



**EUROREG**

CENTRUM EUROPEJSKICH  
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UNIWERSYTET WARSZAWSKI

# CENTRAL EUROPE IN THE EU: BEYOND ECONOMICS

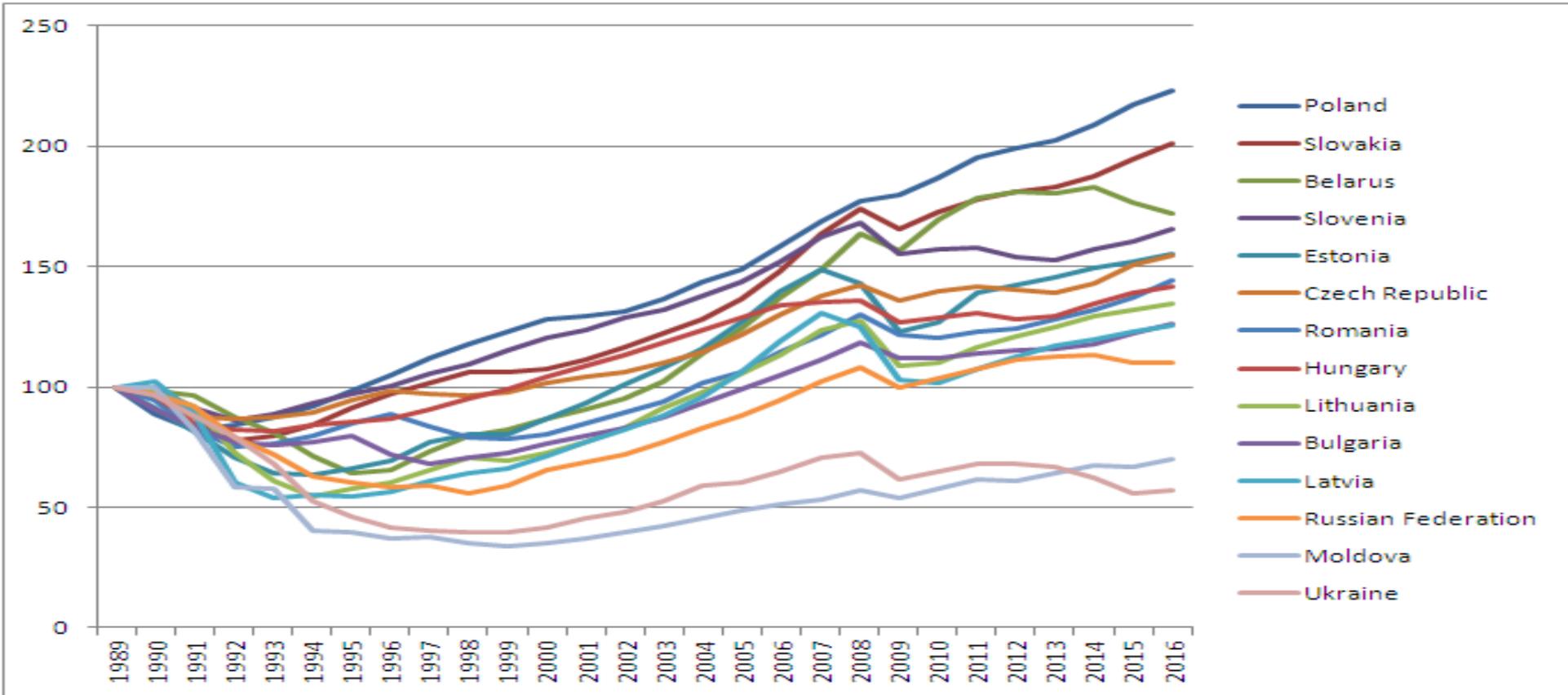
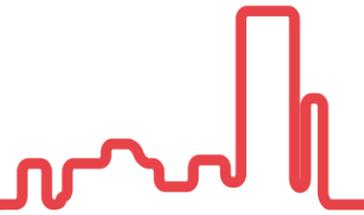
**Grzegorz Gorzelak**

*The Evolving Role of Central Europe in the European Economy  
„Crystal Ball” Panel.*

*7<sup>th</sup> Annual NBP Conference on the Future of the European Economy  
20 October in Warsaw*

