

Szabolcs-Szatmár-Bereg and Transcarpathia: Peripheral counties at the external border of the European Union

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Abstract

The Ukrainian-Hungarian border region has got into a new geopolitical situation, its role in the European spatial structure has changed. With the EU-accession of Hungary, the region is situated on the border of the integrated European economic area that poses new possibilities but new challenges too. The peripheral region became more attractive for the new forms of economic activities due to its role of transit but the Schengen border regime introduced in December 2007 poses new difficulties for the slowly evolving cross border relations since the late nineties. In my study I am going to show the tendencies of the economic and social development of the Hungarian and Ukrainian border counties, Szabolcs-Szatmár-Bereg and Transcarpathia in the first decade of the millennium to demonstrate what processes have started in the regional economy due to the new geopolitical situation. In the second part of my paper I am going to present and evaluate the economic development concepts and strategies on both sides of the border.

Key words: border region, regional economic growth, Transcarpathia, Szabolcs-Szatmár-Bereg

JEL Classification: R11

1. Introduction

In this study the two administrative units, the Hungarian Szabolcs-Szatmár-Bereg county and the Ukrainian Transcarpathia county are presented as the Hungarian-Ukrainian border region. Although the two administrative units are very different from each other with regard to their territorial extension and their population (the area and the population of Transcarpathia are twice as large as those of Szabolcs-Szatmár-Bereg county), a number of factors can explain their treatment as one region.

On the one hand, they are situated on the same administrative level, so the differences in their size and their population result from the different size of the two countries, Hungary and Ukraine. On the other hand, the areas alongside the Hungarian-Ukrainian border can be connected from geographical and historical points of view. The Transcarpathian Plain on the Ukrainian side of the border is considered as the continuation of the Great Hungarian Plain, only the mountains of Wooded Carpathians constitute a natural boundary towards the internal parts of Ukraine.

Szabolcs-Szatmár-Bereg and Transcarpathia are formed one territorial unit across centuries as parts of the counties of Szabolcs, Szatmár, Máramaros, Ugocsa, Bereg and Ung of the Historic Hungary. They became divided after the first, and markedly after the second World War. [1]

Examining a larger spatial context we can state that Szabolcs-Szatmár-Bereg and Transcarpathia counties are both parts of a larger Central European peripheral macroregion. This area which is called by Gorzelak „Central European Wall” stretches out from the north-eastern corner of Poland through eastern Slovakia to the south-eastern part of Hungary and reaches many new EU (Poland, Slovakia, Hungary, Romania) and non EU countries (Ukraine,

Belarus). The region is characterized by the slowness of the economic transition, the low-level of education and integration with the central regions, poor infrastructure and the lack of foreign direct investment.¹ [2]

2. The socio-economic profile of the Hungarian-Ukrainian Border Area

One third of the Hungarian-Ukrainian Border Area is constituted by Szabolcs-Szatmár-Bereg county which covers 6,4% of the area of Hungary. Two-thirds of the area is constituted by the Zakarpatska oblast (Transcarpathian Region) which is one of the smallest administrative units of Ukraine (it covers 2,1% of the area of the country). In this form both territorial unit have existed since the Second World War. The area of Szabolcs-Szatmár-Bereg county was set up in 1950 by the unification of Szabolcs and Szatmár-Bereg counties with the correction of the border line. The Transcarpathian Region was officially founded on 22 January 1944. There are a number of similarities between the two counties alongside the Hungarian-Ukrainian border from demographic and economic points of view and concerning their infrastructural development: both area lies at the periphery of the larger economic entity to which it belongs and this is true not only in geographical, but also in economic terms.

2.1 Demographic situation

The population is decreasing constantly in the Hungarian-Ukrainian border region due to the low birth rate and to the migration losses (mainly domestic migration). The decrease was numerically higher in Transcarpathia, but in Szabolcs-Szatmár-Bereg county population decreases in a larger extent (2,3% against the Transcarpathian 1,2%). Due to the low birth-rate, and the migration of younger and more mobile people, the age structure has changed unfavourably and the aging of the population is continueing in the region. The population of the Hungarian-Ukrainian border region exceeds 1,8 million people.

