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Market Economy and Changing Regional Structures:
The Case of Central Europe

The Aim of the Symposium
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The aim of the symposium is to describe and analyze the regional aspects and regional characteristics caused by the transformation in Central Europe. By Central Europe, we mean Poland, the Czech Republic, Slovakia and Hungary. After the fall of the Berlin Wall and the East European Revolution, the former East European countries have tried to introduce the market economy instead of the planned economy. For example, they have introduced privatization of land and enterprises, liberalization of price, trade and wages and abolished various subsidies. Poland, the Czech Republic, Slovakia and Hungary have been the most successful in introducing the market economy. This is the reason why we chose these countries to deal with in our symposium.

After the East European Revolution, these four countries have been undergoing the following three main drastic changes: First, the industrial structure has been changed. The primary and secondary sectors have declined and the tertiary sector has developed. Second, there emerged greater regional differences. We can now find remarkable regional differences or disparities at almost all levels: local, regional, national and international. Third, the way of life or life style has changed. These changes are shown, for example, in the decreasing birth and marriage rate and in the widening of the range of tourist behavior.

We want to discuss the regional aspects and regional characteristics including the above mentioned phenomena in the present Central European countries. What is the significance in taking up regional aspects of the Central European countries as a theme of the symposium? I would like to mention two reasons: First, it is one of the most important tasks of geography to describe how a region is changed by political, economic and social transformation. Second, the relation between the Central European countries and Japan will be much closer than before. In the near future, more Japanese tourists will visit and more Japanese companies will have their offices there. Japan would also increase its economic aid to the Central European countries. Therefore, we have to know concretely the present situation of these countries as a whole.

Here, I would like to explain the two terms used in the symposium. One is Central Europe and the other is Visegrad countries. The former has come to be used frequently again after the East European Revolution. The term Central Europe has dual meanings: One includes the territory of both the German Empire and the Hapsburg Monarchy and the another only the territory of the Hapsburg Monarchy. The latter includes Poland, the Czech Republic, Slovakia and Hungary. In 1991, after the East European Revolution, the political leaders of these four countries (three countries of Poland, Czechoslovakia and Hungary at the time) had a meeting to discuss cooperation to realize the political economic and social development of their own countries in Visegrad, an old small town in Hungary. The word Visegrad countries was named after the town where the meeting was held.

Environmental Regulation in Transforming Economies: The Case of Poland
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Poland is a country with serious environmental problems. Almost one third of the Poles
live in areas regarded as degraded, covering over 10 per cent of the nation's area. Compared with standards typical of industrial countries, the economy is highly material- and energy-intensive. The causes of the poor state of the natural environment in Poland stem, to a great extent, from the realities of the post-war period of planned economy which was characterised by non-rational and extensive exploitation of natural resources. The fundamental changes in the political and socio-economic systems which began in Poland after 1989 brought about deep alterations in the organisation and governance of the state.

In 1990–1999 there was a perceptable improvement in the state of the natural environment mainly as a result of four factors: (1) the cumulative effect of a policy of tightening environmental requirements and inspections by environmental protection agencies regarding industry, municipal services and local utilities and transport sectors; (2) an increase in expenditure on environmental protection; (3) a decrease in the volume of production in many industrial plants and hence lower consumption of energy, fuels, raw materials and water; and (4) the restructuring and privatisation of industry along with a reduction of the role of heavy industry.

The privatisation process constitutes a unique opportunity for the pro-ecological restructuring of the economy. This was not fully exploited, primarily due to the law operation ability of government administration in the state ecological policy realization. However, these objectives indicate industry restructuring as one of the most important ways to improve environmental conditions in Poland.

Pro-ecological directing of the economy in the process of privatization now in progress requires the following undertakings: (a) accelerating the enforcement of new legal acts regulating environmental protection in market economy conditions and deadlines to reach the standards in force in West Europe, (b) increasing the state's ecological policy influence on the content and methods of industrial policy realization, (c) defining of detailed principles taking into consideration environment protection in industrial privatization and restructuring processes, (d) development and introduction of environmental management systems in Poland, including techniques and technologies whose use will be prohibited in Poland.

An environment protection management model should take into consideration regional conditions for the following reasons: (a) each region possesses specific natural features, which determine disproportionate resistance to contamination or contamination assimilation, (b) character of the sources and their number are not constant and they depend on the regional economic development level, (c) level of the region's self-organization, which would have considerable influence on the quality of institutional environment structures management, is diversified and results from both tradition, industrialization direction and, consequently, privatisation. Therefore, the scale of benefits arising from optimization of ecological policy principles in privatised factories depends to a great extent on regional characteristics.

Alterations of production structure and management systems may alleviate shortage of means assigned to protective activities. In industry restructuring, together with such criteria as pro-export attitude and reduction of production investment consumption, the environment protection criteria should attain a significant position. The level of protection financing by enterprises in regard to current interchange with the environment is considered to be increased, whereas contamination and arrears liquidation from the preceding period should be financed from ecological funds and the budget, apparently, accordingly to the amount of means at disposal.

Transformations in the system introduce numerous profitable changes in conditions and factors stimulating introduction of protective ventures in industry. Their importance relies not only on the introduction of new economic instruments, but also on a new scheme of authorizations and liabilities of enterprises, which have, individually, to organize protective undertakings and secure financial means assigned to their realization.
Polish Transport Sector: Changes in the 1990s
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The purpose of this paper is to provide some insight into: (1) the nature of the contemporary changes in the transport system; (2) current processes of restructuring and privatization; and (3) current spatial processes of unitization and contraction of railway network.

Amongst the advantages, within the context of infrastructural provision can be mentioned the high density of railways and the degree of their electrification, the high density of the total road network, the large trans-shipment capacity of seaports, including throughput reserve, and the modern airport in Warsaw (Okecie II). The 'transit' location of the country is another advantage. Other advantages of Polish transport are a large number of professionally skilled staff, the existence of research teams, designers and constructors, a large number of carriers, and the existence of an industry for producing at least some modern means of transport, especially cars and ships.

