ABSTRACT

Nowadays the most important challenge in Hungary according to the connection to the EU is to develop the country and the regions. In that case it is necessary to construct a viable administration system. But how could we know that what kind of system is operable? We have to analyse other countries from the EU. For that reason I choose a region from Spain with. In that article I would like to show Spanish and Hungarian solving steps in a regional economic crisis.

REGIONAL ECONOMIC CRISIS IN PRINCIPADO DE ASTURIAS, SPAIN

Asturias is a coastal region located in the very north of Spain. 77% of its population of 1,087,885 inhabitants live in the central area where the economic activity of the region is concentrated: industry (coal-mines and iron and steel industries) and services. The other strong sectors of the Asturian economy are construction, agriculture and fisheries.

Figure 1.
Territorial position of Asturias
Source: www.ine.es

Asturias (NUTS2 level) has the category of Autonomous Community. This statute, grants its own competence, institutions, and governments bodies (President, Government Council, and General Board of the Principality) able to confront possible problems. According to this political autonomy, its own budget, and competence in key sectors of the economy, Asturias forms an advanced society very well prepared in infrastructures, qualifications and financial support.

Unemployment in Asturias was slightly below the national average in 1998 at 17.4%. Among the employed, the agricultural sector was strong with 10.6%; 32.5% of the workforce are to be found in manufacturing and 56.8% in services. 100% of the region was covered under Objective 1 of the Structural Funds in the planning period 1994-99, thanks to the crisis of industrial and coal sector.
Spain's steel industry was located mostly in the north at Asturias. Production of steel industry had gone from 1.9 million tons in 1960 to 11.1 million tons in 1975, making the country the fifth largest steel producer in Europe and the thirteenth largest in the world. By the late 1970s, however, a worldwide glut in steelmaking capacity and the domestic economic slump had led to a severe crisis in the industry. Thereafter, the Spanish steel industry experienced an extensive contraction, not only in production capacity, but also in the size of its labor force.

Spain's coal reserves are found primarily in Asturias, which is generally of poor quality, and, because of the structure of Spanish deposits, it is more expensive than imported coal. In 1967 HUNOSA, a state holding company was founded to direct most of Spain's coal mining, and it gradually took over the larger coal companies.

Higher oil prices have spurred domestic coal production. Annual production in the early 1970s amounted to about 10 million tons of coal and 3 million tons of lignite. By the mid-1980s, the industry produced 15 million tons of coal and 23 million tons of lignite annually. This higher rate of production was insufficient to meet domestic needs because coal had come to supply about 25 percent of Spain's needed energy, compared with about 16 percent in the early 1970s. About 5 million tons of foreign coal were imported per annum.

One of the by-products of the country's economic difficulties was a sharp reduction in industrial employment. In addition, the 1980 recession finally forced the government to permit Spanish oil prices to rise toward world levels, while interest rates declined.

The first attempt at industrial restructuring was embodied in a 1981 law dealing with industrial reconversion. It proved difficult to implement, and a large part of the funds allocated for reconversion was siphoned off to cover losses among public sector industrial companies. A more concerted attack was launched in 1983. The following year, a white paper on reindustrialization was issued, followed by a new law, the aims of which were to raise productivity and to restore industrial profitability by downsizing in order to restructure financial liabilities and to eliminate excess capacity and overmanning.
By the mid-1980s, the economy had begun to emerge from a prolonged period of stagnation and crisis. The GDP commenced its expansionary growth, rising by 2.3 percent in 1984 and by a high of 4.7 percent in 1987. Meanwhile, industrial output had succeeded in shedding its sluggishness and had embarked on a vigorous cycle of growth. Industrial production grew by 0.9 percent in 1984, by 2.2 percent in 1985, by 3.5 percent in 1986, and by 4.7 percent in 1987. Observers projected that output would somewhat decrease in 1988 and in 1989, but that it would reach growth levels of 3.8 and 3.7 percent, respectively, in these years. Despite a modest decline in the mid-1980s, Spanish economic and industrial growth continued to be the strongest in Western Europe.

