

The external forces: Towards globalization and European integration

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Introduction

The preceding chapter outlined the internal forces that have been operating within states and localities during the past decade to shape the development characteristics and paths of transformation of Central and Eastern European cities. This chapter focuses on the “external forces”; in reality, the two interact in varying degrees and in complex and diverse ways. “External forces” can be defined in a spatial context as those emanating either from outside the borders of the post-socialist arena as a whole, such as from the market economies of Western Europe, North America, East Asia, or elsewhere, and which may be thus treated as being “global”; or from outside the borders of individual post-socialist states, from neighbouring territories and cities, and which may be considered more as “regional” or “regional-international” forces. In fact, both the definition and the operation of “globalization” and “internationalization” forces are rather blurred and interactive (Painter, 1995; Ó Tuathail, 1996). “Globalization” refers to a range of processes, which operate above the scale of the nation state as capital mobility, foreign direct investment, free trade agreements, information society etc., while “internationalization” refers to the growing porosity of the boundaries and borders of national economies (Jessop, 1995). In functional terms, these forces are, or can be, very diversified and include cultural, economic, ideological, institutional, political, social, strategic-military, and technological factors. One can hypothesize that through time, the geographic scope or territorial or spatial “range” of the forces operating will change, as will

the functional characteristics or balance of such forces. This applies anywhere in the world, and Central and Eastern Europe is no exception.

In fact, external forces have long shaped the growth, development, and salient features of cities in Central and Eastern Europe, but the changing origins, nature, intensity, and impact of those forces have resulted in both continuities and discontinuities through time. Undoubtedly, the years 1989 to 1991 represent a watershed in the region's history, with significant breaks or discontinuities from the preceding socialist period being effected: cities have become opened up to market forces, to the intensified and diversified interests of globalization, to NATO enlargement and to European integration. These factors are having increasingly important effects on city dynamics, structure, functions, spatial organization and spatial forms, and on the evolution of city interdependencies and dependencies. Yet, it would be erroneous to believe that external forces had not played a role – even a significant role – in earlier periods, even if the power and characteristics of those forces differed from those operating today in the region.

External Forces before 1989

The relevance of external forces operating in the region before 1989 lies in the preconditions, continuities, and legacies that they created, and which have been shaping the transformation of cities in the post-socialist period since 1989. A brief survey is necessary in as much as present transformations may embody a dimension of “back to the future”, i.e. whether pre-socialist period developments, trends, or influences are, or have been, re-establishing themselves, or whether there are also legacies from the socialist period itself which have long-term consequences affecting city transformation.

External Forces in the Pre-socialist Period

As far as most of Central and Eastern Europe is concerned, it is useful to distinguish the operation of external forces in three broad periods: before the First World War; the “inter-war” period (1918 to 1939); and the Second World War period.¹

Before the First World War – in contrast to Western Europe, where urbanization and “metropolitanization” were shaped in the formative years of the nineteenth century either by stable nation states such as Great Britain, France, or the Netherlands which were “mother countries” of far-flung empires, or by enlarging and unifying states such as Germany and Italy – the development of cities in the present-day territories of much of Central and Eastern Europe was subject to foreign imperial influences that were political, military, cultural, and economic in character.

The very establishment of town status in the region's central and northern areas was determined by the conferment of German town law and privileges. Settlements receiving such status could begin to prosper from trade, crafts, and industries. Some key centres of markets or trade fairs such as Crakow (Poland), Dubrovnik (Croatia) and the Baltic Hanseatic ports engaged in international trade with significant parts of the known world in mediaeval times, but after 1492 cities in the region became more isolated from the broader "global" developments associated with the opening up of the New World and the growth of trade with Africa, Asia, and the Pacific. More significantly, from the late eighteenth century, the division of the region between four empires – the Prussian, Russian, Habsburg (Austro-Hungarian from 1867), and Ottoman – largely deepened this isolation and reinforced trends towards the emergence of a highly uneven pattern of urbanization linked to the railway network. This division remained, by and large, strongly reflected in the very differentiated levels of urbanization across the region into the 1940s. The proportion of the population living in urban areas declined from more than 60–70 per cent in the north-west (eastern Germany, Bohemia) along broadly west–east and north-west–south-east axes to 25 per cent in eastern Poland (including those areas which since 1945 are in present-day Lithuania, Belarus, and Ukraine) and in most of South-east Europe, i.e. the Balkan peninsula (Hamilton, 1979a: 168) (see also Table 4.1).

The strong economic development of the Prussian Empire in the nineteenth century, and the parallel emergence of Berlin as a major industrial and prime market centre, influenced the development of the present-day western and northern territories of Poland and Upper Silesia (southern Poland), a trend which was reinforced by the centripetal rail network focusing on Berlin and supported by earlier tributary canal links to that city. A similar situation prevailed in

Table 4.1 Urban population change in Eastern Europe before and after the Second World War

Country	Pre–Second World War			Post–Second World War		
	Year	000	%	Year	000	%
Poland*	1939	11,944	37.3	1946	7,425	31.0
Czechoslovakia	1938	5,798	39.7	1949	5,446	44.1
Hungary	1930	2,881	33.2	1949	3,341	36.3
Romania	1930	3,051	21.4	1948	3,713	23.4
Bulgaria	1934	1,303	21.4	1946	1,735	24.7
Yugoslavia	1931	1,839	13.2	1948	3,117	19.7
Albania	1938	160	15.4	1945	239	21.3

Note: *Figures relate to the present-day territory of Poland.

