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“The End of Socialism? – 10 Years On...”

**The Future of Industrialized Cities and Regions  
in Central and Eastern Europe  
- Background, Outline and Results of an Interreg II C Project -**

*The economic transition in Central and Eastern Europe has had a particularly strong impact on industrialized cities and regions. Most of them are now confronted with serious problems such as high unemployment and vast ecological damage. It is the aim of a joint project of research teams from eleven Central and Eastern European countries to investigate and compare the problems of these cities and regions undergoing structural changes and the strategies being adopted to cope with these changes. The research project is partly funded by the INTERREG II C programme of the European Union. It is being run within the framework of the Network of Spatial Research Institutions in Central and Eastern Europe (CEE Network), which is co-ordinated by the Dresden based Institute of Ecological and Regional Development (IÖR). The paper explains the background and aims of the research project. First findings from the comparison of problems and strategies, enshrined in a CEE Network Declaration in October 2000, are presented.*

**Industrial cities and regions under pressure to adapt**

The regions of Central and Eastern Europe have been under particular pressure to adapt since the fundamental political, social and, above all, economic changes in the early 1990s. Numerous cities and regions that for decades had been the motors of economic development on account of their industrial base are now confronted by socio-economic and ecological structural problems of a far-reaching nature. The European Spatial Development Perspective (ESDP) views the necessary process of revitalising industrialized cities and regions as a problem with pan-European implications. The question of how structural change in these problem areas is to be tackled is especially topical in the context of EU Eastern Enlargement.

Reflecting historical developments, research has been carried out on industrialized cities and regions in the western European, market-economy-type States since the late 1970s (e.g. Klemmer/Lamberts/ Pieper 1979, Hesse 1988, Cooke 1995). By contrast, it is only in the last ten years that there have been significant numbers of studies addressing transformation-related structural problems in industrialized cities and regions in the States of Central and Eastern Europe (CEE). Research on transformation processes has focused both on general problems and on specific problems of transition in individual countries and groups thereof (e.g. Pickles/Smith 1998, Wollmann/Wiesenthal/Bönker 1998). There are also now a plethora of publications relating to the spatial impact of transformation (e.g. Hamilton 1995, Kunze 1997, Pütz 1999, Bachtler/Downes/Gorzalak 2000, Europa Regional 2000). As regards effects on the spatial categorisation of industrialized cities and regions, however, research to date is still scant (cf. Förster 1999

and 2000). There is a notable dearth of studies offering synoptical analysis of industrialized cities and regions in greater numbers of transformation States.

### **Joint research**

Currently rectifying this is a project entitled “The Future of Industrialized Cities and Regions – Central and Eastern European Experiences in Comparison (FOCUS)”, which is being funded within the scope of the EU Interreg IIC programme as well as by the German Federal Ministry for Regional Planning, Building and Urban Development and the Austrian Federal Chancellery. Under the stewardship of the Institute of Ecological and Regional Development (IÖR), a consortium of parties from 11 countries is examining the problems occurring in industrialized areas of central and eastern Europe and the strategies being adopted there. Key issues of this transnational research initiative relate to the respective problems and their causes as well as to strategic approaches and the factors governing them. The study aims to arrive at general theoretical and practical conclusions that can provide stimuli for development initiatives in the respective States and are conducive to reinforcing moves towards European cohesion. The project is being run by involved parties within the framework of the IÖR-coordinated Network of Spatial Research Institutions in Central and Eastern Europe (CEE Network).

The CEE Network was formed 1992 at the instigation of the former German Federal Ministry for Regional Planning, Building and Urban Development. The network's principal objectives are joint research on European spatial planning and development issues and the exchange of information between participating institutions on current research topics and findings as a means of opening the way to fresh research co-operation ventures. Further aims are the stabilization of spatial research, policy consultation and the initiation of joint research projects in the different central and eastern European countries. The main opportunity for conducting scientific debate, maintaining contacts and establishing new co-operation ventures is provided by annual network conferences. The last two conferences, 1999 in Kraków (Pallagst 2000) and 2000 in Leipzig, concentrated on the topic of the Future of Industrialized Cities and Regions.

