**CENTRE FOR REGIONAL STUDIES
OF HUNGARIAN ACADEMY OF SCIENCES**

DISCUSSION PAPERS

No. 81

Territorial cohesion in the Carpathian basin: trends and tasks

**by
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Series editor

Gábor LUX

**Pécs
2010**

ISSN 0238–2008
ISBN 978 963 9899 34 6

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Technical editor: Ilona Csapó.
Printed in Hungary by Sümegi Nyomdaipari, Kereskedelmi és Szolgáltató Ltd., Pécs.

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Pécs : Centre for Regional Studies, 2010. 38. p.
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1 Introduction

The political changes and economic reforms of the 1990s have produced ambiguous results in the development of natural regions, economic spaces and administrative units of the Carpathian Basin.[1] The gradual and problematic transition to Imarket economy has led to profound spatial differentiation in every country. The collapse of the former economic structure and the building of the new economy have affected the different areas in various ways, the territorial differences have started to grow, and the benefits of the regime change do not show a spatially even distribution either.

Among factors producing a beneficial effect on economic restructuring, an important role is played by the European integration relationships in countries recently joining the European Union. As a basic condition of accession, the new member states were to be prepared for the implementation of an efficient regional policy, set objectives and apply tools in the implementation of their economic policy aimed at the decrease of spatial differences, establish new institutions, and create the possibility of cross-border development of regional cohesion. A long-term result of EU membership may be the reconstruction of the former integration relationships in the Carpathian Basin developed through centuries. Due to the geopolitical situation, and the varying degree of integration maturity, achieving the desirable outcome provides tasks for politicians, researchers and economic professionals alike for the decades to come.

The transformation of the economy has produced particularly negative effects in most Hungarian communities beyond the borders. Beneficiaries of the market economy have emerged in large cities and settlements with a particularly favourable geopolitical position. This former group includes several successful border settlements, which initially exploited the informal, and later on cooperation-based economy and labour market demand. The majority of ethnic Hungarians live in rural areas, while well-paid jobs in tertiary branches, financial services, and export-based enterprises have been created in cities. Following the collapse of large-scale industry, the under-qualified rural population formerly commuting to towns was deprived of a steady income.

Nationality factors have played a limited role in the spatial diffusion of development. State subsidy policy can of course influence the development of individual areas. State influence may have positive and restrictive aspects. In several Western European countries, special advantages were granted to encourage the economic closing up of under-developed areas with an ethnic minority

[1] The Carpathian or Pannonian Basin is a large basin in Central Europe. The basin covers all of Hungary and Slovakia, as well as parts of Serbia, Croatia, Slovenia, Austria and Ukraine. It forms a topographically discrete unit set in the European landscape, surrounded by imposing geographic boundaries.

population, and additional resources were provided to support culture and education. In the meantime, ethnic areas in Eastern Europe have been neglected for a long period and negative discrimination still seems to haunt economic and regional development policies. It is a fact that modern regional development policy – including the structural and cohesion policies of the European Union – lays the emphasis on the spatially homogenous distribution of economic advantages. This implies an equal distribution of the positive effects of economic growth among all ethnic groups in the area.

The present study provides arguments to support the creation of the Carpathian Basin trans-national macro-region, while giving an overview of the major phases of regional transformation and the experiences of initial programmes underlying the basis for long-term cohesion tasks. In order to improve the income position of the large Hungarian minority in the Carpathian Basin living outside Hungarian borders, the successful implementation of an overall regional development strategy is necessary. A basic condition of successful development is the acquisition and utilisation of competences facilitating competitiveness in the framework of equal opportunity.

This study does not deal with the regional elements of Hungary, as these questions have been discussed in several issues of the Discussion Papers series (*Barta,* 2006; *Gál – Rácz,* 2008; *Hardi,* 2008; *Illés,* 2008; *Rechnitzer,* 2000; *Rechitzer – Smahó,* 2006) or in other publications (*Barta – G. Fekete – Kukorelli Szörényiné – Timár,* 2005; *Horváth,* 2008; Territorial Reviews: Hungary, 2001).

2 Regions with uneven development

2.1 The roots of territorial differences

In the twentieth century development of the former planned economies, despite being members of the same alliance and rooted in the same ideology for four decades, apart from a few outward similarities arising from the political system, it was basically the differences that had played a dominant role. In the course of history, these countries and areas which united in the beginning of the 20th century to form the Central European nation-states, were previously bound to different geopolitical fields. Being member countries of the same empire, Hungary and the Czechoslovakia, once integrated in the Central European macro-region, were able to connect to the mainstream of European industrial transformation. Romania, formed by the unification of two principalities and counting a population of 5 million at the end of the 19th century, just embarked on the road to capitalist economy: the economic census of 1886 listed only 150 companies which employed more than 25 workers (*Berend – Ránki,* 1982).

After World War I, significant changes took place in the Central and Eastern European economic and political area. The primary task of national governments became the organisation of the internal administrative-political, and later on infrastructural and economic cohesion of those parts of the country that formerly belonged to different economic spaces.

The most striking territorial disparities were witnessed by the new nation-state in Romania. In Transylvania, the level of urbanisation (density of settlement network) and industrialisation was considerably higher than in the regions of the Romanian Old Kingdom. The Transylvanian region contained 30 percent of the new Romania's population, while it had a 40–70 percent share of industrial capacities in different branches. Significant spatial disparities characterised Czechoslovakia, which manifested themselves not only in the income producing capacity of individual regions, but in the varying development levels of their infrastructural networks. In western parts of the country, the density of railroad network was six times higher than in the east.

In the years following the World War II, agriculture provided the majority of employment in every country, 74 percent in Romania, 51 percent in Hungary. Its share in the industrialised Czechoslovakia reached 39 percent. In the other countries, the indices of industrialisation reached only a half or third of the Western European average. In the beginning of the 1950s, the rate of industrial employment was 14 percent in Romania, 23 percent in Hungary and 19 percent in Yugoslavia. The leading industrial state in the area was Czechoslovakia, where the rate of industrial employment was 39 percent. The low number of industrial workers (800 thousand in Romania, 700 thousand in Hungary) shows strong spatial concentration (*Enyedi,* 1978). In most of the countries, aside from capital cities only large towns could claim a significant number of industrial jobs. The historical Czech and Moravian regions provided the only exceptions, where large-scale industrial centres of the traditionally developed textile industry, coal mining and metallurgy were counterbalanced by a network of smaller hubs.

The forced industrialisation characterising the socialist planned economy produced conflicting results in the 1950s and 1960s. The politics of the era formally supported the growth and spatial diffusion of industrial employment, strongly influenced the settlement structure, enhanced the speed of urbanisation, through its socio-political and cultural measures raised to a certain extent the civilisation standard of rural areas. We can observe an apparent change in the indices representing quantitative growth. Between 1950 and 1970, the rate of urban population increased from 23 to 41percent in Romania, and from 37 to 48 percent in Hungary. By 1970, the number of industrial workers reached 2 million in Romania and 1.7 million in Hungary. The structural changes of the economy led to decreasing regional disparities, while the relative spatial cohesion meant an even distribution of the basically weak industrial outputs. GNP per capita rates

were approximately the same in the three observed countries in 1975, while spatial discrepancies were by far not equal. GNP values in most spatial administrative units were lagging behind the average GNP of CMEA countries. In Romania, 32 out of the 40, and in Hungary, 12 out of the 20 counties remained below the Eastern European average. The spatial structure of Czechoslovakia was the most homogenous even at that period, with just 1 out of the 12 districts (East Slovakia) showing weaker performance than the Eastern European average (*Nemes Nagy,* 1987).

The centrally controlled economy appeared in strongly differentiated forms in the region, and the countries showed significant heterogeneity in the organisation of their economies, economic policy instruments and orientations of European relationships. In Hungary, in addition to the instruments of national economic planning, elements of normative regulation also appeared in the control of regional development (*Enyedi,* 1989). The Hungarian government laid down the long–term objectives of spatial and settlement policy in a decree in 1971, and the parliament accepted a spatial development act in 1985. Romania, on the other hand, continued to enforce its low technology level, Stalinist industrial policy. The more developed areas and the 17 provincial capitals were affected by the concentrated location of industry until the end of the 1960s, while the industrialisation of rural areas (e.g. Szekler Land) sped up in the 1970s (Benedek, 2006). Forced industrialisation was coupled with a fatal settlement policy in Romania. Strict anti-rural spatial planning norms were introduced already in the beginning of the Ceauşescu era, and the excessive urbanisation campaign had peaked in the final years of the 1980s with the launch of the rural rationalisation programme. The objective of the Romanian Communist Party's programme was to reduce by half the number of villages, and in the meantime, the creation of 558 agro-industrial towns and regional organising centres was planned in order to control the agricultural sector (*Hunya – Réti – R. Süle – Tóth,* 1990).