Source: Hamilton (1979a: 168).

Bohemia (Czech Republic) which became the “factory backyard” of Vienna, the capital and market centre of the Habsburg Empire. After the creation of the Austro-Hungarian Monarchy in 1867, Budapest experienced rapid industrialization and metropolitanization. There, a strong centralizing and agglomerating force was the centripetal rail network, a distorted rail tariff regime which comprised lower rates to and from Budapest irrespective of distance and higher rates between any other locations in the Empire. The imperial policy for “spatial–ethnic division of labour” encouraged manufacturing diversity in Hungary, especially in Budapest itself, and relegated the roles of towns located in the colonial areas of Slovakia, Slavonia (northern Croatia), Vojvodina (northern Serbia), and Romania largely to mining, agriculture and raw material processing (Hamilton, 1968). Imperial policy also attempted to delay the construction of a rail link between Zagreb and Belgrade, for instance, for fear of stimulating “pan-Slavic” nationalism directed against imperial rule. City development was also generally discouraged in the Russian colonial zones of central and eastern Poland for similar reasons: railways were usually aligned to bypass all towns by several kilometres to prevent or discourage an industrialization process which was perceived as creating a revolutionary urban proletariat that could further fuel Polish nationalism. The outstanding exception to this, however, was the growth of Lodz (Poland) into the “Manchester of Eastern Europe” to supply the Russian market with textiles and clothing. In this case, much German and Jewish capital – in effect, FDI – “leap-frogged” the Prussian–Russian border to establish production inside a Russian Empire that was protected from textile and clothing imports by high tariffs. Finally, in the Balkans, the Ottoman Empire left a legacy of very limited city development centred around handicrafts and Islamic culture, but with long-term consequences for the attitudes and behaviour of the people.

The “external forces” that operated between the First and Second World Wars were mainly political and economic. The re-drawing of the Central and Eastern European map by the Great Powers, following the outcome of the First World War (and before it the Balkan Wars), created a “tier” of independent “buffer” states between Russia (after 1922, the Soviet Union) and the Germanic states. The effects on cities were broadly twofold:

- (i) enhancement of the roles of those cities which became capitals of new, “reborn” or enlarged sovereign states: Belgrade (the Kingdom of Serbs, Croats and Slovenes, renamed in 1929 as Kingdom of Yugoslavia), Bucharest (Romania), Kaunas (Lithuania), Prague (Czechoslovakia), Riga (Latvia), Sofia (Bulgaria), Tallinn (Estonia), and Warsaw (Poland). These experienced the creation of administrative functions and services and some market-led or state-stimulated industrialization; and
- (ii) the decline of cities whose former food and raw-material or manufacturing supply and market areas were “truncated” by border changes and “shrinkage” of their territorial and administrative range and population size: Budapest

and Vienna, and an arc of smaller cities lying on either side of the post-1920 Hungarian border, i.e. in Slavonia (northern Croatia), Vojvodina (northern Serbia), and Transilvania (western Romania).

By the 1930s, however, the region as a whole began to suffer the first major “global” economic effects through the diffusion of the 1929 Wall Street Crash, which seriously depressed agriculture, restricted markets for manufacturers, and deepened poverty in rural and urban communities alike. Indeed, the growth of poverty in the region was such that it stimulated the League of Nations to research the main causes of the problem, the first expression of “global concern” for the region (Moore, 1945). Ensuing “economic nationalist” or “national autarkic” development strategies further curtailed food and manufacturing exports, adding, for instance, to the severe recession in Lodz caused by the loss of the Russian (Soviet) textile market and the loss of the German markets to producer cities in Poland (such as Poznan) and Upper Silesia (Katowice). The “Depression Years” also effectively curtailed any further FDI that had begun to penetrate the region, particularly in natural resource-based industries (Hamilton, 1968), although there was growing German corporate penetration of Central and Eastern European strategic industries as part of Nazi militarization and expansionist plans (Basch, 1944).

