



EUROREG

CENTRUM EUROPEJSKICH
STUDIÓW REGIONALNYCH I LOKALNYCH
UNIwersytet Warszawski

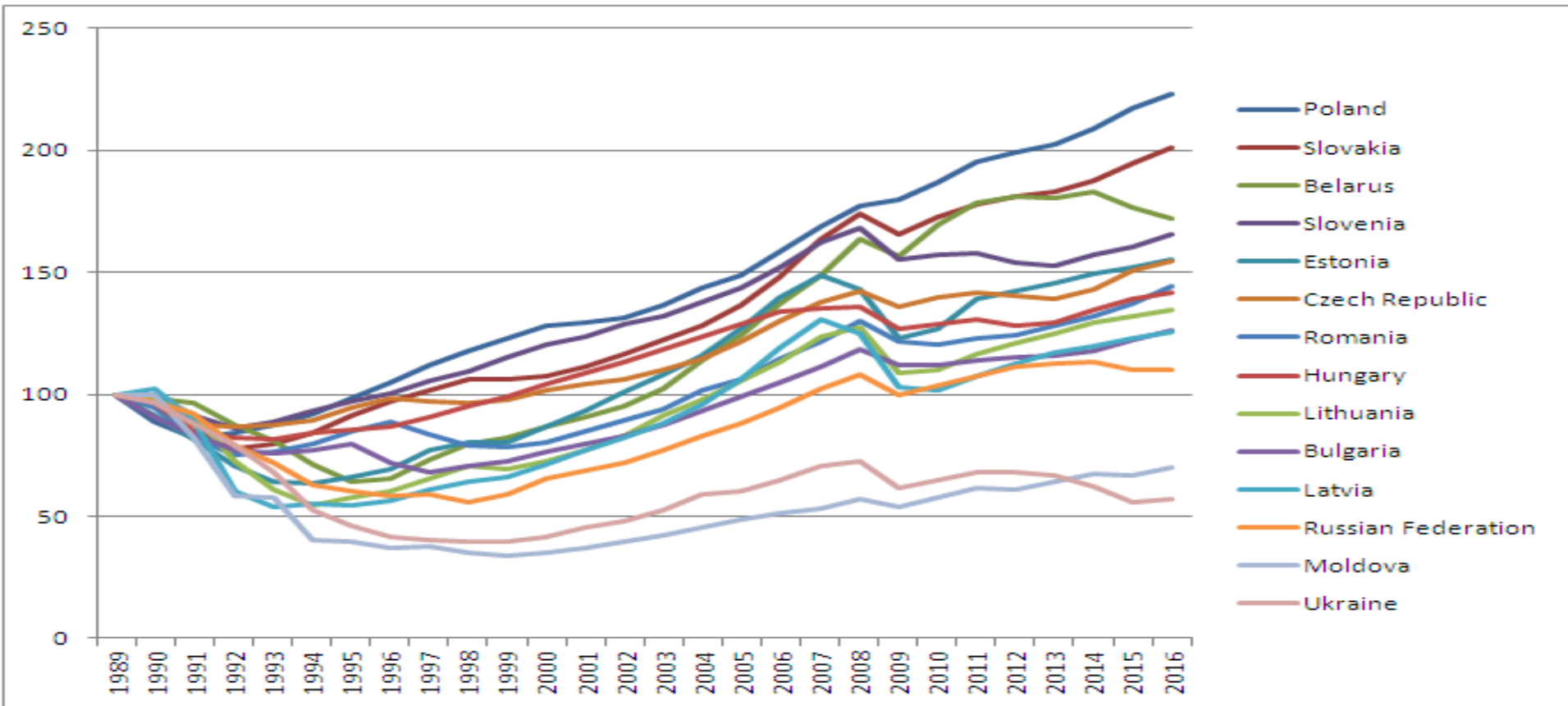
CENTRAL EUROPE IN THE EU: SUCCESSES AND FAILURES, THREATS AND OPPORTUNITIES

Grzegorz Gorzelak
collaboration: Maciej Smętkowski

The 15th Annual Conference
of the Hungarian Regional Science Association
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Széchenyi István University

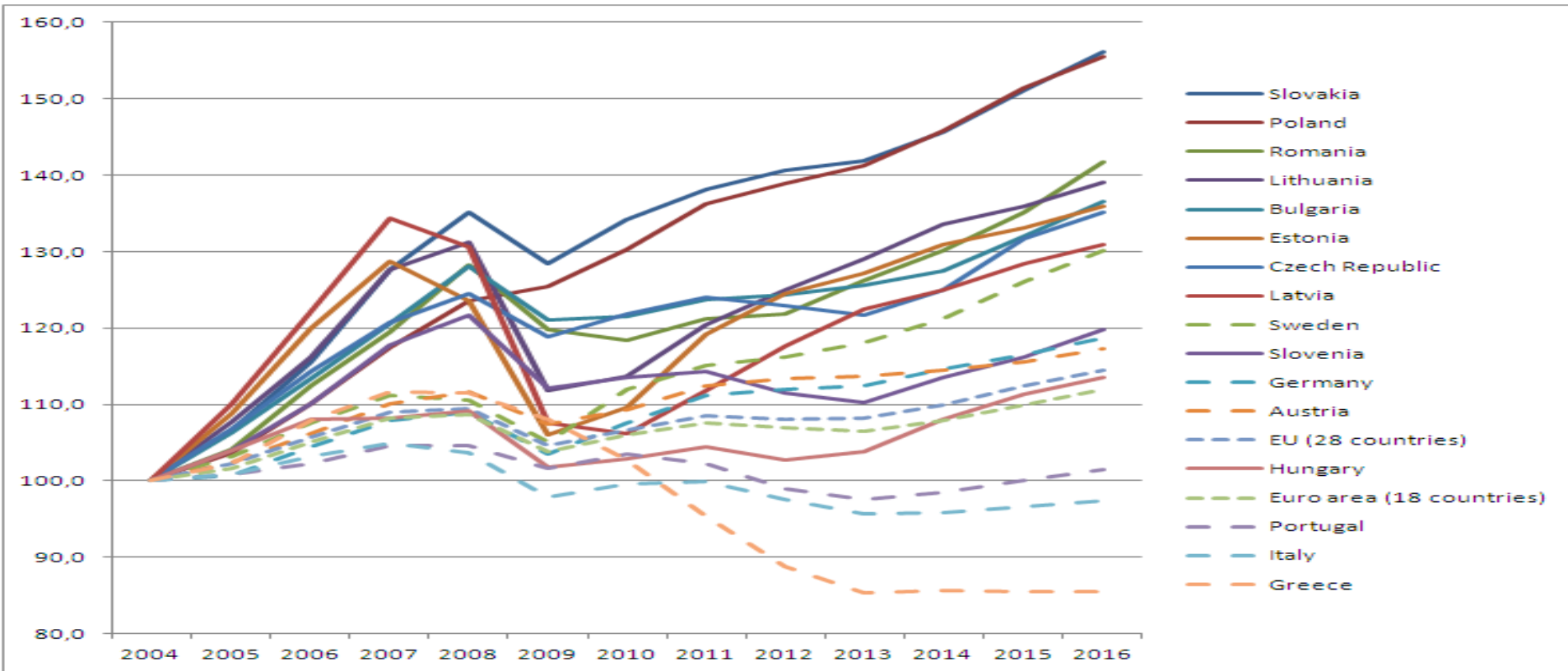
Success of transformation

GDP dynamics, 1989=100



Most countries demonstrated growth, though there were distinct groups.

