

EUROPEAN REGIONAL POLICY AND THE EAST-CENTRAL EUROPEAN ENLARGEMENT

Gyula Horváth

I.

Regions and towns react differently to the impacts of Globalisation processes and depending on their features and applied strategies will end up as winners or losers. Trying to avoid negative impacts local and regional authorities introduce a number of measures to protect their interests. At the same time, the applied strategies strengthen the segregation at the expense of amalgamation. The vital regional cultural movements serve for instance this aim as well as the ethnic organisations acting almost all around the world with growing success. Yet, it remains questionable, whether a regional strategy favouring identity is appropriate to protect the national or even international position of a given region, whether it represents an adequate development force in terms of the improvement of the region's productivity. The answer is obviously dependent on the location of the region, frankly, which region within what macro-region of the world we talk about. The fordist types of industrial centres, rural regional centres or global metropolis have of course different features in terms of the traditionally interpreted reactivity. Yet, the quality of the classical productive factors is only one of the preconditions of adaptation. The second, new adaptation criterion – deriving from the functioning mechanisms of networking economy – is the type, character of the relationships between the organisations and institutions of the region or the town, the possibility of the institutionalisation of common targets, local incentives, the preparation of local decisions and the social concerns. This group of new competitive factors implies, that the success of local and regional development is not any more exclusively dependent on some narrow economic aspects, but rather on the close coalition and institutionalised co-operation of the actors interested in regional growth.

The result of the dissemination of the post-modern space theory is the gradual spreading of the new regional development paradigm. The development

idea based on endogenous resources and starting from peripheries is slowly naturalised in the strategies of less developed regions and even the central regional policy in a growing number of states consider the “bottom-up” principle as the starting point (*Faragó, 1991*).

Globalisation gives continuous impulse to and in many cases even accelerates the trends of re-structuring of the post-modern economy. The accomplishment of the economic paradigm developed in the 80s can be expected in Europe in the new millennium’s first decades, yet, post-fordist space shaping forces will also impact for a longer period too. The extension of advanced services enforcing agglomeration benefits is prognostic and the concentrated decentralisation of these activities will continue yet with different speed in each country. The speed of spreading is highly dependent on the role of mature tertiary and quaternary sectors granted by the region in its development strategy, and the proportion of sectors organised in clusters producing high value added within the economy. The new approach of regional development – the professional culture able to alloy the motive powers of Globalisation with local advantages – will be an important selection factor in the reduction or strengthening of territorial inequalities.

II.

The prospects of the spatial structure of Europe are shaped today only partially by the national state strategies; the motivating power of global processes and common policies mostly respecting the former is significantly stronger. It is therefore not unimportant, which ideas will be born about the future of the single European space.

The community policy expresses the target of the member states solving certain tasks together. The common policies are mostly not regional developmental type and rather serve specific targets. Yet, the Masticate Treaty set the impacts of territorial sectoral policies in a new light. The competency of the Committee was significantly extended since several important community policies (such as the common agrarian policy transportation policy, trans-European networks, structural policy & competition and environment policy) also serve regional development targets.

The lessening of the state borders’ restricting power within the European integration, the institutionalised development of the European economic space and the eastern enlargement of the European Union set the development possibilities of cross-border regions into a new light. Besides community, national and sub-national frameworks European macro-regions may become important strategic units in the future as regards the improvement of continental competi-

tiveness, the regions with high productivity able to meet the requirements of the economy of scale and to increase efficiency.

The permanent character of transformation trends of the European economy's development factors, the quality changes within the European integration and their impacts on national political systems influence markedly the future arrangement of the target -, tool and institution system of regional policy. Within the interrelations of regional development and macro-policy and within the internal mechanisms of regional policy we can witness significant changes.

The most important lesson of the century long development of regional policy became by today an organic part of the European approach. The national and sectoral policies in the majority of European states and the cohesion strategy of the European Union consider the principle of *solidarity* as the starting point of social action. And exactly this moment distinguishes the European model from the social administration practice of other continents. The cohesion model in economic terms means the moderation of inequalities between regions and between social layers, enabling the widest possible scale of social layers to contribute actively to the establishment of the conditions of economic growth and to share the outcomes of growth. The social dimension of cohesion covers the highest possible level of employment, the improvement of disadvantaged social layers' employment chances and the moderation of unemployment. Finally, cohesion in the political practice is the expression of mutual support within the state and the European Community, not simply in the form of income-transfer but rather through the common application of means and methods serving the most optimal utilisation of endogenous resources.

