, they are also a point of contact and exchange between two or more countries and, as such, an area of potential international co-operation. International border regions have been characterised as "bioregions" and "transboundary ecosystems" that share common environmental, social and economic problems. However, the logic of bioregional interdependence and the necessity of promoting mutual problem-solving frequently clash with ideologies of national sovereignty and institutional barriers created by international "asymmetries" between transboundary actors.

Transboundary regionalism can be defined as the sum of the various informal and formal networks of communications and problem-solving mechanisms which bring contiguous subnational territorial communities into decisional dyads or triads – that is, bicomunal or tricommunal transfrontier regimes; in these an integrative transborder political culture may develop (*Cappellin*, 1993). In Europe, transboundary and interregional co-operation has been closely linked to the postwar legacy of international reconciliation and greater political and economic interaction. In the context of lasting peace and the movement towards European unity, border regions within and without the European Union have been able to work together across national boundaries in dealing with a variety of complex problems. Most of this progress has been achieved by a slow and often difficult process of establishing informal working relationships across national borders between local officials, businesspeople, universities, cultural institutions and the media. As a result, Europe has witnessed an increasingly vocal transboundary regionalism culminating in the creation of semi-official transboundary associations such as the trinational Regio Basiliensis and the Dutch-German Euroregio (*Scott*, 1989, 1993a).

Since 1989, prospects for interregional and transboundary co-operation have greatly improved within Central Europe. Transboundary and interregional co-operation activity between so-called post-socialist states and the European Union has expanded.

However, this incipient Central European transboundary regionalism is developing under difficult conditions, largely attributable to the process of "transformation" from state socialism to parliamentary democracy within a market economy. In order that transboundary and interregional co-operation in Central Europe realise its full potential, new partnerships

and networks must be established and barriers to communication eliminated. Many of these barriers are "structural" in nature and can be addressed by improvements in transportation and communications infrastructure, by additional border crossings and lenient customs regulations. Needless to say, the problems posed by language, different legal systems, mismatches of administrative authority and a lack of mutual cultural understanding require more complex solutions.

Each border region is, in its own way, unique, having developed under a specific set of circumstances. This "uniqueness" does not make the task of comparative research any easier and, in fact, may motivate some to doubt the practical utility of such research. However, we will argue here that there are many more similarities among border regions than meet the eye. This becomes especially evident when we approach border region research from a functional perspective, concentrating on the dynamics of transboundary interaction and informed by recent economic and international relations developments. Some of the common features of border region interaction are mentioned below. They are intended to serve as working generalisations and by no means constitute an exhaustive list.

1. There exists an inherent desire based on *economic* and *security considerations* to interact across borders. Equally important is the imperative to deal with negative externalities that transcend jurisdictional boundaries but have large-scale international impacts. Transboundary co-operation is thus fueled by a natural drive for economic gain, a desire for peace and motivations to solve mutual political, economic and environmental problems in a transboundary context.

2. The issue of *symmetry* and *asymmetry* – that of similarities and differences between nations – is a ubiquitous limiting factor in the development of transboundary co-operation. Degrees of symmetry and asymmetry can be defined through several variables, some of which can be measured quantitatively, others that must be described qualitatively. Among the most important indicators of symmetry/asymmetry are:

- standards of living, wage scales and other basic socio-economic indicators,
- demography, population size and population dynamics,
- financial resources available to local and senior governments,
- sectoral development and the degree of industrialization,
- the issue of local power and the degree of political decentralization

- similarities and differences in political, administrative and legal systems
- degrees of cultural and linguistic affinities across national borders

3. The basic international and supranational context of *conflict* and *co-operation* sets the groundrules of transboundary co-operation. Serious conflict in a regional setting does not allow for the development of long-term transboundary relationships based on trust and a perception of mutual interest. Similarly, in situations where nations desire closer regional co-operation and even integration, border regions may develop into interdependent and functional units with decision-making powers that transcend the traditional jurisdictional competencies of the nation-state.