The drawbacks are connected with depreciation of assets and the shortage of modern techniques and technology. The functional shortcomings are related to the weakness of the state's impact on the development and performance of transport but also with traditional management systems, leading to vast overstaffing. Faults within the material infrastructure of transport include the low share of motorways and dual carriageways in the total length of hard surfaced roads, the low percentage of two- and many track railways, the sparse network of airports, the obsolete, expensive and non-ecological nature of most modes of transport (save for modern planes), the shortage of modern facilities for traffic control, the shortage of multimedial terminals, the low share of combined traffic, and the large delays in maintenance and repair of all types of roads.

Poland is an interesting example of a country whose economy, including transport, is under radical transformation from so-called centrally planned to market-oriented economics. Processes of ownership transformation are taking place in all sectors of transport with the assumption of the direct influence of the Ministry of Transport and Maritime Economy on infrastructure and public utility. A common feature of government policy, however, is ambiguity of viewpoints. It seems to the present author that the full introduction of market principles in transport could make it more attractive as an area for investment of private capital, and transport businesses would not be a burden on the state budget. Thus, the encouragement of private enterprise, the development and support of profitable transport enterprises based on market principles, which are able to pay taxes contributing positively to the national budget, is clearly in the interest of the state and society.

Transport policy at the turn of the 21st century should be completely different from that of the communist regime. It should be relevant to the economic, political and social transformation of the country and should reflect the necessary changes in economic structures and in the creation of a market-oriented transport sector of the economy. Accordingly, the role of the state should be limited to interventionist activity in the location of infrastructure, ensuring its cohesiveness, logical configuration and rational usage.

The existing infrastructure should be better used, especially the railways which are well developed. Funds for maintenance, repair, and upgrading, as well as improvement of infrastructure's organization need to be provided. Among new investments, priority should be given to elimination of bottlenecks and to the upgrading of efficiency, reliability and safety of the system. In new investment, priority should be given to Transeuropean networks, logistic centres and the most essential national needs. No doubt the adjustment process of the Polish transport system will not be easy and short. The openness of the European Union market for Polish operators is somewhat illusive. One should also look for unconventional means of finance, including partial reimbursement of external costs by the user.

Foreign Direct Investment in Romania
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Romania is in the second worst economic position after Bulgaria in the former socialist
European countries. The aim of this report is to search for the reasons of the worst economic situation of Romania and the reasons why Korea (Daewoo) has invested so actively in Romania.

In all economic elements Romania stands at the lowest level, together with Bulgaria. Only Poland and Slovenia showed GDP index of more than 100 in 1989 (at the time of East European Revolution). Only Poland and Hungary show an Industrial Production Index of more than 100 in 1989. Conversely Romania and Bulgaria show the lowest index (each 42 and 45). The interest rate of Romania Central Bank is 35%, the second highest rate after Russia (60%) and Ukraine (60%). Consumer Price Index in the previous year in Romania is 59, the highest in all. Hungary had the largest amount of FDI until 1995, but since 1996 Poland has had the largest FDI in place of Hungary.

Because of political independence of Nicolae Ceausescu from the Soviet Union the trade relationship of Romania with COMECON countries has been small. After the collapse of the COMECON economic system the share of exports of Romania to COMECON countries amounted to only 15% in 1996, and import to 5%. Romania carried a special role in metallurgy, chemistry and atomic power station in the COMECON economic system.

The rating of Romania 1997-2000 by Moody's (B3), S&P (B-) and Institutional Investor (34.5) is the lowest after Bulgaria in Southeast Europe. FDI per capita in Romania is 1/5 of Poland and 1/8 of Hungary. The large investing countries in Romania from 1990 to 1999 are Netherlands (14.5% of total accumulated value of investment), Germany (10.1%), France, Italy, USA, and Korea. The large investors in Romania are Daewoo (Automotive, Shipbuilding, Banking), OTE (Telecommunication, GR), Renault, France Telecom, and SOCIETE GENERALE Banking. Examining the areal pattern of FDI in Romania, 56% of FDI is invested in the capital city of Budapest, 10% in Bolj prefecture by Daewoo automobile, 5% in the westernmost prefecture Timis and 4% in Bihor, bordering Hungary. The biggest FDI in the capital city is also seen in Budapest, Prague and Bratislava.

The number of investing companies of Korea was only 47 in the mid 1990s, but the invested value was at the top (159 million USD). One investment of a Korean company has been the biggest, about 10 times larger than the average. The main branches of investment are as follows: foodstuff industries (15.5%), machine manufacturing (9.8), sightseeing (6.7), light industries (5.4), transportation (5.0), banking (4.4), mining (4.1), electro industries (2.9), and others (46.2).

Developed countries are hesitant about investing in Romania, because of bad infrastructure (economic, cultural and institutional). But, the government of Romania revised the law of foreign investment in 1994: Law No. 71, which is called Daewoo law, because it profited Daewoo's capital. With this law Daewoo began to invest very actively in Romania since the fourth economic quarter of 1994. Korea (Daewoo) has been very active to invest not only in Romania, but in Poland, where GDP per capita was still small and Korean cars and electric tools were able to compete with those from West-European countries. Korea has been investing in the niche economic sphere.

Daewoo bought an automobile firm OLTCIT, which once joined hands with the French company CITROEN (30% shareholder of stock) in the communist period. It was one of the very few undertakings at that time, but with the deepening economic crisis, the political instability and financial difficulties, CITROEN pulled out in 1991. In the fall of 1995, Daewoo held 51% of stock and in October 1996 changed the name of company to DAEWOO Automobile Romania.

Reflecting the industrial areal structure of the socialist period the related factories of Daewoo Automobile have been distributed over the whole country. But, recently the related automobile factories tend to locate in the vicinity of Craiova, the main Daewoo Automobile factory city, to minimize transport costs. Daewoo built 8 branch offices and many dealers to sell the cars. To make such a selling network system Daewoo Bank has been financing.