2.2 The degree of developmental disparities

The territory of the Carpathian Basin, as measured by European standards, is characterised by a general backwardness. Without counting the developed Slovenia, the per unit indicators of performance of the countries reach only a half or third of the EU average. Among the regions, only Bratislava and Budapest surpass the average GDP per capita of the European Union. The reduction of state subsidies, the changes in the geographic orientation of foreign relationships, the disintegration of large companies, the crisis of heavy industry and agriculture resulting from the collapse of the planned economies have affected the core and peripheral regions in diverse ways. Even though the process of restructuring had a

negative impact on traditional development poles, former metropolitan areas with a more complex economy and socio-economic functions are less severely affected by the transformation process than monocultural industrial regions and rural areas. The conquest of marketisation and the development of modern economy can be observed in Transylvanian large cities, Slovakian medium-sized cities, and in the core region and tourism centres of Croatia. The number of private enterprises and the share of FDI significantly surpass the national average in these areas. The tertiary sector is on the road to become the most dominant sector of the economy, due largely to the expanding business and financial services. The most dynamically growing regions are producers of major innovations and new products and members of international economic co-operations as well.

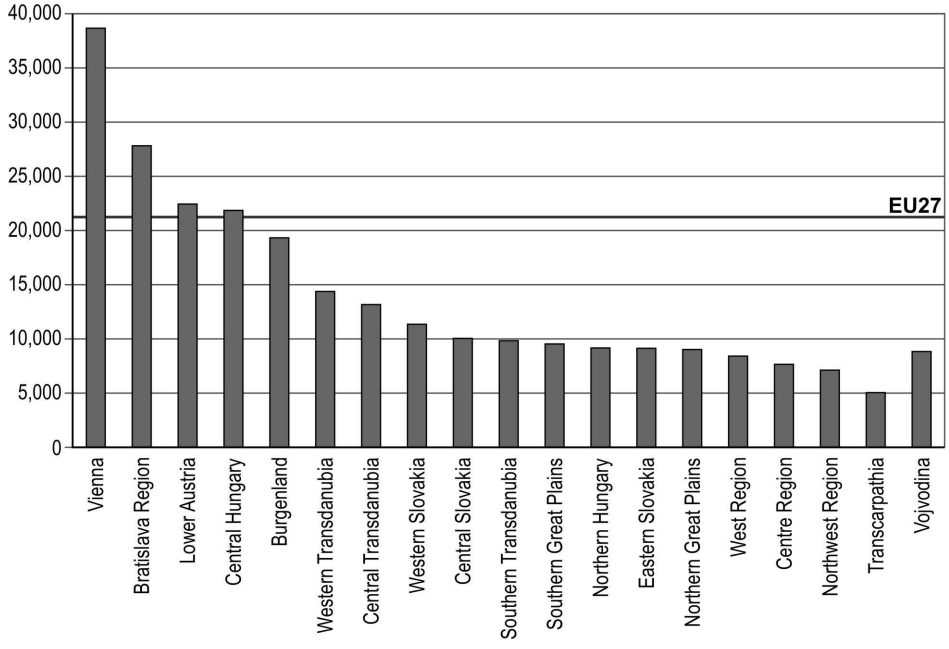
Among the countries of the area, Romania's case illustrates the failure and ineffectiveness of the former state spatial development policy. The main conclusion regarding the present state of economic and social structures is that after the birth of the independent Romania, economic policy based on various ideologies had only a modest impact on the country's traditional spatial structure, and while regional disparities decreased in quantity, the territorial pattern of developed and backward regions remained largely unchanged in the 20th century despite the efforts of forced industrialisation demanding great sacrifices. On the historical territory of Romania, Bucharest and some large cities (Craiova, Piteşti and Conştanţa) with their surrounding areas show structural characteristics which enable them to embark on the road to modernisation. Transylvania, which belonged to a different economic system 90 years ago, was more or less able to conserve its advantages inherent in its settlement structure (dense network of small towns) and qualified human resources. Out of the three administrative regions of Transylvania, two had GDP per capita rates above the national average. The Western region (Hunedoara, Arad, Timiş, Caraş-Severin counties) is the second most developed after Bucharest, where GDP per capita exceeds by 14 percent the national average, while the third in the row is the Central Region (Mureş, Harghita, Covasna, Braşov, Alba and Sibiu counties), where regional income rates are 13 percent higher than the national average. The northern areas of Transylvania, the North West region comprised of Bihor, Satu Mare, Sălaj, Bistriţa-Năsăud, Maramureş and Cluj counties, ranks the sixth among the eight Romanian regions, its economic performance is 90 percent of the national average. According to the global development index, 4 out of the 16 Transylvanian counties can be called highly developed, 3 developed, and 6 middle developed, and there are only 3 underdeveloped counties in the three regions of Transylvania.

The same degree of spatial disparities characterises the rest of countries in the Carpathian Basin. Those areas where Hungarian minorities are dominant reveal large developmental disparities: there are relatively developed areas in a more favourable position than the national average (e.g. areas of Žitný Ostrov near

Bratislava or certain parts of Vojvodina) and there are several underdeveloped peripheral regions (e.g. the Eastern Slovakian counties, Zakarpattia oblast, and Croatian Slavonia). In the Slovakian counties of Trnava and Košice with large Hungarian populations, GDP per capita almost reaches the national average; in Banská Bystrica and Nitra, it reaches only 75 percent. The income levels of the regions are shown in *Figure 1. Table 1* depicts the disparities of demographic potential, labour force and income positions as compared to EU standards. Both data sets show NUTS2 units (the EU's statistical development regions) in the countries. For the sake of comparison, Vienna and Burgenland are present on *Figure 1.* Vienna is one of the most developed areas of the EU, its income indicator was 178 percent of the EU average in 2005, and Burgenland, the least developed territory of Austria, still shows a significantly higher performance (89 percent) than most regions of the Carpathian Basin. A sign of the economic vulnerability of the Carpathian economy is the persistence of traditional features in the employment structure. Predominance of the agrarian sector and weak presence of the tertiary sector characterise the Eastern regions (*Figure 2*).

Figure 1

GDP per capita in the regions of the Carpathian Basin, 2006



* Author's estimates.
Source: European Commission, Eurostat, 2009.

Table 1

Major data of the regions of the Carpathian Basin, 2006

	Population, 1,000 persons	Density of population, person/km^2	Unemployment rate, percent	GDP per inhabitant in PPS, Euro	GDP per inhabitant as percent of the EU-27 average	R&D expenditure, as percent of GDP
Hungary						
Central Hungary	2,873	414.0	5.1	23,489	105	1.3
Central Transdanubia	1,107	99.7	6.0	13,529	60	0.5
Western Transdanubia	999	88.2	5.7	14,275	64	0.4
Southern Transdanubia	968	68.4	9.0	9,983	45	0..4
Northern Hungary	1,251	93.6	11.0	9,484	42	0.3
Northern Great Plain	1,525	86.3	11.0	9,153	41	0.6
Southern Great Plain	1,342	73.3	7.8	9,757	44	0.6
Slovakia						
Bratislava	607	294.9	4.6	33,124	148	0.9
Western Slovakia	1,862	124.2	9.8	12,779	57	0.5
Central Slovakia	1,351	83.1	16.4	10,455	47	0.3
Eastern Slovakia	1,574	100.0	19.1	9,663	43	0.3
Romania						
North-west	2,524	81.1	5.9	7,542	34	0.2
Centre	3,728	103.3	9.0	8,066	36	0.2
West	1,927	61.1	6.4	8,917	40	0.2
Transcarpathia	1,253	98.0	7.0	5,000	22	0.1
Vojvodina	2,003	94.5	14.2	9,000	40	0.3

Source: Regional statistical yearbook, 2008; Statistical yearbook of AP of Vojvodina; Statistical yearbook of Ukraine.

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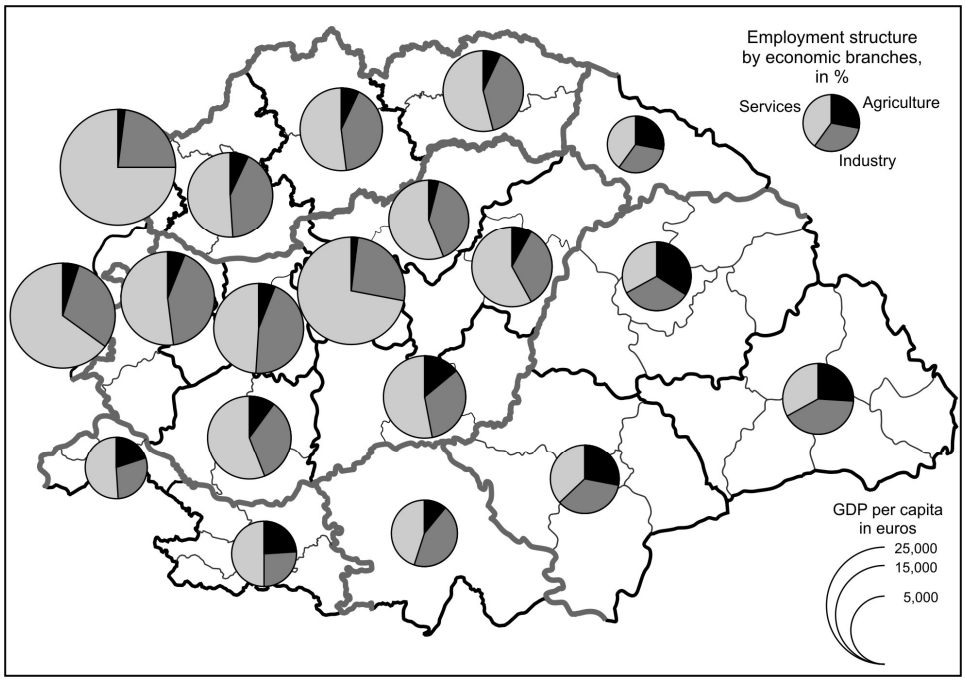
Figure 2

GDP per capita and structure of employment by economic sector in the regions of the Carpathian Basin, 2007



Source: Authors calculations based on national statistical yearbooks.