After accession and crisis: generally better than Western Europe

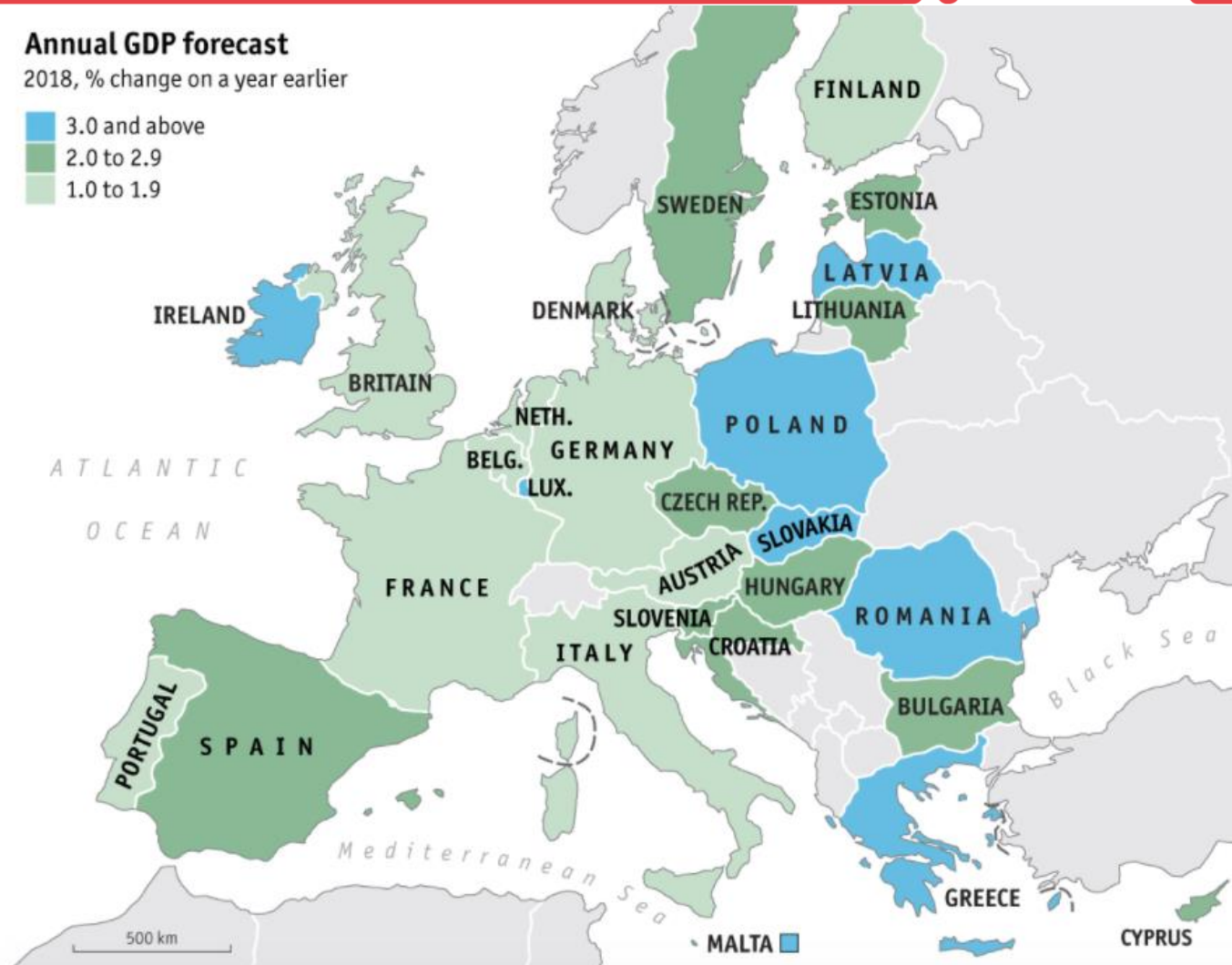
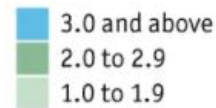


Even the slowest growing CEECs grew faster than most of the fastest EU-17 MS.
None of the CEECs noted a decline as deep as the worst EU-17 MS.
However, convergence to the West slower than before the crisis.

2018 forecast

Annual GDP forecast

2018, % change on a year earlier



Map by the Economist, Source: European Commission

Can it last forever? NO!

Major challenges for the new Member States



The catching-up process was mostly based on **external resources**.

Innovativeness of the CEEC economies has not grown sufficiently.

External sources of international **competitiveness** are drying out, and internal potentials are still undeveloped.

The danger of disappearance of the **low-cost** types of production, weak new sources of competitive advantage.

