

SIMILARITIES BETWEEN TWO DIFFERENT CITIES – MISKOLC AND KOSICE

Zoltán NAGY, Ph.D

University of Miskolc, Institute of World and Regional Economics

regnzozo@uni-miskolc.hu

Abstract

That is the ambivalent feeling may be characteristic of the relations between Miskolc and Kosice in the first years of the 21st century, when both the competition situation and interdependence may appear in the development of both cities. The study looks at various aspects of the development of Miskolc and Kosice; presenting the comparisons, similarities and differences helps in examining their relative positions. The weaknesses, unfavourable positions and the backwardness in the comparisons revealed in the various data and comparisons designate the areas for Miskolc and Kosice to be developed. The opportunities for Miskolc and Kosice are given for development, for improving their positions and for taking the advantage of the latecomers.

urban competition, de-industrial towns, cooperation, development directions

1 COMPETITION BETWEEN TOWNS

The competition and rivalry between towns is not a new phenomenon, however, cross-border urban competition has become intensified in the past decades. As early as in ancient times the Greek city-states and the towns in the Roman Empire were competing with each other (Begg I. 1999; Cséfalvay Z. 1999; Lever W. F. 1999). The competition between towns in modern history can be divided into two stages: the first stage from the 18-19th centuries to the 1970s can be characterised by the fact that it took place within nation states (the 'struggle' went on for the establishment of industrial plants, educational institutions, and infrastructure development). The second stage from the 1970s to the present day can already be considered to be 'urban competition'. The improvement of the competitiveness of towns and the bottom-up urban policy prevails over the top-down development policy (Lengyel I.- Rechnitzer J. 2000).

The advance of trans-national companies, the fundamental changes in the economy and the reform of economic organisations have presented new challenges to places of business, labour, transportation, infrastructure and their main scene, the towns.

The new challenges require towns to change and renew themselves, to operate in accordance with the objectives of the 'New Economy'. The competition between towns for investment by the private and the government sphere, for various economic advantages, for different subsidies, for citizens is getting more and more intensified and typically this competition is expanding to become international where towns have to compete with international 'rivals'. In the course of history, most towns, with the possible exception of capital cities, were involved in the competition between rivals within the borders of their countries. Now this has been changed (let us just think of e.g. subsidies in the European Union and the choices of places of business by trans-national companies, etc.). According to Gy. Enyedi (1998), the existence of local factors such as a knowledge-based innovative industrial environment, nodal points in information flow and an information-intensive environment are of extraordinary importance and can be regarded as a pledge of steady growth.

Today the foundation of globalisation is given by the dramatic development of communication and even more by information technologies. As a result of this development, the world has seen the transformation of spatial-time relations: the spatial and time borders that previously separated national economies from each other come to cease increasingly. These

processes, however, do not involve the various geographic locations to the same extent, thus the processes converging in time and space are paradoxically accompanied by geographical inequalities.

The European Spatial Development Perspective (ESDP 1999) sets several objectives, including the following: the development of better balanced systems of towns with multiple centres, creating new relations between a town and its region, ensuring access to well-developed infrastructure, intensified protection of the natural and cultural heritage. One of the focal points of European spatial development has become the towns, for its special processes are decisive for the development of their regions. The development of town systems presents as an objective the strengthening of cooperation between towns. One of the conditions for harmonic spatial development is the achievement of cooperation between towns together with the creation of networks and cooperation, with the objective that the towns located in different dimensions should not be isolated from each other.

Strengthening the networking relations carries a particular significance in Eastern and Central Europe. In its spirit the cooperation between towns has to be made more versatile partly at intra-regional and partly at inter-regional levels.

Another important objective of development policy has to be creating dynamic and competitive towns. In general, towns as the driving forces of economic growth are important components of the competitiveness of regions. The role of gateway towns is going to increase. These towns may represent the new communication points of the European economic area (air and marine ports, transport nodes/junctions, significant economic, cultural and administration, political centres, major border cities of the European Union). Creating relations with areas outside the Union, other continents or even with economic, political systems representing other cultures takes place through these gateway towns.