In contrast to the Visegrád Four, which were once under the rule of the Hapsburg Empire, Romanian people are latin. They enjoy life and
not familiar with the discipline and order like the Germans or Angle-Saxons. Not only state officers, but many executive persons accept a bribe to do anything, as in many East- and Southeast Asian countries. This social custom is said to be the remains of Osmen Turk Empire. The reasons why the Romanian economy remains at the lowest level are summarized as follows: Long political confusion since the collapse of Nicolae Ceausescu empire. Nomenklatura: former VIPs of communist party, secret police, military, state officers, and technical specialists have kept their power and wealth, become rich, and now disturb democratization by new powers. Slowness in all actions of Romania rooted in Latin culture and racial characteristics. Inefficiency of industrial production coming from the distribution of big and heavy industrial works over the whole country. Impotent political power of the Romanian government to make economic policy, which must be always adjusted with IMF or World Bank.

Changes in Hydrological Environment Attendant upon the Introduction of Market Economy in the Visegrad Countries

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Political reform in the Visegrad Countries turned the tables not only on social and economical aspects but also on the physical environment. The structure of the management of water resources, for instance, has been remarkably transformed by switching over to market economy from controlled economics. In the present paper, recent changes in the amount of water consumption and the quality of river water in Central Europe are investigated with a research focus on the comparison of situations before and after 1989-90. The fundamental data for analysis were mainly collected by interview of the administrative offices of each country, including Ministry of Environment, Water Research Institute, Water Management Authority and Statistical Office.

As is clearly seen in the Czech Republic, the amount of water use has notably decreased with the introduction of market economy as a turning point. Until the year-end 1990, the price per one cubic meter of waterworks was Kč [Czech Koruna] 0.60 (= ¥2.5) and that of sewage was Kč 0.20 (= ¥0.8). These prices, subsequently increased dramatically. In 1994, by way of example, the price advanced to Kč 7.93 (= ¥33.4) for waterworks and Kč 5.87 (= ¥24.7) for sewage. It is a matter of course that such a steep rise in water charges has caused an economicization of water both for the citizens and for enterprises. The collapse of factories after 1990 is another reason for the distinct decrease of the amount of water consumption.

The tendency of water saving in the Czech Republic as mentioned above is generally evident in other Visegrad Countries, including Poland, Hungary and Slovakia. It goes without saying that a decrease in the quantity of water consumed is related to the reduction of the amount of sewage. As a result, the quality of river water in Central Europe appears to be improving over the last decade.

The existing circumstances of river water quality in Central Europe are still problems awaiting solution. Nevertheless, a comparison of the concentrations of BOD and COD of river water along the upper reach of the Elbe in 1993-94 with those in 1991-93 explicitly gives substance to the fact of amelioration of water quality of the Elbe in late years. The daily capacity of the treatment of sewage in the Czech Republic enlarged from 2,550 m³ in 1989 to 3,130 m³ in 1994. Such maintenance of the purification system has meaningfully contributed toward the cutback in the amount of pollutants flowing to river water.

Although environmental data were kept strictly secret during the old political dispensation in the Visegrad Countries, a white paper on environment has been issued after the so-called East European revolution. It is pointed out that the present condition of environmental pollution and the future course for improvement have been gradually made clear.

Border Region and Regional Development of the Czech Republic—Periphery or Expansion Area?

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The economic and social development of a
country is influenced by different social groups, their perceptions of the future and their possibilities, not least by the framing conditions of the state. The latter, in particular, have brought new challenges, chances but also risks, to the border region in the Czech Republic due to the political transformation, the opening of the borders as well as the orientation towards the market economy and new democratic rules of play. They have to be integrated into the running general processes of the sectoral and firm-internal as well as regional structural changes according to the aim of improving structural competitiveness. Thus, it is attempted to improve or renew entrepreneurial as well as regional or local political strategies. Generally speaking, it is true for all states that border regions—according to their own development and structure as well as the situation of the border region in the neighbouring state—either have the tendency to possess peripheral levels and, thus, in comparison to the situation of the state as a whole, underdeveloped locations. They are, so to speak, the “work houses” of the country or they embody, in contrast to that, areas with an extraordinarily high economic and demographic dynamic.

Transformation societies, i.e. societies with a complete change in the constituted ordering formations of the existing economic system as in the Czech Republic, demonstrate an extremely high pressure to adapt and also the respective structural changes, accompanied by important regional change. As with other states in transformation, thus, in the Czech Republic a high economic dynamic in the centers of Prague, Brno and partly also Plzeň as well as in the Western border regions towards Bavaria and Austria can be observed since the so called “Velvet Revolution.”

After the “Velvet Revolution” in 1989, the course of regional economic reforms was followed in the Czech Republic without, however, basing it on the politics of the “big bang” as in the new federal states enacted by the Federal Republic of Germany. The decisive steps were: Liberalisation of prices, a stability orientated fiscal and monetary policy, the privatisation of numerous state businesses, a structural change in the structural policy, and the liberalisation of foreign trade.

If one concentrates on two essential elements of the spatial structure, i.e. the population and economic development, when analysing the situation of the border regions, between 1991 and 1995 on the basis of the districts, distinctly positive tendencies can be observed in the Western border region, in South as well as in West Bohemia. The community-based presentation of population development by Terplan between 1991 and 1997, however, makes it apparent that respective population increases can also be stated in the border region in North Bohemia and even in Moravia. A conclusion drawn by some researchers “from the West” that a high positive dynamic exists on the Western Czech border, and a negative development is prevalent at the Eastern borders is certainly wrong in this stereotyped form. It is much rather a smaller regional structure image, a fact that also becomes noticeable in the economic development. The analyses by Terplan have shown that positive developments occurred in widespread parts of the western border region in the years 1993 until 1997, and that unfavourable structures were prevalent in North Bohemia and Moravia. Yet, here also, both presentations in 1998 and 1999 do not verify the generalisation, but rather support the differentiating interpretation.

However, if one takes the importance of foreign investors as a factor of argumentation, a distinct preference for the western border region can be discovered at least for 1994. As our empirical studies in West Bohemia have demonstrated, this, in particular, goes back to the desire of the entrepreneurs to have their branches in West Bohemia localised in a 1 to 3 hour radius around the head quarters if possible.