The area and the population of Hungarian-Ukrainian border region

	Area		Population (2007)	
	km ²	Percentage of the country's area	Inhabitants	Percentage of the country's inhabitants
Szabolcs-Szatmár-Bereg	5937	6,4	576 054	5,7
Transcarpathia	12800	2,1	1 242 600	2,1
Total	18737		1 818 654	

Source: *www.ksh.hu, www.ukrstat.gov.ua*

The high proportion of the Roma population has a significant impact on the demographic situation of Szabolcs-Szatmár-Bereg county. (According to the most recent census, 4,3% of the population has Roma origin while the Hungarian population presents 93%.)

According to the census data of 2001, in Transcarpathia Region more than seventy ethnic groups can be found. The majority of the population is Ukrainian (80,5%)², the largest

¹ In the absence of development and growth perspectives Gorzelak is afraid that the eastern peripheral areas of the enlarged EU become „blindsided” because the structural transition and the economic recovery will hardly encouraged by the neighboring non-EU countries, Belarus and Ukraine.

² The Ruthenian population living in the area for centuries are recently largely accepted Ukrainian identity. However a small group (by the 2001 census altogether 100 000 people) continue to declare themselves Ruthenians.

minority is the Hungarians (12,1%) but there are Romanians (2,6%), Russians (2,5%), Roms (1,1%), Slovaks (0,5%) and Germans (0,3%) too.

2.2 Economic development

In the following part of my study some economic indicators in Transcarpathia Region and in Szabolcs-Szatmár-Bereg county after the millenium will be presented.

The first decade after the change in the economic system was characterized by a strong decline in GDP on both sides of the border due to the economic performance. The results have appeared for Szabolcs-Szatmár-Bereg county rather late, only in the second half of the nineties while in Transcarpathia the economic growth began in 2000, at the same time as in Ukraine.

Between 2000 and 2006, the GDP of Szabolcs-Szatmár-Bereg county grew continuously, as a whole by 0,6%. The growth rate in 2002 and in 2004 was more modest and in 2005 slowed down significantly. The county's contribution to the gross domestic product of Hungary even in the period of the largest increase did not exceed 3,3%. With regard to the GDP per capita, between 2000 and 2006 Szabolcs-Szatmár-Bereg county overtook only Nógrád in the ranking of Hungarian counties. [3]

During the same period the gross domestic product of Transcarpathia grew totally by 2,8%. The economic growth rate has been increasing since 2003 and in 2007 with a growth rate of 7,4% according to the previous year Transcarpathia realized the seventh largest GDP growth among the Ukrainian administrative units. The contribution of the county to the gross domestic product of Ukraine is modest, it is steadily 1,5%. Although in 2006 the GDP per capita was four times larger than in 2000, it was the smallest one among the administrative units of Ukraine (in the ranking of Ukrainian regions, it occupied the 24th-26th place).³

The gross domestic product of Szabolcs-Szatmár-Bereg and Transcarpathia (2000-2006)

	2000	2001	2002	2003	2004	2005	2006
Szabolcs-Szatmár-Bereg							
GDP (million HUF)	431,2	498,9	548,2	624,9	679,7	693,3	725,5
GDP-growth rate (in % of previous year)	15,2	15,7	9,9	14	8,8	2	4,6
The GDP of the county in % of the GDP of Hungary	3,2	3,3	3,2	3,3	3,3	3,1	3
GDP/capita (thousand HUF)	731	847	934	1069	1167	1195	1257
Ranking (according to the GDP/capita)	19.	19.	19.	19.	19.	19.	19.
Transcarpathia							
GDP (million UAH)	2151	2781	3211	4016	5297	6700	8185
GDP growth rate (in % of previous year)	7,8	29,2	15,4	25	31,8	26,4	22,1
The GDP of the county in % of the GDP of Ukraine	1,5	1,5	1,5	1,6	1,5	1,5	1,5
GDP/capita (UAH)	1677	2208	2557	3207	4238	5373	6576
Ranking (according to the GDP/capita)	24.	25.	25.	25.	26.	24.	25.