The project's aims are twofold, in line with the Interreg funding it enjoys: it is seeking to jointly arrive at scientific findings whilst also serving as a forum for the direct, practically oriented exchange of know-how between the participating parties. Taking part besides the EU countries Austria and Germany are CEE States Bulgaria, Latvia, Poland, Romania, Slovakia, Slovenia, the Czech Republic, Ukraine and Hungary. Central to the project findings presented here are a comparison of the problems facing industrialized cities and regions together with conclusions and recommendations from the Leipzig Declaration produced by the Network of Spatial Research Institutions in Central and Eastern Europe. Analysis is for the most part based on national reports drawn up by the parties to the project, regional case studies of industrialized cities and regions conducted by same, and the outcome of conferences in Kraków and Leipzig as well as of several project workshops.

### **Problems of structural change**

Some industrialized cities and regions have already made great progress in modernising and restructuring economic and social parameters by dint of endogenous potential and external stimuli. Favourable combinations of access to transport facilities, levels of resources, national awareness or interest shown by foreign developers frequently add up to conditions conducive to tackling structural change. Examples that can be cited are

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capital city regions and further select growth centres in the individual States (including the region where Hungary, Austria and Slovakia meet). Governing factors such as location, economic structure and environmental quality are less favourable for the majority of such cities and regions, however, making it more difficult for these to tackle structural shortcomings. It is extremely uncertain whether trends are likely to improve. These will be the problem areas of the future if they continue developing as they are. They include single-industry mining regions (e.g. the Most region in the north of the Czech Republic), but also countless unfavourably located smaller cities and regions.

Many problems facing industrialized cities and regions are interlinked and exacerbate one another. The decline of industrial value-added, loss of image and self-esteem, the exodus of qualified and young strata of population, the financial overtaxing of the public purse for the maintenance of huge infrastructural legacies and the implementation of decontamination measures, and, finally, increasing social disintegration and a lack of economic perspectives combine to form a complex set of problems that are not amenable to simple solutions and traditional remedies. Specific, historically grounded factors to which many of the CEE States are subject make finding solutions even more difficult, with the upshot that a direct transplantation of strategies is out of the question in most cases.

The industrial and settlement policies of the CEE States, for instance, was geared towards decentralisation of industry and resulted in significant changes to spatial structures, notably in large countries such as Romania and Bulgaria that were slow to become industrialized. Owing to the downward trend suffered by large numbers of industrial regions, organic structures have been forfeiting their sense of purpose for decades now. Conversely, suburbanisation has been occurring at a similarly fast pace as in other European States. Disparities old and new have been exacerbated over areas large and small to a degree hitherto unimaginable. The Riga capital city region, for example, attracts 60 % of all foreign investments made in Latvia, and its per capita GDP is now 4.4 times as high as in the least developed region in the country. The situation is similar in Slovenia and Slovakia. Industrialized regions, by contrast, evidently have little appeal for foreign capital: in Bulgaria they make up 10 % of the national territory and population but only garner 4 % of foreign direct investment. In many cases, as a result, it is only the shortage of affordable accommodation that - unlike the situation in, for instance, eastern Germany - prevents more extensive migration to growth centres. There has, on the other hand, been a steep fall in birth rates in all CEE States since 1990, and this is giving rise to demographic problems.

Such was the monolithic structure, production depth and range of social and economic service functions provided by the socialist industrial combines in the CEE countries that these frequently had a considerable impact on how the cities and regions in which they were sited developed. Large corporations occupied a particularly commanding position in the industrial conurbations that were established or significantly expanded after the Second World War. Their collapse, therefore, gave rise to a profound state of crisis. Alternative economic activities to counter these problems are insufficiently developed.

