



Industrial restructuring in Central and South-Eastern Europe: Difference of degree or kind?

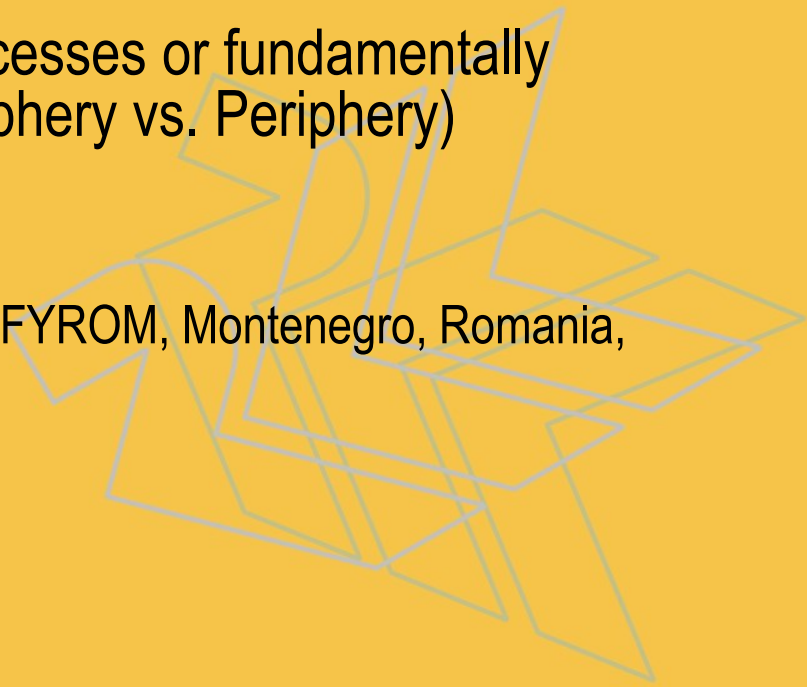
Territorial Cohesion in Europe – International Conference for the 70th
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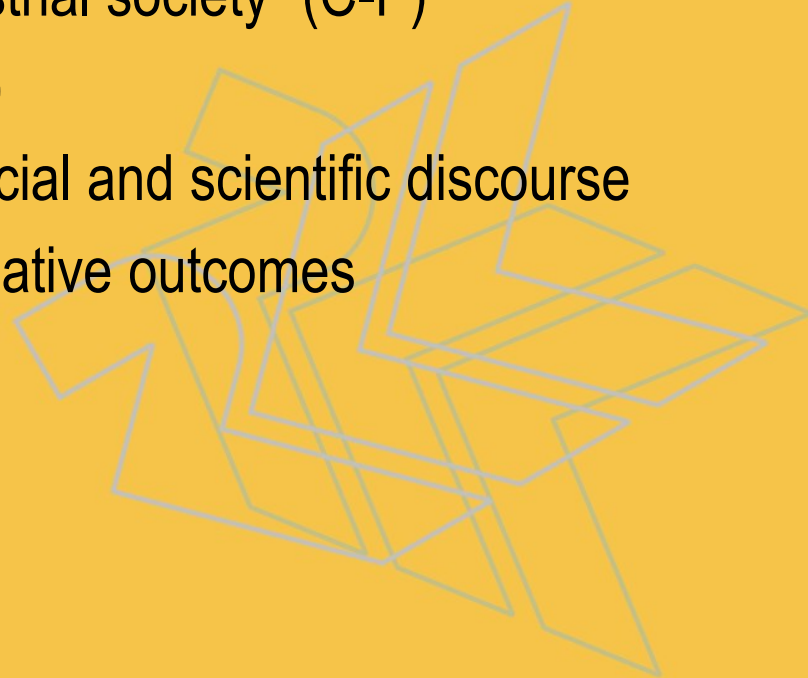




- Questions to be addressed:
 - Post-socialist industrial development
 - De-industrialisation
 - Regional restructuring
 - Reorganisation
 - Development lag with identical processes or fundamentally different development paths? (Periphery vs. Periphery)
- Country groups:
 - Visegrad Four + Slovenia
 - Croatia, Serbia, Bosnia-Herzegovina, FYROM, Montenegro, Romania, Bulgaria, Albania
 - Is this classification valid?