The Second World War had highly differential impacts on cities in the region, largely as a result of the varying intensity and character of military operations, which were partly a response to the positions adopted by national governments in either opposing or accepting Axis occupation. On the one hand, cities in the north, especially in the Third Reich east of the Oder River, together with Berlin and Warsaw, were very heavily damaged. By contrast, cities in south Poland, Czechoslovakia, Hungary, Romania, and Bulgaria generally escaped this fate, although their Jewish and other indigenous populations were often decimated or annihilated. In South-east Europe, on the other hand, cities actually grew in population through a combination of rural-to-urban migration and high rates of indigenous growth, though in Yugoslavia population increase in cities was also “fostered” by the concentration of German military action and partisan resistance in more rural areas, especially in Bosnia and Herzegovina. However, the outcomes of the Second World War also had specific impacts on cities in certain countries and regions. The sharp drop in the urban population living on the territory of present-day Poland reflects the post-1944 exodus of Germans from former Third Reich areas lying to the east of the Oder (which became part of Poland in 1945). Similarly, the decline in Czechoslovakia’s urban population expresses the German exodus from “Sudetenland” or, more properly, northern Bohemia. On the other hand, it could be argued that the longer time lag between census years (1930–1931 and 1948–1949) in Hungary, Romania, and Yugoslavia provided opportunities for more pre-war urban growth and hence somewhat masks the impacts of the Second World War.

External Forces during the Socialist Period

In the aftermath of the Second World War, the entire Central and Eastern European arena became subject to “Sovietization”. This occurred either directly in the Baltic states and those areas of the former East Prussia, Poland, Czechoslovakia, and Romania that were incorporated into the USSR in 1945, or indirectly in the “independent states” ruled from 1945 by essentially “implanted” communist regimes. The effects on cities were both far-reaching and diverse. Urbanization was intended to be the vanguard process for “socialization” under the Soviet Union. As a result, cities expanded everywhere and, by 1989, all states were far more urbanized than they had been 40 years earlier, although north-west and south-east differentiation still persisted (see Table 4.2). Indeed, by 1989 more than twice as many people lived in cities in Central and Eastern Europe compared to 1950. Rapid urban growth was particularly striking in relatively less urbanized Poland, Romania, Bulgaria, and Yugoslavia.

The elimination of market forces and private enterprise (though not necessarily private ownership) depressed the role of economic factors in shaping city development and, especially in the capital cities, elevated the importance of political, cultural, and social functions significantly. Yet, city growth became primarily driven by industrialization that, until 1958, followed the Stalinist model of autarkic “import-substitution” in each Central and Eastern European country that was bilaterally tied to the USSR. The quest for equality, together with strategic needs, also led to greater spatial dispersion of industrialization, and hence, of city growth. Nevertheless, although most governments adopted some kind of implicit or explicit policy to restrict the rate of growth and scale of development of their capital city, these continued to expand, not least because

Table 4.2 Growth of urban population in Eastern Europe, 1950–1990

Country	1950		1970		1990*	
	000	%	000	%	000	%
East Germany	13,040	72.0	12,592	73.8	15,759	76.8
Poland	9,605	39.0	17,088	52.3	2,310	61.3
Czechoslovakia	6,354	51.5	8,942	62.3	11,836	75.7
Hungary	3,553	38.6	4,992	48.2	6,295	59.5
Romania	3,713	23.4	8,335	40.9	11,723	50.6
Bulgaria	2,001	27.5	4,510	52.9	5,967	66.4
Yugoslavia	3,269	21.9	7,385	35.9	1,125	46.5
Albania	250	20.5	800	37.4	1,135	35.5
Total	41,785	39.4	64,644	51.2	83,920	60.0

Note: *Data refer to years 1988, 1989, or 1990.

Sources: Hamilton (1979a: 168); *Encyclopaedia Britannica, Book of the Year: Britannica World Data 1990*.

new industrial development there was supposed to assist in the deconstruction of the bourgeoisie and the construction of an urban proletariat sympathetic to communism. Moreover, a general shortage of skills and transport infrastructure also stimulated the localization (or agglomeration) of the key, and more skill-intensive, machinery, engineering electrical, and pharmaceutical industries in or near capital cities and main second-order cities. Dispersion to less developed regions and smaller cities was often constrained by scarce investment resources and by low investment priorities for agriculture activities. Thus, dispersion tended to occur most strongly where activities based on natural resources could contribute to the overriding “national” planning priorities of capital-intensive or “heavy” industrialization.

The Soviet Union wielded direct control (through its Ministry of Defence) over the location of all new industries or (expanded) capacities in the region which were of direct strategic significance or which could form part of the defence industry “supply chain”. That control often resulted in accelerated industrialization in smaller or medium-sized cities, especially in the “safer” eastern or interior regions of Soviet bloc member countries, such south-eastern and eastern Poland (e.g. Lublin) and the “central industrial region”, eastern Slovakia (Banská Bystrica, Košice), eastern Hungary (Dunajvaros, Miskolc) (see Bora, 1981), eastern Romania (Iași, Galați, Braila), and central and eastern Bulgaria (Burgas, Varna, Dimitrovgrad). It also contributed to the construction of more than 40 new towns in the region, usually for basic or defence industries (Shackleton, 1969: 466–468; Szirmai, 1998). Where possible, the border regions in the west were avoided. However, Soviet influence also contributed to relatively faster industrialization and city growth in the less-developed countries of South-east Europe and Poland than in East Germany, Czechoslovakia, and Hungary. This trend was partly assisted by the transfer of equipment for some 300 industrial plants by the USSR to those areas in the late 1940s and early 1950s (Hoffman, 1961).