If we accept that the competition between towns has become of major importance in the age of globalisation, then state borders cannot impede this competition. Competition between towns may also be decisive for towns close to the borders. The idea of taking advantage of geographical vicinity was already formulated in the 19th century, and competition and cooperation can be perceived side by side in some cases (Buzás 2000).

This ambivalent feeling may be characteristic of the relations between Miskolc and Kosice in the first years of the 21st century, when both the competition situation and interdependence may appear in the development of both cities. Taking the ideas in Enyedi (1998) as our starting point, we can say that these cities may become successful if (along with other points of view) they are able to change their economic structures and develop considerable external relations. These are objectives in the achievement of which the two cities can assist each other. The way to deepen their relations is to explore the past and the present, to find the connecting points, to learn from each other's mistakes and to join forces and assist each other.

2 DE-INDUSTRIALISED CITIES

In spite of the differences in size, demographic characteristics and geography, it can be said that towns across Europe are faced with similar urbanisation problems. According to the European Commission (2007), European towns basically face two main challenges: on the one hand the problem of growing cities and, on the other, the phenomenon of stagnating or declining cities.

In towns showing a decrease in population there is generally a high level of unemployment, and there are numerous other social-economic difficulties. Problems are many-faceted, in many cases economic decline, low birth rate and migration losses are present at the same time. Stagnating and declining towns appear in larger numbers in the north of England and France, in the Flemish areas of Belgium, in the former East-German regions and in most of Central and Eastern Europe, including towns such as Miskolc, Kosice, Cracow, Ostrava and others. These urban areas have a significant industrial past, and are faced with serious challenges in the time of economic restructuring.

According to the report by the Commission, what are called regional poles belong among the most important pillars of European regional economy. The poles represent the following types of towns:

- De-industrialised towns;

- Regional market centres;
- Regional public service centres;
- Satellite towns.

Both Miskolc and Kosice belong to the De-industrialised towns (together with Charleroi, Liège, Ostrava, Usti nad Labem, Halle an der Saale, Bari, Katowice, Nowy Sacz, Braila, Sheffield, etc.). This type of town is characterised by the following:

- they are medium-sized towns;
- there is a high level of industrial employment;
- declining number of population;
- a low level of economic growth;
- low per capita GDP;
- low employment rate, particularly among the elderly;
- low number of highly qualified people.

De-industrialised towns usually have a rich industrial past. They are of medium-size, the average number of population is around 200,000 persons, but naturally there are also significant differences. Core cities usually have larger urban zones, thus the agglomerations may frequently have populations of 500,000. In the past years and decades de-industrialised core cities and the surrounding agglomerations have usually lost some of their populations, on average approximately 0.6% annually (European Commission (2007)).

These de-industrialised towns can be found in large numbers in the new EU member states, including Poland, the Czech Republic, Slovakia, Hungary, Romania and Bulgaria. Since the 1990s the local economy has been undergoing drastic changes. Previously these towns played significant roles in the production of their countries, in producing the GDP.

Today on average they represent 78% of the national GDP, which is rather poor economic performance, with the same applying to their larger urban zones. According to data for 2001, among the cities Charleroi (77%), Ostrava (77%), Moers (67%) and Miskolc (63%) had the lowest figures, taking the per capita value of economic production as percentage of their own national average. In addition, their growth dynamics is not appropriate either, for the increase in GDP between 1996 and 2001 was on average 2% lower annually than the national average.

Not only the examinations of Urban Audit, but also those of ESPON (2005) gave similar rankings to Miskolc and Kosice. In the latter analysis, the ranking of functional urban areas was done also by the functional¹ specialisation of the urban nodes. This created the following:

- the group of MEGA areas (Metropolitan European Growth Area) which includes Budapest (in Slovakia it includes Bratislava);
- the group of international, national functional urban areas, including Miskolc and Kosice (3 other Hungarian and 5 Slovakian towns in addition);
- and the group of regional, local functional urban areas (in Hungary 72 and in Slovakia 20 towns).

3 SIMILARITIES AND DIFFERENCES

The researcher does not have an easy task when collecting the comparative data for Miskolc and Kosice, for the data series are sometimes deficient, and the comparable data (Eurostat, Urban Audit) available for both towns are for 2001 (Table 1).