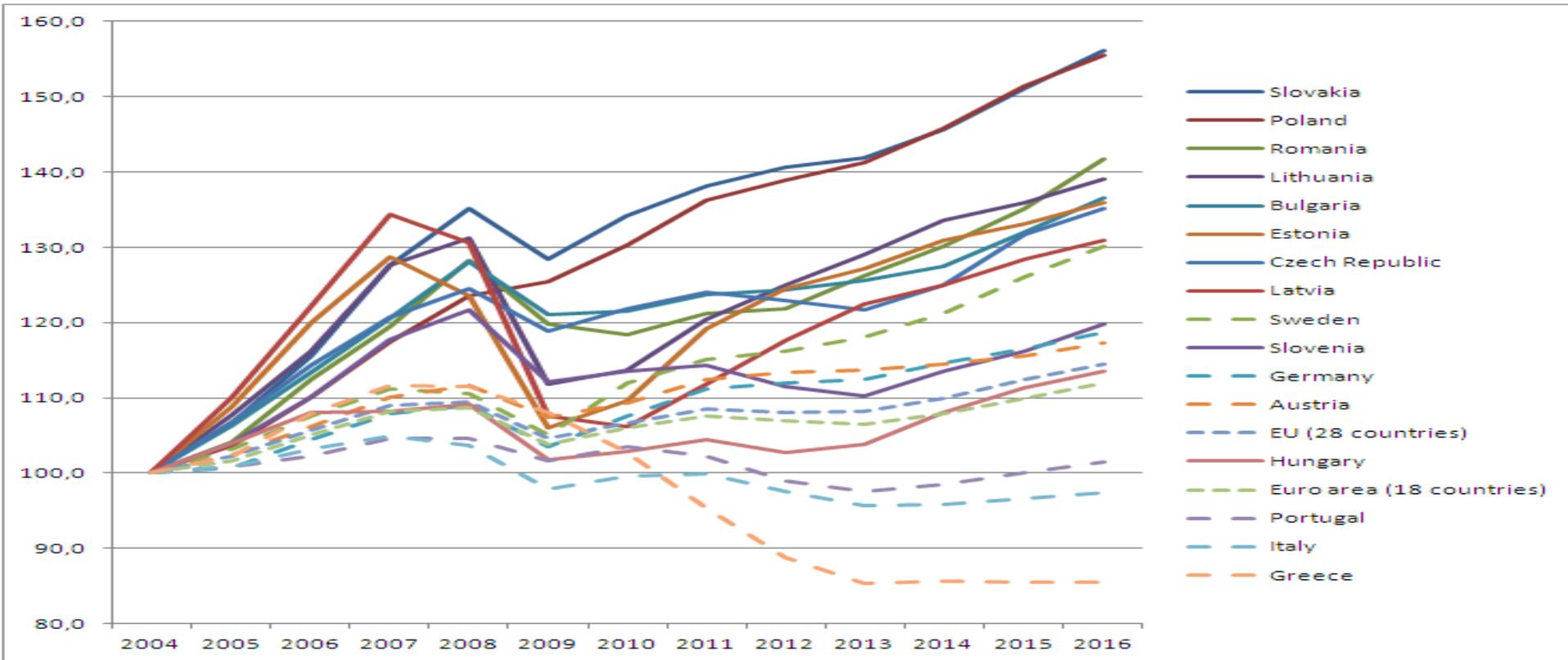
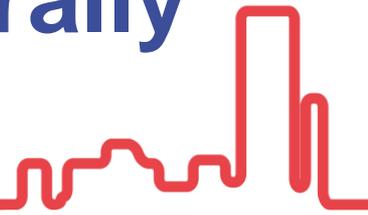
# Success of transformation

## GDP dynamics, 1989=100



Most countries demonstrated growth, though there were distinct groups.

# After accession and crisis: generally better than Western Europe



Even the slowest growing CEECs grew faster than most of the fastest EU-17 MSs.

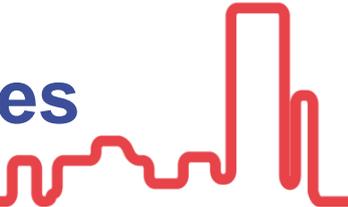
None of the CEECs noted a decline as deep as the worst EU-17 MS.

However, convergence to the West slower than before the crisis.



# Can it last forever? NO!

## Major challenges for the New Member States

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The catching-up process was mostly based on **external resources**.

**Innovativeness** of the CEEC economies has not grown sufficiently.

External sources of international **competitiveness** are drying out, and internal potentials are still undeveloped.