The legacy of the Stalin years that was most important for city change in the post-socialist period was the duplication between the Central and Eastern European states of many basic, raw-material processing and engineering industries of sub-optimal size and outdated technology built under the “national autarky” regime – a direct transfer of the Soviet experience of “socialism in one country”. In other words, this legacy created the core of the problem of “surplus capacities” under the conditions of relative demilitarization and exposure to international competition in the 1990s, and thus has been a contributory factor of de-industrialization in many cities in Central and Eastern Europe, including those which had grown or had been established as new industrial towns after the Second World War.

While Soviet domination imposed isolation on Central and Eastern Europe from many “global” economic urban trends between 1945 and 1990, it did also led to a “partial transition” from the national autarky of the pre-Second World

War period towards a greater degree of international division of labour which began to effect city systems and functions from 1960. This commenced in the “Khrushchev” period (1956–1964) within the framework of the Council for Mutual Economic Assistance. The policy was consolidated during the “Brezhnev” era (1964–1981) within the CMEA and extended to international cooperation between CMEA cities and cities in other regions of the world through “East–West” and “East–West–South” integration (Bora, 1981; Gutman and Arkwright, 1981; Kortus and Kaczorowski, 1981; Linge and Hamilton, 1981).

The “de-Stalinization” process under President Khrushchev was critically important in several ways. Within the USSR, there was a “rebirth of economics”, as part of the “de-Stalinization” and “rehabilitation” programmes, which had at least two impacts on the paths and character of city development in the socialist countries of Eastern Europe. Both were related to attempts to make socialist production and economic and social functioning more “efficient”. The first concerned the quest for achieving “optimum city size”; the second concerned raising industrial (plant) efficiency.

The question as to whether or not optimum city sizes really exist, or indeed could be achieved, had emerged in town planning debates in the USSR in the 1920s and 1930s. By the 1960s, the debate had been revived within the CMEA; it paralleled similar concerns in Western Europe and shared some common elements at the global level at that time (see Neutze, 1971). Essentially, assessments of optimum city size within the CMEA were tied to industrial needs. Since optimal plant sizes varied between sectors, single-industry or single-enterprise towns (“company towns”) should form a hierarchy, somewhat reminiscent of the “rank size rule” or Christaller’s “central place hierarchy” (albeit based on market services) that evolved in the West. However, the concept was also applied to underpin the rationale of controlling large cities and especially capital city size, and to disperse industry and other “non-essential” functions away from those cities into the hierarchy of other urban centres. The objective was to forge a “balanced” and “integrated” urban system. This was achieved mostly by central planning decisions to divert new job-creating functions to green-field sites in or near existing regional, provincial, or smaller cities, or to sites where “new towns” were built as “free-standing cities” (often conceived as “model socialist towns”) or as “satellites” of major urban areas. Rarely, however, did socialist planning involve either industrial closures in capital cities or relocation to other cities, unlike in Western Europe.

While decentralization was easier in countries with quite dispersed urban systems or networks such as Czechoslovakia, Romania, Bulgaria, and Yugoslavia, it also began to play a role in Hungary, where the major second-order cities (Gyor, Miskolc, Debrecen, Szeged, and Pecs) were designated major “growth poles” to divert development from the capital city of Budapest. The aim of this urban policy was to make more efficient use of scarce resources (capital,

materials, labour) in the construction of new housing, education, welfare, and other services, as well as commuter transport and infrastructure, which were funded directly or indirectly by the state to minimize the social costs associated with production. The idea stimulated and in the 1970s was further encouraged by work in Britain on the “costs of urban growth” (CURB). The deepest analysis of the idea, however, emanated from Poland, where it was elaborated into “threshold analysis”.² Research in Poland demonstrated that the costs of further expansion (mainly of industry, but to a lesser extent, services) were highest in Warsaw and other larger cities, and much less or very low in small and medium-sized cities. This led the government to locate major new manufacturing in such cities in the 1960s. This policy was particularly evident in the location of new petrochemical, chemical, and other industries in small or medium-sized cities along the Vistula river, in south-eastern Poland and, to impose strict controls on growth (employment creation as well as housing), in Warsaw and Upper Silesia in particular. However, the cost data were later found to be erroneous (Hamilton, 1979b).

The issue of plant efficiency had another impact. The “new economics” basically argued that specialized optimal plants allocated to socialist countries, at least outside the USSR, should counteract the legacy of Stalinist (autarkic) development, which had been inefficient since it had led to the duplication of sub-optimal industries. In the USSR, however, Stalinist socialism had often built excessively large plants in the “gigantomania” period of the 1930s and 1940s, which created transportation inefficiencies with long hauls, and large city expansion with overcrowding. So Khrushchev led a campaign to ensure that industrialization in the socialist countries after 1958 (embedded in the Five Year Plans of 1960–1964 in most Eastern European states, and the Seven Year Plan of 1958–1964 in the USSR) should take the form of larger-scale, efficient, specialized facilities to serve the needs of the whole CMEA³ (rather than just the national) market. This stimulated the introduction of policies to create “international division of labour” within the CMEA to “share out” development amongst member states and, hence, amongst the region’s cities. In practice, this meant that while the USSR could produce the entire range of products planned for the market, the other socialist states needed to specialize on much more restricted ranges of products. Thus, city development in Central and Eastern Europe – except in Yugoslavia and Albania, which were not CMEA members – was shaped by this type of CMEA industrialization policy after 1960. Cities expanded rapidly if they acquired new product lines or could supply enlarged quantities of existing specialized products to the whole CMEA market from existing locations.