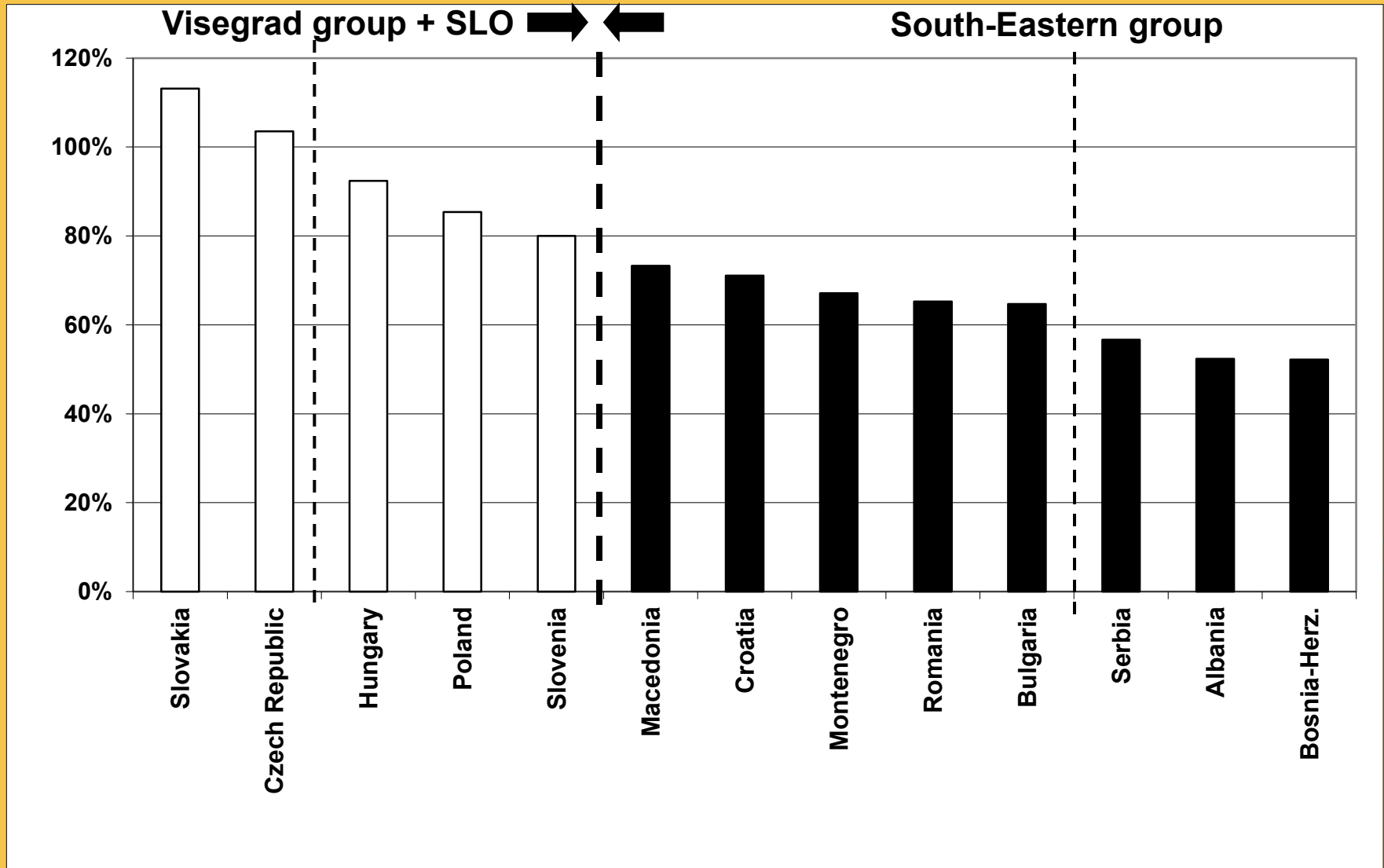


- Sectoral transformation of the economy: shift towards services
- **Tertiarisation: differentiated meanings**
 - structural correction of „overindustrialised” economies (general)
 - modernisation process, „post-industrial society” (C-P)
 - a symptom of peripherisation (C-P)
- Neglect of the third phenomenon in social and scientific discourse
- Inequal distribution of positive and negative outcomes





De-industrialisation 1990–2008 (1990=100%)





Patterns of de-industrialisation

- Transformation recession
 - lighter in Visegrad group, Slovenia and Croatia
 - severe in Serbia, Albania and Bosnia-Herzegovina
- A core issue: the preservation of human capital