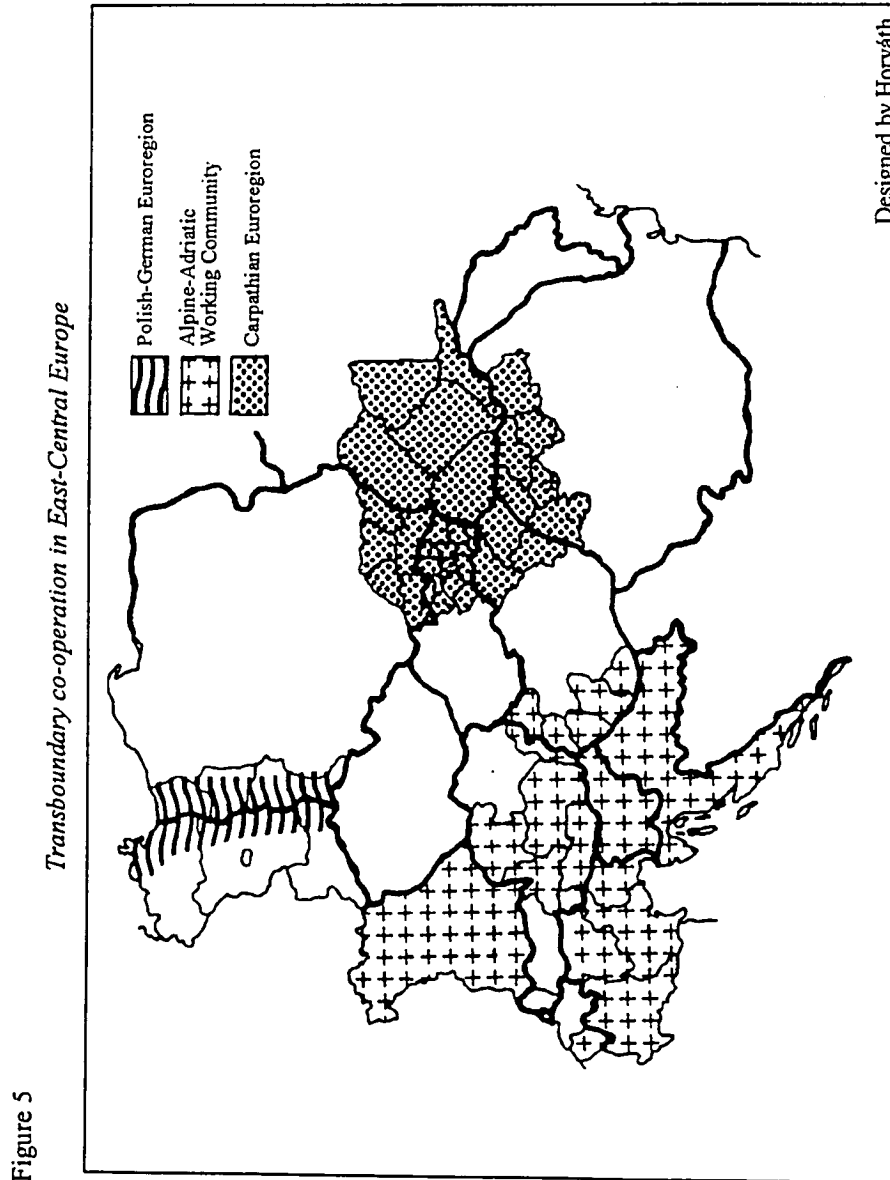
4. The existence of a political and business elite willing to invest time, effort and, to an extent, money in promoting the *development of transboundary networks*.