The changes during the previous years imply that the space of regional policy at the very begging of the new millennium – besides the self determining rules of economic development – will be determined by two marking factors: first by the organisational, functional and financing reforms of the European Union and its eastern Enlargements and second – due to a high extent of the previous factor – by the new division of power within the national state, the decentralisation.

The reforms within the European Union shall receive special attention, since – as seen – regions were granted in the course of the process of strengthening European cohesion significantly higher subsidies from the structural and cohesion funds of the integration, than from national resources. The final outcomes of the ca. 25 Billion ECU community subsidies granted for regional development are not very promising, since the cohesion analyses report a very slow decrease of regional inequalities. One of the reasons of the weak implementation of efficiency requirements is to be detected in the scattered character of subsidies. The determinative direction of the reforms being prepared presently is not accidentally the improvement of concentrated utilisation of the resources.

In the course of the delimitation of eligible regions the indigence must be defined by strict criterion and the proportion of eligible population must be restricted to one third of the total number of population within the community. The investment practice is to be reconsidered, since the multiplication effects of the investments did not reach the desirable level and – due to different reasons – the absorption ability of the regions did not develop in accordance with the original expectations. The consistent enforcement of the principle of additionality – the local, regional and national contribution – seems to be the only feasible way. The second key issue is the enforcement of the co-operation between the actors of regional development, the *partnership*, yet, taking the principle of subsidiarity into consideration. Within the system of subsistence and incentives of the European Union the “ex-ante” evaluation of “cost-benefit” effects is granted significant importance which could – depending on the possessed knowledge on the functioning of regional economy and not exclusively on the solid capital – launch a new process of differentiation between European regions.

Decentralisation – as the trends of the previous years clearly indicate – is a general phenomenon in Europe. In 1950 one quarter, by the middle of the 90’s 60% of the continent’s population lived in federalised or regionalised states. By the end of the of the new millennium’s first decade – leaving the succession states of the former Soviet Union out of consideration – more than one third of Europe’s population will live in countries, where instead of the state the sub-national level will have determining role in influencing economic growth. This quantitative change – according to our present knowledge – will result from the establishment of the new regional public administration in two countries with high density, the United Kingdom and Poland.

In the future a principal interest of the national state will be in order to maintain its influence over the economic policy management to counteract the impacts of external – Globalisation and integration – pressure by increasing the decision-making potential within the state borders and the improvement of the regions’ regulated interest enforcement ability. The traditional regional economic development practice of the Keynesian economic policy cannot any more be applied successfully in the new paradigm, the state regional policy may be replaced by the regions’ own policies. Yet, the change of paradigm will not be an automatic process, the interests of the differently developed regions in institutionalising regionalism shows significant differences. The most indigent regions still expect their rise from external – national and international – assistance and therefore their motivations are rather bound with the traditional subsidy systems, than with the wider autonomy to be achieved in the “Europe of Regions”. The engaged followers of regional decentralisation mostly from among the developed regions, which will be without doubt the beneficiary of

the single market, and economic and monetary union. It is therefore no accident, that at present the co-operation entitled "Four motors of Europe" consisting from the territorially not even contiguous four regions – Baden-Württemberg, Lombardy, Rhône-Alps and Catalonia – is considered as the most efficient regional co-operational network.

Yet, regionalism must face several serious challenges before its general evolution. National governments still have a significant regulating role in shaping of the relationships between the regions and the European Committee. Europe's least advanced regions can enforce their interests rather less in the integration decisions, since exactly the least affluent states have anyway fewer representatives within the Union's bodies. Also, the competition policy of the Union strengthens the centralisation effects. The common regional policy is not able to balance the inequalities deriving from the competitive abilities. The federal Germany is an expressive example of the fact that regionalism and the moderation of territorial differences can be reconciled in the governmental tier too.

Parallel with the irreversible deepening of the European integration the national governments maintained their key positions at least in three policy areas. The first determining national state task is the regulation of the administration of corporate capitalism. Industrial development in the future is impossible without efficient national monetary systems, as the domestic markets and regulation environment will serve as the most stable starting point for corporate strategies. The second important central governmental task remains the co-ordination of national innovation and technology development programmes. Finally, the third national tier priorities are labour market and industry policy tasks. Yet, the success of the two later national functions is highly dependent on the efficiency of the sub-national public administration in solving partial tasks. Therefore, regionalisation is one of the preconditions of the national state's successful functioning since no macro-political task can be implemented without mature human resources–, education–, training– and business development as no balanced competition can be imagined without the co-operation of the social partners either. The implementation of these tasks is the most optimal in the regional tier (*Keating, 1998*).