- long-term unemployment
- black/grey economy
- emigration
- wartime disruption
- temporary ruralisation



More serious losses in SE Europe

- The „*post-industrial*” periphery:
 - dissolution of industrial specialisation
 - loss of productive traditions
 - the „homogenisation of space”



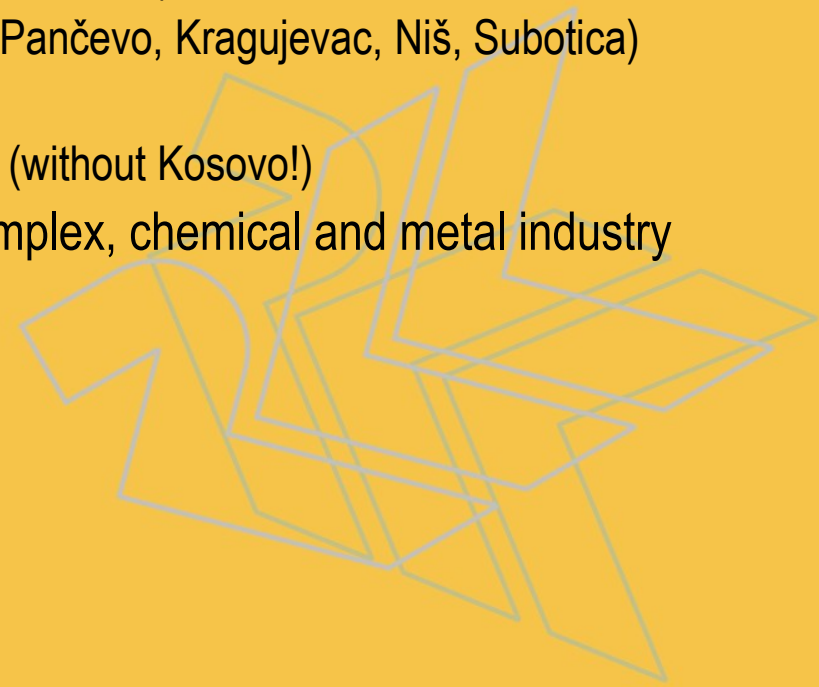
low-level equilibrium?