The Urban Audit urban statistics data collection involves 258 towns in 27 European Union member states. The areas of data collection are as follows:

1. demography;
2. social characteristics;
3. economic characteristics;

¹ The functions were examined in the following areas: population, transport, tourism, industry, science, decision making in the private sector and decision making in the public sector.

4. civil public activities;
5. training and education;
6. environment;
7. travel and transport;
8. information society;
9. culture, recreation.

In the comparisons, most of the indicators showed a more favourable picture for Kosice. The age structure of the town in Slovakia was more favourable in 2001 and has remained so till today, ageing is less typical. In the past decades Kosice did not suffer such a loss of population as Miskolc, which also shows that it was affected by the unfavourable economic changes to a smaller extent. The role of heavy industry has remained decisive, the traditional industries, metallurgy and machine industry did not undergo a crisis as in Miskolc. This is supported by the higher employment figures and the higher GDP data. As compared with the national data, Kosice enjoys more favourable positions than Miskolc (for the GDP data were nearly equal to the national average). However, the employment structure is more favourable for Miskolc, with a higher rate of those employed in the services. At the same time this means that the number of those employed in the industry declined to a greater extent, and in the course of the structural changes the number of investors arriving in the town is not sufficiently high to change the high unemployment and the low employment indicators.

Table 1. Characteristic statistical data of Miskolc and Kosice in 2001 according to the Urban Audit

	Miskolc	Kosice
Core city population	184.125	236.093
LUZ population	281.867	343.092
Population change in core city 1996-2001, annual average, in%	-0,5	-0,5
Population change in LUZ 1996-2001, annual average, in%	-0,3	-0,1
Share (%) of total resident population aged 65 years or over	15	11,2
Share (%) of total resident population aged 0-14 years	15,2	17,9
Real GDP growth 1996-2001, annual average in %	2,8	5,0
Real annual average GDP growth 1996-2001, percentage points deviation from country average	-2,3	1,5
GDP per capita in PPS 2001, index, EU27=100	38	48
GDP per capita in 2001, index, country average=100	63	94
Employment rate: Employed persons as a share of all working-age (15-64) population	47	60
Employment rate: index, country average=100	84	106
Employment rate, older workers: Employed persons aged 55-64 years as a share of persons that age	19	36
Employment rate, older workers, index, country average=100	80	141
Unemployment rate	15	19,1
Total employment (work place based)	61.404	123.618
Share of employment in manufacturing incl. Construction	25,3	33,2
Share of employment in services	73,8	66,1
Share of employment in transport and communication	9,5	9,1
Share of employment in trade, hotels, restaurants	19,3	17,2
Share of employment in financial intermediation, business activities	10,5	9,5
Share of employment in public administration, health, education, other services	34,4	30,3
Number of students in higher education (ISCED level 5-6) per 1000 persons	68	64
Residents qualified at ISCED levels 5-6 as a share (%) of population 24 and over	18,1	19,8
Self employed persons as a share (%) of all employed persons (work place based)	13,2	6,3
Self employed persons as a share (%) of all employed persons (work place based), index, country average=100	159	116
Multi-modal accessibility, index ESPON space=100	62	76

Source: European Commission 2007: State of European Cities Report

This is also borne out by the fact that Brandmüller T.-Faluvégi A. (2007) examined the rankings of 38 towns in Hungary and the neighbouring countries on the basis of Urban Audit. It makes one think that on the basis of the labour indicators Miskolc is the last one out of 38 towns of the 5 countries, while Kosice is in position 5 in the ranking. On the basis of the GDP index, Miskolc also shows a very poor performance, and is the 34th preceding only four Polish towns. Looking at the rankings by the other indicators, neither Miskolc, nor Kosice appear among the five best or the five poorest towns, but Miskolc is mostly found in the second half of the lists (its human index and competitiveness index are both the poorest among the Hungarian towns examined).

The unemployment rate was for both towns extremely high, although it has recently decreased somewhat.² Nevertheless, it is one of the most important tasks for the towns under examination to create jobs, which may mean both attracting foreign investors and encouraging domestic enterprises.