Increased engagement of the CMEA in international trade, and the growing need for “fish-factory” ships to meet CMEA food shortages, led to a rapid expansion of shipbuilding and associated marine engineering in and around cities such as Rostock (East Germany), Gdansk, Gdynia and Szczecin (Poland), Constanța (Romania), and Varna and Burgas (Bulgaria). Port cities tended to

experience significant population growth, and suitable ice-free locations were restricted along the Soviet coast to cities like Leningrad (St Petersburg), Arkhangelsk, Murmansk, Vladivostok, and Odessa. Railway equipment manufactured for CMEA markets expanded in Wrocław (Poland), while Prague specialized in the assembly of trams for use in capital and medium-sized city urban transport networks. Steel production to serve the CMEA market led to major plant expansion at Crakow (Poland), Ostrava (Czech Republic), and Kosice (Slovakia). Hungary was allocated the role of CMEA supplier of buses, which led to major development and expansion at Szekerfehervar, Gyor, and Budapest. But Hungary also possessed bauxite resources scarce in the CMEA, so it favoured the growth of aluminium industries, and new chemical complexes were also developed in north-east Hungary as part of CMEA integration (Bora, 1981).

In the Brezhnev period (1964–1981), attempts were made to expand this international division of labour through the development of “new” industries, including those expanded to supply more “consumers” products, drawing partly on Western technology transfer (e.g. synthetic fibres, automotive products, colour televisions). The rapid growth and diversification of the computer and information technology industries, though much slower and more modest than in the West, also enabled most socialist countries to specialize in particular lines of computer hardware and software (Linge and Hamilton, 1981) and so share in their development. This often occurred in or near the capital cities.

But several problems associated with CMEA specialization and cooperation were emerging, too. The development of international organizations within the CMEA, or so-called “socialist internationals” (Linge and Hamilton, 1981), led to the localization of administrative and research facilities mainly in the capital cities, led by Moscow – which, after all, was also the CMEA capital. Of 23 CMEA-wide organizations in existence by the mid-1970s, 11 were located in or near Moscow, the others being dispersed among Warsaw (3), Budapest (3), Prague (2), and Bucharest (1). The other 3 were shared among “second-order” cities: Gdynia and Wrocław (Poland), and Halle (East Germany). Although hard evidence of the scale of these operations is lacking, there is no doubt that they contributed to the agglomeration of service growth functions in capital cities in this period and hence to a relative shift from manufacturing to services there. This was particularly marked in the case of Moscow (Hamilton, 1976; see also Chapter 14 of this volume).

A contrasting problem can be seen in the CMEA’s attempts to develop international specialization in the automotive industry. While Hungary was probably “content” to receive CMEA specialization on large-scale bus production, the same cannot be said for the car industry. Because of its traditional long-established skills, Skoda in Czechoslovakia was deemed by the CMEA administration in Moscow to be the site for the expansion of this industry to serve CMEA markets in private cars. However, the Polish government decided to invite Fiat to invest after 1964 in modernizing the old Soviet-equipped Warsaw plant

and later to build green-field facilities in Upper Silesia. The Soviet government responded, attracting Fiat technology to build the Togliatti (new town) plant in the Volga region, while the Romanians, not to be left out, invited Renault to equip the new Dacia plant. Yugoslavia had already been producing Fiat vehicles since the mid-1950s. The point illustrates the way in which “internal” nationalist forces seized on international opportunities, with major impacts on the growth (or creation) of selected cities.

The 1960s and 1970s saw substantial Western technology transfer to the “more liberal” socialist states, especially Poland and Hungary, following the path pioneered by President Tito in Yugoslavia as early as 1953 after the break-up with Stalin. This was not the case in East Germany, Czechoslovakia, or Bulgaria, which were more strongly “pro-Soviet” or “anti-Western” in their stance. Thus began a process of wider global integration of selected cities in more “liberal” socialist states in contrast to the continued greater isolation of cities in the “pro-Soviet” states, which still maintained most of their links within the CMEA, especially with cities in the USSR. And yet industry in East German cities experienced considerable modernization though “industrial espionage” of technologies evolved or located in West Germany.

Much of the technology transfer to Poland, Hungary, and Romania was paid for in “counter-trade”, a reverse flow of products to Western Europe, so establishing the first significant East–West trade flows. Since this trade happened to come on stream in the aftermath of the first oil crisis (1974), it either stimulated or accelerated innovation or downsizing in West European industrial cities (e.g. in Torino, Italy, the home of Fiat). The resulting technology transfer and counter-trade flows, therefore, tended towards closer European integration rather than globalization. But “East–West–South” integration, stimulated by the 1970s oil crisis, did bring Central and Eastern European cities into more economic and political interaction with some developing and newly industrializing countries (Gutman and Arkwright, 1981).