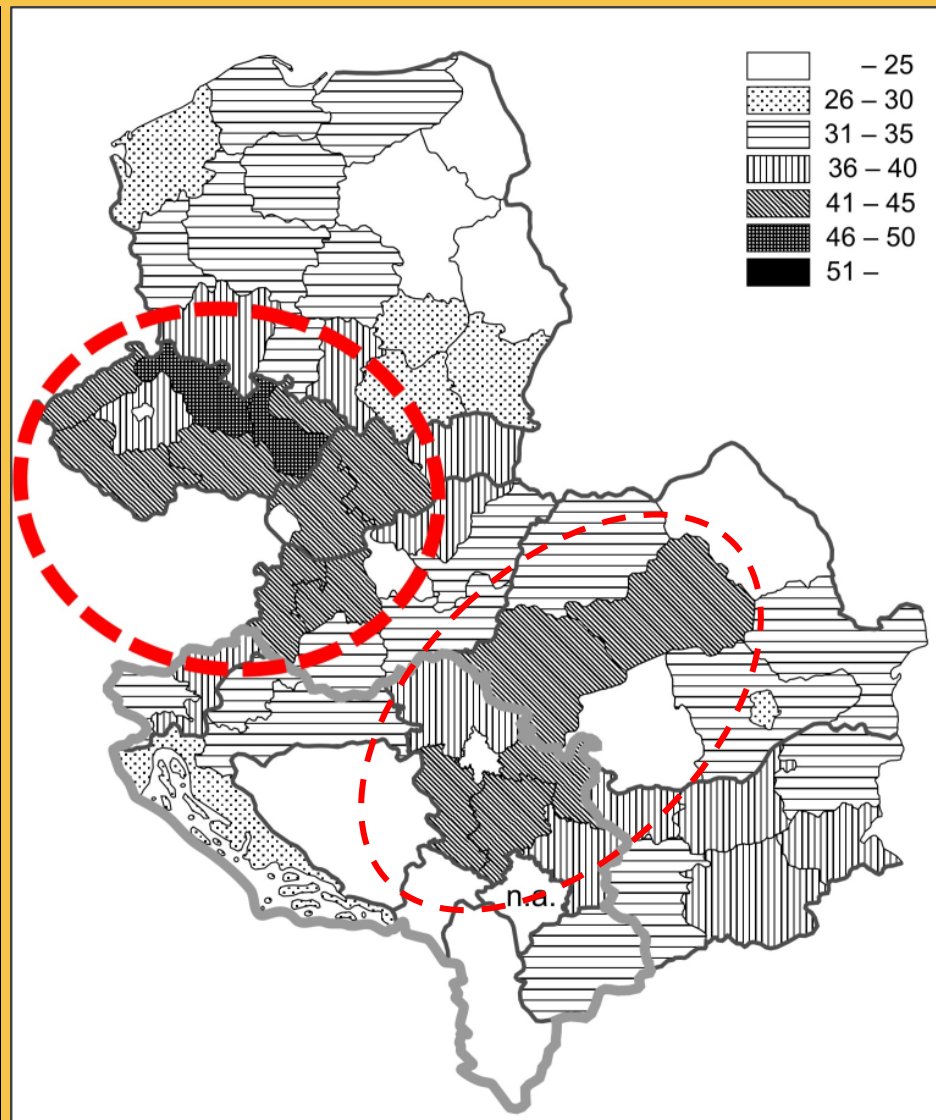
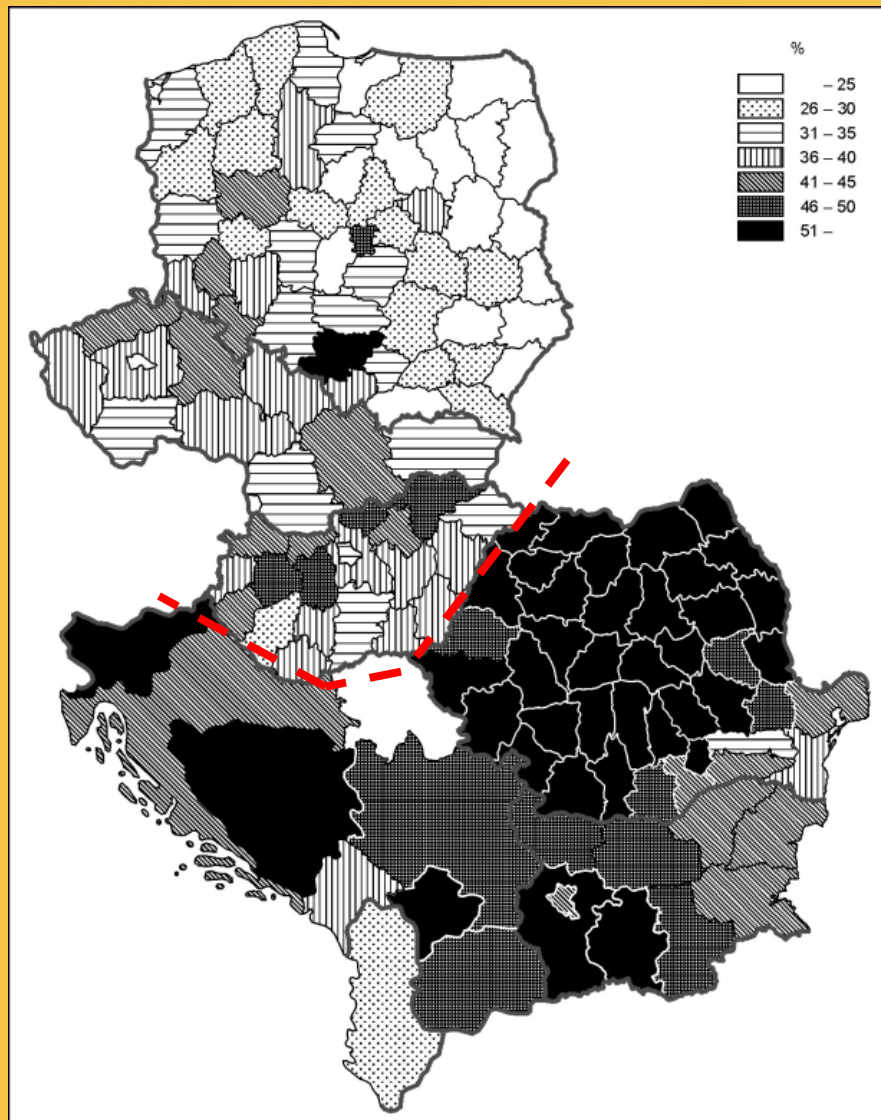


Patterns of de-industrialisation II.