The heterogeneity of border region situations suggests that it is very difficult, if not impossible, to construct policy models of transboundary co-operation directly transferable to Central European contexts. The elimination of barriers to co-operation would, for example, require the elimination or reduction of international asymmetries – an issue outside the realm of day-to-day and local level transboundary co-operation. The alternative to a priori models of transboundary co-operation, including those based on very real practical experience, is a "distillation" of lessons learned by actors involved in transboundary interaction. In this way, we might be able to isolate the most important components of border region co-operation and possibly determine what potential activities can either promote or be counterproductive to transboundary co-operation.

The border regions are, without doubt, *quite different* from one another in size, demography, and socio-economic and political status.

The general conclusion is that the western border regions of East-Central Europe are generally among the most innovative or potentially innovative of their respective countries; unemployment is comparatively low, service industries have expanded rapidly and foreign investment and trade are second only to the national capitals. Additionally, the EU's external border is quite permeable and (if we disregard the case of the German-Czech border) generally free of ethnic and serious political tension – a fact that has facilitated transboundary communication between Poland, Hungary and their western neighbours. This puts the Polish-

German Euroregions and the Alpine-Adriatic Community in a rather privileged position with regard to other border regions in Central Europe (Figure 5).



Open borders have allowed Poles and Germans to learn more about conditions “on the other side” and encouraged them to rediscover a common cultural heritage. Since 1993, four Euroregions have been established on the Polish-German border. These are the Euroregions Pomerania, Oder, Spree-Neiße-Bohr and Neiße/Nysa. These Euroregions are structured along the lines of Dutch-German associations, based on voluntary co-operation among municipal and (on the German side) county governments. The rapidity with which these Euroregions have been created and the motivation of politicians, businesspeople and other citizens involved in the Euroregion “movement” indicates that this is an auspicious start to formalising transboundary co-operation on the Polish-German border.

Various Polish-German economic development projects have been proposed. With the support of the State government of Brandenburg, for example, a complex plan for establishing a binational industrial park in Eisenhüttenstadt has been drawn up. INTERREG funds are being employed to build a binational water treatment plant for the border cities of Guben/Gubin. Unfortunately, many ambitious projects have floundered due to a lack of funds for capital investments and insufficient co-operation from Bonn and Warsaw and state agencies responsible for telecommunications, railways, customs, and other vital areas of national authority.

On the other hand, the local-level momentum of transboundary co-operation on the Polish-German border has steadily increased and a regional development dialogue seems to be gradually materialising. Poland and other countries bordering the EU are now eligible for border region development grants thanks to changes in EU directives governing the INTERREG and PHARE programmes. Each of the Polish-German border regions has commissioned a Transboundary Action Programme that defines long-term goals and individual projects with which to achieve them. Based on these Action Programmes, the Polish-German Euroregions have submitted a number of proposals to Brussels for financial support. The recently established Polish-German Development Bank, which includes the participation of the German states of Berlin, Brandenburg, Mecklenburg-Vorpommern and Saxony, may also prove to be of considerable help for small-scale cooperative projects. Furthermore, these Euroregions (with the exception of Neiße/Nysa) have been involved with other Baltic Sea regions in developing a framework for interregional spatial development.

These activities have produced the informal document "Visions and Strategies around the Baltic Sea 2010" (Europe 2000+).

The idea of establishing a the *Carpathian Euroregion* was first raised by geographers at the end of the 1980s and was a result of the re-establishment of full national sovereignty in the Central European states of Hungary, Czechoslovakia, Romania and Poland. It was an attempt to follow the good example of the Alpine-Adriatic Working Community and one in which expectations of generous Western support were raised. The areas of transboundary co-operation that were identified adhered closely to those defined in the Alpine-Adriatic context namely, economic development, transboundary infrastructure, environmental protection, tourism, culture, education and research and informational networks (*Illés*, 1993).

In the Northeast Carpathians, a periphery shared by Hungary, Poland, Slovakia, Romania and Ukraine, we have a case of "backward" regions attempting to create a problem-solving synergy that potentially could transcend the limits of national regional policies. Suggestions for common action in agriculture – a sector in grave crisis – have been raised that would combine the productive, technical, and food-processing capabilities of the regions and cities involved.

