OBJECTIVE OF RESEARCH IN RESPECT TO POLICY

The European Neighbourhood Countries (ENC) are undergoing significant transformations in their internal and external economic environment. The experience in Europe and elsewhere shows that the process of socio-economic transformation and internationalization in countries of medium or medium-low levels of development may have serious implications for the spatial organization of their economy and the spatial balances of population and productive activities.

This paper investigates the effects of deeper integration on the spatial inequalities in the ENC. Given that the previous experience of regional adjustment in the EU New Member States is not encouraging and given that in most of these countries a sound regional policy is far from being formulated, the results of the analysis may have serious policy implications for both the ENC and the EU. Moreover, despite the fact that the ENC-East economies have been experiencing similar processes of transition, marketization and internationalization, very limited research on regional inequalities has become available. At this end, this paper would have an important contribution to the formulation of policy recommendations.

SCIENTIFIC / RESEARCH METHODS

This paper analyses the regional inequalities in the ENC by exploring the regional structure of the ENC economies and detecting patterns of spatial change, and investigates the drivers of spatial inequality taking into consideration the internal and external dynamics of the economies. The analysis is based on a regional database collected at the administrative divisions of the territory level which is comparable to the EU NUTSII regions. It is about a unique data set compiled for this purpose within the framework of the SEARCH FP7 project and covers the time period from 2000 to 2010.

For the appreciation of the regional disparities the paper estimates a series of measures of regional inequality, and provides a cartographic and diagrammatic analysis for the further illustration of regional trends. For the detection of the determinants of
The results of the analysis indicate that regional dynamics in the external EU periphery are characterized by an overall unfavorable environment for lagging-behind regions. In the period under examination regional inequalities have increased significantly in most countries to levels that are unusually high by European standards. Some countries have experienced a core-periphery pattern of development with metropolitan regions dominating the national economy and lagging behind regions being in a great difficulty to catch up. The econometric analysis shows that disparities at the national level exhibit a pro-cyclical behaviour, increasing in periods of expansion and decreasing in periods of slow growth or recession. It also shows that long-term processes embodied in the level of development tend to favour a more equal allocation of activities and resources over space. However, this balancing effect will take place after a level of development that most ENC will not attain in the immediate future. The model employed indicates that, with the exception of public policy, all other drivers of regional growth tend to favor the more advanced and the metropolitan regions. The peripheral, structurally weak and lagging regions are expected to experience an inferior growth performance and a pressure in their productive base arising from integration and competition from the more advanced European partners.

These findings set a number of uncomfortable dilemmas for the mainstream policy perspective. The evidence that disparities have a pro-cyclical character and that economic growth will always generate new imbalances, while long-term development favours cumulative processes reconsiders the claim that economic growth is the main medicine for the reduction of regional imbalances. Also the findings challenge the mainstream (almost axiomatic) belief that international trade is always and for all beneficial, no matter who the trade partners are, no matter what mix of products are traded and no matter if trade is balanced or not. Therefore, the paper underlines the need for the requirement of a new framework for the discussion of the EU policies towards its external periphery which would provide changes in the basic EU (trade) integration model with less developed areas. Furthermore, it is necessary trade arrangements to be able to improve the productive base of the lagging behind ENC regions in order to help them keep their vast population at home, which in turn needs a new thinking (out of the current policy doctrine) for the formulation of better policy options in the future.

Finally, the paper provides evidence in support of public policy in the confrontation of regional inequalities and regional problems in the ENC area. Given that in most ENC the public sector is limited in size compared to EU, the active involvement of the State in pursuing a more balanced economy should be one of the policy priorities in most of these countries. However, with the exception of Israel, ENC national or regional administrations do not appear to have the required experience in setting up and implementing an effective regional (in the EU jargon ‘cohesion’) policy. The policy options for the EU here are more straight forward and less dilemmatic. The Commission can upgrade its technical and financial support and transmit its know-how but also sufficient funding for the design and implementation of regional development programs that will (at least partially) ameliorate the impact of internationalization on the spatial balances of the ENC economies.