

DEVELOPMENT POSSIBILITIES OF THE HUNGARIAN-UKRAINIAN BORDERLAND IN THE MIRROR OF GLOBALISATION

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Abstract

Thanks to the all pervasive globalisation trends previous state borders have become more permeable and subject to change. Regional integrations – like the European Union – spur this process and helps the integration of borderland inside and outside of the common market. This paper focuses on one of the most peripheral external borderland of the Schengen zone: the Hungarian-Ukrainian borderland. After taking into consideration the relevant economic theory it tries to give empirical evidence in connection with development possibilities and more increased economic interactions.

Keywords: globalisation, spatial impact, borderlands, Hungary-Ukraine

JEL Codes: F22, J61, R12

1. Introduction

Among the tremendous globalisation trends, the disappearance of borders, continuous change of borderlands have become a new tendency in the world and in the European Union (EU) as well (Ohmae 1995: 15). The EU is by far the best case because after the 2004 and 2007 enlargement rounds the length of state borders is 26,160 km and the total number of borders is 62. Currently the European integration borders with 16 new countries where almost 400 million people live (Kallioras et al. 2009: 7).

Taking into consideration the previous trends, we could expect that the EU remains such an integration where the removal of artificial borders launches different tendencies (Hanson 1996: 945, 1998: 12). Unfortunately, the Europe without borders concept envisioned by O'Dowd and Wilson is still to be reached in Central and Eastern Europe (CEE) where state borders still divide the previously coherent economic space. In this way borders still play an important role in the economic processes. An average border region is far from the core area and the border narrows the cross-border interactions. No wonder that there the regions show a below-average development level in the national context (Petraokos and Topaloglou, 2008: 150).

Consequently, approaching the macro and micro impact of European integration of borderlands is vitally important.

In this paper first I try to shed light on the question from a theoretical point of view and then I focus on empirical approaches. Later I describe my own research and intend to draw some conclusions. The main focus of my research is on the Hungarian-Ukrainian border where the more intensive economic relations could serve as a huge impetus for economic integration and growth.

2. Theoretical Framework – Implications of Economic Theories

Under the title of theoretical framework I try to approach the different borderland implications of traditional location theory, trade theory and new economic geography (NEG). First I would like to point to the fact that *borders and borderlands are not exactly in the main focus of these*

theories because countries and different spatial units are treated as single points with no extension.

As for the *traditional location theory*, consumers and producers are mobile and they show perfect distribution in space. Firms seeking economies of scale, in this way locate at such places where the total demand can be best served. According to Lösch's theory the market potential of central areas can be described as a circle or as a hexagon. However, a state *border means multiple hindrances*. The total market potential is disturbed so with the appearance of borders the economic area is largely affected (Rechnitzer 1999: 24; Niebuhr and Stiller 2002: 5). This is confirmed in the border literature in many ways (Nijkamp et al. 1990: 242; Paasi 1996: 74). As a consequence *borderlands are not favourable for firms and they try to avoid it*. Lösch (1944/1945: 37) calls these places deserts where consumption is largely restricted by the low availability of goods. *When borders are lifted borderlands can have a much larger market potential*. However just those *economically integrated spatial units can benefit from these tendencies which have good access to foreign markets*. According to Giersch (1949/1950: 92) these places are the centrally located borderlands in the core of the European Community. This is confirmed by Topaloglou et al. (2005: 70) when *they point to the fact that peripheries are not always able to benefit from the favourable trends*.

For many decades the factor of space was left out of the concept of *trade theory* and even today this aspect is far from fully answered. In addition the *international trade models treat nations as a dimensionless point so they are unable to describe the special effects of integration*. However, one thing is definitely true, integration fostered by the disappearance of trade barriers leads to increased trade relations (Niebuhr and Stiller 2002: 12). Rauch (1991: 1238) creates such a model which contains space character. According to his conclusions the geographic location is important in case of the regional adjustment to the international trade. He claims that *borderlands could have a geographic advantage in attracting export-oriented firms since they are located closer to the largest export markets*. However, the potential market is small or poorish, location becomes less important. As for the limited conclusions of the trade theory the followings can be mentioned. *Proximity to foreign markets can be a huge advantage so those regions which reach foreign markets with lower costs can be natural production zones* (Hanson 1996: 944).

In 1991 Paul Krugman created the *new economic geography theory (NEG)* in which the spatial distribution of economic activity is in the center of the attention. Regional differences are totally answered by endogenous localisation decisions. According to this theory the *centripetal and centrifugal forces* and their *balance* are determining. Centripetal forces help the concentration of economic activities while centrifugal forces do the opposite: foster the dispersion of economic activities. A large number of studies confirm the fact that integration largely affect the allocation of economic activity (Ludema and Wooton 1999: 220; Elizondo and Krugman 1996: 141; Fujita et al. 1999: 118). When taking into consideration different studies *one conclusion is always clear: centrally located regions enjoy significant geographic advantage in an economic integration*. To confirm this Henderson and Thisse (2004: 137) points to the fact that the largest 38 cities of the EU represented 0.6% of the total territory giving 25 per cent of the population and creating almost 30 per cent of the GDP. In this way it is obvious that previously the core regions were the main beneficiaries of integration and this trend is likely to continue. However, new economic centres can also be created (Fujita and Mori 1996: 101). Taking everything into account, the NEG model is also far from outlining the exact future of borderlands. *Concentration of economic activity is very likely in core regions but to a certain extent peripheries can also benefit from the borderless space*.