Source: www.ukrstat.gov.ua; www.ksh.hu

³ Ukraine is subdivided into twenty-four provinces (oblasts) and one autonomous republic (*avtonomna respublika*), Crimea. The cities of Kiev, the capital, and Sevastopol, both have a special legal status. In total, Ukraine has 27 administrative units.

Expressed the data on gross domestic product in USD we can state that despite the spectacular development of Transcarpathia, the gross domestic product of Szabolcs-Szatmár-Bereg was in 2006 still more than twice of the gross domestic product of the Ukrainian region. The GDP per capita of the Hungarian county was five times larger as on the Ukrainian side of the border. [4]

2.3 Industrial production

Between 2003 and 2006 the volume of the industrial production was at least two times, but in 2006 4,3 times higher in Transcarpathia than the national average. In 2006 the industrial production grew by 27,2% which was the second largest industrial output growth among the Ukrainian regions. The volume of the industrial production was growing in 11 among the 18 districts of the county, but the largest industrial expansion was realized in the Uzhgorod (60%), Mukacevo (50%) and Vynohradiv (39%) district.

In Transcarpathia, the mechanical engineering, the food industry, the wood manufacturing, the light industry and the chemical and the petroleum industry belong to the leading branches of the industrial production.

In Szabolcs-Szatmár-Bereg county, the growth of the industrial production was below the national average in the examined period, or it was even negative in 2005. The industrial structure of the county is dominated by the manufacturing industry (including mostly clothing, footwear, leather, food, beverages and tobacco and chemical industry). The share of mechanical engineering (11%) is significantly below the national average (40%)

The volume of industrial production, percentage of the previous year (2003-2007)

	Transcarpathia	National average (Ukraine)	Szabolcs- Szatmár-Bereg	National average (Hungary)
2003	44,3	15,8	3,1	6,6
2004	27,4	12,5	0,7	7,5
2005	7,7	3,1	-0,7	7,1
2006	27,2	6,2	9,6	10,2
2007	20,4	10,2		

Source: www.ukrstat.gov.ua; www.ksh.hu

2.4 Foreign direct investment

While in Hungary the stock of FDI increased 2,5 times between 2000 and 2006, the growth in Szabolcs-Szatmár-Bereg county was less than 2,3 times until 2004. The stock of FDI is declined from 2005. The share of the county from the total FDI of Hungary was in 2004 the highest, but even this year they did not exceed 1%. Up to the present, foreign direct investments „avoid” the county. [5]

In contrast, Transcarpathia has developed for the last seven years primarily through increased foreign direct investment. The FDI-stock tripled between 2000 and 2006 and in 2006 it reached 295 million USD which was 1,7% of the total foreign direct investment in Ukraine. With invested capital of 35,1 million USD, Hungary occupies the fourth place on the list of the main investor countries after the United States, Germany and Japan which represents 9,7% of Transcarpathian total FDI.

Foreign direct investment (2000-2006)

	2000	2001	2002	2003	2004	2005	2006
Szabolcs-Szatmár-Bereg							
FDI inflows (billion forint)	35,9	44,6	50,3	68,3	95,8	89,6	83,1
The contribution of the county to the national FDI inflows	0,7	0,7	0,7	0,8	1	0,8	0,6
Transcarpathian Region							
FDI inflows (million USD)	18,4	15,3	20,2	68,9	62,7	68	36,9
FDI stock, end of the year (million USD)	92,2	107,5	127,7	181,6	244,3	261,3	295

Source: www.carpathia.gov.ua; www.stat.uz.ua; www.ksh.hu

2.5 Unemployment rate

Between 2001 and 2007, the unemployment rate of Szabolcs-Szatmár-Bereg county increased by 5,1%, in 2007 it was 14,7% which was twice of the national average and the highest rate among the Hungarian counties.