2.3 Regional situation report

The different political-economic environment of the regions of the Carpathian Basin led to the development of an economy functioning in the form of highly segmented, largely independent submarkets (*Balcsók – Koncz,* 2008b).

Market fragmentation in our days is further strengthened by the fact that different countries are at different phases in the Euro-Atlantic integration process, therefore the free movement of manpower may be inhibited by factors such as the variety of border crossings and the temporary legal restrictions on employment opportunities. With the advancement of the integration process, the system of relations of the different market segments will significantly improve; however, the problems in Zakarpattia oblast and Autonomous Province of Vojvodina will likely persist in the long run, since Serbia and Ukraine will not become members

of the EU in the foreseeable future and in these cases the restrictive external border policies will be maintained.

Nonetheless, development differences may not only serve as a factor inhibiting cooperation; on the contrary, they may well improve its chances. The political-economic changes of the 1990s brought forth totally new conditions of operation with the openness of borders and the possibility of cooperation between border areas. Through their labour demand and export activity, economically more advanced areas were and will still be able to stimulate the labour market of neighbouring regions. This, of course, will not happen if the countries' peripheral and backward regions encounter each another, for there will be a total lack of the necessary development dynamism (the labour market indices of South Transdanubia and East Croatia provide a good example).

All the regions of the Carpathian Basin witnessed an improvement regarding their labour market before the global financial crisis, with rising employment and declining unemployment. Available data indicated that this phenomenon might become a permanent tendency if major shocks did not occur; however, the global economic recession has put this development into question. Since we are talking about sensitive labour markets in highly vulnerable economies, the inversion of the positive processes may occur with the speed of light, and the most up-to-date forecasts seem to hint at this possibility.

The prolongation of the recession poses a great threat to the further integration of the labour market, since several regions will be forced to enter into competition instead of cooperating, even within their national territories. Rising market tensions hardly create favourable conditions for employment in the neighbouring countries, not to mention the general lack of foreign language skills. Potentially accessible jobs on the other side of the border provide no benefit if the available professional knowledge cannot be utilised due to difficulties in communication. Already, there are examples of this unfortunate situation, since it was partially due to this reason that Southern Slovakian industrial parks and other prospering companies were unable to employ Hungarian workforce (the knowledge of Slovakian and/or English is a basic requirement).

The exchange of employees between regions of the Carpathian Basin can be further hindered by emerging political conflicts stemming from the common historical heritage, but the western orientation among the circle of mobile employees is even more characteristic. In most cases, the neighbouring region is not the final migration destination, it serves only as a stepping-stone towards domestic labour markets with higher wages or more likely towards more developed countries of the EU (this tendency is clearly visible in the case of foreign citizens employed in Hungary). The willingness to migrate does not decrease among employees of the Central European countries in question; however, after returning voluntarily or out of necessity to their home countries, chances are less

that Western workers reappear on the given submarket due to the economic recession.

The intensity and direction of workforce migration is not by any means constant, and radical changes might occur as a result of changing macro-economic conditions. The Hungarian–Romanian border illustrates this phenomenon, since in the 1990s, Hungary was the only recipient of occasional mass migration flows, while in our days, due to the dynamically growing Romanian economy and rising wages, employment on the other side of the border – a formerly unthinkable alternative – becomes a realistic possibility for Hungarian rural population living in underdeveloped, enclosed areas (*Balcsók – Koncz,* 2008b).

In Slovakia, the concentration of economic activities in the Bratislava Region does not equal that of Central Hungary, the region has a 25 percent share in the country's GDP. Its leading position is affirmed by the level of wages exceeding the national average by one-third, and labour market relations characterised by excess labour demand. The region's economy is mainly based on industry, particularly on the Volkswagen-centred automotive industry, but also oil refining, organic and non-organic chemical industry production hallmarked by Slovnaft and Istrochem. In addition to Volkswagen and Slovnaft, other large-scale employers are Železničná Spoločnosť Cargo Slovakia (railway transportation), Sociálna Poisťovňa Ústredia (social security), Orange, T-Mobile (telecommunication), DELL (IT) and Coca-Cola.

A wide range of large industrial plants and the proximity of the capital play a significant and positive role in the life of the West Slovakian Region. The predominant role of Nitra – the region's largest city – underlined by the concentration of regional central functions, is further enhanced by the presence of the Volkswagen Elektrické Systémy, the largest subcontractor of the mother company in Bratislava. The second largest city in the region is Trnava, where the French PSA Peugeot Citroen set up the country's second largest car factory half a decade ago. In addition to the automotive sector, the electronic industry hallmarked by the South-Korean SAMSUNG (Galanta) and the Japanese SONY (Trnava and Nitra) are responsible for a large share of regional output. The most important petrochemical complex in the area, The Duslo chemical works in Šaľa produces nitrogenous fertilizers and rubber industry products in addition to natural gas processing. Other significant employers are Danfoss Compressors in Nitra, OSRAM in Nove Zamky, Slovenské Energetické Strojárne in Levice, EUROOBUV in Komarno and SEWS in Topol'čany.

Central Slovakia is a region showing no above–average characteristics. The largest share of industrial output is provided by the traditionally important mechanical engineering, chemical, pharmaceutical and paper industries. The country's largest printing industrial capacity was developed in Martin. The South Korean automotive company KIA set up its single European plant in the region

near Žilina. The tourism potential of the region is great, but the low quality of tourism services and the lack of marketing activity lead to the under-exploitation of this asset. The southern part of the region (the area of Lučenec and Rimavská Sobota) has faced the most severe problems of unemployment in the country for almost a decade.

Eastern Slovakia is the most underdeveloped region in the country. Economic activity is essentially concentrated in Košice. The largest employers are US Steel in Košice, Východoslovenská Energetika, Tepláreň Košice (thermal power station), Yazaki Wiring Technologies, BSH Drivers and Pumps (Michalovce), Gemtex (Kežmarok), and Embraco and Panasonic AVC Networks (Spišská Nová Ves). One of the most successful industrial parks of the country is located in this region, the 300 hectare industrial park in Kechnec, a settlement with a Hungarian population, giving home to 12 foreign companies with 2,000 employees. An important factor of regional competitiveness is the airport of Košice registering 500 thousand passengers per year.

Transcarpathia is the region showing the weakest economic performance among those discussed here, with a GDP per capita below 25 percent of the EU average. However, it is in a relatively good position compared to other Ukrainian regions. According to surveys about the investment attractiveness of Ukrainian regions (regarding the general level of economic development, state of market infrastructure, financial sector, state of human resources, operation of local enterprises and local governments) the most attractive destination after Kiev and Lviv is Transcarpathia. Another positive sign is that according to the complex regional development index, Transcarpathia was among the most dynamic regions of Ukraine in the last few years. Regarding the adequate functioning of the labour market, the situation is much less favourable; Transcarpathia performs well below the average in terms of entrepreneurial activity. The general performance of the economy is illustrated by the fact that industrial workers provide 16 percent of the total employment, and over 50 percent of the GDP. The number of industrial employees fell by 60 percent by the beginning of the 21st century. The areas of Mukacheve and Uzhhorod show signs of depression. The role of Foreign Direct Investment is still modest in our days. The most significant foreign investment in the region, the Škoda and Volkswagen car-assembly factory is located near the Hungarian border in Solomonovo.

The Romanian Northwest Region has an agrarian type economy based on the number and proportion of agricultural workers (the agrarian sector is the major income source for over 50 percent of the population); however, light and heavy industrial branches also play an important role in the nationally significant regional industrial centres (Cluj-Napoca, Oradea, Baia Mare and Satu Mare). Due to its economic structure, the region's GDP per capita remains below the Romanian average, despite the fact that Cluj-Napoca and Oradea are the most dynami-

cally developing cities of the country. These large cities offer a wide range of business services with elements that are otherwise only characteristic of Bucharest. Foreign Direct Investment amounting to 1.7 billion Euro (4.6 percent of the total FDI in Romania) represents a minor or major share in 13 thousand companies, and is the creator of a large number of new jobs (among others in the entrepreneurial zone in Borş, situated directly on the Romanian-Hungarian border, which is a potential destination for Hungarian workforce). This region may be considered the main destination of Hungarian investment activity in Romania: 43 percent is concentrated in Cluj, Bihor and Satu Mare counties. The airport of Cluj-Napoca registered 750 thousand passengers in 2008; the terminal opened in the same year has a capacity to receive 2 million passengers.