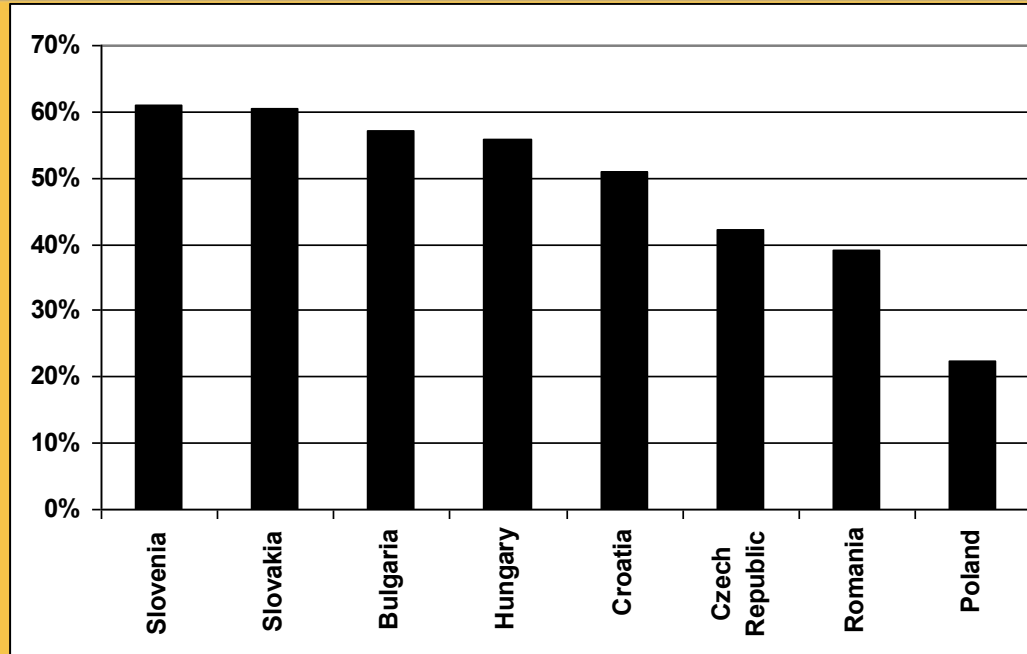
- Post-industrial but underdeveloped:
 - Bosnia-Hercegovina, North-Eastern Montenegro, South Serbia, North-Eastern FYROM, Kosovo: low rate of return to the formal economy
 - Serbia's industrial centres, 1996–2008 (Zeković 2008):
 - 20-50 ths. employees: 8 → 1 (Novi Sad)
 - 10-20 ths. employees : 17 → 4 (Pančevo, Kragujevac, Niš, Subotica)
 - 5-10 ths. employees : 26 → 18
 - 1-5 ths. employees: 125 → 55 (without Kosovo!)
 - Bosnia-Herzegovina: military industry complex, chemical and metal industry



Regional restructuring patterns: industrial employment in 1990 and 2008



The concentration of advanced business services in central regions



- Financial intermediation, real estate, renting and business activities
 - Tied to the urban network (monocentric vs. polycentric development)
 - Split between industrial production and industry-related services
 - Strong agglomeration of added value
- ➔ high tertiary employment does not imply a developed service economy



Industrial or service-based competitiveness?