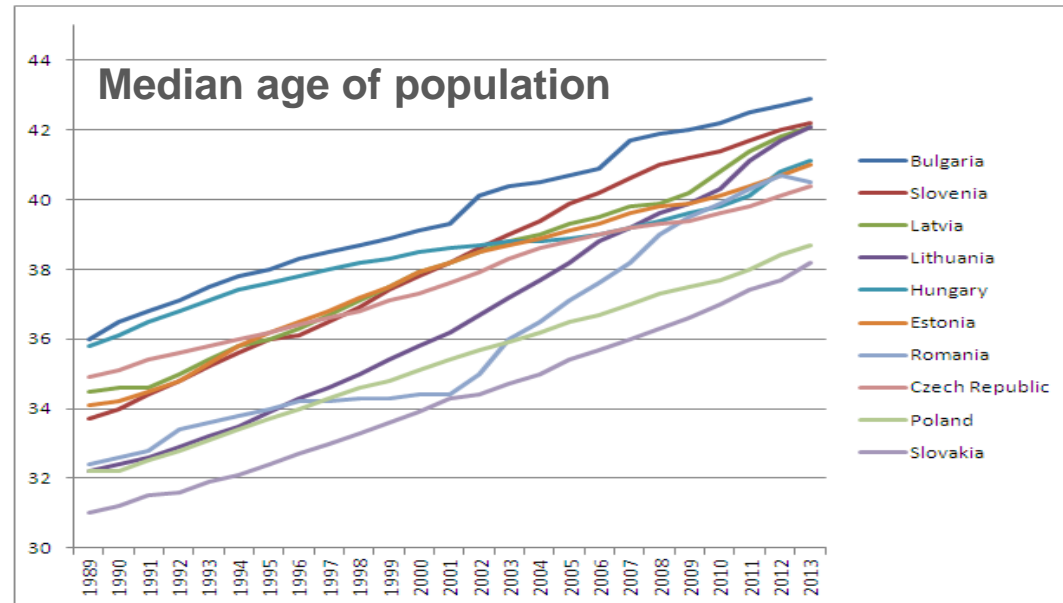
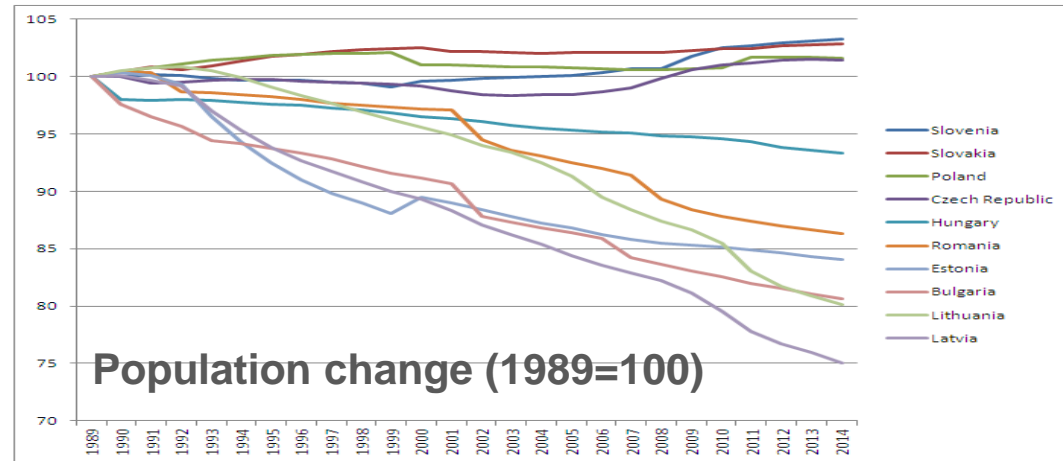
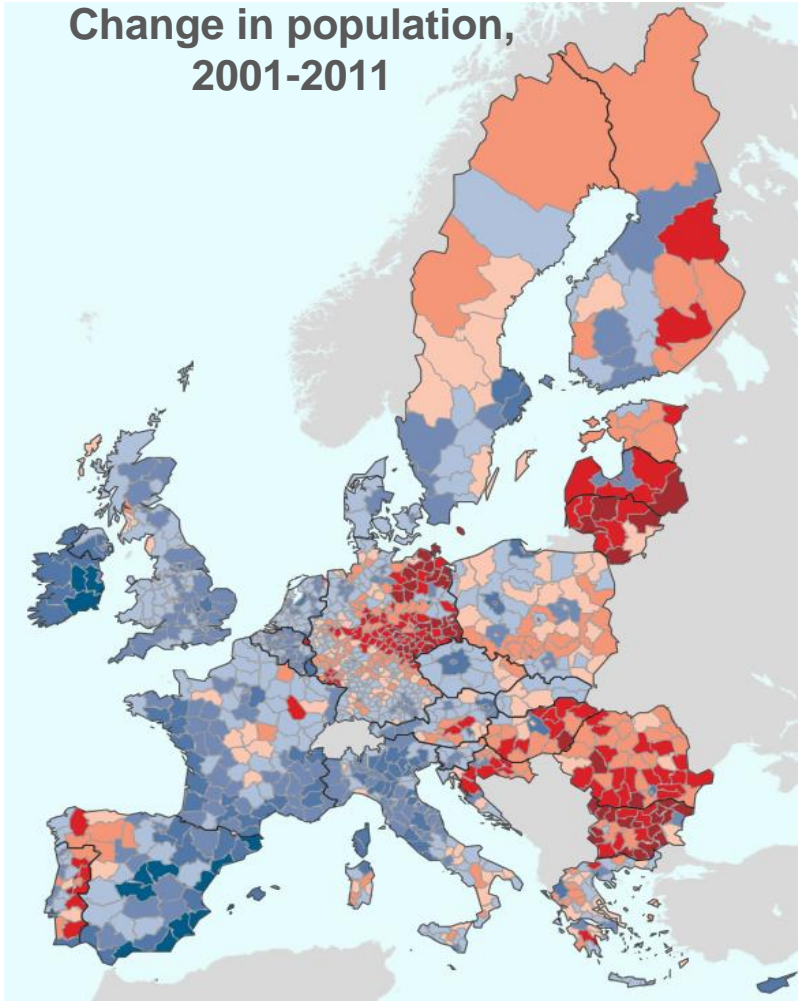
Demographic challenge: low fertility rates, outmigration, aging societies, pressure on pension systems.

Environmental challenge: dependence on fossil fuels, heavy pollution, underdeveloped environmental infrastructure.

Caught in the „**middle income trap**“. Can the membership and Cohesion Policy help them overcome it?