In terms of development, the West Region has a high position in the country. The economy benefits well from its traditionally western orientation, its historical and gradually reviving economic-spatial structural connections and the existence of developed and high quality cross-border transportation networks. Various elements of the transportation system (different types of railways and public roads, international airport in Timişoara with 1 million passengers in 2008) made it possible for this area to become a transit region for international trade between the EU and countries outside the EU, and to provide a large scope for action for a diversified economy. Preceded only by Bucharest, this region provides about one-fifth of Romania's export. On the basis of its Foreign Direct Investment stock of 2.0 billion Euro, it has the second largest value in the country.

The Centre Region, referred to as the heart of Transylvania, produces 12 percent of the national GDP, and the proportion of industry and construction industry (40 percent) is relatively high. The sufficiently advanced system of public roads and railway infrastructure, the two airports (Târgu Mureş and Sibiu) and one under construction (Braşov) and the diversified industry were sufficient to attract Foreign Direct Investment of 2.6 billion Euro (7.7 percent of Romania's). The region already benefits from its location at the intersection of key strategic public roads and railways (three European main routes passing through it) but the lack of significant developments has hindered the full exploitation of this benefit. Capital investments are concentrated in the region's traditionally developed areas populated in the past by the Saxons. As a further sign of spatial concentration, 18 out of the region's 30 most prominent companies are located in Braşov and Sibiu counties.

Szekler Land[2] also belongs to this region. Szekler (székely) counties are near the Romanian average in terms of GDP per capita, Mureş is 17th, Covasna 17th

[2] Szekler (Székely) Land refers to the territories inhabited mainly by the Székely, a Hungarian-speaking ethnic group from Eastern Transylvania. They live in the valleys and hills of the Eastern Carpathian Mountains corresponding to the present-day Harghita, Covasna, and parts of Mureş counties in Romania. Originally, the name Szekler Land denoted an autonomous region within

and Harghita 19th among 41 Romanian counties. In his PhD thesis, István Nagy from Miercurea Ciuc determined the three counties' location in the Romanian economic space based on 65 indicators (by rank order calculation) and found that Mureş is 12th, Covasna 18th and Harghita 19th according to the rank order indicators. Regarding temporal dynamics, Mureş is in the 9th, Covasna in the 22nd, and Harghita in the 24th position in ranking of the 42 counties of Romania (*Nagy,* 2009). Forty percent of Hungarian Foreign Direct Investment was directed to Harghita and Covasna counties.

The Autonomous Province of Vojvodina is considered to be a developed territory of Serbia. Income values per capita exceed the national average, as the province generates 30 percent of the national GDP, 33 percent of the national export and contains 27 percent of the country's population. The position of Vojvodina and its developmental potential (based not only on the income situation, but economic structure, the quality of human resources and the institutional system) is by no means worse than that of most backward regions of the Carpathian Basin, including some more underdeveloped regions of Hungary. Disregarding the content, the institutional administrative structure of the autonomous province bears the closest formal resemblance to the decentralised institutional system of most Western European regionalised states.

There are large developmental disparities inside the region. West Bačka is the most developed district of the province. The level of GDP per capita is 2.5 times as high as the provincial average in the area of Apatin, whereas it is only one–third the amount in the small region of Sremski Karlocki (near Novi Sad). GDP values in surroundings of larger cities are 1.5 times or twice as high as the provincial average. The value of the complex development index in North Bačka and North Banat, areas with a large Hungarian population, is twice as high as the provincial average. Industry accounts for 33 percent of the total employment, and agriculture for 10 percent. Vojvodina's food industry is the largest supplier of the Serbian market, 50–80 percent of a wide range of products are manufactured in the province.

Transylvania. It existed as a legal entity from medieval times until the Austro–Hungarian Compromise of 1867, when its role was replaced by the county system. Along with Transylvania, it became part of Romania in 1920, returned to Hungary in 1940 and was again attached to Romania in 1945. The area was an autonomous region within Romania between 1952–1968, and today there are Székely autonomy initiatives to reach a higher level of self-governance for Szekler Land within Romania.

2.4 Declining areas

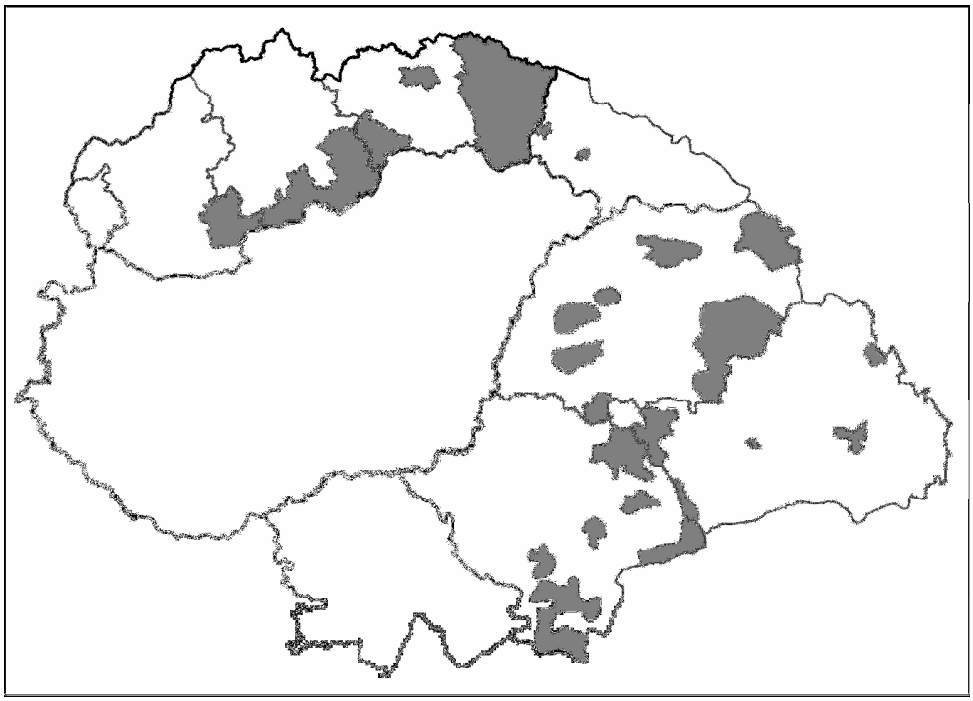
A considerable part of the industry established in the socialist era disappeared due to the economic crisis that preceded systematic change and the privatisation and restructuring process that followed. The demand for low-quality products involving high production costs has considerably diminished in Eastern Europe and also on domestic markets. The decrease in production capacities led to the downsizing of the majority of the workforce. The unemployment rate increased drastically, the income level of the population was reduced and territorial–local conflicts multiplied. The situation is aggravated in regions where one single company was the main employer. The liquidation of the dominant company resulted in the disappearance of a range of services for the population.

The largest group of depressed areas is constituted of the heavy industrial, mainly mining and metallurgical regions. Mining used to employ 450,000 workers in the 1970s in the Carpathian Basin, and by 2006, the number of jobs in this branch fell by one–fourth, i.e. to 114,000 (Visions and strategies, 2008). These areas struggle with severe structural problems: transportation, communication and public services infrastructure are underdeveloped, agricultural areas polluted and of low quality. Therefore, these regions have a low capacity to attract capital. In several cases we can find ore processing plants and metallurgical centres in the proximity of mining sites.

There is a great number of depressed areas in Eastern Slovakia and in Transylvania (*Figure 3*). A large Hungarian population lives in the backward regions of Southern and Eastern Slovakia. The most lagging townships contain 33 percent of Slovakia's Hungarian population. A whole range of areas in South Transylvania (Hunedoara, Reşiţa, Oraviţa, Oţelu Roşu, Cugir and Făgăraş) belong to the group of declining industrial areas. For instance, the number of mining workers diminished from 45 thousand to 18 thousand in the Petrosani Basin with a population of 160 thousand. The most vulnerable areas in North-western Transylvania are those towns where the local economy is based on non-ferrous ore processing, the regions of Zlatna and Copşa Mică is classified as environmental disaster zones. Only two settlements are categorised as depressed areas in Szekler Land: Bălan in Harghita county and Baraolt in Covasna county. In both towns, the difficulties of transformation are linked to the decline of mining industry. The population of the depressed areas of Transylvania – as a result of the inward migration occurring simultaneously with forced industrialisation – is predominantly Romanian.