III.

The regional consequences of structural transformation, the establishment of appropriate institution and tool systems for the treatment of territorial inequalities, the harmonisation of sectoral and regional developments and the quality of co-operation between regional actors are essential factors for associate states –

especially for those, where the regional inequalities are similar to or even more massive than in EU member states.

The ideology of regional and settlement policy during the state socialist era (the classical theories by Marx, the Utopian urban ideas and the theory of planning) and the targets deriving from these (proportionate development, moderation of civilisation differences between urban and rural areas, the even spatial division of free or strongly state-subsidised social allowances) lost their ground and the developing forces of market economy launched a new wave of differentiation. The dramatic reduction of state subsidies, the change in geographic directions of trade and the collapse of large state owned companies impacted the central territories and the peripheries differently.

In East-Central Europe the elaboration of the contents of regional policy replacing regional planning, the definition of its organisational system and means, the representation of this policy as independent socio-economic field of force and its integration into the modernisation tasks can only be implemented based on different strategies. One variation is the regional policy based on the dominant role of state and deconcentrated institution system. The second possible way is the policy based on the decentralisation of state intervention means and on regional initiatives. The later is the determinant direction of present Western-European development even in those countries where the ruling political forces proclaim the necessity of an emphasised state role in the regulation of market processes. The co-operative, restructuring-oriented, innovative regional policy may be the efficient strategy for modernisation due to the regionalisation of the European integration, the upgrading of the territorial-decision making centres' role within the international division of labour and the geopolitical location of East-Central Europe. We have to consider of course that the precondition of these cannot be established in all countries and regions even for the long term. It is therefore probable that for a longer term the characteristic feature of East-Central European regional development strategies will be a kind of combination of traditional Western-European Regional policy of the 70-80s and of the elements of new regional policy paradigm.

Regionalisation, the regional decentralisation of power, the division of labour between self-governments stands in the crossfire of debates in the Unitarian states of East-Central Europe too. The transformation of the political system, joining the globalising European economy, the establishment of the self-governance structure enforcing the principle of civil democracies set the inter-reactions of the central and territorial-local power as well as the harmonisation of meso tier public administrative functions with the settlement independence into a new light.

The central concern in almost all post-socialist states is the political and functional restructuring of self-governmental basic tiers. The former sub-

national level was either eliminated (like in the succession states of the former Czechoslovakia) or its functions were significantly cut (Hungary) respectively transformed (Poland), new territorial tiers were organised (Croatia) or are being introduced now (Slovenia).

The completion of market economy and the restructuring of economy soon revealed that neither regional tensions can be lessened, regional policy targets – formulated in the majority of the countries – implemented nor regional programmes elaborated without the comprehensive reforms of the territorial medium tiers. Therefore it is not accidental that the reconsideration of the competencies in the meso-tier – which can not devoid the due revision of the tasks faced by the modernisation and spatial restructuring of the different states – in some countries raised the issue of institutionalisation of regionalisation, the establishment of a low number of territorial units, which are similar in size and competencies to the meso-tier of the Western-European federalised and regionalised states.

The Unitarian states of Europe – as a consequence of Globalisation, internationalisation of economy and the deepening of European integration – may shift towards a new state organisational order in the near future.

The following elements justify the further development and reconsideration of the medium tier public administration in East-Central Europe:

- a) The disintegration phenomena within the self-governmental sphere indicate that legal and incentive linkages are still devoid and the ideal of exclusively “bottom up” and voluntary model proved to be false and baseless;
- b) Due to the practically one tier self-governmental system, there is no responsible organisation for regional development tasks and therefore the deconcentrated state organs try to fill this gap; a part of the deconcentrated state administration penetrating into the medium tier local governmental vacuum carries out tasks strange to the organisation and its sectorally divided structure causes the lack of co-ordination, information exchange and interest harmonisation;
- c) The disintegration of the self-governmental system and the disfunctioning of the deconcentrated public administration encouraged governmental centralisation efforts and consequently the outlines of a rivalling state and local governmental model in public administration units of the meso-tier are emerging;
- d) The tendency of nationalisation of the medium-tier counter-effects the integration processes and this abnormality can only be redressed through the establishment of the local governmental medium tier.