Through the changes of the political landscape in Europe following the decision of the EU to expand towards the East, changes will also occur in the border regions of the Czech Republic. Experiences with the German French border region show that an economic and, thus, also demographic up-grading, in particular, of the Western border region (besides an upgrading of Prague, Plzeň and Brno) will most probably occur, in particular, in the western border region.
For this, it is, however, necessary that the European regional ordering concept EUREK takes up the relation to the border region more strongly than before. If existent at all, border regions are discussed against the background of town structures and interests. Rural areas, which also characterise large parts of the border regions in the Czech Republic, are only mentioned at the periphery.

Despite that, the chances of open borders should be recognised and realised in the border regions of the Czech Republic, and not only in the western region. Already since the beginning of the transformation process, a broad spectrum of social, economic and particularly local political links have evolved. Against the background of an entry of the Czech Republic to the EU by 2006, these links are likely to increase. In regard to the international location competition, in particular, the border regions should, however, present themselves together in public and should reduce locational bottle necks through complementing locational advantages on both sides of the border. Only then do these border regions have a chance to assert themselves against the national centers of growth in the centrally situated conurbations.

Changes in Urban Internal Structure and Inter-metropolitan Linkages in the Visegrad Countries

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Socialistic urban and economic policies in the Visegrad Countries have directly and indirectly influenced urban structures or urban systems. However, a series of political reforms and economic developments has dynamically changed cities, especially capitals. Also, as reforms have promoted mobilities of persons and goods, linkages between cities have been newly established not only within countries but also across countries. In this report the author outlines changes in urban internal structure and inter-metropolitan linkages in the Visegrad Countries in the transition from the socialism to capitalism.

After World War II, egalitarianism, which aimed to diminish disparities between districts within cities and between cities, was empha-sized. According to this motto, existing large-scale residences have been divided among some families in the built-up areas, or apartments with same size and same facilities have been built in the suburbs to mix different social class within the same districts. At the same time, facilities, such as nurseries or shops, have been distributed equally in cities to provide services to all citizens. Industries were distributed under the planned economy, considering not the existing interurban economic linkages but the international division of industry within the socialist countries.

In spite of the emphasis of egalitarianism, the stagnation of economy has brought economic disparities between citizens, because the privileged class, which has had access to goods or services, has been formed, while others have always been running short. As change of address was controlled and people lived always in the allotted residence, segregation by age developed and aged people were concentrated in some districts.

A series of reforms at the end of 1980s has enlarged the private sector economy in the Visegrad Countries. This enlargement has formed "new rich," which has enjoyed fruits of reform, and "new poor," which has not adjusted to the reform. Although immobile market has emerged, and residences have been newly built up, these residences have had high quality, and targeted "new rich." With a series of reforms, official aids to rent have decreased, and the rent has become expensive. Aged or poor classes, who have lived in inner cities, have re-rented or sold their residences to shops or offices, and moved to cheaper residences in the suburbs. At the same time rich people have also moved to better residences in the suburbs with good conditions. With these movements, segregation by social class in the cities has developed.

On the other hand, foreign capital has played an important role in the increase of shops or offices. As those capitals have chosen adequate locations, the central business district has been formed. Also on important intersections in the suburbs, large-scale shopping centers have been built to catch customers with cars.

Because international flows of persons, goods and capital have increased through the relaxa-
tion of regulations, accessibility to western European markets or urban areas has played an important role. In Poland, Poznan' or Wroclaw in the western border region can take advantage of the accessibility to Germany. Important partners of Prague, capital of the Czech Republic, are Dresden or Leipzig in neighboring southwestern Germany. As citizens in Bratislava, Capital of Slovakia, are commuting and going shopping to Vienna, Austria, Bratislava is incorporated into the metropolitan area of Vienna. As western capitals have invested particularly in the western part of Hungary, for example in the city of Győr, linkage between Vienna, Bratislava, Győr and Budapest has become stronger and played a more important role.

Cities in the Visegrád Countries represent the enlargement of regional differentiation or disparity not only within cities but also between cities with a series of reforms. Neighboring countries, Germany and Austria, have played an important part in transformation in these countries, and linkages to metropolitan areas in Germany and Austria will deepen, as Visegrád Countries will be incorporated into the western European economy.

**Transformation and Change in the Social Structure of Czech Republic**

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The Czech Republic, similarly to other post-communist countries, is undergoing dynamic changes of all areas of social life in the nineties. Even though these changes are not always fully in line with original post-revolution optimistic concepts (some results of transformation have ambivalent impact particularly on the social sphere of the society), in general this process of modernisation of the country is dynamic and irreversible. This transformation is a part of broader processes of European integration and adjustment of national structures to the EU system.

The basic processes of the transformation of former socialistic social system, which started after 1989, included primarily, beside installation of plural democratic political system, restitution i.e. return of nationalised properties and privatisation of the majority of companies. The transformation processes also imply fast development of small businesses, particularly in trade and services. The main goal of transformation of the economy was to create conditions of market economy and to establish real owners of companies. It was expected also that these processes would bring about basic restructuring and modernisation of predominantly antiquated economy of the state. This has been only partially accomplished. Disputes arose about how far this was due to the wrong method of privatisation (especially coupon privatisation which did not in the majority of cases enable the establishing of a prospect of responsible, long term management of the company) and how much it is due to objective reason and just the result of ineffective socialistic economy. The fact is that at the end of the first half of the nineties significant decline of the economy and GNP occurred with unemployment gradually growing as well as various other economic and social problems.

Although these are nation-wide problems, they are significantly manifested especially in the traditional industrial regions of north-west Bohemia and northern Moravia and with few exceptions anywhere where there is strong concentration of heavy industry and machinery. Problems of privatisation appeared of course also in the regions where light industry is prevailing, particularly in border regions. The restraint of production in these areas could be from a certain point of view considered as desirable structure changes, particularly where the change of production took place. It is a fact that at the end of nineties, for various reasons, there was growing criticism of the current process of transformation and in the political field, polls have shown a growing move to the left.