Figure 3

Problem regions in the Carpathian Basin



Source: Based on Benedek, 2004, 2008; Lelkes, 2008.

2.5 Successful regions

In the market economy, companies, settlements and regions compete with each other to obtain development resources, institutions, infrastructure and human resources in order to create an increasingly favourable entrepreneurial environment which facilitates social and economic revival of their area. We can find successful areas in every region of the Carpathian Basin.

According to a survey of the Entrepreneur Association of Slovakia (2004), among Slovakian–Hungarian border districts, the district of Dunajská Streda offers the most favourable entrepreneurial environment. The district predominantly inhabited by ethnic Hungarian population (over 83 percent), occupies the prominent 13th position in the list of the country's 79 districts. The district outranks the country's several other outstanding territories (Košice and Banská Bystrica among others).

The once agrarian district has undergone an exemplary process of renewal in the last two decades, becoming an industrial, commercial, logistic and touristic center and an active region at the growth axis between Vienna, Bratislava and Győr (*Gajdoš,* 2004). The district's centre (populated by 25,000 inhabitants, and 50,000 with the surrounding agglomeration) exploited its developmental opportunities to an outstanding degree at the time of the change of the regime. The development of Dunajská Streda has been constant for over half a century, transforming the town into one of the most attractive social and economic centres of South Slovakia. Two other settlements with city status, Šamorín (12,500 inhabitants) and Veľký Meder (9,000 inhabitants) which were successful in their transition to market economy, contribute to the outstanding competitive position of the district.

The public opinion on Szekler Land associates the region with an extreme respect for tradition and conservatism constituting an insurmountable obstacle to modernisation. Nevertheless, the last hundred years witnessed the birth of several remarkable innovative initiatives and attempts which deserved attention not only in Transylvania, but also in Hungary and Europe.

The need for structural renewal and definite intervention was articulated at the Székely Congress of 1902 and during the subsequent attempts of economic development to fight against the general state of backwardness and peripheral belated development prevailing through the centuries. No such comprehensive development strategies were articulated in other areas of the country in the beginning of the last century. The Székely Congress – which integrated the development endeavours of territorial stakeholders into a unified system in an exemplary manner – is duly considered to be an important element of the tradition of Hungarian spatial development. The storms of history eliminated the possibility of the propositions being followed by actual forms of governmental and local action, yet regional development experts may find the minutes of the congress an important reading of interesting and thought provoking methodology even in our days (Székely Kongresszus… 2001).

Among recent innovations, the Miercurea Ciuc and Târgu-Mureş faculties of Sapientia Hungarian University in Transylvania are worth noting. Intellectuals of Szekler Land recognised that the use of knowledge acquired in the region was more profitable in the development of local economies. The Szekler university was not established – and we are right to investigate for what reasons – yet higher education endeavours originate from the modern idea that development of the knowledge–based society will be inevitable in the future. Intellectual achievements are perceived in the economy, too. Modern industrial clusters (printing and confection industry clusters) are emerging at several points of the region, regional development strategies with scientific pretensions are being formulated, social

forums of community planning are being set up and the urban planning concept of Odorheiu Secuiesc meets European standards.

Hopefully these factors of the Szekler paradigm shift – that may heavily rely on past experiences in history – will continue to gain strength, transforming the region of Szekler Land into a key driver of modernisation of the Romanian economic space. All this will not be fed by nostalgic sentiments, but forced by the demand to create European-level living standards. The optimal harmonisation of this triple linkage – which serves as an important driving force in several European regions – requires special managing structures. This summarises the basic essence of the concept of autonomy.

2.6 A weak urban system

The Carpathian Basin belongs to the less urbanised territories of Europe. There are 59 large and medium-sized towns with a population above 50 thousand in the Carpathian Basin, out of which 21 belong to Hungary, 17 to Romania, 11 to Slovakia, 3 to Croatia, and 2 to Ukraine. Population in the capitals of NUTS2 regions exceeds 50 thousand, even 100 thousand in almost all cases. Central Slovakia, despite its relatively dense urban system, lacks a dominant large city which could serve as a leading development pole (*Figure 4*).

The four NUTS2 regions of Slovakia have 138 towns which concentrate over 56 percent of the population. Only Bratislava (425 thousand inhabitants) and Košice (235 thousand inhabitants) are counted among large cities according to European standards. There are only 9 cities with a population ranging from 50 to 100 thousand. The level of urbanisation in Southern Slovakia is below the national average.

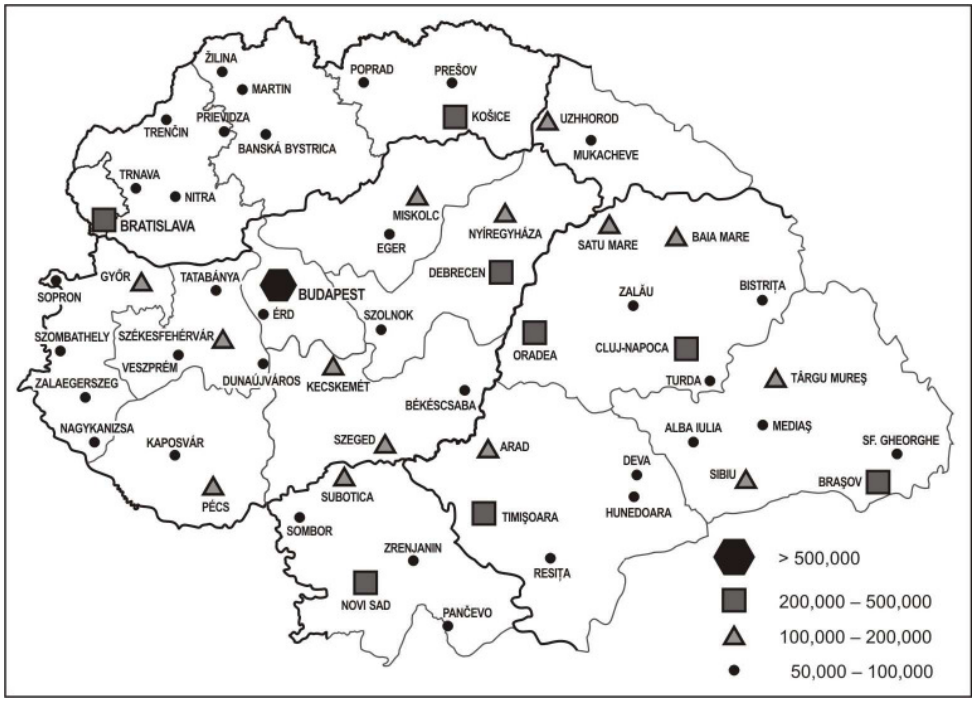
Transcarpathia has only 11 settlements with city status. The characteristic feature of its settlement system is that among the mid–level territorial units of Ukraine, this region has the lowest proportion of urban inhabitants (37.0 percent in contrast with the national average of 67.5 percent).

Thanks to historical traditions, the Central Region has the densest urban network (57 cities) among Romanian regions; a well–structured urban system was developed in the Saxon populated areas several hundred years ago. The urbanisation level in the 6 counties of the North-west Region is 53.1 percent. Apart from Cluj-Napoca and Oradea, the region has only two cities with a population exceeding 100 thousand, Baia Mare (141 thousand) and Satu Mare (115 thousand). A further 9 cities have a population above 20,000, and 29 settlements with city status have smaller populations. The spatial distribution of small cities is quite uneven, 13 are located in Maramureş, 10 in Bihor, while the rest of the counties have only 4–6 towns. The proportion of urban population in

the West Region is higher than the national average (64 percent), whereas rural areas are extremely sparsely populated.

Figure 4

Towns with a population over 50 thousand in the Carpathian Basin



Source: Balcsók – Koncz, 2008.

In terms of size, the spatial distribution of the 52 cities of AP of Vojvodina is quite even, the largest city (Novi Sad – 191 thousand) is followed by 4 medium-sized towns on the provincial scale (Subotica – 100 thousand, Zrenjanin – 80 thousand, Pančevo – 77 thousand and Sombor – 51 thousand inhabitants). Despite the strikingly large number of small cities in some areas, Vojvodina has no urban settlements with a population below 1,000 inhabitants. The proportion of urban population (56.7 percent) is higher in Vojvodina than in other regions of Serbia, although it is still lagging behind the European average.

Apart from Budapest, two large cities with a population above 1.5 million inhabitants, situated outside the borders of the Carpathian Basin exert a significant influence on the development of the region's urban network. Vienna is situated at the western and Belgrade at the southern gate of the region, with the

former being the more influential player on the basis of its position and level of development. Two other capitals, Zagreb and Bratislava lie on the border of the Carpathian Basin, and despite its 50 percent smaller population size, the latter is regionally more significant in terms of geographical position and relation to Slovakia. Dominant regional centres whose population generally exceeds 200 thousand form the second level of the urban hierarchy. These are in most cases situated in the eastern part of the Basin, while the majority of towns with a population between 100 and 200 thousand inhabitants are located in Hungary and Romania.