In 2001, the unemployment rate of Transcarpathia was one of the highest among the 27 Ukrainian administrative units (with an unemployment rate of 6% which exceeded by 1,9% the national average, the county occupied the 21st place). In 2007 however, the unemployment rate decreased by more than 3% being hardly behind the national average (2,8%). Consequently concerning the unemployment rate, the county caught up: among the 27 administrative units, it ranks the 11th place.

Unemployment rate (2001-2007, on 1 January), %

	2001	2002	2003	2004	2005	2006	2007
Transcarpathia	6	5	5,4	4,4	3,8	3,4	2,8
Ukraine	4,1	3,6	3,7	3,5	3,5	3,1	2,7
Szabolcs-Szatmár-Bereg	9,6	9,1	8,4	9,5	10,3	13,6	14,7
Hungary	5,7	5,8	5,9	6,1	7,2	7,5	7,4

Source: www.carpathia.gov.ua; www.ksh.hu

3. The tentatives of economic development in the Hungarian-Ukrainian border area

In the following part, the efforts in recent years aiming to overcome economic backwardness on both sides of the border are presented and evaluated: the activity of the enterprise zones and special economic zones, industrial parks, logistics development and the support of the Cross-Border cooperation programmes of the European Neighbourhood and Partnership Instrument for the period 2007-2013.

Each development tentative proceeds from the advantageous geographical location of the region. The Hungarian-Ukrainian border region disposes advantageous geopolitical and transport conditions: here is where the Russian-Ukrainian broad gauge railway network and the European standard gauge network meet so the region can play a key role in the rail freight

transport between Europe and Asia (Trans-Siberian, Trans-Korean railways). The border region passes through Pan-European Transport Corridor V as well which runs south-west to north-east via Venice, Trieste, Ljubljana, Budapest, Zahony, Uzhgorod and Lviv.

3.1 Enterprise zones and special economic zones

The Zahony and Its Area Enterprise Zone on the Hungarian side of the border included the administrative area of fifty settlements (namely Vasarosnameny and Kisvarda districts), its benefits were available from 1 January 1996 to 31 December 2006. Despite the favorable conditions this period was not sufficient to change radically the negative trends in the region radically. Although the density of firms ameliorated, but the establishment of small sized enterprises with lower income has not been able to remedy the persistently high unemployment. The industrial companies of the area employ fewer than 20 employees. Among the county's largest industrial companies four operate on the territory of the enterprise zone and some foreign-owned enterprises (Michelin, GE Lighting, Interspan, Lada Trans) are also present. [6]

In contrast on the Ukrainian side of the border, the Special economic Zone of Transcarpathia created in January 1999 on an area of 737 hectares is considered successful because it contributed to reducing the unemployment of the region significantly. On the one hand there were preferences for the companies investing 250 thousand USD in the area of SEZ for a period of fifteen years. An other preference for a period of 30 years came into force by a presidential decree for the companies investing 1 million USD in the determined economic zones of Transcarpathia, in the region of Chop, at the railway junction of Uzhgorod and near the former military airport of Mukacevo. A number of global companies established subsidiaries in the determined area (for example Skoda, Audi, Volkswagen, Leoni, IKEA, Flextronics, Yazdaki, Henkel) But the preferences of the Ukrainian special economic zones (as well as the benefits of the SEZ in Transcarpathia) were abolished in 2005 by a decree of the Timosenko government. [7]

3.2 Industrial parks

An industrial park is an area zoned and planned for the purpose of industrial development which is able to attract new business by providing an integrated infrastructure in one location. Officially in Szabolcs-Szatmár-Bereg county ten industrial parks are registered (two of them on the territory of Zahony and its Area Enterprise Zone), but the majority of these parks did not accomplish their original function. This can be explained by the low level of investor interest and the increased international competition (Polish, Czech, Romanian, Ukrainian competitors). The main obstacle to development is underdeveloped infrastructure and the lack of resources. The industrial parks may become driving force of the regional economy when some large companies are located there besides the small- and medium sized enterprises. [8] In Transcarpathia has no experience concerning the operation of industrial parks because the creation of the first industrial park in Tiszasalamon near Chop is still under negotiation.