The Euroregion was formally established in 1993, at a conference of the Hungarian, Ukrainian and Polish foreign ministers in the Hungarian city of Debrecen. Slovakian and Romanian representatives declined the invitation. While tensions in Hungarian-Romanian relations will encumber the Euroregion's activities for some time to come, the EU-integration process promises to help improve relations between Hungary and Slovakia and thus give the project considerable impetus. The Carpathian Euroregion, both in its actual and possible future territorial dimensions, represents a postsocialist periphery with common problems, a common history and cultural cohesion. It is only logical that those who live in this periphery link up and seek a development dialogue with their neighbours.

## 2 A Model for Transboundary Co-operation:

### The Alpine-Adriatic Working Community

In 1978, when Europe was still quite divided and the germs of the idea for a unified common market had just emerged, the representatives of two Northeastern Italian regions (Friuli-Venezia Giulia and Veneto) and four Central Austrian provinces (Carinthia, Styria, Upper Austria, and Salzburg), and Bavaria, Slovenia, and Croatia decided, in Venice, to form an action association for harmonising the most different fields of regional development. In 1981 the Italian region of Trentino-Alto Adige joined this association, as did Lombardy in 1985 and the Austrian Burgenland in 1987. And between 1986 and 1989 five Hungarian territorial administration units – Győr-Moson-Sopron, Vas, Zala, Somogy; and Baranya counties – participated in the work of the interregional organisation. With the admission of the Swiss Ticino canton in 1990, the organisational foundation of the working community was completed. Except for the founding regions, all member provinces participated as observers in the working community's work for a couple of years.

The task of the working community was formulated in the founding Joint Declaration (Venice, 20 November 1978) as a common informative, professional discussion, and harmonisation network concerning problems falling within the interests of the members. The following areas were emphasised: transportation crossing points in the Alps; traffic at ports; energy production and transportation; agriculture and forestry; conservation of water supplies; tourism; environmental protection and nature conservation; landscape planning; settlement development; cultural relations; and relations between academic and higher educational institutions.

The participants declared, first in the founding declaration and later, in 1988, in the declaration of the foreign ministers in Millstatt (Austria), that their activity and programme corresponded with the provisions of the final declaration of the European Security and Co-operation Conference; thus it represented European interests. The national governments expressed their willingness to help in promoting and encouraging the interregional co-operation of the Alpine-Adriatic area. In 1990 the Standpoint of Pentagonale Initiative given in Venice underlined the importance of offering encouragement of cooperative development among those provinces already interacting (*Horváth*, 1993a; 1993b).



Thus the political preconditions exist which guarantee that this association could become the integrator of the EC, the European Free Trade Association (EFTA), and the regions of Eastern Europe. It is worth pointing out that the Hexagonale – nowadays the Central European Initiative – co-operation between nations covers a larger area than the eighteen regions, but it could increase the efficiency of its activities if the working groups of the Initiative would consider co-operation between regions as the driving force of co-operation, so that it would become possible to represent regional interests in the state decisionmaking process.

During the first decade of the Alpine-Adriatic Working Community it primarily arranged the exchange of information, the coordination of linear infrastructure (first of all within the triangle of the Italian-Austrian-Slovenian borders), and the organisation of cultural relations. In the past few years, however, partly because of the changes taking place in Eastern Europe and the capital expansion of the Italian regions, the professional exchange meetings of the economic organisations of the member provinces have become regular. Economic co-operation began in 1989-90, in which period the Lombardy region played the role of the coordinating centre of the working community. Innovative features can be strengthened as a consequence of programmes started in 1990. Not only can their advantages be enjoyed by the economically developed member regions, but the Eastern peripheral regions can also gather ideas for transforming their economic structure (Figure 6). For the actual integration, however, adequate institutions and measures are needed. One of the co-operation programmes is intended to establish two important institutions, the common regional development fund and a common financial institution, as prerequisites of developing economic integration. These institutions, on the basis of the EU norms, could promote the eastern regions in participating in European integration, partly by using the financial resources of the EU.