When industrial regions in the western industrialized nations were subjected to structural change, capacity was only cut back in a small number of sectors (textiles, coal, steel, shipbuilding). In the case of the CEE States, the situation is completely different. On one hand the heavy-industry sector is strongly affected as well because in international terms it is extremely uncompetitive and far too big. On the other hand - in contrast to western industrialized countries - former prestige sectors in the CEE States such as

microelectronics or aircraft construction have likewise come under pressure to adapt. At the same time, there is no uniform pattern of structural change discernible - say, from heavy industry to consumer goods and services. In Romania, for instance, large numbers of former industrial labourers are returning to subsistence farming. Meanwhile, in the Ukrainian industrial district of Donezk a paradoxical situation is emerging whereby, whilst industrial production as a whole has fallen to 45 % (1990-98), the relative share of "traditional" industries (mining, power and fuel production, smelting) has risen markedly. The brunt has been borne by mechanical engineering and consumption-related branches of light industry and the food-and-drinks industry. Unemployment is lower than the national average in this district – far-reaching change is possibly still to come.

Decades of dominance by mining and primary and heavy industry have, together with antiquated technology, given rise to serious environmental pollution, and hence the challenges of economic and social development are often closely bound up with environmental clean-up tasks. As a rule the latter cannot be performed solely with resort to endogenous forces. This is particularly so in the case of densely populated regions with a long history of industrialisation (e.g. Upper Silesia). In terms of action taken by the actual population, the industrialized regions appear to be less well-placed than the dynamic centres, as evidenced by the significantly lower number of business start-ups. Added to this are unfavourable determining factors such as the absence of entrepreneurial traditions plus, also, a certain passivity on the part of the population, something that where Romania is concerned led to the spectacular failure of a social scheme in the mining region of Petrosani.

Despite the similarity of the problems they face, the countries of central and eastern Europe display striking differences. Factors with a crucial bearing on the extent of local and regional problems as well as on the likelihood of development strategies succeeding include the specific course of national transformation processes, a given country's economic structures and degree of interaction with the international economy, and advantages and disadvantages in respect of geographical location and the ability to attract foreign capital. Furthermore, comparisons between countries reveal that large amounts of data are not available at regional level or else are unreliable. There is a major discrepancy, for example, between official unemployment figures and the actual numbers directly or indirectly unemployed (cf. ILO-CEET 1994).

### **Solution strategies**

Notwithstanding the various regional and nationally specific features, the regional development strategies adopted are similar. The imminent enlargement of the EU in particular will, for the accession States at least, have a unifying effect in this respect. Statutory foundations have been laid for several spheres at national level that are comparable with those in western Europe. Intersectoral approaches are a somewhat less frequent phenomenon, however.

Some countries have in the meantime introduced tools to provide economic stimuli for particularly affected regions and have designated regions of industrial decline as development areas. In Bulgaria, for instance, seven regions have been delimited on the basis of five indicators. There are major barriers to implementing structural development measures here, though, since national funding resources are stretched. Key factors impeding the nurturing of problem regions are a poor degree of institutionalisation and limited scope for action at regional level. Institutions at sub-national level that could independently formulate, co-ordinate and implement regional development strategies

only currently exist in very few CEE States. The regional level will need to come more and more to the fore in future where the implementation of measures is concerned, however. Proof that this is increasingly being realized are the thorough-going administrative reforms enacted over recent years in, for example, Poland and the Czech Republic and now being discussed in a number of further States. Regionally focused EU policy (PHARE, ISPA) is helping speed the relevant processes up and also unify them.

There is, moreover, ample evidence that the channelling efficacy of “top-down” state planning is limited. Where the CEE States are concerned, greater attention will in future be given to involving key actors in the planning process, adopting a discursive approach to planning, and intensifying local and regional input. Regional management may be the path to tread here: regional development agencies have, for instance, already been opened in Most and Ostrava, the two regions in the Czech Republic most heavily affected by structural change. These agencies are receiving EU funding.