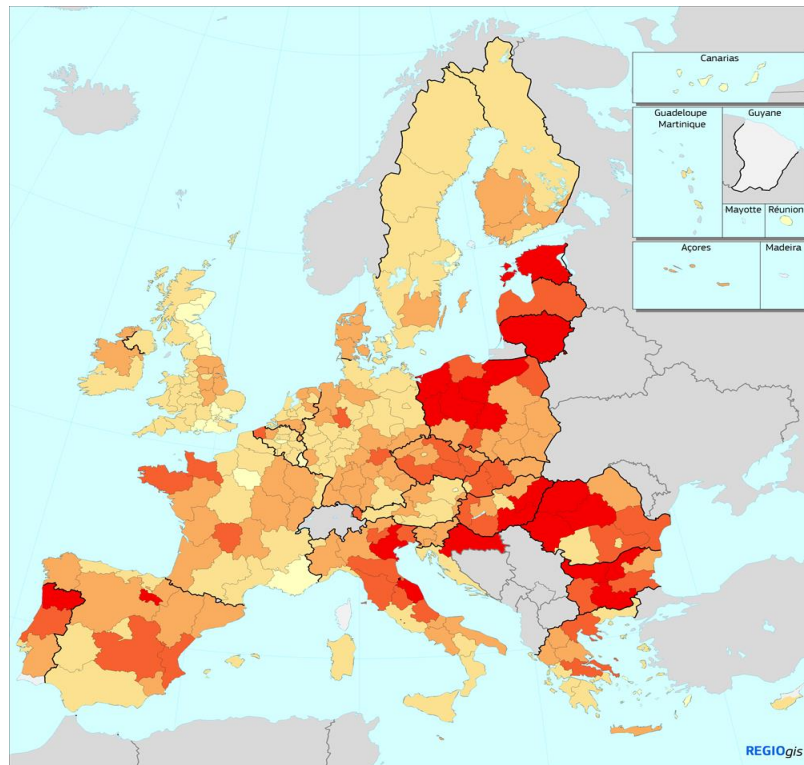
CEEC weaknesses: demography

Change in population,
2001-2011



CEEC weaknesses: dependance in technology imports

Employment share in low tech manufacturing



Share of employment in low-technology manufacturing, 2015

in % of total employment

- < 2.5
- 2.5 - 5
- 5 - 7.5
- 7.5 - 10
- 10 - 17.5

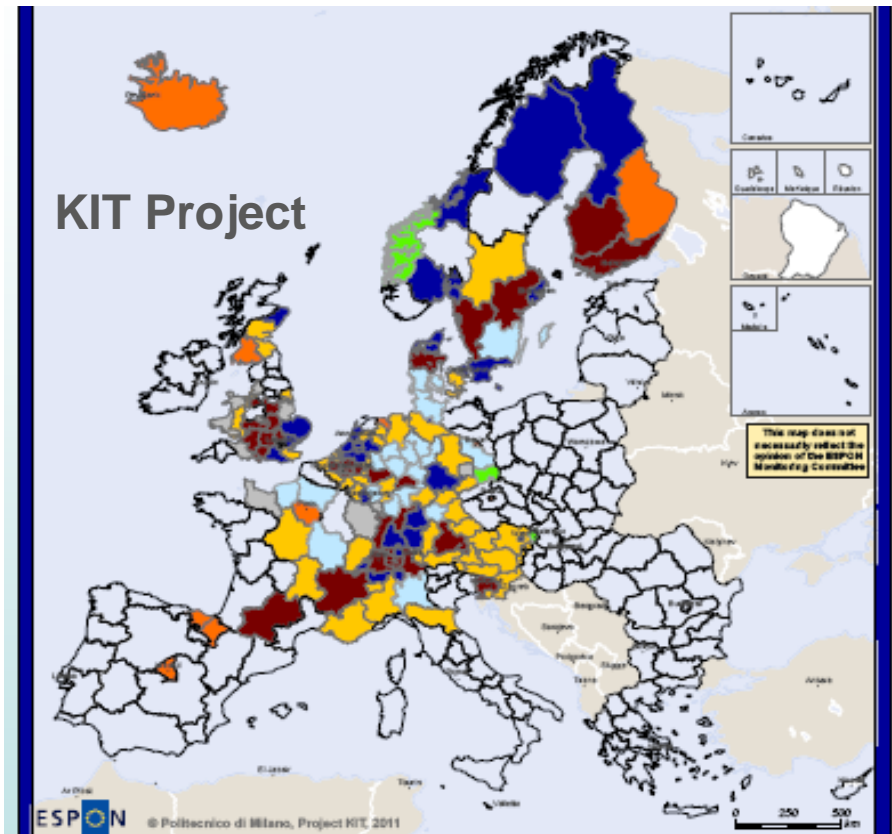
Low-technology manufacturing is defined as the following sectors of activity (NACE Rev. 2 divisions): 10 Food, 11 Beverages, 12 Tobacco, 13 Textiles, 14 Clothing, 15 Leather products, 16 Wood products, 17 Paper products, 18.1 Printing, 31 Furniture, 32 X 32.5 Other manufacturing excluding medical and dental instruments.

EU regions average: 5.5

Source: Eurostat

0 500 km

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ESPON

© Politecnico di Milano, Project KIT, 2011

Technologically-advanced regions

Knowledge economy regions

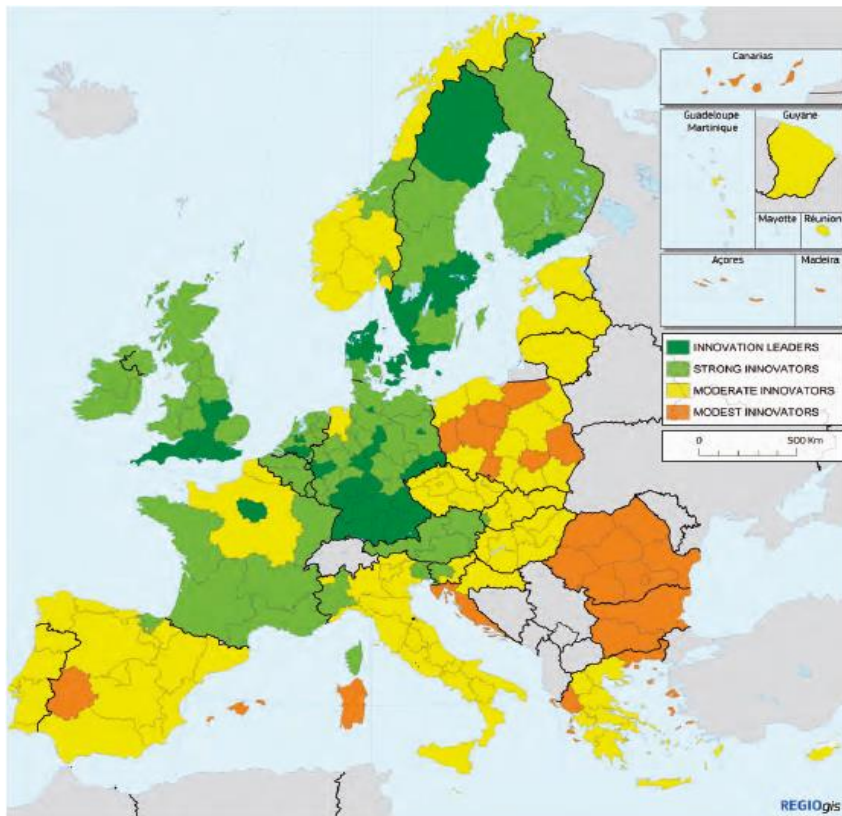
- None
- TAR only
- Scientific regions only
- Networking regions only
- TAR and scientific regions
- TAR and networking regions
- Scientific and networking regions
- Integrated knowledge economy regions

Regional level: NUTS2
Source: Politecnico di Milano, 2011
Origin of data: EUROSTAT and RegFed
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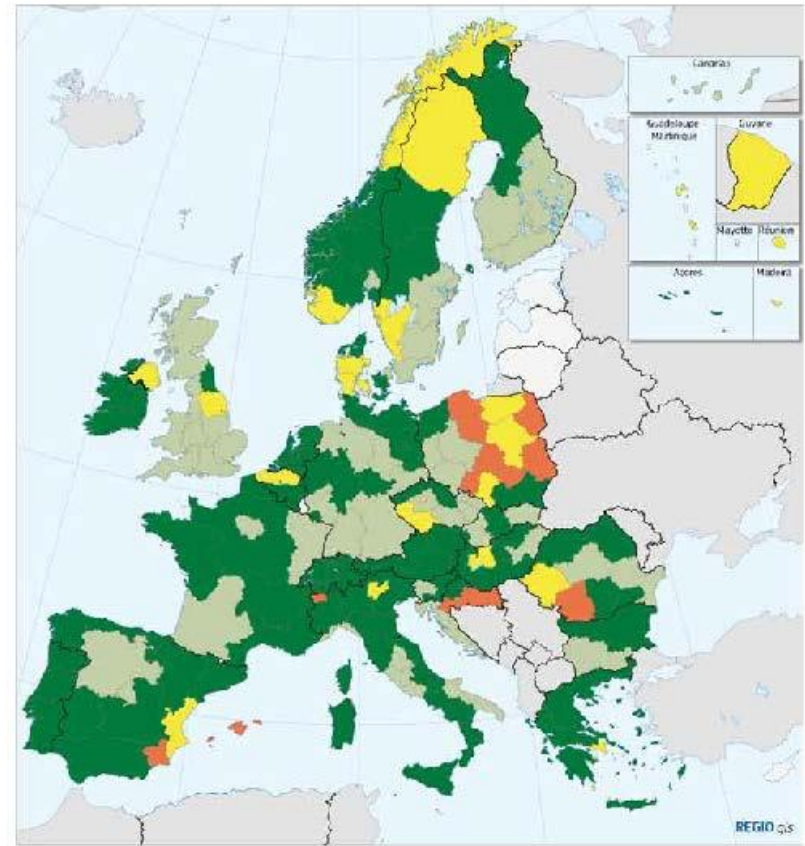
| Typology | Numerosity |
|--------------------------------|------------|
| TAR only | 9 |
| Scientific only | 11 |
| Networking only | 43 |
| TAR and scientific | 3 |
| TAR and networking | 19 |
| Scientific and networking | 29 |
| TAR, scientific and networking | 31 |
| None | 135 |

CEEC weaknesses: low innovativeness

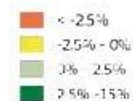
European Innovation Scoreboard 2016



For Cyprus, Estonia, Latvia, Lithuania, Luxembourg and Malta, performance group membership is identical to that in the European Innovation Scoreboard 2016 report.