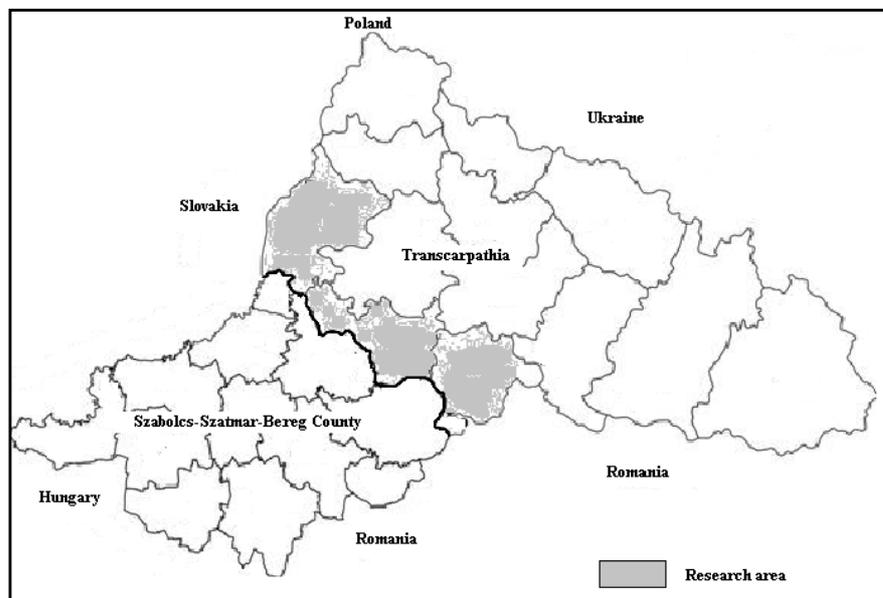
As a final consequence, I have to point to the fact that the *economic theory is not able to outline a clear-cut picture for the development possibilities of border regions* so an empirical analysis is definitely needed to understand the cross-border dynamics.

3. Empirical Approaches

To describe the spatial effects of integration many methodological approaches are in use. Topaloglou et al. (2005: 82) uses factor and cluster analysis focusing on the most important character of regions. Multi-variable regression models are also able to give important conclusions (Buettner and Rinke 2007: 538). Regression analysis can also be an important starting point when conducting research (Niebuhr 2004: 152). Gravitation-based approaches are also common and a lot of studies focus on the simulation of the positive effects stemming from the disappearing borders. However, there are many bottlenecks when modelling the integration processes in CEE. Settlement-level data are not always available and up-to-date. This is the case in the Hungarian-Ukrainian borderland as well, and this fact directs the researcher to a questionnaire-based empirical research. This method is also popular in the literature and in some cases this is the only option to measure the possible effects of integration (Baranyi 2001: 15; Baranyi 2008: 22; Zillmer 2005: 8).

4. A Case Study: The Hungarian-Ukrainian Borderland

The Hungarian-Ukrainian borderland is 136,7 km long and currently belongs to the external Schengen border (Map 1.). There are 5 border crossings but the permeability of borders is restricted and the general cross-border interactions are low. In my research I take into consideration a 25 km long area at both sides of the border and now in this paper I focus on those micro regions in Ukraine which directly borders with Hungary. Transcarpathia – as the macro regions is called – is a peripheral but a developing spatial unit in Ukraine. No wonder that expectations are running high in connection with more intensive cross-border relations.



Map 1.: The Research Area of the Study

Source: Made by the author

5. Results

Thanks to a questionnaire-based survey, data have been collected from 6 micro regions from the Ukrainian side. These micro regions directly borders with the Hungarian-Ukrainian border. 50

settlements provided data and the questionnaire contained 23 questions and finally I have 432 number of cases.

I do not want to surpass the limits of the paper so I focus just the most important conclusions. The frequency of border crossings is quite low: more than 60 per cent travels 3 times or even less to Hungary. Behind the reasons financial factors must be mentioned. For example a passport means a huge financial burden for the individual.

In the questionnaire I asked the motivation behind visiting Hungary. Here I managed to confirm the previous research according to which the non-economic motivation (visiting relatives) is dominant. It is indeed favourable that economic motivations are also among the most mentioned factors. As we could see the frequency of border crossings cannot be compared with western border numbers so I was interested in the hindering factors. Almost 70 per cent mentioned financial reasons, more than 50 per cent long queues at border crossings and around 25 per cent bad infrastructural networks. As I have already indicated the development path of the Hungarian side is in the centre of this paper so I was interested in the destination of border crossings. Here I could confirm the former empirical evidence because the respondents mentioned only far-away, larger towns (Debrecen, 76%; Nyíregyháza 74%) not borderland settlements.

Finally, I tried to unearth the most important negative tendencies in the Transcarpathian settlements. The answers were clustered around the following factors: unemployment, *lack of employment possibilities, massive depopulation, increasing number of low skilled population (mainly gypsies)*. Almost 35% wants to move to other countries like Hungary, EU countries or the USA but they prefer to move to central, core regions not to the other side of the border.

6. Conclusions

When approaching that question of integration dynamism in borderlands I turned first to the theoretical approach. This framework did not give me a consistent and clear-cut picture of the possible tendencies than I focused on empirical evidence. Taking a large number of studies into consideration I came to the conclusion that methodology differs paper by paper.

In case of the Hungarian-Ukrainian borderland settlement-level reliable statistical data are not available so in paralell with other studies I conducted a questionnaire-based survey. With 432 responses I came to the following conclusions: *existing borders still separate the economic interaction on both sides, crossing the border is expensive and time-consuming. Those who come to Hungary visit only the larger towns not directly the borderland.* In this way it is quite possible that *central and more globalised regions, towns could benefit from the more intense cross-border interactions in the Hungarian-Ukrainian relation.*

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