The cities of each country fulfil altering roles and realise quite different objectives of spatial and settlement network development according to their region's position in the Carpathian Basin. The whole area of Hungary and Slovakia is situated within the Carpathian Basin, and while less urbanised parts of Austria and Ukraine lie on its territory, South Transylvanian cities of Romania have the deepest historical roots and this region is characterised by the densest urban system in the country (*Hardi – Hajdú – Mezei,* 2009).

The spatial distribution of large and middle–sized towns is not even, although their scarcity is obvious in mountainous regions in particular. Strong county capitals can seldom be found in the proximity of dominant regional centres, although when they are, their existence proves to be fairly advantageous in the designation of potential developmental axes (such as Košice–Prešov, Uzhhorod–Mukacheve, Timişoara–Arad).

2.7 Weak R&D capacities

The change of the regime had a controversial effect on the state of scientific research in the neighbouring countries. On one hand, political and legal frameworks were set up guaranteeing scientific liberty, but on the other hand, R&D capacities decreased from one-half to one-third of their former level, and the number of R&D staff also diminished considerably. At present, only 0.2 to 0.6 per cent of the GNP in neighbouring countries is allocated to R&D purposes (the 1.6 percent rate of Slovenia is the highest in Central and Eastern Europe). These low rates are further compounded by the presence of significant regional disparities in each of the countries. In counties and regions with Hungarian populated areas, the value of this index is considerably lower than the national average (e.g. in Covasna and Harghita on the territory of Szekler Land, the estimated R&D expenditure values fall within the statistical error ranges).

The legislation creating scientific liberty in the area of ethnic Hungarian research has proved to be a dynamic force. Formerly latent scientific forces were mobilised, and have taken institutional form. Results of the Hungarian world of science were shortly presented in publications, scientific workshops and

independent journals and professional forums. These remarkable results were attributed to the ambitions of leading scientists and the young generation of researchers. Still, the level of R&D expenditure remained quite low. Even though it is possible to achieve results with a lower expenditure in the development of a qualified scientific experts group and in individual scientific progress, this will hardly generate progressive and development energies for the Hungarian communities.

The institutionalisation of Hungarian science witnessed extensive development at the stage of formation. Research teams and workshops were formed at several spots of the Carpathian Basin which were organised keeping in view the national legal systems for optimal financial resourcing. The common feature of the research institutions of different size and nature is that they are primarily financed by Hungarian funds and research programmes. The research units operate in isolation, have short-term plans, the continuous implementation of their programmes and the income of their research staff depend almost entirely on quite often unpredictable, arbitrary and non-transparent decisions of Hungarian foundation boards of trustees. The lack of resources for basic operation and the dependence on external financing hinders the conscious and long-term planning and organic development process. The need for external financial resources due to inadequate financing does not promote cooperation among research units and the implementation of large-scale, multi-annual research programmes and the application of up-to-date instruments of modern science organisation. The involuntary dependence on minimal financing of basic activities, the organisational size below the level of scale economies cannot promote international cooperation; moreover, it inhibits the articulation of ambitious research programmes.

Effective cooperation is further hindered by the specific case that research teams operating in public institutions beyond the borders can be supported from Hungarian sources only to a very limited extent. Even the most efficient research units are unable to exploit their competitive advantage for the benefit of Hungarian communities.

3 New tendencies in regional development

3.1 EU–compatible territorial policy

Three factors hindered the elaboration and continuous implementation of long–term strategies to reduce regional development problems in the Carpathian Basin's post socialist countries in the first phase of the transition lasting until the middle of the 1990s: the limited support of an independent regional policy at the

government level, the underdevelopment of institutions of regional development and the unresolved situation of territorial administration. At that time, among the respective countries, only Hungary and Slovenia elaborated governmental regional development programmes. The establishment of regional development institutions began during the second half of the 1990s, partially due to the grave consequences of the continuously deepening territorial crisis in the four countries that applied for EU membership, and also due to pressure from the EU. The first country where paradigm change took place was Hungary. The 1998 Report of the European Commission declared that Hungary appeared to be the best prepared in terms of regional policy.

After Hungary, Romania was the second to prepare a plan about the elaboration of objectives, tools and institutions of regional development. The Green Paper elaborated within the PHARE framework highlighted the problems of spatial development, analysed the situation of the country's spatial structure and made suggestions about the construction of the Romanian model of spatial development (Green Paper, 1997). The document summarised the most urgent tasks of Romanian spatial development policy in nine articles ranging on a wide scale from the establishment of basic institutions of spatial development, the introduction of regional programming, to the organisation of the training of regional development professionals. These proposals are quite self-evident and reasonable in developed market economies and civil democracies with articulated institutional systems, yet in case of the Romanian democracy based on new principles while conserving the old structures, obstacles to realisation are considerable.

Due to pressure from the EU, spatial development policy plays an important role among the reform initiatives of Romanian governments. The Act on spatial development (1998) defined the role of regional development as follows: „…to diminish existing regional disparities through promoting balanced development, reducing the backwardness of less favoured areas due to historical, geographical, social and political conditions, and preventing the development of new inequalities" (Green Paper, p. 3.).

The Soviet type of councils in transition countries were replaced by local governments based on the European model. Local governments became the main stakeholders in the new distribution of power. Due to democratic euphoria and the dislike towards former territorial administrative organisations, territorial meso levels in Romania gained only limited functions. The elected county councils remained, but a system of prefecture with large competencies was organised. Regions were abolished in Slovakia and public authorities were established in the districts, and public administration offices also operate in the newly formed districts of Serbia. The four–level Soviet administration remained in Ukraine, while in areas over the Carpathians and its districts, elected councils and presidential delegates operate.

The revaluation of spatial development had a binding influence on the disintegrated public administration, too. The territorial administration reforms in the mid 1990s led to the setting up of larger territorial units. Eight counties were created in Slovakia and twenty in Croatia.

The objectives and the institutional system of an EU–compatible spatial development, the preparation of planning and structural policy decisions require larger territorial units in the new EU member states. The economic potential and the size of the 42 Romanian, the 19 Hungarian and 8 Slovakian territorial–administrative units are too modest to provide an opportunity for territorial organisations to articulate and implement comprehensive and complex spatial development objectives. Consequently, counties of different socio–economic structure were organised into development regions. In principle, the size of development regions allows the effective utilisation of resources and the elaboration and realisation of regional development strategies. Regions are also the basic units of statistical data collection and processing.

The delimitation of development regions and the selection of their capitals are the most debated questions of the institutional system of spatial development in each country. Several concepts were articulated in Romania about the delimitation of regions and finally the 8 region version following the historical borders of Transylvania, also respecting the existing county based delimitation became the basis of regulation. The internal structure of the Transylvanian regions may give rise to new disputes. The Centre Region in Romania provides an unfavourable structural framework for the three Szekler counties, and the decision to put the headquarters of the regional development organisation to Alba Iulia further aggravated this situation. Due to historical traditions and urban network features, the conditions are more favourable for the organisation of regions in Romania in certain aspects, for the following reasons:

- 17 provinces constituted the territorial meso level between 1953 and 1965, the administrative structure of the country changed several times in the 20th century, and, contrary to Hungary, territorial administration is not rooted in century-long traditions. Despite the multiple-decade forced homogenisation, the country's historical regions (Oltenia, Muntenia, Moldova, Transylvania, Banat etc.) still reveal traces of regional identity upon which a conscious regional policy can be based;
- Romania's network of large cities offers relatively favourable conditions for decentralised spatial development. Cluj-Napoca, Oradea, Timişoara, Arad, Braşov, Sibiu, Târgu-Mureş, Craiova, Conştanța, Galați, Iaşi, Ploeşti, Piteşti can be considered as real growth centres both in terms of population and multifunctional profile. Large cities have strong intellectual and cultural functions, at several locations there are R&D capacities with 2 to 5 thousand employees and universities with 10 to 30 thousand enrolled students.

Difficulties should be considered like factors preventing the diffusion of the efficient institutional model of the regional policy of the European Union and its organisational forms encouraging autonomous decision–making in unitary states with a homogenous nation–state ideology. Attempts in Szekler Land to elaborate the bottom-up, integrative regional development model were received with aversion by the local and central Romanian political elite and administration. Regional development scientific forums in Szekler Land are regularly followed by sharp counter-opinions. The circles of opposition tend to forget that conclusions of the research laying down the foundation of new regional policy and the scientific debates serving for the evaluation of results do not point towards the institutionalisation of disintegration; on the contrary, an attempt is being made to elaborate the organisational forms and models boosting economic performance and regional competitiveness.

Extreme Slovak nationalism has left its mark on the institutional system of Slovakian regional development. After gaining independence in 1993, the majority of development policy decisions, the delimitation of territorial units on NUTS2 and NUTS3 levels, the regulation of local government competences and spatial development measures (without considering the institutionalization of decentralization which was a requirement of the EU) had ethnic reasons (namely the breaking up of Hungarian ethnic territory in north–south direction, the negative discrimination of areas with a Hungarian population in development policy). The approach of spatial development questions on an ethnical basis (dating back to 1918) weakens cohesion, and is a cause of large socio-economic disparities among the country's macroregions.