All transformation processes are also gradually reflected by the changes of social structure of the population. It is valid for the changes of social structure that are manifested (apparent) with certain offset from real changes in political and economical behavior. Significantly important is the method used for monitoring these changes of social structure and for their interpretation. Measured by optic of stratification
method was the starting position of social structure after collapse of "state socialism" marked by strong equality. The small degree of differentiation in society was based on egalitarianism and redistribution, where measures of allocation were subjective principles and ideological goals, not social performance and effectiveness evaluated by a competitive liberal environment.

Already, the first years of transformation have brought significant changes in this area. The dynamic development of small and partially also medium-sized businesses has begun. The share of entrepreneurs in the economically active population (age 20–65 years) grew from 1% in 1988 to 11% in 1993. The rise of this group of entrepreneurs is the most important feature of the new social structure of Czech society. The total intrageneration mobility (rise, decline going out of labor force market) reached some 30% in the period 1988 to 1993 (i.e. in the period of the start of transformation). A stable position was therefore maintained by some 70% of persons. More strongly are perceived the transformation changes in the level of so called subjective mobility where only some 40% consider their position stable (feeling that nothing has changed), whereas more perceive decline rather than growth of their socio-economic position. New entrepreneurs demonstrate the strongest subjective growing mobility.

Simultaneously with rise of a group of small and mid entrepreneurs, there is in progress a process of the establishing of a new middle class. A strong section of the middle class consists of managers of big companies, financial institutions, particularly of foreign ones. The traditional part of middle class (upper level experts) is relatively losing (as long as they do not switch to entrepreneurs) or maintaining their social and economic positions. Mobility processes and their subjective reflex (subjective mobility) were, especially in the early stage of transformation, significantly influenced by political factors but gradually more and more strongly also by factors of education and performance.

The transformation manifested itself first of all and also most strongly by the decline of employment. Employment decreased in 1994 against 1989 to 85%. It was due to abolishment of the duty "to be employed" and foremost due to the fact that rationalisation criteria started to take substantial effect. The labor market gradually developed to replace the system of planned employment.

Decline of employment immediately after the revolution was due to retirement of a significant share of employees to pension or to premature pension. Only a small part was due to the rise of unemployment. The Czech Republic maintained a very low level of unemployment. It did not exceeded 5% until 1997. It was due to various circumstances like better sector structure at the beginning of transformation but also apparently by not consistent restructuring of economically inefficient workshops. The ratio of unemployment significantly grew in the last years. It reached 6.8% in 1998 and the regional differentiation is quite significant.

Regional differentiation of social structure changes corresponds mainly with production-economic feature of regions. Restructuring of old industrial areas started relatively later. The growth of unemployment, increased migration and growth of social tension at the present time manifest this. The mobility changes (particularly subjective mobility) are in a substantial way influenced by restriction of agriculture production in the sub-mountainous areas. The historically developed differences between towns and villages are being reproduced there.

The general character of changes of social structure is partially modified by cross-border collaboration. In relation to Germany and Austria it is on one hand manifested by positive development of businesses in border regions and by strengthening of mutual good relations, start of joint projects in environment protection etc., and on the other hand also by some problems like activities of groups freeload on the differences in currency level and economy development. In very special and particular ways, business in border regions involves members of other ethnic groups and nationalities.
Changes in Tourists Activities of the Visegrad Countries after 1989

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The condition of tourism in the Visegrad Countries (Poland, the Czech Republic, Slovakia and Hungary) has dramatically changed through the political and economic restructuring in the former Eastern Europe since 1989. Between 1950 and 1989, Europeans had few chances to cross the iron curtain in either direction, for political and economic reasons. After the revolution in 1989, however, a quite new form of tourist flow came into existence. We will discuss these changes from two points. First, the number of tourists has rapidly increased in the Visegrad Countries, especially from the western part of Europe. Second, travel activities of the peoples in the Visegrad Countries have also changed. This study attempts to examine the second problem. Namely the author analyzes the changes in travel activities of the peoples in the Visegrad Countries after 1989. International travel activities are especially emphasized in this analysis.

During the totalitarian period, the peoples in the Visegrad Countries tended to do their travel only within the former Eastern Block. It was normally impossible for them to go to the western part of Europe, because of the difficulty to buy foreign currency and to get visas. The main destinations for their holiday used to be not only coastal areas along the Adriatic Sea, the Black Sea or Lake Balaton, but also many various tourist areas in the Eastern Block. The absolute quantity of travel remained also small. For example, from 1970 to 1988 in Czechoslovakia, the proportion of travel within the Eastern Countries to the total international travel exceeded 90 percent every year. The number of these trips reached only about eight or nine million. Hungary and East Germany were most often visited destinations by Czechoslovak people at that time. Domestic tourism also played an important role, especially through the form of second houses mainly located in the surrounding areas of large cities.

After the political and economic transformation since 1989, the numbers of travelers increased rapidly and the destination of their trips changed dramatically. Many people in the Visegrad Countries now often go to the former western part of Europe, especially trips to Germany and Austria have become very popular. In Czechia, for example, the number of international tourists has greatly increased, i.e. from less than 10 million in the late 1980s to 33 million in 1992 and 49 million in 1996. While many Czech people rushed to go to Germany and Austria directly after the revolution, this tendency had already stabilized in the mid 1990s. Since then, international travel to Poland has risen.

The international tourism of the Visegrad Countries has grown to the one of the largest markets in Europe. The number of international travelers has significantly increased, in contrast to the very low level in the socialist period. The growth of the market is not so small as that of Germany or Austria. These international tourists, however, tend to spend less money than people in the western part of Europe. Although there are many international tourists from the Visegrad Countries, their trips are not only short term, but also within the nearest regions, because of economic reasons.

In Austria, the number of over-night tourists from the Visegrad Countries has rapidly increased since 1989, i.e. from 0.9 million over-night stays in 1989 to 1.8 million in 1997. Especially the number of tourists in winter season has grown largely. Most of them stay in the alpine villages in Tyrol or Salzburg in order to enjoy skiing. However, the share of those tourists reached only under two percent of the total tourists in Austria until the end of the 1990s. Travel activities of the tourists from the Visegrad Countries in Austria have typical or distinctive characteristics, as compared with those from the western part of Europe, the USA or Japan. First they stay in Austrian resorts for a short period. Second they live in relative cheap accommodations or stay with their relatives or friends. Third they do not often use restaurants, but do self-catering. Those tourists give only a few economic advantages for the Austrian tourist industries.

