

THE PERSPECTIVES OF HUNGARIAN REGIONAL DEVELOPMENT

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European trends

The territorial structuring of Europe in the new Millennium and the possible ways of its spatial integration are influenced by the territorial forces that have gained ground in the last third of the 20th century.

The processes of *demography*, which are the basis of any regional development strategy, show unfavourable trends. The population of Europe is expected to start decreasing at around 2010. The other demographic trend is the unfavourable age structure of the population. The decreasing proportion of the young age groups brings about decreased pressure in the labour market. The third development trend has to do with strengthened migration: both in the size of the population and in its territorial structure, migration is becoming a crucial factor. Since the major target areas of migration are the urban spaces, this factor has to be given particular consideration in the regulation of urban structures.

In the general trends of population, however, significant territorial differences are anticipated to emerge (Europe 2000+). In each EU member states the major poles of population growth are the southern areas. The second characteristic demographic process is the continuous expansion of urban spaces accompanied by a slow decrease of population in the core settlements. The third axis of change is the growing population of settlements located along the development corridors connecting major cities.

The second major group of factors affecting the integration of European regions are *the structures and organisation systems of the economy*. The large-scale restructuring of the economy has already taken place in most European countries except East-Central Europe. In the Mediterranean regions, where the traditional weight of the agricultural sector is strong, there is growing expansion of the second and third sectors; elsewhere, the internal restructuring of the industry is anticipated, involving the parallel development of manufacturing services. The flexible management of manufacturing operations, increasingly relying on outsourced inputs, and technological restructuring may turn highly developed services (business consultancy, research and development) into the most rapidly developing fields of the economy. The territorial distribution of highly developed manufacturing services is

still rather concentrated; yet in several countries, owing to well-planned regional policies, there are signs of deconcentration. At the same time, the process of specialisation emerging across Europe in this sector indicates that core regions are reluctant to give up their positions. The forces of decentralisation, however, seem more effective, since the prerequisite of the long-term competitiveness of regional specialisation and regional clustering is the availability of high quality services capable of ensuring continuous economic revival.

The territorial structure of modern European economy is characteristically organised into spatial networks. In these networks major cities are the decision nodes of regional development. Through horizontal co-operation, a strongly coherent regional texture is evolving among these nodes. The development potential of each geographical area depends on the density of the network there, the presence of institutions, and the number of decision centres it contains.

The organisation system of the economy is also expected to be shaped by the present processes. Small and medium enterprises (SME) will retain their two-thirds weight in the economy, while in the processing industry, depending on the success of the strategies of the multi-national companies, SME's may slowly increase their weight. This type of enterprise is an important factor in a country's economic and social cohesion; owing to their lower capital need, SME's may continue to be an important actor in the employment of less developed areas, although the qualitative transformation of the economy and the increased role of regional competitiveness facilitate the development and networking of medium enterprises and increase the role of large company contacts.

The third spatial force to be considered in the growth, competitiveness and employment patterns of Europe is the development of the *trans-European networks*. The networked infrastructure of the European peripheries is still a significant barrier in accessing European markets and in the quick circulation of information. A decisive condition for the peripheries to catch up is the reduction of transactional costs. The trans-European network development plans of the European Union address better accessibility of isolated regions.

The impacts of the long-term processes of territorial development vary in the different regions and in the different types of settlements. The following trends are forecasted in the development of *urban systems*:

- The global metropolises will continuously strengthen their role as organisers of the market;
- The systems of cities will continue to polarise along the high-velocity transport infrastructure;
- The decreasing role of country borders will transform the hierarchy of cities and towns;
- The decline of the industrial cities will continue;
- The rural belts around major cities and along communication corridors will become more valuable.

The development of *rural areas* is fundamentally shaped by the agricultural support system of the European Union. The agricultural reform will have an impact on the development of rural areas: the diversification of the economic structure and the slow decrease of population is expected to continue.

The document outlining the long-term development of the European economic space (the European Spatial Development Perspective) defines the three fundamental objectives of development policy as follows:

- To facilitate the more even territorial distribution of production activities;
- To support sustainable development;
- To give increased consideration to particular regional needs.