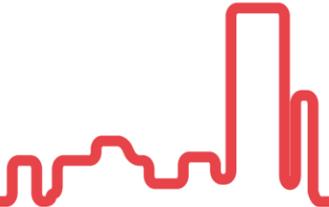
The danger of disappearance of the **low-cost** types of production, weak new sources of competitive advantage.

**Demographic** challenge: low fertility rates, outmigration, aging societies, pressure on pension systems.

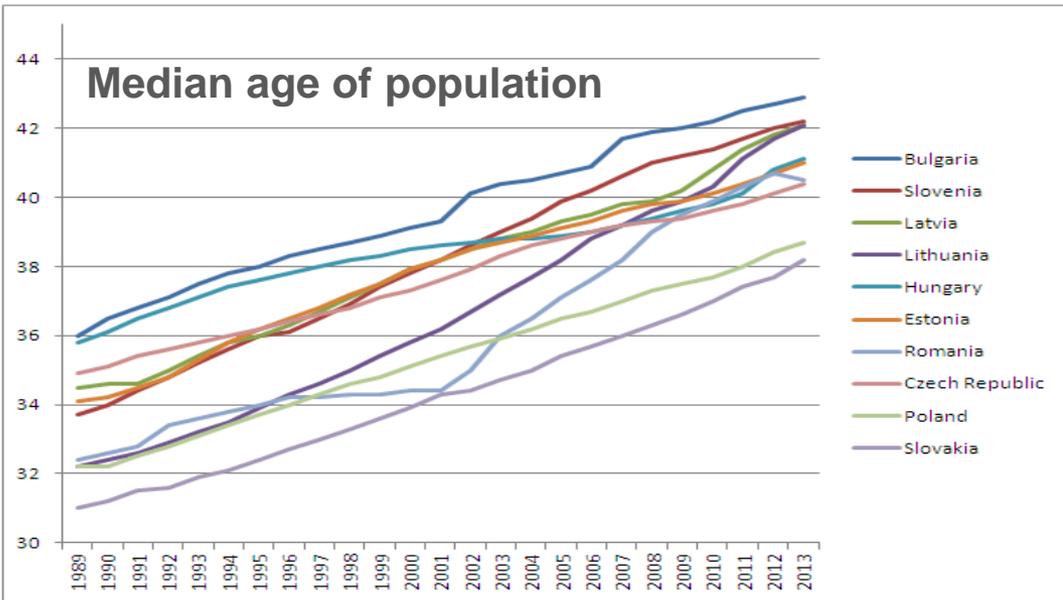
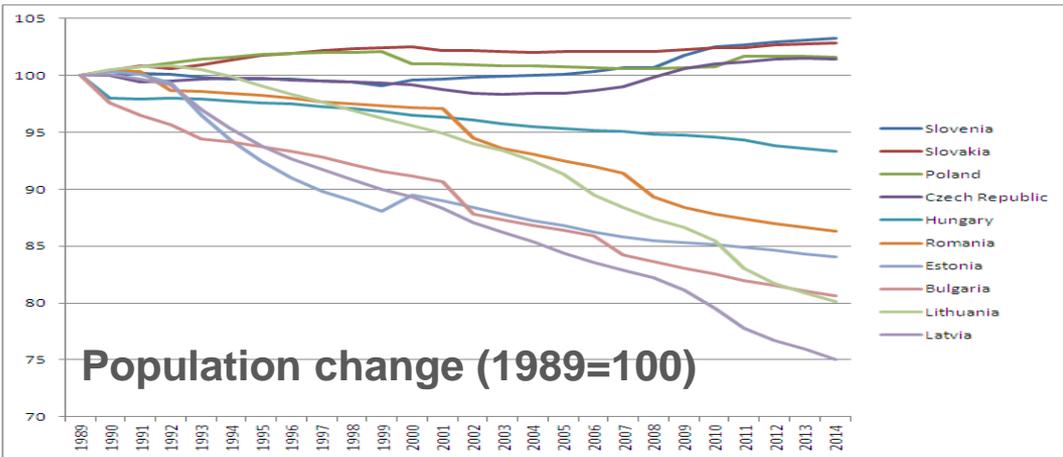
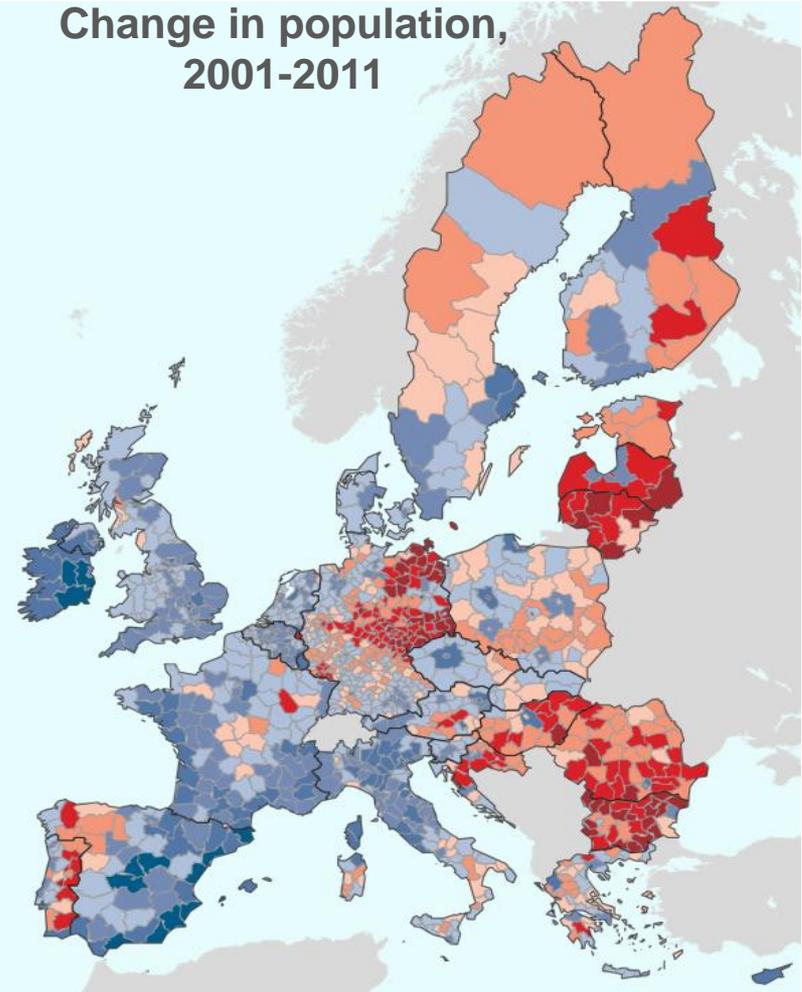
**Environmental** challenge: dependence on fossil fuels, heavy pollution, underdeveloped environmental infrastructure.