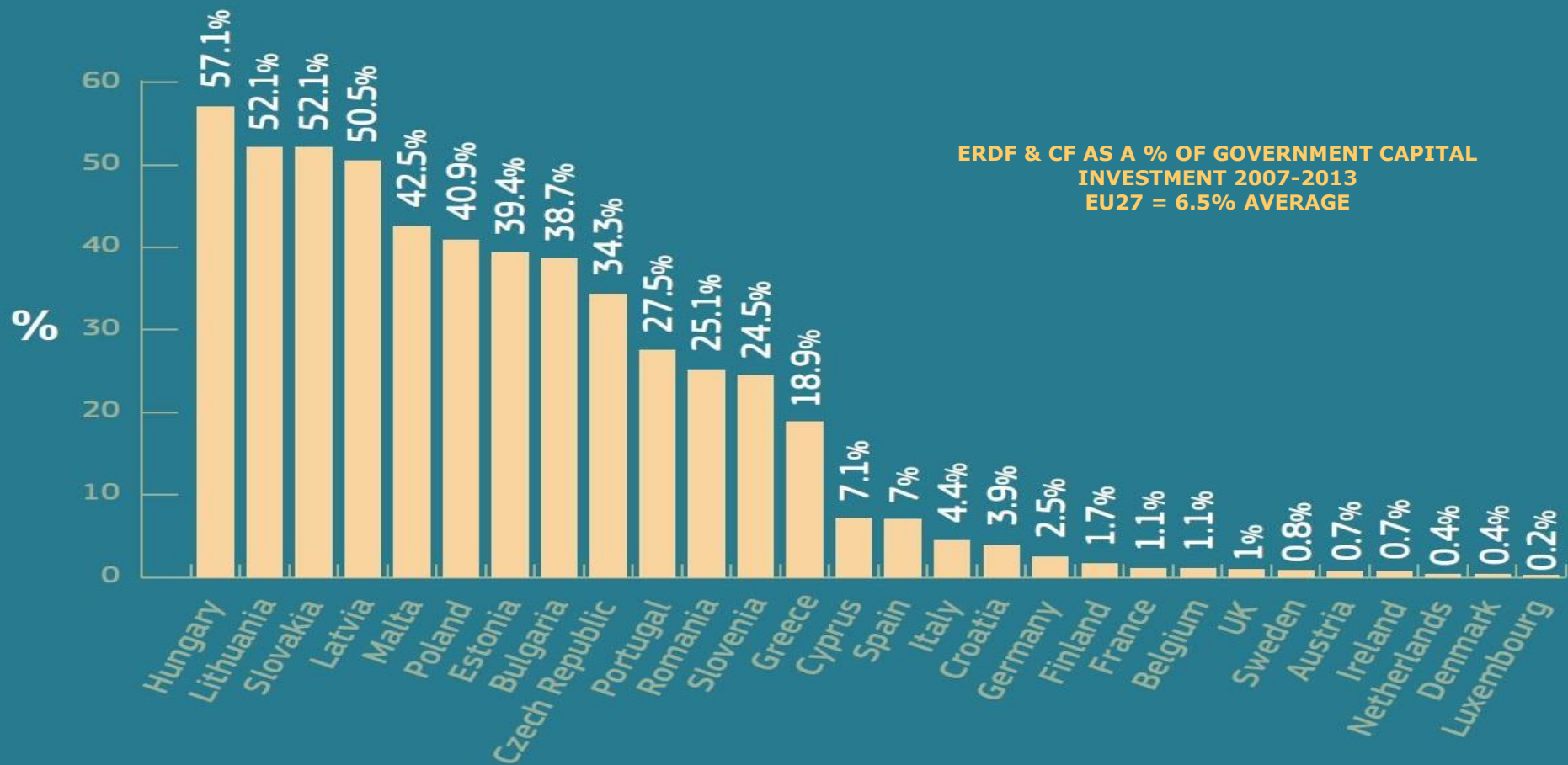


Map 1.14 Regional innovation growth performance, 2008–2014



Source: Maastricht Economic and Social Research Institute on Innovation and Technology