Most of the international tourists of the Visegrad Countries go to Germany or Austria as a form of one-day trip, also to other Visegrad
Countries. They frequently cross the border by their personal car in order to do shopping or to visit their relatives and friends. Although the market economy has been infiltrating the Visegrad Countries, there still are differences within items and price on the market not only between the western and eastern parts of Europe, but also between some former Eastern Countries. Because of the socio-economic situations and geographical position of the Visegrad Countries, this typical form of tourist flow has been recognized in the 1990s.

Specific Features of the Demographic Development in Slovakia

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In a short period of time, the theory of the second demographic transition has become an alternative for the interpretation of population development, especially of the European countries. Its verification and further possible alterations require a certain time span and are to be studied for a longer period. As we can remember, even the theory of demographic transition has required in the past quite a long period of time for its formulation and examination.

Notwithstanding the aforesaid, the theory of the second demographic transition is not universally accepted by the scientific community. In some publications the individual ethic principles of population behavior, so characteristic of the second demographic transition, are being criticised (e.g. illegitimate coexistence of couples, liberalisation of abortion legislation, priority of individual interests, etc.).

Specific features, distinctive to the development of the second demographic transition, have already started to appear in developed countries of the West and North Europe. Development of some population processes in Central and East European countries has revealed a similar trend. In some patterns, e.g. derived from the declining rates of childbirth, they even pass the first group of countries. Changes of population behavior in transforming countries are significantly influenced by sharply changed socio-economic conditions of the population life there, which is why they can not be regarded as clear evidence of the second demographic transition.

Just for these reasons, it cannot be regarded that the population of Slovakia has already entered the second demographic transition in population development. Some processes and their rates, mainly marriage, fertility and reproduction, have closely approached figures reached by the West-European populations. But on the other side, Slovakia still maintains the natural increase of population, though mainly due to the relatively high rates of live births. The life expectancy at birth, especially of the male population, is rising, albeit at a slow pace. Marital relationships and family creation still retains considerable influence of tradition family and reproductive behavior.

At the beginning of the nineties, radical changes of reproduction processes in Slovakia occurred. These are represented by a whole range of changes whereby decisive importance can be ascribed to the decline in the level of marriage rate, decline in the birth rate (or fertility), decline in both absolute and relative values of natural increase of population. These changes are in complex relation to many transformation processes and are derived from altered concepts and attitudes of young people to marriage and to the function and size of a family. Such factors are in effect as the changed social policy, especially the limitation of state support for housing construction and subsequent rapid deterioration of the housing situation, above all, of young people. Similarly, new opportunities of professional realisation, opened borders and opportunities for travel and the new forms of education are changing the attitudes of young people to the family. There is also an effect from the spread of information and choice of contraception as one of the conditions of planning the establishment and size of family. These and other factors cause the postponement of forming a family, shift in the birth of the first child as well as subsequent ones resulting in decrease of marriage rate, birth rate and fertility.

Fertility Decline in the Visegrad Countries

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The transformation process in the former so-
cialist countries has changed not only political and economic systems of those countries but also the ways of life there. Many people face the necessity to reconsider the plan of their lives. The author focuses here on the changing demographic behaviors of young adults, which may reflect their perspectives of the future social and economic situation. The Visegrad countries (Poland, Czechia, Slovakia and Hungary) located in the western part of the ex-socialist countries in Europe show the most apparent progress in the course of transformation and are thus chosen as the subject of study.

Life expectancy at birth indicates the health conditions of the people and thereby implies the quality of health-care and medical service in the region. It is regarded as a relatively stable indicator in demography and has a spatial pattern with higher values in northern and western Europe and lower ones in the East. On the contrary, total fertility rate, the representative indicator for reproduction level, illustrates a much more complicated spatial pattern. Spain, Latvia and Czechia are the lowest countries while high fertility rates are found in Albania, Iceland, Great Britain, France and countries in northern Europe. Compared with life expectancy, fertility fluctuates sensitively in accordance with the changing socio-economic situation for young adults.

Analyzing the development of the total fertility rates of the Visegrad Countries since 1960, we can find some common tendencies. Total fertility rates declined through the 1960s and they showed stable or upward trends in the 1970s. The rates declined again in the 1980s and the decline has been accelerated after 1990. Many, but not all, countries in eastern Europe adopted similar population policies in the post war period; pro-natalist policy in the 1950s and 1970s and anti-natalist policy in the 1960s. The common development in fertility rates seems to reflect such population policies. The fertility decline after 1980 is considered to be the result of the individuals' active decision-making behaviors in adapting to economic stagnation (Poland) and the result of the improvement in the standard of living (Czechia and Slovakia).

The decline of total fertility rates in the 1990s is explained mainly by the drop of the age-specific fertility rates for women aged 20–24. Although the age at child-birth is still low in the Visegrad countries compared with most of the West European countries and Japan, reproductive behavior of young women is obviously changing. The tightening of pro-natalist social policies and growing occupational opportunities for young people with ambition are regarded as the important factors affecting decision-making for young adults.

**The Role of Knowledge in the Socio-Economic Transformation of Hungary in the 1990s**

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At the end of the 1980s the majority of experts expected that a transfer of capital, technology, institutions, and management practice from western countries would successfully transform the centrally planned economies of communist states into market economies in a relatively short period of time. In the early discussion, spatial disparities and time lags in the success of the transformation process did not appear to be an important issue. Ten years later the lesson has been learned that a transformation process needs, above all, endogenous knowledge resources. Imported capital, technologies, and managerial techniques must be matched with internally available professional skills, experience, creativity, and entrepreneurship to be effective.

Contrary to the assumptions of many economists, knowledge, technological capabilities and skills are never evenly distributed in space. Various types of knowledge, competence and experience are rooted in people and places and cannot easily be transferred from one region to another. Spatial disparities of knowledge and cultural traditions show a remarkable historical persistence. The speed at which new knowledge and information diffuses over space depends on the type of knowledge, the institution within which the new knowledge is produced, the interest of the producer (inventor) to share his or her knowledge, the previous knowledge necessary to understand the contents of new information, the availability of technology necessary for the production and application of
knowledge, and the inclination to accept the knowledge.