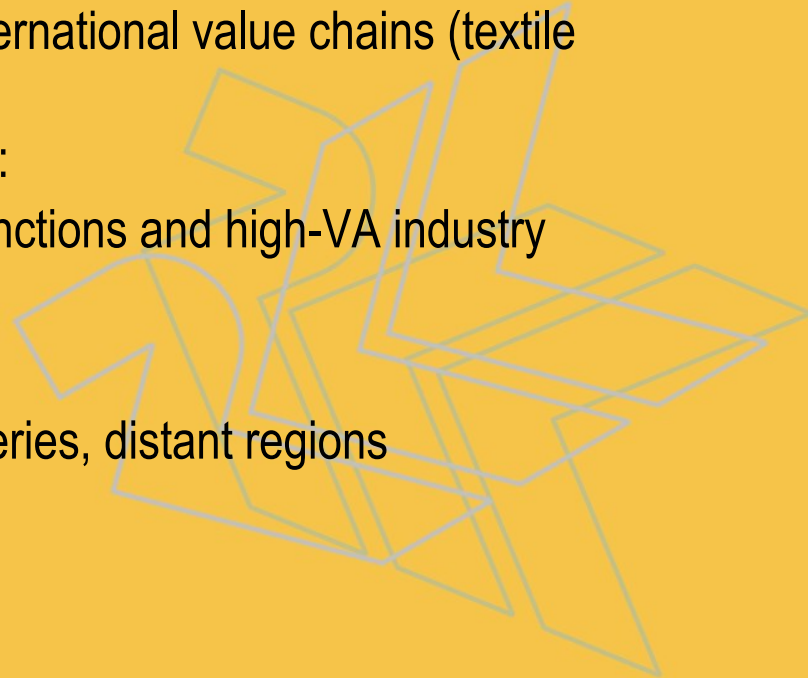
	Agriculture (NACE A – B)	Industry & C. (NACE C – F)	Services (NACE G – Q)
Non-central regions	-0.47	0.42	0.30
Visegrad countries + Slovenia	-0.49	0.71	-0.10
South-Eastern countries	-0.10	-0.14	0.21
Central regions	-0.62	-0.58	0.76

- Correlation analysis: sectoral employment rate \leftrightarrow GDP/capita
- In Visegrad countries, competitiveness in central regions is mainly service-based; outside them, it is industrial \leftrightarrow South-East: slower structural change, weaker capitalisation, role of traditional industries
- Implications \rightarrow **differentiated meaning of industry**



Regional restructuring patterns II.

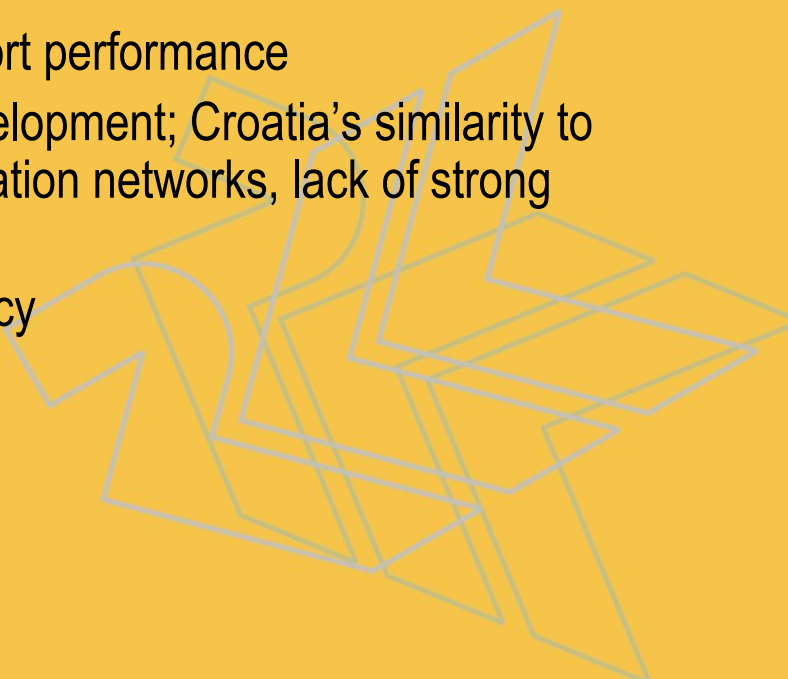
- Lower share of industry in Gross Value Added (**statistical**, but not **structural** similarity to the EU average) \leftrightarrow Visegrad group, heavier industrialisation, weak business services
- Comparative advantages of low- and low-medium tech industries
- Comparative disadvantages in high-GVA segments, trade deficit highest here
- Strong external dependency and low VA in international value chains (textile industry)
- Differentiated integration forms across regions:
 - dynamic central regions, strong tertiary functions and high-VA industry
 - robust intermediate regions – too few
 - weakly integrated peripheries
 - hollowed-out (depopulating) super-peripheries, distant regions