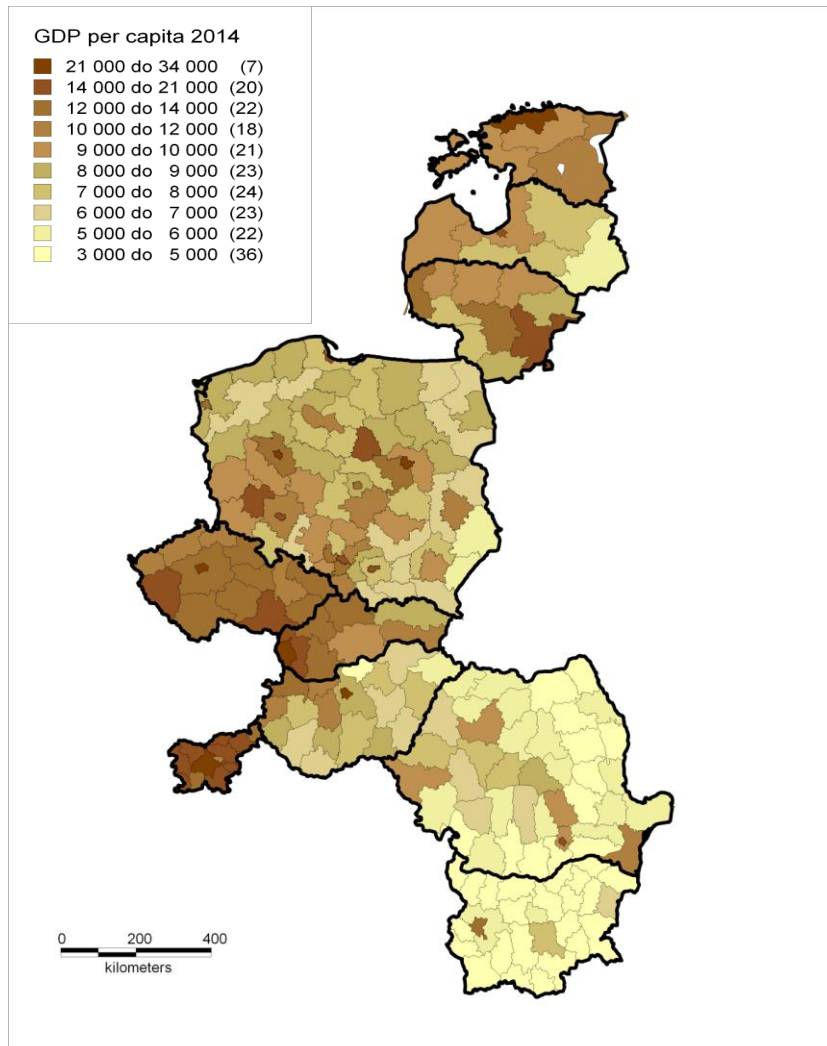
Dependence on transfers from the EU



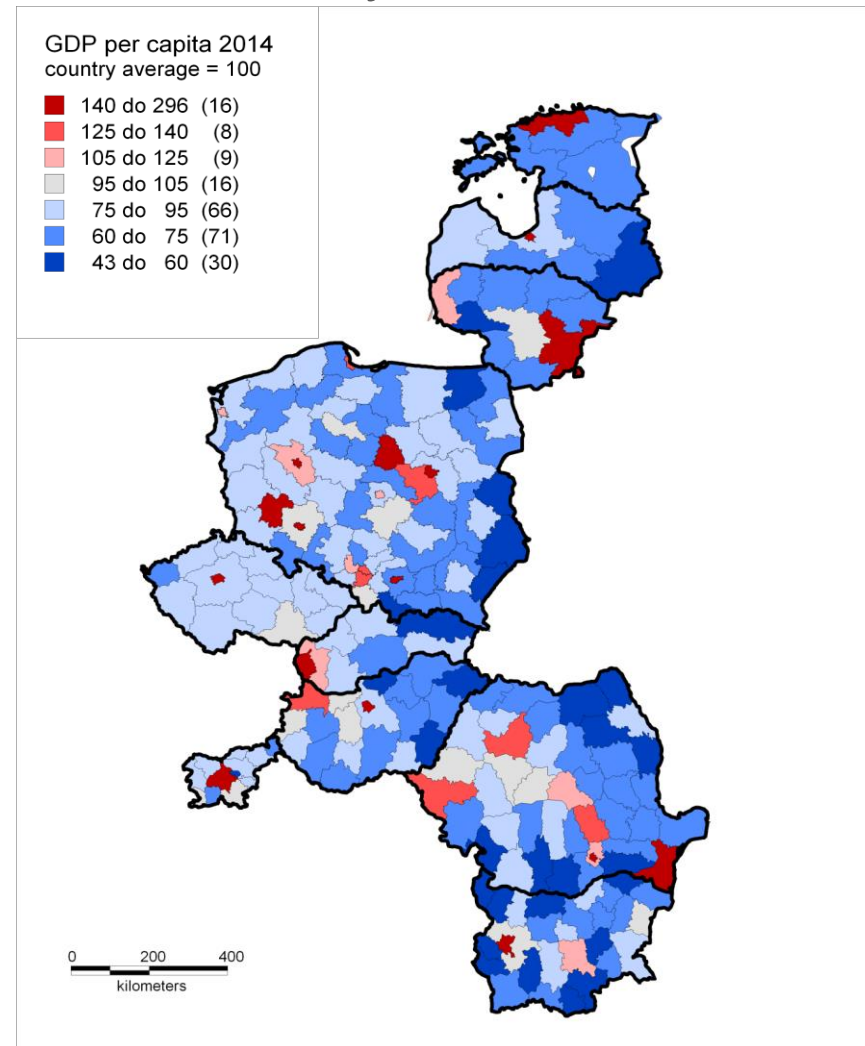
Regional patterns CEE

GDP per capita 2014, euro

Absolute values



Country=100



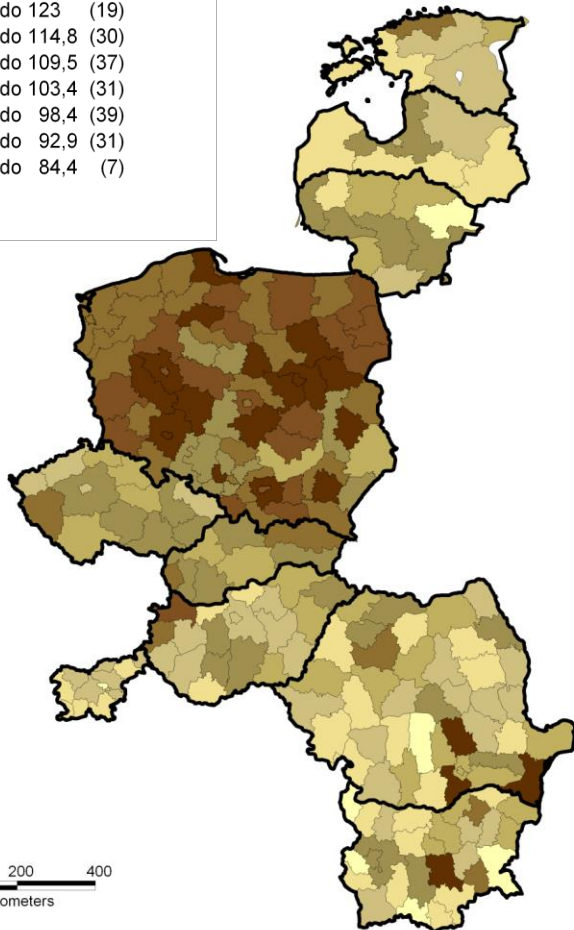
Regional growth, 2008-2014

In percent

Country=100

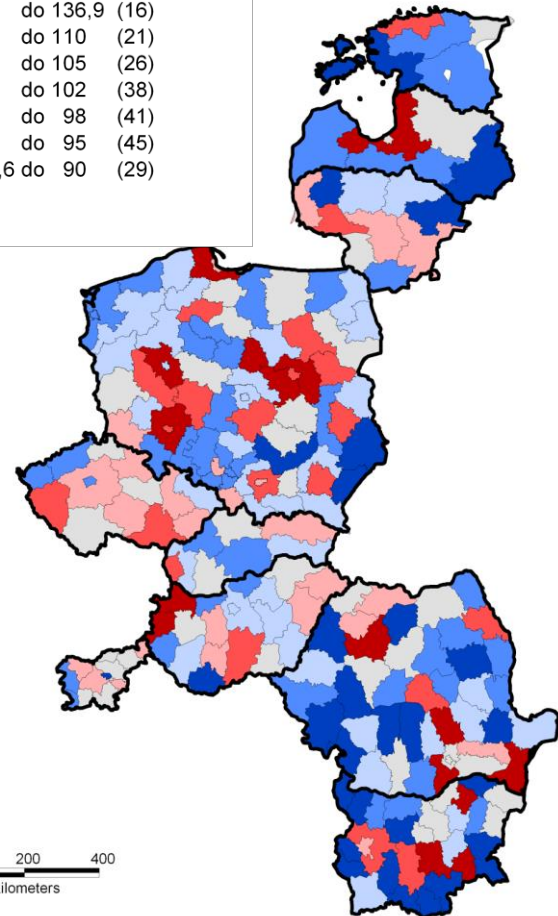
Real GDP growth 2008=100

| | | |
|-------|----------|------|
| 123 | do 138,9 | (22) |
| 114,8 | do 123 | (19) |
| 109,5 | do 114,8 | (30) |
| 103,4 | do 109,5 | (37) |
| 98,4 | do 103,4 | (31) |
| 92,9 | do 98,4 | (39) |
| 84,4 | do 92,9 | (31) |
| 60,4 | do 84,4 | (7) |