Two further points need to be mentioned here. First, policy shifts in the USSR towards more “consumer” goods production did have the effect of bringing more diversified industrialization to cities in regions with few or no natural resources as part of the spatial “division of labour” within the USSR itself. This did have important consequences for the growth of the capital cities of the Baltic republics, especially Riga (Latvia), where significant electrical industry expansion was located, and Minsk (Belarus). The latter, however, also became part of the CMEA engineering “production chain” on the Berlin–Warsaw–Moscow axis. Moreover, the development and expansion of some Soviet cities was also an effect of the energy and raw materials supply chain from the USSR to Central and Eastern Europe.

The second point is that there has been a fairly strong Soviet influence on the spatial form of cities in Eastern Europe during the socialist period. The ideas of the “socialist city” elaborated by Milyutin in the 1930s and incorporated

in the Moscow city plan (1935), with subsequent revisions, found expression in Eastern European cities in the “universal” development of residential neighbourhoods with minimal services (i.e. “sleeping quarters”) and with green zones separating residential from industrial areas (Milyutin, 1974; French and Hamilton, 1979).

External Forces since 1989

There has been both a dramatic rise in, and a change in direction and character of, the operation of international and global forces in the cities of Central and Eastern Europe since the end of the Cold War, the collapse of communism and the break-up of the former Soviet Union in the years 1989–1991. These forces have been “filtered” into cities from outside the region on the waves of a fundamental systemic change from the relatively closed, state-managed socialist economy to much more open systems based on market principles and civil society. “Filtering” has resulted from interactions between global forces and international agencies, and national government policies. However, once the Central and Eastern European countries began to experience a fundamental systemic change, major surpluses, as well as a whole series of wide “gaps” or large “deficits”, were exposed in the region compared with advanced and newly industrializing economies. Attempts to narrow, close, or fill these gaps or deficits – in efficiency, technology, production organization, producer services, entrepreneurship, and local empowerment, for instance – have drawn into the region a wide variety of international public and private agencies and corporate actors which have begun to intensify the process of globalization and European integration and enlargement (“EU-ization”). These processes, however, vary between Central and Eastern European countries and subregions, as well as between and within cities in those countries. The next section explores these processes and attempts to throw light on some of their outcomes.

Systemic Change

Cities have been experiencing far-reaching systemic change since 1989. However, the mood for reform in countries like the former Yugoslavia, East Germany, Czechoslovakia, and Hungary tended to favour a “third way” which would be quite distinctive from the established “socialist” or “capitalist” modes (see Šik, 1992) and closer to the (then) Swedish model of the “social economy” that combined economic efficiency in production with welfare policies in housing and social services, and policies for managed labour markets. In reality, the conjunction of two sets of forces led to an almost outright rejection of state management and even state intervention, and a tendency to “overshoot” to the opposite extreme to favour a more liberal capitalistic market system.

These forces were as follows. First, embryonic democratization enabled popular opinion to feed into national government policies to reject the former authoritarian system. Second, external pressure was applied by Western powers on national governments to adopt a market system, through the medium of experts appointed by international organizations such as the International Monetary Fund (IMF) and the World Bank. The operation of both forces was facilitated by the demise of communism in the USSR and by the break-up of the USSR itself, while the seizure by President Kohl of the unique political opportunity to reunite eastern and western Germany (partly by “buying off” east German voters) led to the rapid integration of the former East Germany into the economic, political, and social space of Germany and the European Union. The replacement in a very short time of the stark old “Iron Curtain” by a perceived glittering “Golden Curtain” between Eastern and Western Europe probably also coloured local opinion in Central and Eastern European countries that following the West European model and closer integration with the European Union could lead to “the promised land” (Smith, 2000) (see Table 4.3).

In any event, systemic change in Central and Eastern Europe geographically reorientated the source of external forces from the “East” to the “West”, and it has tended to bear the deep imprint of Anglo-American “neo-classical” or

Table 4.3 Economic performance of Central and Eastern European countries – EU candidates (2000)

	Population (mil.)	GDP per capita* (US\$)	Inflation rate (%)	Agriculture		Unemployment rate** (%)
				(% of GDP)	(% of employment)	
<i>Baltic states</i>						
Estonia	1.4	7,700	5.9	4.3	8.2	13.7
Latvia	2.4	5,800	2.5	3.6	18.4	13.2
Lithuania	3.7	6,200	1.3	7.9	22.4	11.4
<i>Central-east Europe</i>						
Czech Republic	10.3	12,500	4.7	3.7	5.6	8.8
Hungary	10.1	10,700	9.2	5.4	10.1	7.0
Poland	38.7	7,800	5.5	5.2	25.6	16.0
Slovakia	5.4	10,300	7.3	4.4	8.4	18.6
Slovenia	2.0	15,600	8.4	2.9	10.7	7.0
<i>South-east Europe</i>						
Bulgaria	8.2	4,700	7.5	15.9	21.2	17.8
Romania	22.4	5,700	34.5	13.9	35.2	7.2
CEEC 10	104.6	8,005	8.7	6.7	16.6	12.2
EU 15	375.3	21,100	2.3	2.5	5.7	8.3

Notes:

*GDP per capita at PPP.