Those European regions that were able to formulate a development strategy suitable for their own needs and to have it accepted and enforced achieved stability in a relatively short period of time, and their new structures began to grow. The regions, however, that were unable to formulate an independent programme (in many cases because of their endogenous endowments) could expect their regeneration to occur only through central support. However, the restructuring of the system led by the centre, following the solutions of the traditional regional development model, brought about only a temporary stabilisation. The economic structure of these regions was conserved, but their growth potentials and competitiveness was

remained poor, and their integration with the international regional division of labour still meets with difficulties.

The regional development of market economies is not based on a uniform model, but strategies diversified and different in their elements are developed for regions in different geographical locations and with different structural endowments. It is inconceivable that the regional development in East-Central Europe would evolve according to any general pattern.

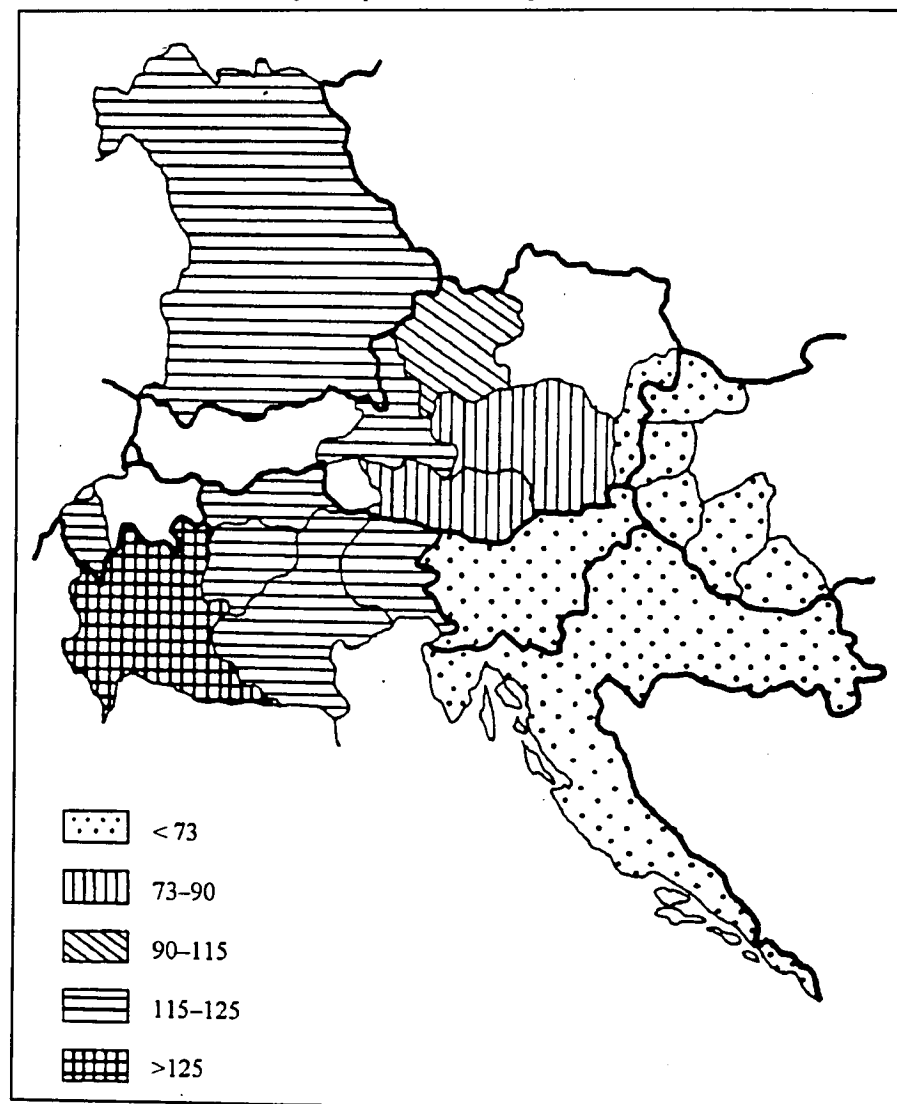
The regional strategy of government should include the general goals of regional policy, financial incentives, and forms of support. But formulating the direction of regional development, choosing an adequate model of the path of development, and finding financing are the tasks of the actors in local economic activity and of the local government.