3.2 Cross-border territorial cooperation

Overall, systematic change has created favourable conditions for regional cooperation in the Carpathian Basin, even if weaknesses and previous conflicts, fears and suspicions were brought to the surface at the same time. The EU's Interreg CBC programmes played a primary role in the formation of the new approach. A number of areas on two sides of Central and Eastern European state borders are underdeveloped, the Slovakian, Ukrainian and Romanian border areas adjacent to Northeast Hungary are among the least developed territories of the new European Community (*Baranyi,* 2004). Romanian and Serbian regions along our south–eastern and southern borders show a slightly better performance. The performance of the two adjoining Croatian macroregions is below the average national GDP, just as Burgenland is qualified as the most underdeveloped province of Austria.

The currently disadvantageous cross-border situation, the predominance of rural areas, the chronic lack of capital, the acute employment crisis urge the development of marginal areas and their settlements. The dissolution of the rigid dividing role of state borders and their gradual spiritualisation is a basic national interest for transition countries.

The institutional background of cross-border structures has been implemented on each Hungarian frontier area; since the ratification of the Madrid Agreement in 1993, a real cooperation and foundation wave has swept through the country's borders. The eventuality of the large number of newly formed organisations and co-operations is accompanied by several problems which hinder their efficient functioning. The extremely wide range of organisational structures and stakeholders, the overly generous and generalised definition of tasks and the related modest sources of financing pose such problems. The institutionalisation of linkages reached its peak in Central and Eastern Europe in the formation of the euro-regional organisations, which, despite their name, do not share borders with the EU.

Hungarian counties are currently involved in 16 organisations of cross-border interregional cooperation. The organisations of cooperation alter in their formal framework and content, their motives are varied, yet a common feature is that these organisations have the potential to broaden the market spaces of all cooperating regions, may raise economies of scale and promote the market expansion of companies. At present, however, only weak signs indicate the presence of this opportunity. Member states allocate only modest resources to the development of cross-border economic cooperation. Neither the support system for economic planning and economic development, nor the corporate strategies are able to transform cross-border relationships into forces of integration yet.

The new institutionalised border regions rarely overlap real functional frontier areas. Even though positive examples can be found (e.g. the Košice–Miskolc Euroregion); since the creation of the euroregions which initially encompassed huge areas (Carpathian Euroregion, Danube–Kriş–Mureş–Tisza Euroregion), it has become more customary that co-operations along the eastern frontiers are formed on ever smaller areas respecting real spatial relationships (Interregion, Bihar–Bihor Euroregion). The underlying reason for these basically positive processes is that microregions and settlements on both sides of the frontier became aware of the opportunities created by their common interests, especially those in the natural geographical, spatial structural and ethnic interdependence of territories divided by frontiers after the Treaty of Trianon, while evading the still significant nation-state obstacles and focusing on the advantages of local cooperation (*Baranyi,* 2003, 2007; *Hardi,* 2008).

3.3 Development plans for the period between 2007–2013

With the elaboration of national development plans of EU member states for the periods between 2004–2006 and 2007–2013, a new era began in determining development directions of the Carpathian Basin's regions. National development plans were made using the EU planning methodology.

The number and nomination of operational programmes of the national development plans vary from country to country. National programmes are divided into five large groups of activities in harmony with EU requirements. The Economic Competitiveness OP covers the development of small and medium–sized enterprises, the support of research & development and investments in technology. The Environmental Protection and Infrastructure OP focuses on the development of a healthy domestic environment through the creation of environmental infrastructure, the improvement of environmental safety and aims to develop transport infrastructure. The objectives of the Human Resources Development OP are to raise the standard of training and education, to improve the competitiveness of the workforce and to promote social inclusion. The Agricultural and Rural Development OP focuses on the modernisation and increased efficiency of agricultural production on one hand, partially through the development of production technologies and food processing; and on the other hand, on the development of rural areas, the creation of alternative income opportunities for the population. Regional OPs cover developments under the responsibility of development regions.

A negative phenomenon is that the process of accession to the European Union has had a centralising effect on all new member states. National development plans reflected a top-down approach, the central government had an almost exclusive role in the elaboration of programmes, the development regions – not being administrative units – could only partially enforce their interests and development ideas, their role was mostly limited to the collection of projects. National development plans denominate mostly sectoral development tasks. Regional operational programmes were not based on the development ideas of regions; instead, tasks omitted from sectoral operational programmes were regarded as of regional significance. A sign of the undervaluation of the regions is that the rate of development resources allocated to regional operational programmes does not reach 25 percent of the development resources in any country (*Table 2*).

EU-financed developments will be mainly infrastructure-related (roads, sewage system construction, etc.) and in environmental protection (48 percent of the expenditure in Romania, 45 percent in Slovakia), which can temporarily improve the conditions for local entrepreneurs involved in these construction works and develop the local environment, improve the accessibility and living standards, but they do not provide adequate resources for sustainable growth. Romanian

development policy allocates much fewer resources to the development of a competitive economy and to regional programmes than required. Therefore, other methods should be used for the reinforcement of economic bases. The methods and techniques of the market-based development of the economy (which means the production of internationally marketable products and services) can and must be mastered. This is necessary, because fundamental changes are expected in the support policy of the EU from 2014 onwards. We must be prepared for this. Hungarian communities ought to be involved in this preparation work. It is still a false conception, even in Hungary, that the creation of a competitive society can be based on EU support. However, healthy communities do not require the socio-political control of society.

Table 2

EU support for operational programmes, 2007–2013

	Hungary		Romania		Slovakia	
	Million Euro	%	Million Euro	%	Million Euro	%
Competitive economy	2,810	11.3	2,724	14.2	2,975	26.4
Environment and infrastructure	10,905	43.8	9,286	48.3	5,007	44.5
Human resources development	5,430	21.8	3,476	18.1	1,750	15.5
Regional development	5,771	23.1	3,726	19.4	1,532	13.6
Total	24,916	100.0	19,212	100.0	11,264	100.0

Source: Eligible areas under the Convergence Objective and the Regional Competitiveness and Employment Objective. http://ec.europa.eu/regional_policy/atlas2007 [2009. 04.19.]

The result of the strong dependence on the central government is that local and regional synergies are neglected. The experiences of concluded or still effective national development plans indicate that the mechanism of centralised decision-making does not support the reduction of spatial disparities but their increase. Regional financial resources are not capable of investments in cross-border cooperation since they are primarily allocated to tasks related to settlement regeneration, education, culture and tourism development. While Interreg programmes extend the frameworks of cooperation between areas overlapping national borders, they are less capable for establishing long-term economic relations. The results of an international research project conducted in the Hungarian-Romanian frontier area warns that the efficiency of centrally controlled programmes for the development of peripheries is low, offices of central administration located in frontier areas are insensitive to local specificities, the bureaucratic nature of the organisation disables cooperation among the actors of spatial development policies (*Koncz,* 2006).

4 Tasks for strengthening territorial cohesion

The group of countries (excluding Ukraine) with 54 million inhabitants, constituting or overlapping the Carpathian Basin is characterised by large disparities in their territorial structure of demographic potential and settlement network. The population distribution in Romania and Slovakia is relatively balanced, and they have a deconcentrated settlement structure. There are several densely populated areas in the settlement network of Romania, regional centres with a significant population and economic potential grew up outside the capital. The capitals in the majority of the eight countries of the Carpathian Basin – while being dominant economic, political decision-making centres and the most developed territorial units of their countries at the same time – are located in this large natural area or in its proximity. This geopolitical position may have an advantageous effect on the integration of the region, since the modernisation of the urban agglomerations of capitals forms the basis for integration into European economic space. Due to the proximity to state frontiers, economies of scale cannot be achieved without taking into account the interests of the neighbouring countries. In the case of Bucharest and Kiev, which are far from the Carpathian Basin, it is not their agglomeration but their national strategic interests that require strengthening spatial relations. In order to access EU markets, these two countries have to use the transportation networks of the Carpathian Basin.

The future of certain elements of the fragmented Hungarian nation is shaped primarily by national development strategies. Only slow and less forceful corrections are brought about by the support policy of Hungarian governments. The logical system of Hungarian development concepts did not incorporate potential effects of cross-border cooperation between several regions. Activities promoting the economic and cultural development of ethnic Hungarian territories do not form a unified system; they disregard the regional distribution of labour but seem to remain isolated initiatives independent of the development of the Hungarian economy. In the absence of organically linked elements, the consequences are incidental, the efficiency of intervention is low, there are no synergic effects, and the chances of sustainable development are limited. As an example, the absence of coordination can be mentioned among economic development initiatives of the Hungarian-populated areas and Hungarian higher education and research.