**As percentage of the labour force (ILO).

Sources: EUROSTAT; ILO, UNCHS.

“neo-liberal” economists (i.e. advisers from IMF, the World Bank, various Western governments, etc.) who persuaded or tried to persuade governments to apply macro-economic stabilization and micro-economic restructuring policies to achieve “transition” to a market economy and more efficient resource allocation to achieve economic growth. Such narrow approaches overlooked the difficulties, time-lags, and importance of institutional restructuring in changing economic systems and in generating growth, and ignored the “frictions” of history and geography. And, in practice, the idea that “transition” across the entire region would follow a linear trajectory has been derailed by (a) democratic changes of government and related policy shifts to “stall” reform, especially when reform did not appear to produce results, and (b) the behaviour of many local actors in the “reform” process. So the pattern of reform has become highly differentiated across Central and Eastern Europe.

Nevertheless, broadly speaking, systemic change is involving increasing “commodification” of the factors of production and of space and spatial relationships, displacing past “socialistic” political, ideological, strategic, social, and economic evaluations by international competitive and comparative advantage or disadvantage (Hamilton, 1995). The inherited assets of location are thus being reappraised according to what they offer or do not offer for profitable production or functioning within the framework of both national and global systems. The growth of market exchange in Central and Eastern Europe embodies increasingly pervasive commodification. This involves a diffusion process which is (i) *structural*, penetrating more sectors and factors of production, and (ii) *geographical*, spreading to more countries, regions, and cities. And yet, it is also a process that is being spearheaded mainly by people and organizations located in the capital and larger cities, which can diffuse commodification through city interdependencies within and across national borders and through their linked regional and national urban hierarchies. Of course, one “indicator” of commodification tendencies is the level of privatization of city economies, but one must note the caveat that private ownership is not necessarily synonymous with the “market economy”. Generally, the availability of data on privatization varies between countries and may often apply at the national and regional levels. Variations in methods of privatization also suggest international and sometimes inter-city differentiation in the operation of market-economic forces.

Elsewhere, Hamilton (1995) has elaborated various aspects of commodification. These may be summarized here with regard to their effects on cities and city systems in Central and Eastern Europe. First, by bringing greater exposure to international market competition, commodification is leading to a significant decline or stagnation in cities dominated by natural resources, except in cases such as timber (supporting wood-processing furniture or paper industries) or copper, which are benefiting from expanding local markets and are proving to be more competitive in national, European, or wider global markets,

Table 4.4 Average monthly manufacturing wages in Europe (1992–2000) (US\$)

	1992*	1996	2000
<i>Selected EU countries</i>			
Austria	2,565	3,153	2,473
Germany	1,872**	2,275	2,421
Ireland	1,487	1,552	1,632
Spain	1,535	1,507	1,535
United Kingdom	1,786	1,852	2,107
<i>Central and Eastern European transition economies</i>			
<i>Baltic states</i>			
Estonia	42	256	285
Latvia	34	189	223
Lithuania	33	164	239
<i>Central Europe</i>			
Croatia	131	559	495
Czech Republic	162	341	341
Hungary	267	309	312
Poland	196	309	404
Slovakia	155	269	254
Slovenia	533	784	724
<i>South-east Europe</i>			
Bulgaria	96	87	103
Romania	77	138	117

Notes:

*Introduction of national (new) currencies in newly independent states of Central and Eastern Europe (i.e. Baltic states, Croatia, Slovenia). Data for the EU member states (except Austria) are based on hourly rates. For all other countries data relate to monthly wages.

**West Germany only.

Sources: ILO (2002); Holland and Pain (1998); UN Economic Bulletin for Europe (1998) (own calculations).

or where continued state protection has cushioned or delayed the effects of competition. Second, commodification is progressively penetrating labour markets that, while often imperfect, are essentially city-centred within “journey-to-work” areas. For the first time in 50 years, labour markets in Central and Eastern Europe are having to operate in an increasingly competitive international European and global framework. However, low labour costs are a common advantage throughout the region, certainly in sharp contrast to the high labour costs of the more advanced economies of Western Europe, North America, East Asia, and the Pacific.

Table 4.4 uses manufacturing wage data in the 1990s to illustrate:

- (a) the huge gap between EU countries and the transitioning economies in general; in other words, the data are a clear expression of the “Golden Curtain” between West and East;

- (b) significant variations in wage rates both within the European Union and within the transition economies; and
- (c) relative changes in wage rates over time, broadly between the deeper recession year of 1992 (in both East and West Europe) and the period of economic upswing (1996) and stabilization (2000).

