13 Regional Inequalities in the EU Enlargement Countries: An Analysis of Small Versus Large New Member States

George Petrakos, Yiannis Psycharis and Dimitris Kallioras

Department of Planning and Regional Development, University of Thessaly, Volos, Greece

13.1 Introduction

The problem of unequal spatial distribution of income, economic opportunities and activities at a national and international level represents an important theoretical and practical issue, with major economic, social and political impact. A growing literature is now concerned with the regional aspects of the transition process and the type and evolution of regional disparities in Central and Eastern Europe. A number of earlier studies argue that the process of transition in Central and Eastern Europe is associated with increasing regional disparities. Petrakos (1996a, 2000) and Petrakos and Totev (2000) have attempted a theoretical inquiry concerning the interaction of the various processes of transition over space. They claim that transition will have a serious impact on the regional structure of Central and East European countries because the processes of internationalisation and structural change tend to favour metropolitan and western regions, as well as regions with a strong industrial base. In addition they claim that at the macro-geographical level the process of transition will increase disparities at the European level, by favouring countries near the East-West frontier.

At the same time, a number of empirical papers have appeared suggesting disparities at the national level. Evidence from Estonia shows that core-periphery differences have increased, with Talin and Western coastal regions benefiting the most from the new orientation of the country (Raagmara 1996). Evidence from East Germany already indicates that development is highly selective and depends on the behaviour of foreign capital. Berlin emerges as a development pole strongly linked to the West German and the international economies but with weak local linkages and low spread effects (Hausermann 1993). Similar trends have been detected in Slovakia, where Bratislava, with 9 percent of the national population, generates 30 percent of the country’s GDP (Balaz 1996). In Hungary, disparities increased during the early years of transition (Fazekas 1996), although regional unemployment patterns have remained stable (Fazekas 2000). FDI and domestic capital prefer metropolitan and western regions (Lorentzen 1996, 1999), turning the unbalanced pre-1989 situation of the regions into a serious core-periphery and east-west disparity (Nemes-Nagy 2000). Additional evidence comes from Poland
(Gorzelak 2000), indicating that different regions adjust in a different way to the new economic environment. Another study (Ingham et al. 1996) has shown that the regional pattern of unemployment was relatively stable in the 1990-1994 period, indicating that initial best performing regions are also final best performing regions and initial losers are also final losers. This basic picture is also supported by reports for Albania (Petrakos 1996b, 1997), Bulgaria (Minassian and Totev 1996; Petrakos 1996b, 1997) and Romania (Ramboll 1996; Constantin 1997). A comparative regional analysis of Poland, Hungary, Romania and Bulgaria by Petrakos (2001) has suggested that the level of disparities is affected by national characteristics (such as institutional factors), economic factors (such as the level of development), the success of restructuring and catching up, as well as by size and the geographic co-ordinates of each country in the European space-economy.

A comparative analysis of the spatial structure of South-eastern Europe by Petrakos and Economou (2002) has found increasing regional disparities in all countries, an increasingly superior performance of the metropolitan regions, serious discontinuities at the borders which have, generated over-time border regions with below average performance and finally, an urban system with serious deficiencies in medium sized cities. Although the process of spatial adjustment to the forces of transition is very complex, the available evidence seems to reveal some general patterns. It shows that in countries sharing common borders with the EU and at a short distance from the European core, spatial adjustments have been favoured metropolitan and western regions. However, disparities have increased at various rates and degrees in all transition countries to levels that are higher than those in most of the EU countries.

Given the findings of the literature in the early years of transition, two important questions arise: The first is concerned with the evolution of disparities in the more recent years. Have disparities continued to increase in the second half of the 1990s in all or most countries? This is an important question, for a number of reasons. If disparities increase, transition countries will be forced sooner or later, to shift the focus of their public policy and design more effective regional policies. Also, a large number of transition countries have already been accepted as the new members of the EU. It is already known that the new EU-27 will be characterized by a higher level of inter-state disparities, as the new members are characterized by a lower or significantly lower GDP per capita compared to the EU-15 average. Will the new members also be characterized by higher intra-country disparities? The answer to this question is crucial for the design of effective structural and cohesion policies on behalf of the EU.

The second question is concerned with one of the driving forces of inequality. Does “size” matter? Or in other words, have small countries a tendency to generate more equal or more unequal distributions of production activities and income over space than the large ones? Can we talk about a “size” effect in regional disparities in the new EU member States? This question is important for the design of development policies. Traditionally, small countries were considered to be almost “dimensionless” or “one-region-economies”, where spatial variation of income is