It is clear that regionally-initiated development policy based on associations of regional actors cannot be the only solution in East-Central Europe. Favourable changes can be brought about only in those regions where the need to transform the traditional, formerly relatively strong, economic structure, and the demand to activate the backward areas connected to the core territories, formulated in accordance with public opinion, are, together with the new types of driving forces of international regional development, and their human resources, intellectual capacity, and also the forming market and interest asserting organisational net, give adequate frames to formulate the direction of development.

Central governments in East-Central Europe are not yet capable of intervening in the regional crises consequent upon the transition to a market economy. The business sphere instinctively drifted towards adaptation strategies unfavourable for the region: decreasing the production capacity and relocating the productive units. The transformation of the administration system, particularly, the devaluation of the counties' role, and the underdevelopment of the regional institutional system of the market did not give the regions any chance to initiate other adaptation strategies such as developing a model based on the combination of new products and markets. Now the important obstacle to the economic restructuring of the region (and of the country) is the lack of a complex development strategy for spatial units and larger areas (and cities).

Figure 6

Regional disparities in the Alpine-Adriatic Working Community  
[GDP per head (PPS)], 1991



Designed by Gy. Horváth

The formulation of a new course of development calls for the reevaluation of the economic resources and endowments of the East-Central European regions. The new economy could rely primarily on the development of regional infrastructure, human resources, the mobilisation of capital goods, and an organisational-institutional system capable of attracting foreign working capital. The appreciation of mental ability, technical development, and management activity could be determinants in the transformation of the economic structure. Thus, it seems advisable for the development strategy of the border zones to be based on new combinations of endogenous resources. The exogenous means of economic development should be used only for the utilisation of the spatial endowments and to increase the ability of the market to react, based on the preferences of endogenous demands. This is the only way to prevent a repetition of the consequences of the former regional policy, and to avoid the situation where the solution of acute employment problems leads to the formation of a fragile economy in which the components do not link up with each other, but are based on a strong regional external dependence. Thus in the future there is a need for an innovative strategy of regional policy to develop economic modernisation rather than one-sidedly to acquire factors from outside the region.

The new economic structure in many respects could be advantageous enough for *developed border zones* of East-Central Europe to join the international regional integration, and it is conceivable that innovative development perspectives, similar to the courses of development in Western Europe, could evolve in lots of places. For development of the foundations which rely on small and medium-sized firms, the following favourable endowments are available:

- a) The traditions of enterprise are very strong in agriculture, small town industry, and tourist services in the developed regions. This is particularly true of the agricultural zones surrounding the cities where production for market, the reaction to changes in the market, and the establishment of the necessary independent organisations related to them, have infiltrated the traditions of the farming economy. It is also true of the regions involved in tourism where there are precedents in services organised on the basis of private ownership;

- b) The institutions of higher education could provide a framework for regional human development programmes, and could serve as a basis for the development of quality tourism (conferences, therapeutic tourism) and for the diffusion of technical innovations and professional culture;
- c) The educational level of the fifth of the population living in small towns is good, and the conditions are in favour of their trainability;
- d) There are relatively favourable conditions in the residential districts of the medium-sized towns and large cities in the region (the aesthetic appearance of downtowns, the existence of residential districts of similar norms to the Western European ones, the cultural-educational-academic milieu). These signs of quality can be attractive to foreign capital investors.