### **Conclusions and recommendations**

Based on the major findings of the project which were discussed at the conference of the Network of Spatial Research Institutions held in October 2000 at Leipzig, the attendants adopted a Declaration entitled “The Future of Industrialized Cities and Regions”<sup>1</sup>. In furtherance of the objective of reducing differences in the levels of development of European cities and regions, as already specified for the EU in Article 158 of the EU Treaty, the following five recommendations were made.

1. Greater attention needs to be given at all levels of politics and international co-operation to former industrial cities and regions in Central and Eastern Europe with difficult structural conditions. In addition, a new vision for the future has to be developed. The different dimensions involved need to be taken into account in the Operational Programmes of the European funding programmes and in structural funding at national level. Funding criteria ought to be geared accordingly. A separate funding programme to tackle structural change in cities and regions particularly affected represents the best way of dealing with these extraordinary challenges.
2. The question of how the burden of revitalising and developing former industrial cities and regions with difficult structural conditions is to be shared out needs to be rethought. In many cases, former industrial cities and regions with difficult structural conditions are neither responsible for developments in the past nor are they in a position to bear the cost of tackling the attendant economic and social challenges or clearing up inherited ecological liabilities. Assuming the “unprofitable” costs arising in this respect often necessitates involvement by national bodies as well as international support. It is thus imperative that the burdens of, and investment in, revitalisation and development are not one-sidedly shouldered at local and regional level but that a debate on an appropriate distribution of burdens is conducted.
3. Cities and regions ought to be supported in their endeavours by means of decentralisation measures enabling them to mobilize their own forces for the tackling of structural problems. This requires organisational support during the initiation of necessary restructuring processes in such cities and regions that do not as yet have

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<sup>1</sup> Müller/Finka 2000, Contact: Bernhard Müller, Institute of Ecological and Regional Development Dresden/Germany, and Maros Finka, Slovenská technická univerzita, Bratislava/Slovakia

their own regional agencies or other similar institutions. It is vital above all that adequate powers and tools be transferred from national level to the cities and regions. New institutional ways will have to be found (e.g. public-private partnerships).

4. Structural problems should not be addressed in isolation, instead it is necessary to establish conditions whereby their interrelatedness can be studied and solutions elaborated on this basis. Plenty of strategies for tackling structural challenges exist in Central and Eastern Europe. These are to a large degree sectoral in nature, however, and geared towards the subsidisation of existing industries. By contrast, increasing importance will have to be attached in future - for reasons of efficiency and, equally, to meet demands from the European Union for cross-sectoral concepts - to approaching problems and their possible solutions in an integrated way and gearing funding policy less towards the regional cushioning of social hardship than towards the future viability of sectors. A strong focus is to be laid on implementation and the connection between regional planning and regional policy.
5. Co-operation between former industrial cities and regions with difficult structural conditions needs to be encouraged. The participants at the Conference are aware of the fact that there can be no universal strategies for solving the structural problems concerned. At the same time they agree on the fact that new ways of tackling problems can only be found by means of intensive exchanges on approaches mooted and the networking of those involved in mooted them. Programmes for the exchange of experience and know-how can play an important part here.

As a precondition for implementing these recommendations, the participants at the Conference of the Network of Spatial Research Institutions in Central and Eastern Europe propose two actions: The dialogue and know-how exchange on strategies to tackle structural problems in former industrial cities and regions in Central and Eastern Europe initiated within the framework of INTERREG II C ought to be continued also under INTERREG III. Comparative transnational research on basic issues relating to the problems faced by these geographical entities needs to be intensified within the framework of appropriate research co-operation ventures. In both instances, the scientific and practical dimensions need to be closely combined and transnationally organized. In this way, a substantial contribution can be made to the future enlargement of the European Union as well as towards integration and cohesion in Europe as a whole.

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