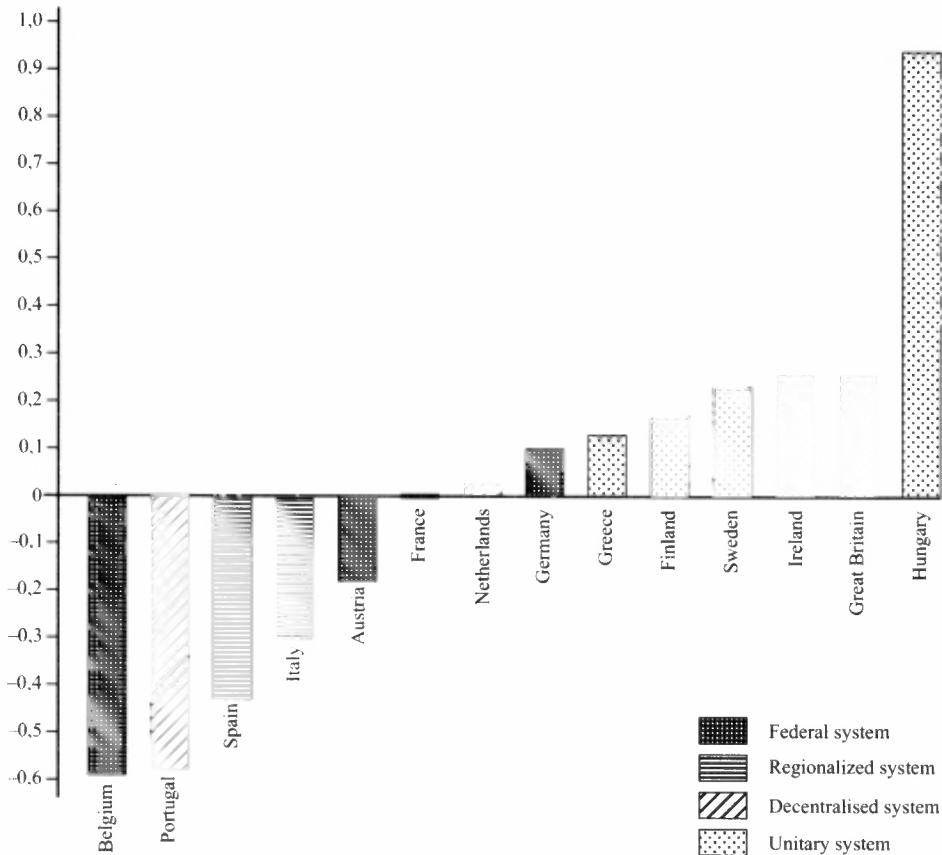
The integrated European regional development policy aims to achieve these goals by implementing the following tasks: a) to create a balanced city and town system with several centres, to establish a new kind of relationship between the cities and the rural areas; b) to ensure equal access to infrastructure and knowledge; and c) to protect and develop the natural and cultural heritage.

The future of the Hungarian spatial structure

The transformation towards market economy has brought about significant differentiation in Hungary's spatial structure. Already in the early phase, the advantages of certain regions were reflected in their higher level of infrastructure, better geographical location, higher education level of the population and in their eagerness for modern civilian development. For these reasons, the elements of economic revival have emerged in a territorially rather concentrated manner: the traditional divide between east and west has become more marked. The agglomeration of Budapest has strengthened its dominance, and the previous southwest-northeast industrial development axis was replaced with one along the Győr–Budapest–Kecskemét–Szeged line. The paradigm of networking, however, has also had an effect in the Hungarian spatial structure; owing to this, the quality of the factors exerting long-term impact on territorial disparities has effected types different from those defined by the traditional east-west (or the earlier northeast-southwest) development slope. Global economy has a marked presence in the above development zone (and especially in Budapest). The great number of international joint ventures have connected this area into international networks. The other, less developed, type of network consists of less expansive regional economic zones (development islands) organised around cities or medium towns, sometimes even across country borders. To the third type belong the backward rural areas excluded from the above networks.

Hungary today belongs to the territorially strongly differentiated countries of Europe. The GDP gap between the most and less developed regions is more than twofold, 220 percent. Territorial differentiation in Hungary is rather high compared to EU member states (*Figure 1*).

Figure 1

Changes in territorial disparities in European countries, 1977–1996

Note: The difference between the GDP's of the most and less developed regions.

The processes of regional development depend on the general trends of economic growth and social transformation. Those elements of the economic and social structure which have a strong impact on the long-term trajectory of economic growth and of spatial structure are the following: economic growth, the structural transformation of the economy, population and employment, the spatial organisation of the company system, infrastructure development, accession to the EU, the state of the environment and the system of goals, tools and institutions of regional policy. From the different realisations of the above factors three scenarios can be envisioned (*Enyedi 1993, 1996*). The *polarised scenario*, certain elements of which are relevant even today, anticipates the further strengthening of territorial disparities; favourable changes facilitate the modernisation of the already developing areas. However, the straight continuation of the development trajectory of the 90's

can hardly be conceived today. Changes of great importance have taken place in the real processes of the economy and in the system of regional political goals, institutions and partly in its tools (e.g. the Regional Development Act, The National Regional Development Concept, PHARE support, the Széchenyi Plan, etc.), which may shape the spatial structure of the country along the so-called *semi-concentrated scenario*.