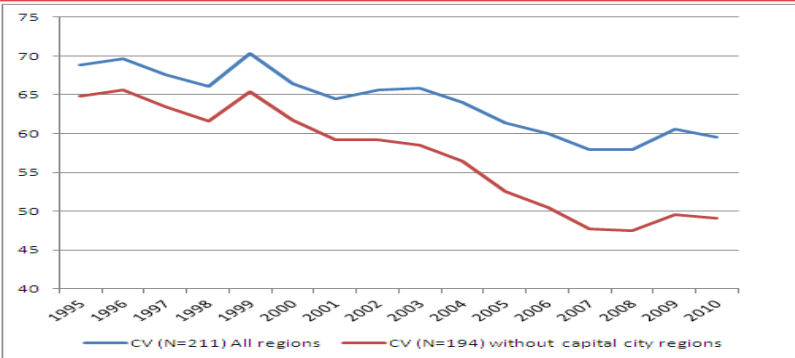


Real GDP growth 2008-2014
country average = 100

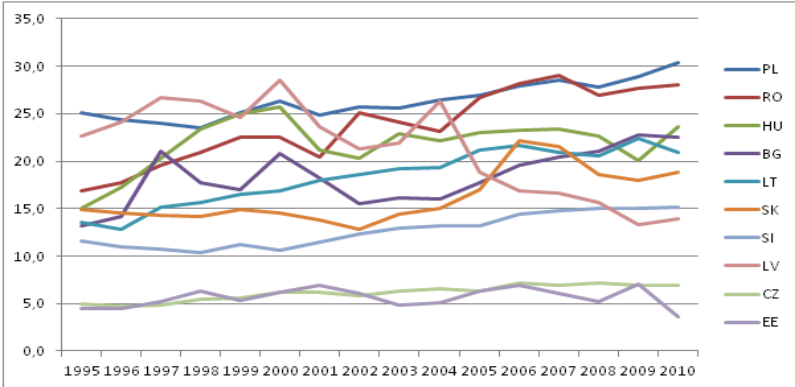
| | | |
|------|----------|------|
| 110 | do 136,9 | (16) |
| 105 | do 110 | (21) |
| 102 | do 105 | (26) |
| 98 | do 102 | (38) |
| 95 | do 98 | (41) |
| 90 | do 95 | (45) |
| 60,6 | do 90 | (29) |



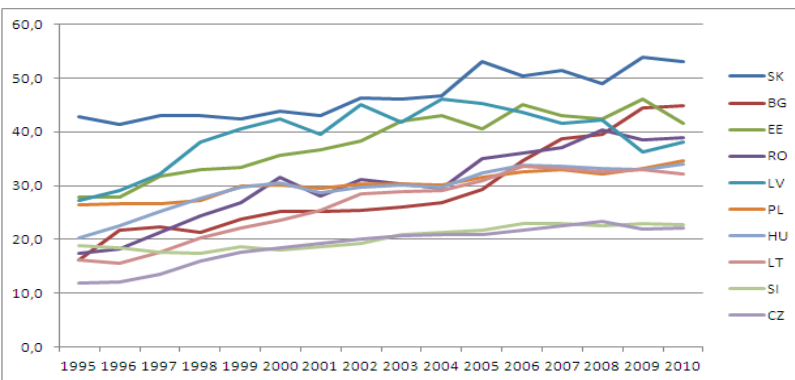
Convergence of countries, divergence within countries



Regional convergence, but....



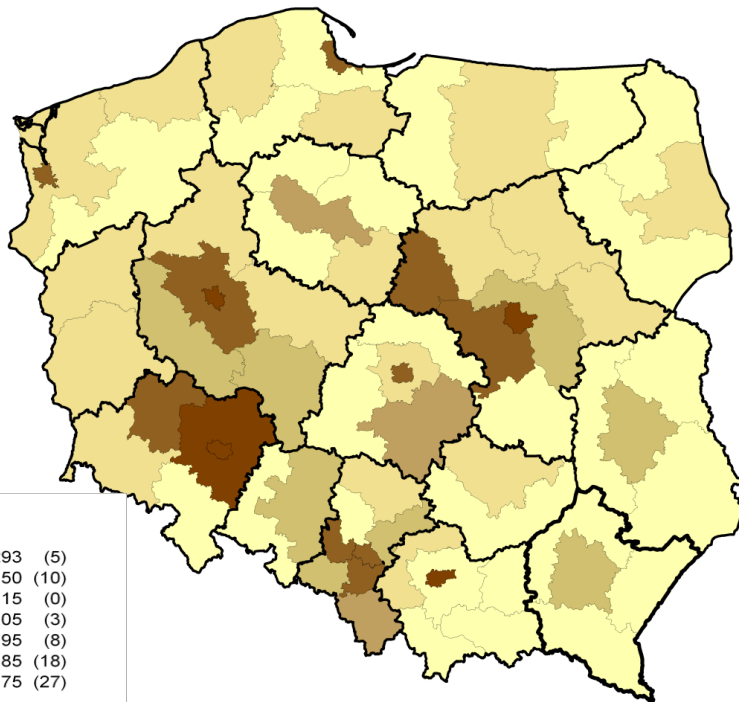
Metropolisation - the strongest factor of divergence.
Weakening?



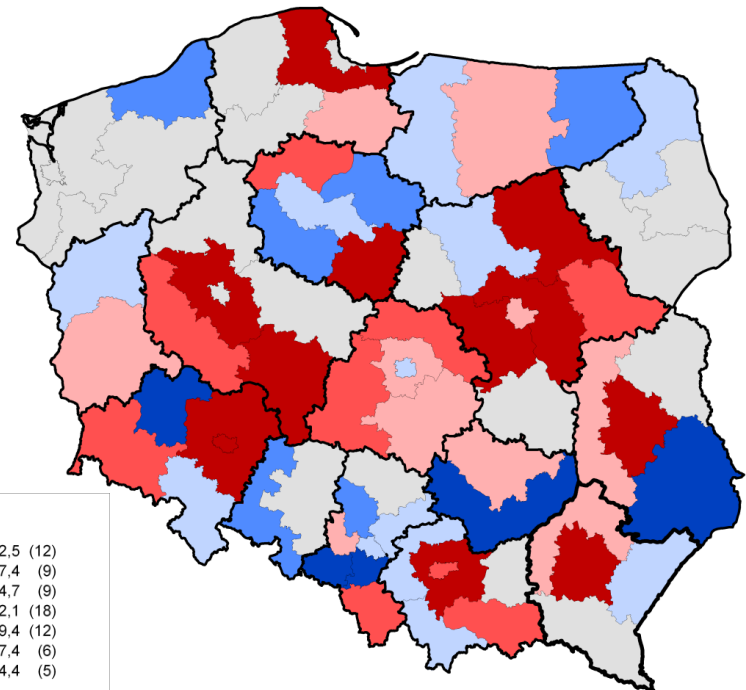
Without the largest cities in some CEECs - weak convergence

Regional patterns, Poland

GDP per capita, 2014, NUTS3,
Poland=100



Real GDP growth, 2010- 2014, NUTS3,
Poland=111.7



The future of the CEECs in the EU

A red line graphic that starts as a horizontal line and then rises into a jagged, step-like pattern on the right side of the slide.