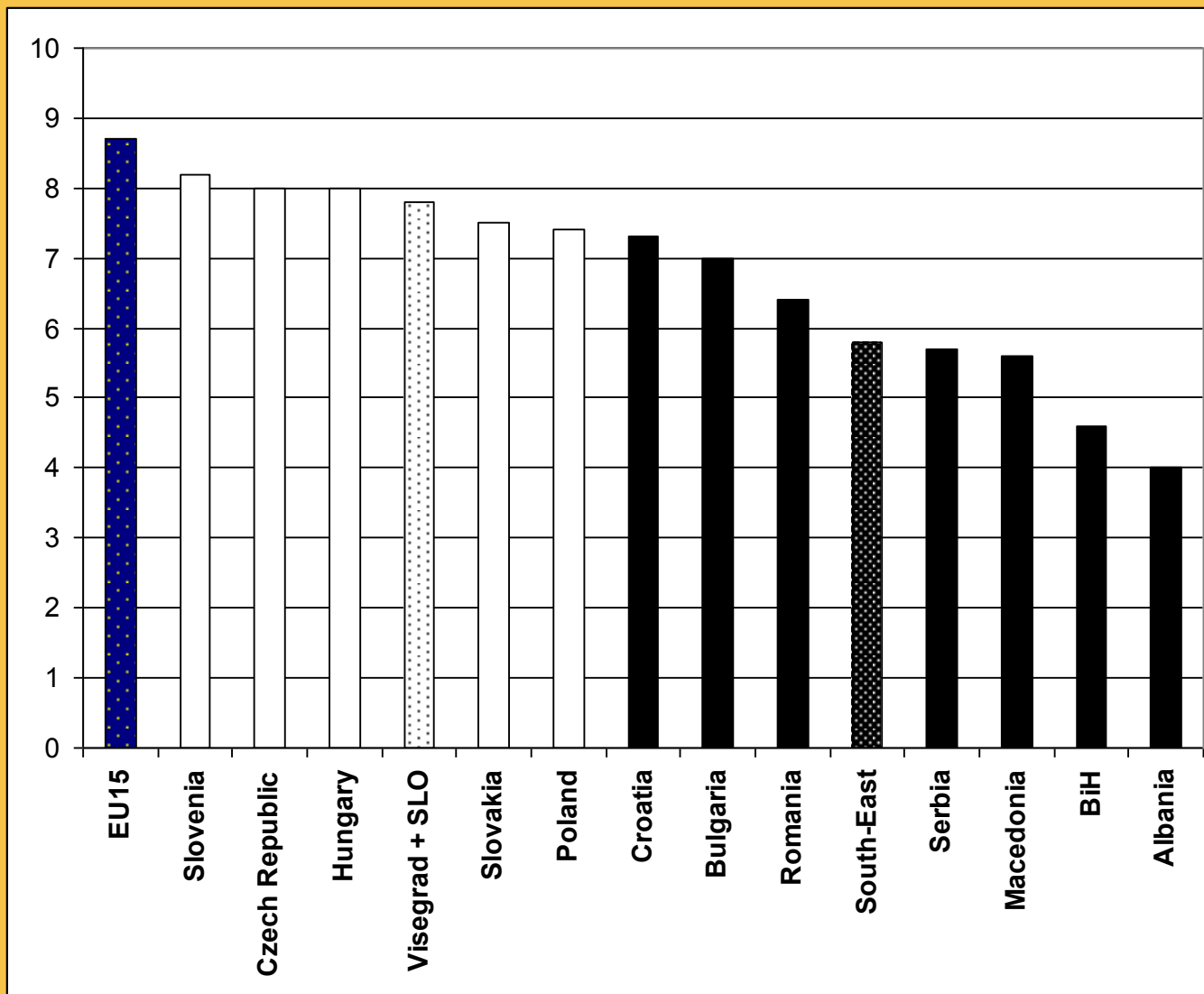
Forms of industrial reorganisation

- Post-2000 reintegration:
 - strengthening common characteristics
 - catching-up in per capita FDI
 - slow progress in factor intensity (labour → scale → knowledge), both higher and lower forms are found
- Very strong relationship between FDI and export performance
- Weak preparedness for knowledge-based development; Croatia's similarity to Visegrad group. Disrupted research and innovation networks, lack of strong domestic corporate research.
- The spread of EU-influenced development policy
 - special economic zones, industrial estates
 - cluster development