The notion of a national strategy in our days is primarily present in political documents, keeping in view the requirements to preserve the autonomy of ethnic Hungarian territories and to keep the Hungarian population in their homeland. The obvious and understandable basis of this idea is that the Hungarian population is decreasing, demographic indices deteriorate, while according to Hungarian labour-market prognoses, economic development cannot be implemented without the settlement of a significant number of workers. A strategic answer has to be

given to this significant question, too, keeping in mind that the flow of Hungarian working capital into foreign countries can create additional workforce for the Hungarian economy in other regions. The content of the term used in political discourse is not elaborated, it has no exact definition, its content is not clarified, its elements and their interrelations are not clear.

Besides more or less positive experiences of integration in modern European history, the following arguments support the creation of the Carpathian Basin macro-region:

- Cohesion problems of this area with a population of nearly 25 million show similarities (poor accessibility, outdated economic structure, capital city-based regions of modernisation), common objectives may facilitate the definition of modern European development directions and the financing of the implementation of programmes;
- The efficiency of uniform environmental protection across the Carpathian Basin and of common flood prevention programmes can be improved;
- Economies of scale requirements of modern driving forces of spatial development (high-level business services, R&D) are easier to meet, elements of the economic competitive strength can be more favourably developed;
- The organisation of regional capitals (large and middle-sized cities) into co-operation networks may contribute to the implementation of polycentric development set by the EU and to validate the strategic requirement of a polycentric regional development;
- New cross-border cooperation objectives can be defined, the optimal utilisation of local labour markets and service networks can be strengthened through cooperative linkages between neighbouring territories;
- The territory – due to its ethnic structure unique in Europe – may become the experimental field for the democratic exercise of power and regional autonomies. The institute of trans-national macroregions may serve to eliminate the national obstacles of transition to a decentralised and regionalised political system.

The EU accession of Hungary and the two neighbouring countries with the largest Hungarian populations has created favourable conditions for long-term strategy making. EU structural policy relies on farseeing trans-regional (cross-border and interconnected) territorial strategies. The EU is currently preparing plans for eight macroregions. From the viewpoint of regional policy, the following topics are relevant regarding planning partnership in the Carpathian Basin:

1. The reduction of development disparities between cross-border areas, cross-border infrastructure development and labour market cooperation.

Contrary to the present practice, special attention must be paid to the development of cooperation among large cities in the proximity of frontiers (Miskolc, Nyíregyháza, Debrecen, Szeged, Békéscsaba, Pécs, Győr, Košice, Satu Mare, Oradea, Arad, Timişoara, Novi Sad, Subotica, Osijek). A weakness of this territory is the low performance of business services, its development, however, as the core of a knowledge-based economy, can only be imagined in metropolitan spaces. The quantity and quality of available information has always influenced the intensity of collaboration between labour markets significantly. While neighbouring regions on the Austro–Hungarian frontier have mutually presented their job offers through existing institutional collaboration for several decades, the necessary information about conditions of employment is still lacking on the eastern and southern borders. There is a huge potential reserve in constantly enhancing and upgrading the knowledge base of employees and employers, the exploitation of which may contribute to diminishing the chronic lack of workforce, and simultaneously reduce unemployment.

2. Neighbourhood partnership is a new priority of the EU's support policy for the period 2007–2013. The elaboration and harmonisation of development programmes for frontier regions and the execution of common tasks is unthinkable without taking an institutional form. The present practice of programme coordination of decentralised central government offices is inefficient. These tasks are executed by common bodies in Western European border regions. The functional model, organisational structure and operational order of common bodies for regional development (transnational regional development councils) is to be elaborated.
3. Large cities in the proximity of frontiers (Miskolc, Košice, Debrecen, Nyíregyháza, Oradea, Satu Mare, Uzhhorod, Arad, Timişoara, Szeged, Subotica, Novi Sad, Pécs,) are or can be developed into dominant national knowledge centres. A severe problem in the neighbouring five countries is that their research potential does not attain the competitive size of organisations in the European knowledge market. The establishment of common research centres contributes to strengthening industrial linkages between research in natural sciences and engineering, promotes product development, the spread of knowledge-intensive small and medium-sized companies, and serves to raise the export potential of regions. The elaboration of the concept on the establishment of technological centres is advisable. The development strategy ought to rely on the specialisation in research and development of a limited number of internationally marketable products and services.
4. A similar opportunity of collaboration is offered by the development of the existing or planned regional airports in the proximity of frontiers. Air

transport can significantly improve the accessibility of these territories. Currently, several Romanian large cities maintain third-category regional airports, whereas in Hungary, only the Debrecen airport has the potential of moving into a higher category. In order to attain this higher ranking, its agglomeration must be extended to the Romanian Bihor and Satu Mare counties with a population of approximately one million. The market range of the international airport of Timişoara could comprise the southeast Hungarian counties, and that of Košice could extend to eastern parts of the North Hungarian region. An efficient distribution of labour has to be achieved between the airports of Pécs and Osijek.

5. Regional development professionals of new member states are still quite few in number and they are lacking adequate qualifications. There will be a considerable growth in the size of regional development programmes in the new planning period, and in the meantime, their execution will become more complicated. A considerably larger number of regional policy experts will be required not only to organise the implementation of the programmes, but to monitor the anticipated consequences of the new European regional policy paradigm in the Central and Eastern European area struggling with specific problems. There is a need for training and postgraduate training centres which continuously organise the transfer of professional knowledge. The establishment of three major centres seems reasonable: the University of Debrecen (in collaboration with the University of Oradea, Babeş–Bolyai University and the Uzhhorod State University), the other in Pécs (cooperating with the universities of Osijek and Novi Sad) and the third in Győr (cooperating with universities and research institutes of Bratislava and the Selye János University of Komarno). As the leading institute of university training in regional policy and economics, the HAS Centre for Regional Studies could play an active role in the operation of these centres. CRS already operates cross-border documentation centres in Békéscsaba and Győr. The training programme of 50 regional experts could be organised with one and two semester courses.
6. The modernisation of the fifteen year old cross-border institutionalised Hungarian science is advisable. The essence of paradigm change is to articulate well defined objectives and instruments to implement further development, to determine relatively significant scientific capacities, to select leading institutions and to establish coordination forums.
   The following objectives must be considered in the operation of Hungarian scientific workshops in the neighbouring countries:

a) Enhancing general Hungarian scientific capacities and results in order to strengthen the international position of Hungarian science;
b) Developing the national identity of Hungarian communities and establishing a solid basis for their modernisation programmes;
c) Taking into account the objectives of the dominant national science in order to expand resources of financing on one hand, and promoting cooperation in the European and bilateral research on the other hand;
d) Setting up scientific basis for Hungarian higher education training programmes, cooperation in doctoral programmes;
e) Adopting and developing new scientific branches.

7. The activity of cross-border Hungarian organisations may significantly contribute to strengthening the economy in the Carpathian Basin, to the revival of cross-border economic relations (nevertheless, significant regional disparities can be detected in the rate of development along the same frontier, due to the diverse sectoral structures and market relations in the regions). Hungarian–Hungarian economic cooperation networks support primarily the activity of small and medium-sized companies through organising business meetings, providing information services, and organising exhibitions and conferences. The conscious and deliberate development of co-operations results not only in increased trade flow but in common investments and the establishment of clusters in the long run.

The new European macro-region could also provide a framework for planning cooperation. It is possible to project the economic and spatial development impacts of the planned cooperative linkages, to estimate cohesion consequences and to call the designed programmes into action. National regional scientific workshops in each country could play a significant role in the implementation of this task. These research, planning and development programmes are also eligible for EU funding.

During the preparation for the next programming period of the EU starting from 2014, Hungarian development policy must take strongly marked positions in determining the scope and content of measures in favour of strengthening economic cohesion in the Carpathian Basin, and this must also be revealed in different forms of Hungarian support policy. The application of this new philosophy is a much more complex task, it produces less spectacular but more efficient results.

The objective of organised handling of cross–border affairs is to continuously maintain and develop national identity. The development of economic relations

must be organised by using highly sophisticated methods, countless formal and informal methods of the institution of partnership. In the future, the capital expansion in the Hungarian economy must be more intensive, possible directions for capital export may also include the cross-border Hungarian populated areas. Economic rationality suggests that these areas must also prepare for the entry of the Hungarian capital. At the same time, Hungarian economic policy must be aware of the fact that in the support policy of capital export, investments undertaken in cross-border Hungarian populated areas require special regulations. In their case, more factors need to be weighed in order to produce rational decisions.

The development speed of the real economy, the quality of the structure of the economy and its income producing capacity – and this is a lesson to be learnt from the causes of the economic crisis – will be increasingly determined by the spatial cooperation and the quality of partnership between the state, the local governments, and the business stakeholders in the future. Partnership needs to be organised and managed. These functions are successfully practiced by regions in several European countries. The institutionalisation of the formal regionalisation of the Carpathian Basin could lead to the economic boost of the area, while indirectly promoting the development of territorial autonomies. This is why Hungary ought to be a positive example in the formation of its regions.

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