Indicating an expanding economy, capital goods production increased by 9 percent in 1985, despite a previous decline in 1984. In the manufacturing sector, metal fabrication and the production of precision instruments increased from 1.8 percent in 1984 to 4.1 percent in 1985. Nevertheless, production increases in minerals and in chemicals were a minimal 0.2 percent in 1985, compared with 3.3 percent in 1984. Auto assembly output soared, but iron and steel production and shipbuilding experienced sharp declines. Traditional export-oriented activities, such as petroleum refining, and textile, shoe, and leather production were suffering from reduced competitiveness.
In what probably would turn out to be the peak of the economic boom, all major economic sectors posted healthy production gains in 1987. In the wake of renewed investment demand, construction grew by an estimated 10 percent, and overall industrial growth was 4.7 percent.

REGIONAL ECONOMIC CRISIS IN BORSOD-ABAÚJ-ZEMPLÉN COUNTY, HUNGARY

B-A-Z county (Borsod-Abaúj-Zemplén) is one of the 19 administrative regional units (NUTS 3) in Hungary and with 7,248 km2 territory it is the largest one in the country. Nearly 730 thousand people live in the county so it is after Budapest and the region around the capital the most populated area of the country.

The crisis of the region began at the beginning of the 1980's and was characterised by the lost competitiveness of the Hungarian economy, the declining productivity of labour and the increasing demand for imported products for production and for consumption, which resulted in large dept by foreign banks and international financial organisations.

The deformed economic structure of the region caused a deformed employment structure. With 7.4% share of the country's population, the BAZ county had 9.2% of the industry workers and 15.0% of the chemical industry workers worked in the beginning of the 1980's but only 4.4% of the machine industry workers. One of the factors of the region's vulnerability was in that employment disparity.

Another regional disparity factor was the geographical concentration of industrial production. 90% of the fixed assets of the industry was located at the end of the 1980's in the Sajó-river-valley. The concentration of the industrial production caused also a concentration of environmental problems.

The main consequence of the restructuring process was the fast growing unemployment in the region. In 1992 the county had an unemployment rate of 18.6%, which was significantly higher than the same index for entire Hungary of 12.3%.

The employment figures in the coal mining and metallurgy industries were even worse. More than half of the approximately 20 thousand coal miners and 36 thousand metal workers lost their jobs in the period of 1982-1992. Lack of jobs became the core
economic and social problem because the downfall of the heavy industry was not guided by a general reconstruction of the economy.

In the first years of the 1990's both government and local authorities made significant efforts to stop the economic decline and the ever-worsening social crisis connected with the massive unemployment figures.

Some individual governmental measures failed and subsidies from the state development funds couldn't affect a change in the situation. It was necessary to create an integrated decentralised programme for the county's economic development.

According to a governmental decree an Integrated Strategic Development Programme was established beginning in 1994. The programme focused on main goals: - Diversification of the economy; - Introduction of new activities; - Improvement of the entrepreneurial infrastructure

The programme analysed the situation of the county with the SWOT-analysis. After making a list of strengths and weaknesses of the region, the opportunities and threats of the further developments were evaluated.

The long-term objective is the integration of the county's development in the transforming macro-economic environment.

To achieve this goal it is necessary to - restructure the economy; - involve foreign and other external capital; - enhance human resources; - develop transport and telecommunication infrastructure; - increase environmental protection.

The Integrated Development Strategic Development Programme deals with the implementation of the programme on the basis of several aspects of integration. Integration of different sectoral aspects of the development means that the programme doesn't designate any dominant branch. Organisational integration means that the different decision-making level are integrated in the County Development Council where all the local, governmental and business authorities are represented.

The main point of the integration is the financial integration of the decision-making process. All governmental financial funds, EU PHARE programme funds and all other funds are integrated to a common fund, which provides the financial support for the decision-making process.

The success of the Integrated Strategic Development Programme has a contradictory character. The last GDP per capita figure is 678 thousand HUF, which is
68% of the country's average. The sectoral structure of the county's economy is has become healthier in recent years. The one-sided heavy industry oriented character is less dramatic. The rate of the industrial employment decreased from 40.6% in 1993 to 35.6% in 1996. The employment in the service sector increased in the same period from 49.8% to 56.1%. The weight of agricultural employment is less than 5% in 1999 and this figure meets the requirements of a post-industrial economy.

CONCLUSION

Both examined region had some possibilities to solve the crisis. But the efficiency of them was not the same. While in Asturias the developments could be discovered easily, but in B-A-Z is made many difficulties. In my point of view, the efficiency has two basic elements. One is the right and viable decentralization, where all the bodies know exactly its work. And the other one is the Regional Development Institute, which job to coordinate the regional improvement and innovation. Unfortunately there are many work to do to develop the regional Institute.

REFERENCES