Industrial parks in Szabolcs-Szatmár-Bereg county

Industrial Parks	Year of foundation	Area (ha)	Number of enterprises	Number of employees (person)
Nyíregyháza	1997	125	8	2200
Csenger	1998	12	4	60
Fehérgyarmat	1998	19	-	-
Mátészalka	1998	50	17	1999
Nyírbátor	1998	58	16	251
Tuzsér	1998	20	-	-
Záhony	1998	12	3	11
Nyírbogdány	2002	21	3	95
Balkány	2006	n.a.	n.a.	n.a.
Rakamaz	2007	88	n.a.	n.a.

Source: [9] and www.nfgm.gov.hu

3.3. Cross-border joint development project: the development of an industrial and logistics area

As part of its regional development strategy, the Hungarian government has launched a major project to develop the city of Záhony and its environment into a Special Area. Záhony is the junction and reloading centre for European standard-gauge railways and the wide-gauge system of the CIS states. The fact that the two, fundamentally different track systems (there is a 89 mm width difference between them) meet here, has given the area a unique role as an important reloading station. In the framework of a Hungarian-Ukrainian-Russian logistics cooperation Záhony can be one of the nodal point of the new silk road connecting Europe to the Far East. This project can favourably affect the activity and the role of the enterprise zones and the unity of industrial park-logistics center-duty free zone could be realised.

3.4 Hungary-Slovakia-Romania-Ukraine ENPI Cross-border Cooperation Programme (2007-2013)

The Hungary-Slovakia-Romania-Ukraine ENPI Cross-border Cooperation Programme 2007-2013 is aimed to provide a framework for the activities which will lead to a more intense and deeper social and economic cooperation between regions of Ukraine and regions of member states sharing common border. The programme area is located on the Hungarian-Slovak-Romanian-Ukrainian border, and includes the following territorial units: Szabolcs-Szatmár-Bereg and Borsod-Abaúj-Zemplén (Hungary), Košický and Prešovský (Slovakia), Maramureş, Satu-Mare and Suceava (Romania), Zakarpatska, Ivano-Frankivska and Chernivetska (Ukraine). Suceava and Chernivetska are included on the basis of special rules. The programming area covers 32% of Slovak Republic, 14% of Hungary, 8% of Romania and 6% of Ukraine.

The 2007 ENPI CBC Strategy Paper 2007-2013 sets out the EU's general policy and objectives for the cross-border cooperation activities. These are:

- to promote sustainable economic and social development in the border areas (joint developments of businesses and increase touristic attractiveness of the area)
- to work together to address common challenges, in fields such as environment, public health, and the prevention and fight against organized crime;
- to ensure efficient and secure borders;
- to promote local “people-to-people” type actions. [10]

Conclusion

Consequently we can state that since the millenium the regional and the per capita GDP growth was continous in the Hungarian-Ukrainian border region, however in Transcarpathia the growth of both economic indices was more dynamic.

Concerning the other examined indices, in the economy of two counties alongside the border opposite tendencies can be observed. While in Szabolcs-Szatmár-Bereg county the unemployment rate continued to rise, the industrial production growth has not overcome the national average, and the stock of foreign direct investment has been declining since 2004, in the economy of Transcarpathia positive trends started: the volume of industrial production exceeded the national average significantly and the national and foreign direct investment have led to a spectacular reduction in unemployment rate. The report of the World Economic Forum on Ukraine stated that in 2008 after the capital and Dnepropetrovsk, Transcarpathia was the third most competitive region of the country. [11]

We can also state that the positive tendencies in the regional economy did not change the position of Transcarpathia among the Ukrainian administrative units substantially concerning the examined economic indices. So the peripheral economic situation of both areas is maintained but while the development of Transcarpathia is more dynamic (a dynamic periphery), the development of Szabolcs-Szatmár-Bereg county is stagnating. In order to „overbalance” the Hungarian county from the current stagnating situation, further economic development is inevitable which means strenghtening the industrial and services sector, the real transformation of the agricultural production, the exploitation of the „periphery-benefits” provided by EU-enlargement and above all due to the geographical location, the exploitation of the opportunities of cross-border economic - mainly logistics cooperation.

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