² For Kosice 15.4% according to the report on the period 2003-2006

4 TERRITORIAL POSITIONS

According to Lengyel and Rechnitzer (2000), the foundation for the competitiveness of towns and regions is given by an open economy, the permanently high and rising income per inhabitant, a high and non-decreasing employment rate, and a wide range of population sharing these benefits. Thus they say that competitiveness is nothing but: “as high an economic performance accepted in the global competition as possible, which can be measured by the resulting incomes on the one hand, and by the high level of employment on the other.” Comparing these factors with the data in Table 1 (GDP, number and rate of employed, unemployment rate) we can state that currently the two twin-cities, Kosice and Miskolc, do not present the characteristics of competitive towns.

In 2008 the Volkswagen plant in Slovakia, the PSA plant in Trnava and the Kia plant in Zilina will produce 250 thousand, 180 thousand and 150 thousand cars, respectively. According to the data of the Slovakian automotive industry association, they will produce more than one million cars in 2009, and the number of those employed in the automotive industry – together with those employed by the suppliers – will increase to 100 thousand. The heavy and defence industries with their socialist roots have been restructured and now work as suppliers of the car manufacturers, and are part of the Central European automotive supplier clustering from Mlada Boleslav, or Brno via Vienna and Bratislava to Zilina.

Kosice has not been able to join this revival to the extent that would follow from its heavy industrial past and does not possess a significant automotive assembly plant. At the same time the U.S. Steel Kosice has been ranked 31st according to revenues in the Top 500 List made by Coface Poland (which ranks the companies in 13 countries in Central and Eastern Europe) and 4th in Slovakia. The company owned by US Steel with a staff of more than 13 thousand is even today a major element in the economy in Slovakia and in the region; the fourth largest player in metallurgy and metal industry on the list of 500. Unfortunately, we cannot speak of companies so strong in terms of capital in the economy of Miskolc (perhaps Bosch may represent an exception, but the number of jobs created there – more than 2,000 – is only a fraction of what is needed).

This loss of ground holds true at the national level as well, the years 2006 and 2007 are the ones when dramatic differences appear in the data for GDP growth for Hungary and Slovakia. As a result, today Slovakia precedes Hungary in terms of the per capita GDP calculated at purchasing power parity, and seeing the pace-differences in development it can be stated that this change in position may be there to stay for a longer period. Naturally the rise of the capitals, Bratislava and Budapest, may alter the picture somewhat, for a substantial part of the growth is due to the capital and the region of the capital in both countries. In the provincial areas there are smaller differences to be seen, but the more favourable macro-economic environment (tax system, administration system, investment environment) shows an advantage for Slovakia.

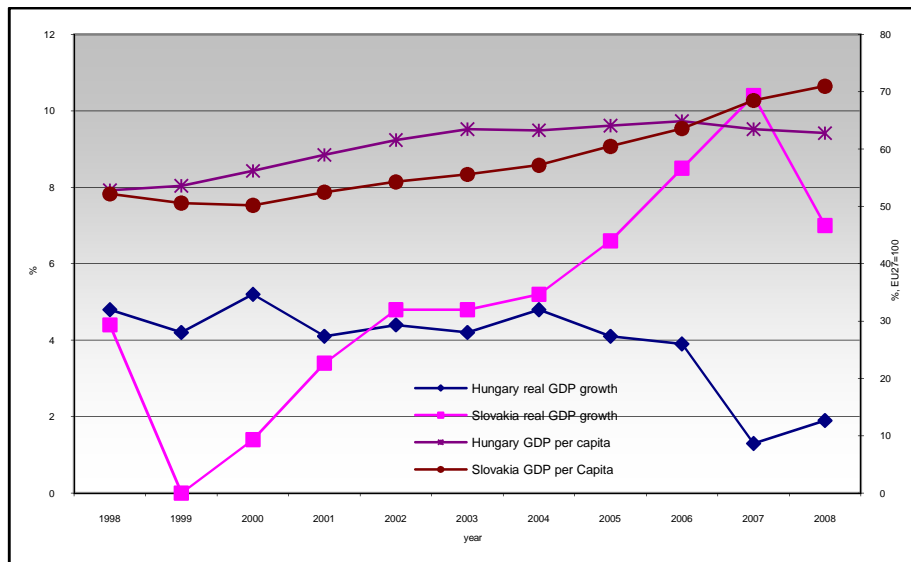


Figure 1. Recent development of GDP growth and per capita GDP in Hungary and in Slovakia (per capita GDP in percentage of EU27, PPS, figures for 2008 are forecasts)