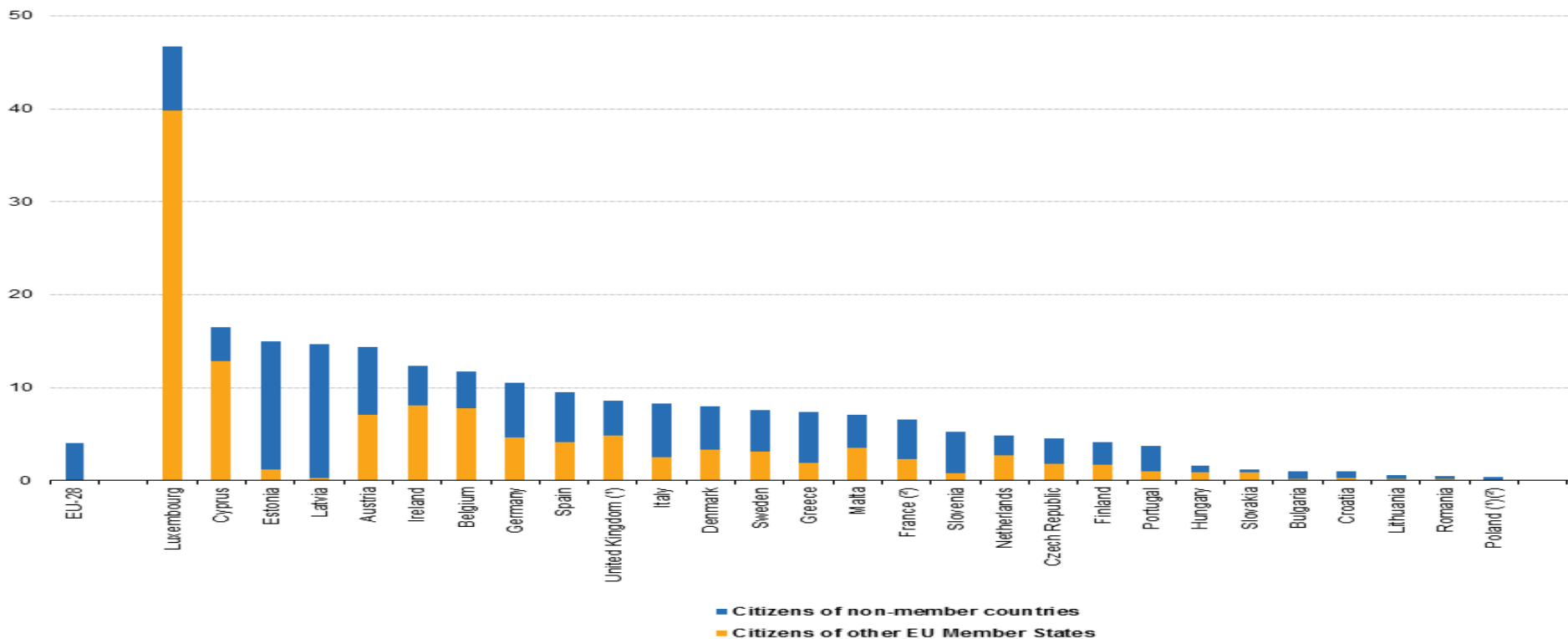
White Paper on the Future of Europe, March 2017

https://ec.europa.eu/commission/sites/beta-political/files/white_paper_on_the_future_of_europe_en.pdf

Priorities of the EU for the future:

1. Single market integration and trade (?).
2. Monetary and economic union
(Czech Rep., Bulgaria, Croatia, Hungary, Poland, Romania out).
3. Migration and security (strong opposition in most).
4. Innovation and technological progress (weak absorption).
5. Environmental protection and decarbonisation
(Poland & Greece against)
6. Foreign and defense policy (rather positive, Poland sceptic).

Share of non-nationals in the resident population, 1 January 2016 (%)

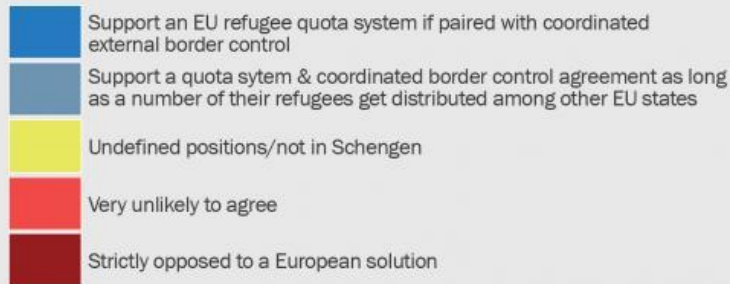


(*) Estimate.
(*) Provisional.
Source: Eurostat (online data code: migr_pop1ctz)

[http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Share_of_non-nationals_in_the_resident_population,_1_January_2016_\(%25\).png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Share_of_non-nationals_in_the_resident_population,_1_January_2016_(%25).png)

Attitudes towards refugees quota

A Possible EU Coalition of the Willing on Refugees



G | M | F

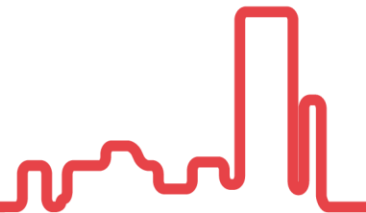
Source: Timo Lochocki

New targets for (smaller?) financing



- Less for:
 - regional development;
 - health care
 - labour market intervention
- More for:
 - innovation;
 - handling immigration;
 - environment (decarbonisation)
 - defence and security

Scenarios for Europe



1. Carrying on
2. Nothing but the single market^{*)}
3. Those who want more do more
4. Doing less more efficiently
5. Doing much more together

^{*)} plus the money

As a result: Europe of several speeds

Institutional divergence, conservatism and social attitudes



Institutional convergence of the CEECs began after 1989.

It proceeded **until 2003**, mostly due to the phase of accepting the *acquis communautaire* along with the association phase.

Since 2003 the convergence process **slowed down** in all countries. Without external pressure own propensity for institutional improvements was low.

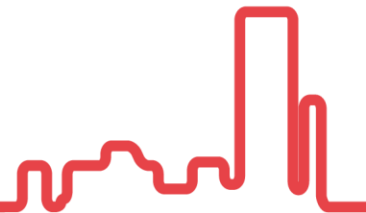
Recently – **a reversal** of institutional change.

One hypothesis: **closed societies** manipulated by „conservative” politicians

„**Social psychology**” of Cohesion Policy and the CAP: perception as „easy money” which we deserve by definition.

Privileges without obligations.

The role of CEECs in the EU



1. CEE as a laboratory of change
2. In most cases successful economic transformation, though challenges mounting in the future
3. A diverse group – more and less reliable members
4. But „bad boys” challenge EU principles and do not agree to join common policies (Euro perhaps the most important)
5. Unfortunately Poland appears to be the „leader of the gang”
6. Also in some countries corruption is still a problem
7. Dramatic decrease of EU transfers possible and depending on agreements to various common policies
8. Polexit? Hunexit?
9. Hopefully not.

Culture matters

A red line graphic that starts as a horizontal line and then rises into a jagged, step-like pattern on the right side of the slide.

Institutions, stupid!

Thank you for your attention

gorzelak@post.pl

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