Caught in the „**middle income trap**”. Can the membership and Cohesion Policy help them overcome it?

# CEEC weaknesses: demography

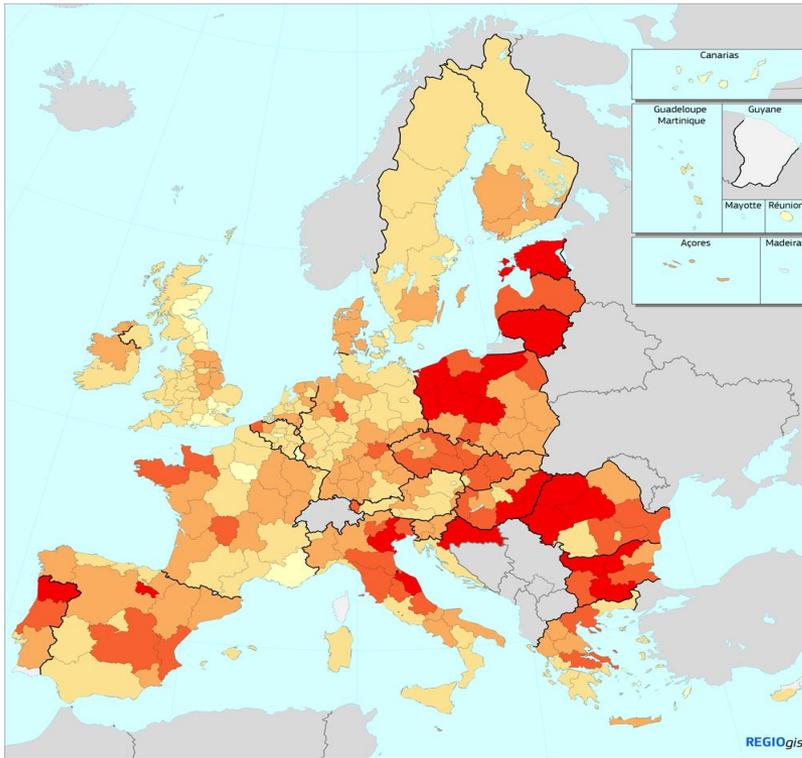


Change in population, 2001-2011



# CEEC weaknesses: dependance in technology imports

## Employment share in low tech manufacturing



Share of employment in low-technology manufacturing, 2015

in % of total employment

- < 2.5
- 2.5 - 5
- 5 - 7.5
- 7.5 - 10
- 10 - 17.5

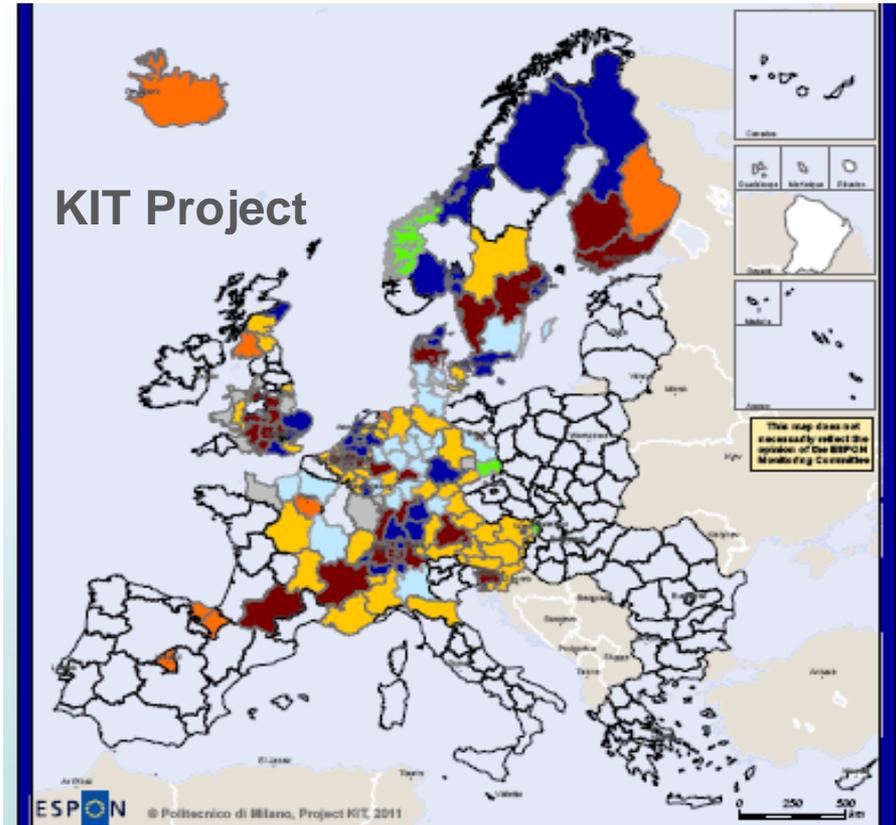
Low-technology manufacturing is defined as the following sectors of activity (NACE Rev. 2 divisions): 10 Food, 11 Beverages, 12 Tobacco, 13 Textiles, 14 Clothing, 15 Leather products, 16 Wood products, 17 Paper products, 18.1 Printing, 31 Furniture, 32 X 32.5 Other manufacturing excluding medical and dental instruments.

EU regions average: 5.5

Source: Eurostat

0 500 km

© EuroGeographics Association for the administrative boundaries



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Part-financed by the European Regional Development Fund  
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Technologically-advanced regions

Knowledge economy regions

- NA
- None
- TAR only
- Scientific regions only
- Networking regions only
- TAR and scientific regions
- TAR and networking regions
- Scientific and networking regions
- Integrated knowledge economy regions