It would be a mistake to assume a linear relationship between knowledge and economic performance. Knowledge alone does not suffice, it is only one of many factors influencing economic competitiveness. Knowledge enables and empowers, it is a kind of precondition for the effectiveness of other factors. Knowledge is by no means a guarantee of economic success, but a lack of knowledge, information and educational attainment in most cases leads to wrong decisions, impedes access to privileged positions, important networks and scarce resources, and is an obstacle to modernization. However, transforming "new" knowledge into action can be hindered or modified by a number of factors and contexts. The postponement of necessary legal reforms (e.g. the creation of a modern tax and banking system), nepotism, clientelism, the failure to replace incompetent members of the former communist nomenclature, corruption, organized crime, value systems that are not in favour of entrepreneurship and innovation, the inhibition to take full responsibility and a refusal to deal with the dark sides of the communist past are amongst the most obvious impediments holding back the transformation of a given economy and society.

One of the main theses of this paper is that human resources and value systems needed for a successful transformation are unevenly distributed in space, and that the point in time when the communist systems relinquished their rigid ideology, opened themselves for external influences, and changed their method of elite recruitment, was highly significant for an early success of the transformation process. For this reason, the starting positions at the beginning of the transformation process were extremely important for the further development.

Concerning leadership in the new system, many socialist countries had only two alternatives. They could either replace communist hard-liners with experts from universities or with the remnants of the bourgeois opposition. This alternative had the disadvantage that most newcomers lacked the so-called "instrumental knowledge" (Herrschaftswissen), political capital and networks which are necessary to be successful, but can only be acquired after years in positions of power. The other alternative was to keep a larger part of the old nomenclature, who possessed the necessary political capital and instrumental knowledge, but lacked most of the skills needed in market economy, and showed little inclination to change their way of thinking or give up their privileges.

Due to its early introduction of meritocratic principles and its early abandonment of Marxism-Leninism in everyday economic practice, Hungary could more or less evade these traps. In Hungary, the substitution of ideological reliability and party membership as main criteria of promotion with principles of meritocracy, professional skills, educational attainment and experience had already started in the late 1960s and accelerated into the 1980s. Party membership was still necessary for various top positions, but it was regarded as a formal label. From the 1970s onward, competence, skills and experience gradually became the decisive factors of recruitment for top positions. Therefore, Hungary had fewer leaders who owed their position predominantly to the communist party. Consequently, there was less of a need to replace a large part of the economic and administrative elite after 1989. Many important (anti-communist) reformers and proponents of democracy and market economy got into power during the communist system, years before the market economy was introduced.

Hungary's most important advantage was that its new elite, needed and promoted in the 1990s, could study abroad and gather international experience much earlier than that of most other communist states. An astonishing proportion of the new Hungarian elite in universities, government and other important institutions of the late 1990s had studied, travelled and gathered personal experience in western countries. From 1960 onward, Hungarian students and scientists were allowed to accept fellowships and to attend scientific congresses in western countries. By comparison, geographers from the German Democratic Republic were not permitted by their political authorities to attend the biannual Congress of German Geographers before 1989.
The kind of knowledge needed for international competitiveness is unevenly distributed in space, as are the perspectives of catching up with the booming areas, and the spatial contexts impeding the politically aspired goal to even out the regional imbalances. The spatial distribution of knowledge, skills, experience with market economy, technological capabilities and networks existing at the end of the 1980s determined to a very large extent in which countries, regions and places the necessary structural changes began early, where foreign and domestic financial resources were first invested, where joint ventures were first established, which regions and places were initially successful in changing their internal structures (privatisation, establishment of a banking system), and in finding new markets and which regions failed in doing so. Regional disparities in economic performance strongly correlate with the spatial distribution of various forms of knowledge relevant for the market economy.

One of the most serious bottlenecks postponing development is a lack of basic education. Lowly educated persons in young age groups continually had the highest unemployment rates and became the main losers of the transformation process.

Social Change of Ethnic Minorities in Hungary

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Ethnic minorities are one of the current topics in Europe, especially after the political and economic change of East European countries in 1989. Social inequality among them in these countries is one of the most serious problems working against the joining of the EU, although some countries like Hungary, the Czech Republic, and Poland have been recognized as nations coming to the EU in the near future. This study shows the social situations of ethnic minorities in Hungary after the transition in 1989.

In Hungary, German, Slovakian, Romanian, and South Slavs groups are registered as ethnic minorities in the Census. They have their own historical residence areas with distinct culture. After the transition of the political and economic system of Hungary, their social positions have considerably changed. The German minority has begun to pursue a new contact with neighbors in Germany and Austria. The fact that their residence areas are located in the western part of Hungary is an advantage for their development, because this part of the country is economically more progressive. Educational level of German minority is developed and good jobs can be found for them.

As an ethnic minority suffering the most serious situation the Roma must be mentioned. In Hungary, more than 600 thousand Roma are estimated, though it is very difficult to grasp their exact number, primarily due to their loose actions against census. They have been identified as Gypsy since long ago and been terribly discriminated. Their educational level has not been improved and their illiteracy prevents them from finding jobs. They are suffering from harsh prejudice. A number of the Roma live in the eastern part of Hungary where the economic situation is stagnant. In these contexts a vicious circle can be supposed.

Recently Hungarian government shows some new plans for improvement of the Roma's situation, focussing on raising of their educational level, introduction of modern life style, and modification of settlement structure. These measures may contribute to their social integration, although their distinctive traditional life style and cultural identity would be diminished and their social acculturation accelerated. In recent years some of Roma's associations, such as the Romano Centro in Austria, have claimed their own rights, by way of newspaper, TV, the Internet etc. Social integration of the Roma in Hungary, preserving their own culture and identity as an ethnic group, must be attained, which should be a prerequisite for Hungary to join the EU.