Source: author's work based on Eurostat data

5 DIRECTIONS OF DEVELOPMENT

For Miskolc and Kosice (either as de-industrialised towns, or as large provincial towns of new EU member states), the weaknesses, unfavourable positions and backwardness in the comparisons revealed in the various data and analyses (Urban Audit, ESPON, Brandmüller T.-Faluvégi A. (2007), Nagy Z. (2007) and others) designate the areas to be developed:

- infrastructure, transport, transport connections;
- industry, creating jobs;
- services, finances, logistics;
- tourism;
- education and training (human resource development), research and development;
- urban management, urban communications, relations of a town, resident-friendly environment.

With the modernisation of road connections the role of Miskolc as a domestic and international junction may come to prevail to the full extent in passenger and freight transportation. As for Kosice the same ideas also hold true, mainly in terms of the road infrastructure (motorway), but at the same time it is also true that the regional airport and the wide-track railway considerably improve the accessibility of the town. It can be said for both towns that although infrastructure development is important, it is not able to revive the economy of the town by itself. The improvement in accessibility can bring development to the life of an area when its conditions are given, i.e. transportation can only revive the economy if there is an existing economy in place.

The author is of the opinion that another significant problem of the economy of Miskolc and the region of Northern Hungary, and one cause of the backwardness is the lack of well-operating clusters, and, on the one hand, the insufficient number of businesses employing up-to-date technologies, and, on the other, the lack of efficient cooperation between the existing few companies of this type. The advantages due to the agglomeration emerging with regional clusters are given by a significant economy of scale, the localisation advantages of the given industrial sector and the advantages of urbanisation. It is necessary both for Miskolc and the region to utilise these advantages, therefore it is important for Miskolc to develop as a pole of competitiveness and the development should be fundamentally of an engineering-technical nature. For Kosice it is also necessary that companies applying modern technologies appear in larger numbers, that it should participate more dynamically in the existing Slovakian automotive supplier clusters, and naturally it

would be favourable if one or more major mechatronics companies appeared in the region just like the establishment of supplier clusters even through strengthening cross-border relations.

The objectives to be attained in the future include the development and strengthening of supplier networks in the region, one element of which is a considerable strengthening of intra-regional relations, the strengthening of the directions towards Eastern Slovakia, which could be based on the great extent of the strengthening of vehicle assembly in Slovakia.

The mutual strengthening of the supplier relations between the two regions (Northern Hungary and Eastern Slovakia) and between the industrial areas within the region and the rest of the areas of the region may also mean a loss of proportion towards third countries and regions. This loss of proportion, however, does not necessarily mean a decrease in supplier value as well.

Both Miskolc and Kosice have the task of increasing employment, reducing unemployment and achieving steady growth. In order to achieve the objectives, it is necessary on the one hand to improve the employability of the individual, to widen the demand for labour, and to develop a labour market situation ensuring a harmony between supply and demand. In addition, sustainable development can be achieved by focusing on improving competitiveness, strengthening knowledge-intensity and innovation, increasing productivity, widening the basis of the economy, connecting to a higher level of market integration, propagating up-to-date technologies widely, developing the business environment and making accessibility easier.

In a Europe of change, towns need to widen and develop their tourism connections with their surroundings (small regions, county, region, even the neighbouring regions) in order to be able to utilise the existing ideal conditions for developing and improving a varied and high quality tourism offer. For Miskolc, perhaps the weakest condition in terms of tourism infrastructure lies in the line of accommodations, mainly there is a shortage of hotels with large number of rooms, exclusive restaurants, and conference facilities. In addition, cultural, event-centred and festival tourism may be a point of breakthrough for the town, i.e. the town is in need of gradual development in the fields of business, congress and conference tourism as well.