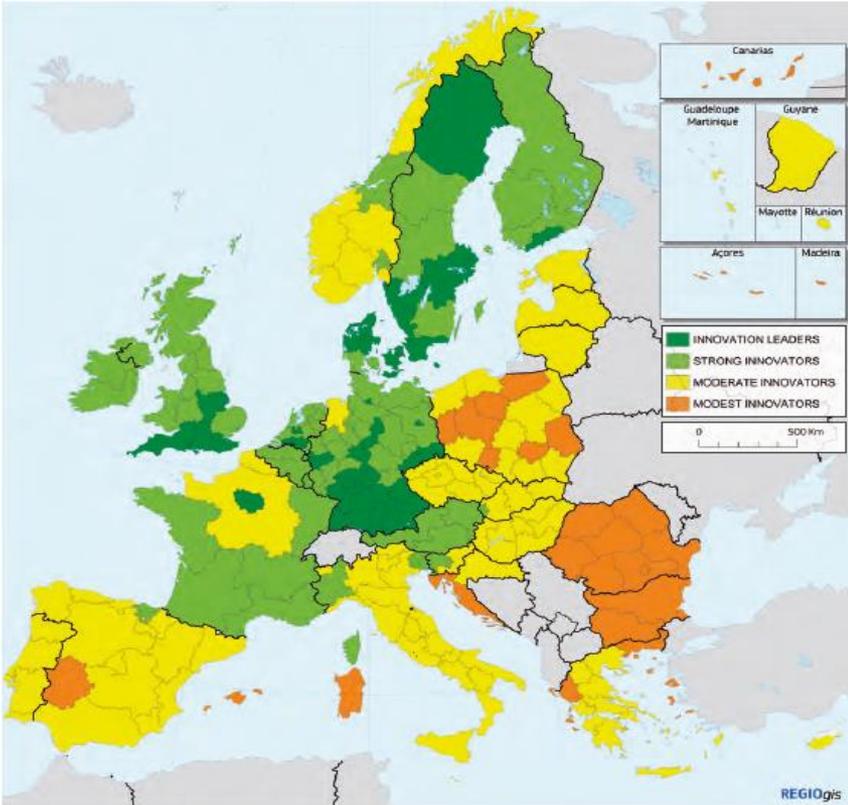
Regional level: NUTS2  
Source: Politecnico di Milano, 2011  
Origin of data: EUROSTAT and RegFed  
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Typology	Numerosity
TAR only	9
Scientific only	11
Networking only	43
TAR and scientific	3
TAR and networking	19
Scientific and networking	29
TAR, scientific and networking	31
None	135

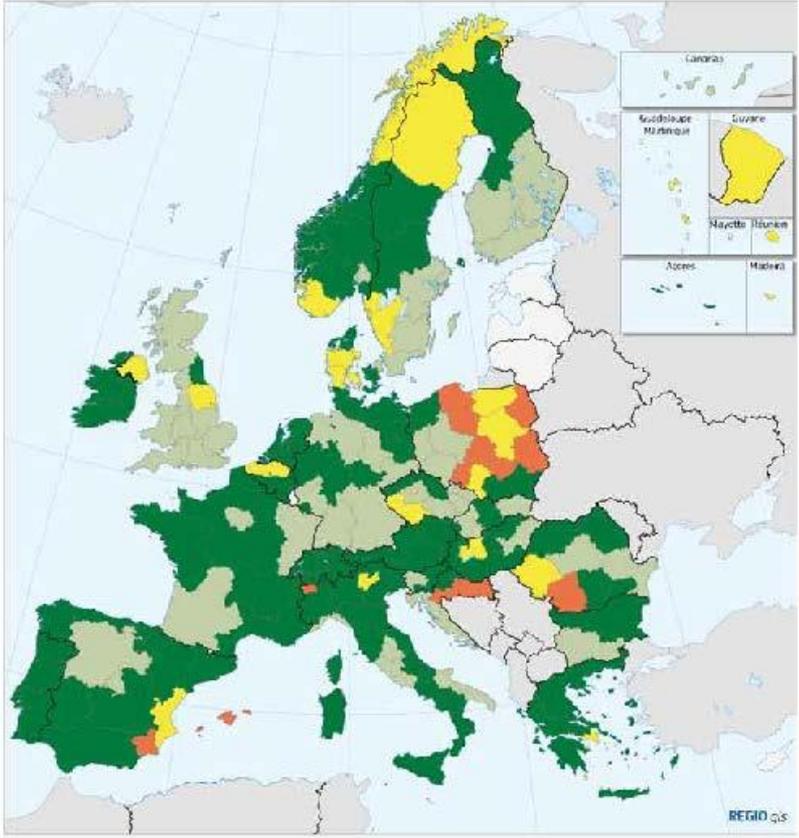
# CEEC weaknesses: low innovativeness



## European Regional Innovation Scoreboard 2016



For Cyprus, Estonia, Latvia, Lithuania, Luxembourg and Malta, performance group membership is identical to that in the European Innovation Scoreboard 2016 report.