- e) An important task of the territorial public administration could be in the future the representation and protection of the ideal of territorial co-operation towards the central governmental organs. We have to consider, that the “Europe of Regions” – as one of the key principles of the European integration – can only function in the case of co-operation between territorial units with complexity and equipped with similar competencies.

IV.

The future of division of power between the state and the regions seems to be in East-Central Europe rather uncertain. The perspectives of decentralisation depend on the harmony of economic efficiency and the success of top-down steered systemic change. The regional precondition of power delegation is quite disadvantageous. The organisational frameworks of strict centralisation survived in the former planned economies, even if the content of central governance significantly changed. Even in the best case we have to expect a long decentralisation process. Poland – and possibly Hungary – will establish the political and institutional frameworks of decentralised power until the accession of the European Union.

There are three possible pathways of decentralisation, which are imaginable in East-Central Europe. The choice from among the alternatives is of course not arbitrary; the historic traditions of the given country, the type of economic transformation, the level of establishment of market economy institutions, political power relations and the division of political space structure all impact the moderation of power concentration. The decentralisation pressure on the central state administration is obviously stronger in those countries (like Poland), where dynamic large urban centres wish to encourage their autonomous development and integration into the European territorial division of labour by the most liberal utilisation of their internal resources and by the help of post-industrial development factors. Yet, the legitimacy of bottom-up initiatives has to face more resistance (like in Hungary), where the central area has dominating, even further strengthening positions in the productive factors improving competitiveness. The example of these two countries is also appropriate to illustrate that the existence of able regional centres is only a potential advantage, the decentralisation “suction effect” deriving from the political legitimacy of Hungarian territorial self-governments and the legal regulation of regional development can somewhat counterbalance the lack of marked, European scale regional centres.

In the first possible decentralisation model the division of labour between central and regional organs are arranged by clear and explicit regulations. The

development tasks within the competencies of the two different types of organs are segregated by the size of the territory they effect. The regional authorities have own resources for the implementation of these tasks, possess wide scale of planning competencies and they can support the developments of local-governments within their competency area form own monetary funds. Depending on the level of economic development in the region central monetary transfers may be added to the own and divided funds. This strategy ensures the highest degree of decentralisation and for the long term it is the most efficient alternative, yet its implementation requires several – political, constitutional, public administrative and economic – preconditions. The establishment of regional self-governance does not yet seem to be a realistic alternative in East-Central Europe. The assumption that Poland – and presumably Hungary – will take the way of regionalisation will cause a further differentiation within the region.

The essence of the second decentralisation strategy is, that the centre delegates some specific – planning, development, regional policy – functions to the regions and an the rest of the regional policy tasks remain the competency of the central power. The level of power division depends on the type of decentralised tasks, the type of the adaptive institutional system and the means the regions are equipped with. The second alternative seems (for the short term) more advantageous for Unitarian states since the preparation of the adaptive substance requires less efforts and the fundamental transformation of the public administrative system is also unnecessary, and – the most important is – the influence of central organs remains unchanged, the administration of regional developments becomes more complex through the deconcentrated state organs and their efficiency may also increase.

In the third variation, the division of responsibility between central and territorial organs is valid only for certain, ad hoc tasks. A common administrative organ is introduced for the development of peripheral, backward regions and the state provides this decision making forum with a part of its monetary resources and assigns the territorial units with the implementation of development programmes. This alternative represents the most moderate version of decentralisation and does not at all require the transformation of the established order of power. It is not accidental, that most of the East-Central European states started to elaborate their regional development programmes alongside this model.

The Hungarian regional development could more or less emancipate itself from the impacts of these traditional trends of the Eastern-Central European development, due to the Ministry for Regional Development and Physical Planning suddenly appearing within the Hungarian governmental structure and to the assembly of pragmatists, professionals and researchers suggesting the introduction of a consistent regional policy already in the 80's. As a result of these

efforts – often similar to fighting windmills – Hungary is the only Central-European state today which will be able to adapt within a reasonable time a regional development practice highly compatible with Western-European regional policies and consequently to access the European Union without difficulties. Hungary may even become a model economy within this partial policy. A significant increase of the resources aimed at the strengthening of the economic and social cohesion of Hungary can be expected from its accession into the European Union. Yet, the preconditions for the access to the Structural Funds and efficient utilisation of the resources must be established. Similarly to the states joining the European Union recently Hungary has to revise almost all elements of its economic and social policies from the approach of the adaptation of their targets, functioning mechanisms, institutionalised forms to the cohesion requirements of the European Union.

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