This scenario is based on the assumption that further polarisation can be halted; at the same time the scenario does not anticipate radical changes or significant steps towards decentralisation.

- The transformation of the economic structure is accompanied by technological revival. Knowledge-based sectors become stronger and new groups of professions appear, with a synergic effect. Hungary starts on the road towards re-industrialisation;
- In the agriculture, a low-volume, but economically significant, export of valuable product structure is maintained;
- High level tertiary and quaternary functions appear in the regional centres, scientific-technological parks and applied research units emerge linked to the university centres of provincial cities; they attract industry and become the dominant scene of re-industrialisation;
- Migration inside the country remains on the small scale, increasingly motivated by professional mobility;
- In the traditional transport network, inter-regional lines appear. The transit potential of the country improves, domestic aviation is established. The role of provincial cities in international communication becomes stronger;
- The environmental sensitivity of the society becomes stronger. Owing to environmental investments, new groups of professions gain ground;
- This scenario also considers significant territorial inequalities, but expects remarkable headway towards civil society and does not anticipate the emergence of mass poverty.

In this version of development, the geographical concentration of economic dynamism is somewhat reduced; the qualitative elements of growth are still connected to the capital, but the functional expansion of the regional centres and of the leading medium towns begins.

The *deconcentrated scenario* anticipates that the present territorial disparities and tensions in Hungary's settlement network may significantly decrease. This is based on the assumption that the country, through its steady economic growth, will gradually catch up with Western Europe. This requires particularly favourable circumstances: constant European economic boom, accession to the EU and, consequently, significant support for regional development, growing global capital investments and expanding markets.

- The restructuring of the economy does not lead to the complete decline of entire industries; instead, the emphasis is placed on technological revival and

- the introduction of new products. Knowledge-intensive and “green” industries provide the main drive of development, but some areas of heavy industry and the manufacturing of traditional consumer goods also grow;
- Agriculture, because of its access to two different markets becomes strongly export oriented: it will offer highly processed products of special quality on the EU market, while to the markets of East-Central Europe it exports seeds, breeding stock, know-how and expanded production systems;
 - In the tertiary sector, beside top level business services, public services also develop, creating new job opportunities;
 - Migration, apart from professional mobility and the tendency of elderly people to settle down in rural areas, remains within the confines of small areas. The population of the major cities decreases, and their agglomeration grow. The urban zones converge and migration begins towards them;
 - In the development of the infrastructure, apart from the general development anticipated by the previous scenario, two new elements are expected. One is the development of inter-regional communication, which would markedly transform the Budapest-centred nature of Hungary’s transport infrastructure, and its integration into the major European communication systems; the other is a significant boom in the construction of new homes in most of the settlement network;
 - With regards to the development of international integration, economic ties and integration become even stronger than anticipated by the previous scenario. There is a chance to create effective integrating contacts with Eastern Europe;
 - It is possible to enforce the elements of sustainable development, the improvement of the environment becomes important to the society. The rapid economic growth may severely increase the environmental burdens, and it is not impossible that environmentally damaging technologies will be used;
 - According to the deconcentrated scenario, territorial disparities in the living conditions, social structure and income level of the population are reduced. The society is differentiated, it does have its poor layers, but these people are not concentrated in certain areas. Instead, they represent everywhere a minority, which local policy can handle and support properly. Less and less people belong to marginalized, heavily declining areas, few people suffer from unfavourable living conditions.

Conclusion

On the basis of the factors that influence regional development we can design the country’s optimal spatial structure to be achieved during the first fifteen years of the new century, and we can define the tasks required for this goal. When outlining the future, it is worth considering, beside the processes described above, the ex-

pected effects of European integration: on one hand the impacts of the programmes aimed at strengthening the cohesion of the European space; on the other hand significant additional financial resources coming from the structural funds after the accession. To make proper use of these factors we can define, on the basis of the National Regional Development Concept, the desirable texture of the country's spatial structure and the points through which its elements can connect to the Central European regions and to the different units of the European territorial division of labour.

The future of Hungary's spatial structure fundamentally depends on what decentralising strategy the country will follow in the utilisation of new resources after accession to the EU. For Hungary, the most efficient solution would be complete decentralisation. This shift of paradigm requires that a new, *decentralised* scenario should be prepared. The different scenarios, of course, require different types of regional policy, different goals and tools, and can be implemented through different institutions. In the deconcentrated scenario the state no longer has a dominant role in regional policy; instead, it allocates substantial resources to the regions. In the decentralised scenario it is the regional autonomies that utilise the majority of internal and European Union development resources.

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