Map 1.14 Regional innovation growth performance, 2008-2014

- < -2.5%
- -2.5% - 0%
- 0% - 2.5%
- 2.5% - 15%

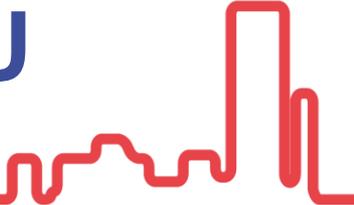
Source: Maastricht Economic and Social Research Institute on Innovation and Technology

# Dependence on transfers from the EU



Civilisational improvement. Lesser progress in economic competitiveness

# The future of the CEECs in the EU

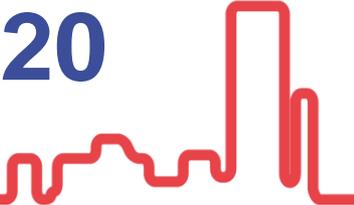
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## *White Paper on the Future of Europe, March 2017*

Priorities of the EU for the future and NMSs reactions:

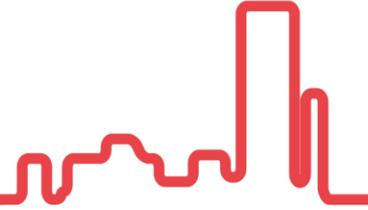
1. Single market integration and trade (rather positive).
2. Monetary and economic union (Czech Rep., Bulgaria, Croatia, Hungary, Poland, Romania not in the Eurozone).
3. Migration and security (strong opposition in most).
4. Innovation and technological progress (weak absorption).
5. Environmental protection and decarbonisation (Poland & Greece against)
6. Foreign and defense policy (rather positive response, only Poland sceptic).

# New targets for financing post 2020

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- Less for:
  - regional development;
  - health care;
  - labour market intervention.
- More for:
  - innovation;
  - handling immigration;
  - environment (decarbonisation);
  - defence and security.

# Scenarios for Europe

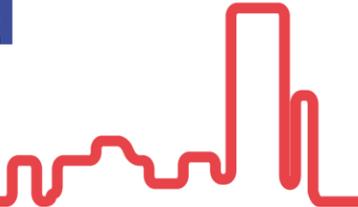


1. Carrying on
2. Nothing but the single market \*)
3. Those who want more do more
4. Doing less more efficiently
5. Doing much more together

**\*) plus the money**

As a result: Europe of several (two?) speeds.  
Two budgets. Winners and losers.

# Why? Institutional divergence and social attitudes

A red line graphic in the top right corner, resembling a stylized waveform or a jagged line that starts low, rises to a peak, and then falls.

**Institutional convergence** of the CEECs began after 1989.

It proceeded **until 2003**, mostly due to the phase of accepting the *acquis communautaire* along with the association phase.

Since 2003 the convergence process **slowed down** in all countries. Without external pressure own propensity for institutional improvements was low.

Recently – in several NMSs a **reversal** of institutional change.

One hypothesis: **closed societies** manipulated by „conservative” politicians.

„**Social psychology**” of Cohesion Policy: perception as „easy money” which we deserve „by nature”.

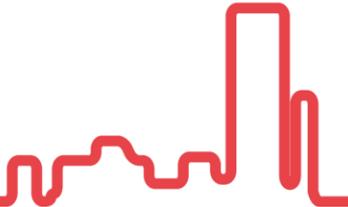
**Privileges without obligations.**

# The future role of CEECs in the EU

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1. In most cases successful economic transformation, though challenges mounting for the future
2. A diverse group – more and less reliable MSs
3. But several NMSs challenge the EU principles and do not wish to join common policies (Euro perhaps the most important)
4. Also in some countries corruption is still a problem
5. Dramatic decrease of EU transfers possible and depending on consent to various common policies
6. Polesxit? Hunexit? Czexit? Hopefully not.

# The final message

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- **Culture matters. And nowadays institutions are the most important**
- If the NMSs are marginalised in the EU because of their denial of the very principles of deliberative liberal democracy –
- and if they withdraw from participating in the most important common policies -
- **they will not be able to overcome challenges facing their economic development.**

A red line graphic that starts as a solid horizontal line from the left edge of the slide and ends on the right edge as a stylized, jagged line resembling a city skyline or a signal waveform.

**Thank you for your  
attention**

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