Changes and Prospects in Central Europe

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The Berlin Wall opened in 1989. Concomitant with that, the East European Revolution began. After that, Poland, the Czech Republic, Slovakia and Hungary have introduced market economy. They have tried to introduce plural political parties, free election, privatization of
land or enterprises, liberalization of capital, prices and trade, improvement of the monetary system, abolishment of subsidies and establishing of an environmental policy.

In these countries, there emerged a lot of private enterprises and farmers. The number of workers has been decreasing. There is more foreign investment and more joint ventures. The industrial structure has been changing. Primary and secondary sectors which played an important role in the socialist period have declined. Instead, the tertiary sector, such as retail and service industries, has been developing. The drastic change in the industrial structure has caused various regional or spatial changes in these countries.

I want to point out particular regional differences or regional disparities which became evident. These regional differences or disparities are observed in economic activities and in the living standards of the people. We might say the western part of Central Europe has realized higher economic growth and higher living standards than the eastern part. We might also say that the regional difference between the center and periphery became apparent: Big cities and some of the famous tourist resorts have developed and agricultural and industrial regions have been left behind.

We may say that all these changes are part of the necessary process in realizing a society with highly developed market economy. I want to add the remarkable changes in the way of life or way of thinking. People work and travel across the borders. People do not marry nor have children as before.

These changes are the result of the efforts of the people to realize an efficient and affluent society and quality of life. Central European people came to be able to make these efforts because they need no more be bothered by the concrete border, which had been a symbol of the Cold War. On the contrary, they could benefit from foreign investment. These efforts appear to be the challenges of Central European countries to realize the function of the market economy in their own countries efficiently.

What kind of change will these countries undergo in the near future? It will be certain that the border will rapidly lose its function as a barrier. The EU is now planning to admit several countries as new members. Western countries will have greater influence on these countries than before. EU's Policies such as AGENDA 2000 or European Spatial Development Policy will acquire much more importance than before. Especially, EU's traffic policy will have a great influence upon the countries in Central Europe.

Every country in Central Europe will manage to make its own way to realize economic growth and better living standards by making an efficient market economy. Principles of the EU are as follows: 1) Realizing democracy by plural political parties, 2) functioning of the market economy, and 3) developing regional diversities. Furthermore, almost all the countries in Central Europe have the same kind of experience of centralization—political, economic and cultural. Their reaction to centralization must be taken into consideration when we think of the future of these countries. Construction of the "living space of equivalent value" and decentralized regional system, which characterizes Germany, might show the way for these countries to proceed.

Every Central European country or we may say, every European country must find its own way between two directions; the regional integration into Europe as a whole on the one hand, and on the other, developing their own regional diversities.

On the Characteristics of the Transitional Economies in the East-Central European Countries

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Almost ten years have passed since a series of drastic convulsion of the politico-economic system in Euro-space, like the collapse of the Soviet Union, changes of the political system in eastern Europe and the unification of the "two Germanies." During this decade serious changes in political, economic and social aspects of society in East-Central European countries, have been continuing. Apart from the view that the nature of these changes are considered to reverse the course from socialism to capitalism, there exists enough space for di-
versed views as to the understanding of what kind of new societies have been emerging in the East-Central European space in the transitional process of these economies.

Many fruitful reports were presented to the Symposium under the theme of “Market Economy and Changing Regional Structures: The Case of Central Europe,” organised by Prof. K. Kobayashi and his colleagues. I am convinced that we should reconsider the actual processes of the transitional economies of the region during these ten years, from the viewpoint of the dynamic development of contemporary historical context, that is, on the point “from where” and “to where” the changes have been going on.

In this report I would like to divide the issues into three: first, consider problems of the changes of regional structure in East-Central Europe and other spatial scale; second, consider in which parts of the existing Euro space East-Central Europe can find a new place through transition of economic systems and changing regional structure; and finally discuss the meanings of these changes in the region, the problem of “from where” and “to where.”

As to the change of regional structure on a macro scale, it is possible to point out that the traditional approach of the three-graded disparity system in the region are becoming meaningless. In traditional geography, the region was divided into three groups, that is (1) the former GDR and Czech-Slovakia F. R., (2) Hungary and Poland, (3) Romania, Bulgaria, the former Yugoslavia and Albania. There existed three clear levels of disparity in economic development, and these disparities reflected the past development of national economies until the Second World War. Although the three graded disparities had been diminished gradually during the period of half a century of socialist development of the region, it has not yet disappeared. After the burst of great change, understanding the region by dividing into two groups, East-Central Europe and the Balkans, has been an influential and still a significant paradigm. However, whether this kind of division is stable in future or not is the question.

Furthermore there are still problems as to how the regional structure of the East-Central European countries has changed, and to what extent the regional structure within the national space has changed. In the author’s view, there can be widely observed during the whole regions, the development of a new tourist industry, large scale retailing stores, changes in ownership of state-owned enterprises, dynamic development of the investments by foreign capital and changes of landscape in urban and rural areas. However, these changes presumably do not bring about conversion to the basic framework of a regional structure of the country in a short time. The basic regional structure of the country would tend to be maintained over a long time. It is therefore rather dangerous to exaggerate the estimation of changes of the region.

What kind of place and what role can the newly emerging East-Central Europe occupy in the existing Euro-space. In many countries of the region, fundamental rearrangement and restructuring of all aspects of society are going on in order to gain membership in the EU. However, to what extent will this be attained, and what kind of friction will it bring through the reorganization by joining the EU and NATO, and finally can the East-Central European countries succeed in completing their “return to Europe”? Furthermore does it mean the reproduction of new “North-South problems” in the EU, and could it bring about a stable relationship with the Russian Federation? These problems should be examined in relation to the question of joining the EU.

As to “the past” and “the future” of the region, should the region be regarded as East Europe or Central Europe? And also in what sense can the region be considered as socialist? In which direction are the transitional economies of the region moving? What are the characteristics of the changes in the region? These are the kinds of problems which should be examined from the starting point.

Now that the paradigm of traditional theories for social development have been lost, an inductive approach for the understanding to the region is becoming more and more important. This suggests that we should start by collecting geographic facts and information for the development of a new geography of the East-Central Europe. The discussion on the problematics mentioned above has only just begun.