The key to the structural transformation of the border regions in East-Central Europe is to link up the Central European growth centre. The following development objectives should be accomplished:

- The development of transportation and communication (modernisation of the main traffic roads, highways, airports) and the evolution of a modern information system (from the European development experience, it is inconceivable to integrate these regions with the international division of labour by linking them up only to a single centre – the capital; only a network of regional subcentres can link these regions with the European markets);
- The development of an institutional system of regional markets (business, banking and financial services, exhibitions, fairs, regional market information systems, enterprise and export incentive centres);
- Industrial parks promoting technological change and changes in product mix, and the organisation of technological centres;
- The building up of a close network of vocational training and retraining in towns, the expansion of higher education both in quantity and curriculum, and particular attention to technical research and training;
- The establishment of associations (agencies) for regional economic development in order to harmonise development ideas and to organise the composition of conceptions.

The complex regional development planning and the formation of strategy are still impeded by numerous factors from an organisational point of view:

- 1) The local governments (despite their jurisdiction or, in case of existing policy because of the the lack of methodologies in organising the economy or operation routine) are cautious in formulating a complex concept of settlement development. So far, co-operation between local governments has not been characteristic of the small districts, town surroundings, or, particularly, regional level;
- 2) The county governments (lacking jurisdiction and a system of policy means) can only be voluntary actors in regional development;
- 3) The institutional system of the regional market has not yet developed. Its elements (because of their function in observing, registering, and foreseeing economic processes) could provide information about the endogenous and exogenous market factors of economic development to enable the selection of the directions of a regional development strategy.

A general task of regional administration is to represent and defend the interests of this co-operation before of the central government. The organisation of the Alpine-Adriatic working community was not free from conflicts between central and regional interests either. Because of the specific constitutional system the Free State of Bavaria has the greatest amount of freedom: on the other hand, the Italian regions and the Austrian Lands are able to expand their international co-operation rights only through long-lasting constitutional debates which have not yet been concluded. In the former Yugoslavia, even the member republics had only limited foreign trade autonomy, and in Hungary this question was hardly even raised.

Constitutional debates flared up, especially after 1980, when the Council of Europe in Madrid reached an enabling agreement that pointed out the necessity of decentralised organisation in transboundary co-operations. This agreement prescribes the freedom of regions to choose the forms of borderline co-operation, on the one hand, and contains guarantees for the central state to have the means to inspect and control the maintenance of state sovereignty on the other. Although the agreement has not obliged the ratifying states to reform their internal legal systems, it was an important measure in developing the institutional and legal means of regions, and should not be considered anticonstitutional. After the ratification of this agreement, further national laws were enacted. The 1987 decree of the

Italian Constitutional Court has extended the rules of the basic agreement to regions further than borderlines (from the Italian side this has legitimated the Alpine-Adriatic Working Community). In the preparation of the Austrian constitutional reform it has been unanimously accepted that the Lands should be able to sign international agreements on issues in their authority (Kicker, 1988).

Independently of all these legal results, and of the definitely more extensive rights, power positions, and financial means of the regional medium level compared with those of Hungary, centre-region conflicts of interests are continuously present.

For the East-Central Europe economy to be able to integrate, on a regional basis, into Europe (which is on the way to unification) a radical renewal of regional policy and administration is necessary. Power must be divided between the state, the local governments, and their regional communities, in such a way that the adaptation to modern centres should not be influenced by central norms. It should also be possible to respond to market signals with autonomous local and regional decisions.

The reform of the regional and administrative structure of the country is a condition of the realisation of an innovative regional development strategy, and of establishing international regional competitiveness, that cannot be neglected. The current East-Central European meso-units, because of their economic potential, market size, and the extreme weakness of their market organising power, are not appropriate to fulfill the role of independent fields of action in the international division of labour and to be equivalent partners of Western European regions. The solution can partly be in the organisation of a real meso-level on a representative basis.

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