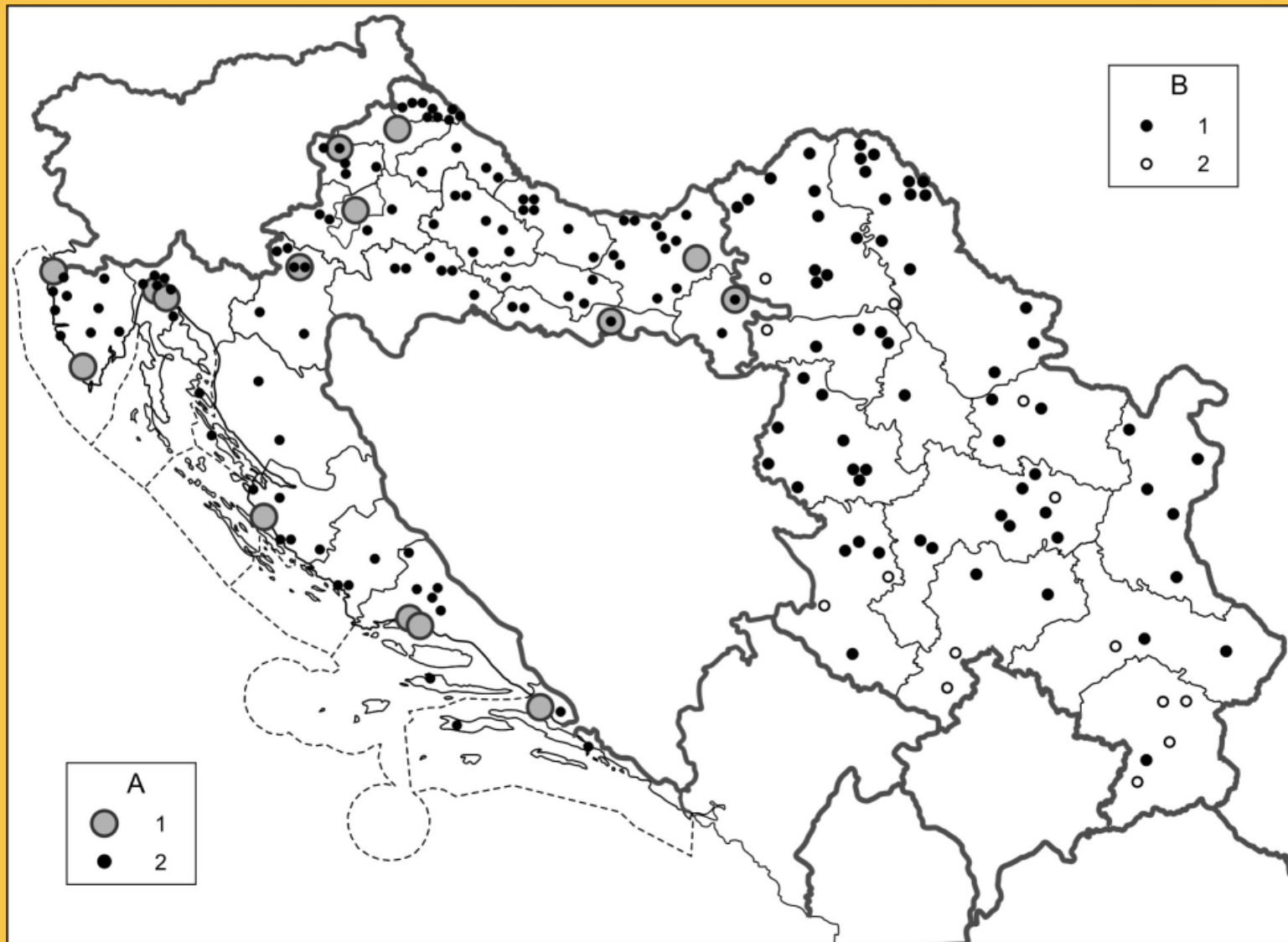




Example: Knowledge Economy Index in selected countries (1 – 10)



Example: the free trade zone & industrial estate network in Croatia and Serbia





Conclusions

- Deeper disruption of industry, disadvantageous forms of de-industrialisation
- National differences are stronger than sub-national ones (Croatia)
- Re-emerging historical development gaps and core areas; advantages of national capitals
- Lower inflow of FDI, but convergence towards the Visegrad group
- Strong duality of industry, lower embeddedness („cathedrals in the desert“?), weak opportunities for endogenous development
- Increasing EU-integration with persisting development gaps
 - ➔ strongly path-dependent, but „going in the right direction“
 - ➔ will the crisis have a long-term effect on the region?



Thank you for your attention!