It can be observed today that the seats of the research and development centres of companies and research institutes, the development centres are not always connected to the production units. The development of information and communication technologies makes the spatial separation of these activities possible. Universities and higher education institutions in both towns may become the decisive institutions of processes and developments in this direction. Both the University of Miskolc and the University of Kosice may play significant roles in that their seats may undertake the role of regional innovation centres on the basis of their positions in the network of towns and in the Hungarian economy.

In addition to these activities, the great variety of the system of relations of the town becomes more and more important and so do the cooperation and partnership between the various regional units (towns and regions), which may obtain funding from the Union and other sources. It could be an example to follow for Miskolc, Kosice and their enterprises (even joint ventures), or for external investors how development-type networks operate or how these can be raised to an international level.

Development possibilities and attracting investors depend greatly on the business environment, and the state regulators (national tax system, administration burdens, incentives, welfare system, etc.), which no town can avoid. This role played by the government determines and affects local governments, investors, and the economic and social players. Besides the characteristics of the labour force, accessibility, and market opportunities, these possibilities may be of decisive importance in choosing a seat or business site, and in the settlement of investors and foreign capital. In this context, the author is of the opinion that Slovakia has been creating a much more favourable environment for economic development in recent years than Hungary. This is shown by the almost unprecedented GDP growth in Europe, the improvement of the figures of the state budget, and the drop in unemployment. The author evaluates the reform package creating the 'Slovak miracle' as positive in terms of the revival of the economy despite its shady sides, and as regards Kosice, this background may also contribute to revival. Hungary would definitely need to follow certain elements of the reform (a proper tax reform, a reduction in public expenditure, a decrease in bureaucracy, the recognition of performance, creating a 'more-resident-friendly' environment, etc.). Thus Hungary

could perhaps be at the head of the list of not only tax burdens, the extent of withdrawals, or the extent of government bureaucracy in the European Union (Table 2).

Table 2. Development of indicators affecting competitiveness in the countries of the Union

Country	Employment rate (2006)	GDP per capita in PPS (2006, index, EU27=100)	Labour productivity per person employed (2006, index, EU27=100)	Implicit tax rate on labour (of total compensation of employees)	Administrative cost share in GDP (in%) (2005)
Czech Republic	65.3	79.3	71.2	41.3	3,3
Germany	67.5 (p)	113.6	106.4	38.7	3,7
Estonia	68.1	67.9	63.7	33.1	
Ireland	68.6	142.8	132.1	25.6	2,4
Greece	61.0	88.4 (f)	106.6 (f)	38.0	6,8
Luxembourg	63.6	278.6	183.3	29.5	
Hungary	57.3	65.3	74.8	40.5	6,8
Austria	70.2	128.7	122.0	40.9	4,6
Poland	54.5	52.9	61.5 (e)	35.5	5,0
Romania	58.8	37.6 (f)	38.3 (f)	26.7	
Slovenia	66.6	88.8	84.7	38.5	4,1
Slovakia	59.4	62.7	70.4	33.7	4,6
Finland	69.3	116.3	111.5	42.0	1,5
Sweden	73.1	120.3	110.1	46.4	1,5
United Kingdom	71.5	119.1	110.6	25.5	1,5

Source: epp.eurostat.ec.europa.eu/portal adm .expenditure: European Competitiveness Report 2006. European Commission, (e) estimated value, (f) forecast

6 CONCLUSION

The author is of the opinion that despite the (often unfavourable) picture presented and the not always favourable positions, the opportunities are given for the towns of Miskolc and Kosice for development, for improving their positions and; having confidence in using the advantage of the late comers that changes in a positive direction and of greater speed may and will come.

The achievement of these and making the cooperation dynamic could meet the ideas in the Foundation Articles of the Kosice-Miskolc Euro-Region, which stipulate that the objectives and tasks of the 'Euro-Region are to:

- organise and coordinate the mutually negotiated steps, promoting economic, scientific, ecological, tourism, cultural and education cooperation between the members,
- contribute to developing cross-border programs and projects in areas of mutual interest to the members"...

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