It must be recognized, of course, that the data are only indicative of competitiveness and are not a true measure of it – this would require unit labour cost data incorporating productivity etc. Nevertheless, they are a useful guide to international economic differentiation of urban systems and capital cities between the European Union and transition economies as well as within the European Union and within Central and Eastern Europe. Although one should not read too much into the precise figures, it is clear that in 1992, monthly manufacturing wages were 20–120 times greater in Germany and Austria than in the Baltic and South-east European states. In the same year, the lower manufacturing wage rates in the EU periphery (Ireland, Spain, UK) were almost 10 times higher than in several Central European states. The “East–West gap” was narrowest between Slovenia and the EU periphery, although still high between Slovenia and the neighbouring Austria and (West) Germany. With the exception of Hungary, which registered relatively slow growth in manufacturing wages, and Bulgaria, where there was a decline, wages generally rose faster in the transition economies between 1992 and 2000 than in Western Europe, so the gaps have narrowed somewhat. Generally, wages in the expanding services sector are generally lower than in manufacturing, although wages paid in producer services could well be higher. Also, wages tend to be higher in the capital city than in provincial cities.

In assessing competitiveness, however, other factors such as land and property costs need to be taken into consideration. Thus, the attraction of specific labour markets for inward investment within Central and Eastern Europe is determined by cost differentials only in the case of less skilled or unskilled labour-intensive activities. Other factors, such as particular labour skills or human capital resources and the international accessibility of labour markets where labour supplies and the diversity of labour skills are greater, play a much more influential role, especially in cities in western Poland and Hungary, the Czech Republic and Slovenia, compared with more remote labour markets in South-east and East Europe. In other words, globalization and European integration are having a strongly selective impact on city labour markets, given the generally widespread availability of cheap labour. Land and property privatization is an especially diversified phenomenon between Central and Eastern European countries and cities, drawing urban and suburban property into the market exchange process. This is particularly important in reshaping the functional structure, dynamics, and spatial forms of cities, especially in the capital city regions, as their space is transformed from the flat “money valueless” pattern of socialist utility values to market exchange values which show a gradient from

high levels in the city centres to lower or low values with increasing distance from or accessibility to those centres.

However, intra-city, intra-regional, and inter-city transport and flows are being significantly reshaped by the fact that, under transition, the cost and time considerations of transport and communications have come to “matter”. Business transactions and movements of freight, people, and information have all acquired real costs associated with the decline or removal of artificial state subsidies, and with distance, economies or dis-economies of scale, and infrastructure quality and quantity (density or intensity). The “friction” of time and distance in procuring inputs and in distributing outputs has become significant for the survival, efficiency, competitiveness, and profitability of enterprises. This suggests that, with a general rise in real transport costs (especially road transport, as a result of steep rises in fuel prices in Europe), such forces as external or agglomeration economies are now playing a far more influential role in urban functional change in the Central and Eastern European countries than previously was the case, so favouring larger metropolitan centres and medium-sized cities or clusters of cities occupying nodal locations in the integrating Europe.

Finally, the combination of commodification as a systemic process and the geography of trade integration and city interdependencies has been leading to a fundamental reversal in the “fortunes” of cities located along, in or near the border zones of Central and Eastern European states. For many reasons, under socialism, integration with the former USSR endowed cities in the eastern regions with advantages, stimulating their growth – especially in eastern Poland, Hungary, Slovakia, Romania, and Bulgaria. Although this was less apparent in the Baltic states or in East Europe (Belarus, Ukraine, Moldova), cities in the western regions of Poland, the Czech Republic, and Hungary were considered “less safe” or “more risky” for development. Since 1989, this situation has been reversed, and cities in the western regions of Central and Eastern Europe, and that are close to EU borders, are in most cases experiencing vigorous growth or restructuring of their economies and societies.

“Surpluses”, “Deficits”, and City Transformation

The socialist era bequeathed cities in the post-socialist states a whole series of “surpluses” in relation to the needs of national, European, and global markets on the one hand, and “gaps” or “deficits” in Central and Eastern European economic structures on the other. These “surpluses” and “deficits” lay at the very roots of the divergence of the functional and spatial structures of socialist cities from their market-economy counterparts in advanced economies throughout the period from 1950 to the 1980s, and also from many cities in newly industrializing and developing countries. The process of transformation of post-socialist cities since 1989 has essentially involved trends towards the “destruction” of surpluses and the “construction” of capacities to fill the gaps and to correct deficiencies, and hence

to begin to bring about greater convergence between East and West European countries. The extent to which these trends have occurred during the 1990s is quite differentiated between cities in various Central and Eastern European states and between cities within individual states. Hence, cities are experiencing differential degrees and types of restructuring, so changing the urban systems of the region. “Surpluses” essentially derive from global market needs, the socialist legacy of “over-industrialization” – creating excess capacities in heavy, capital-goods, and defence industries – and the significant “demilitarization” that has occurred since the end of the Cold War. In general, surpluses are leading to de-industrialization and hence to decline or structural crisis in cities highly dependent on such industries as their economic base (Barta, 1998).

To some extent, de-industrialization has been cushioned by continuity of state ownership, as these industries have been the most difficult to privatize and sell off or to convert from military to civilian purposes. However, liberalization of trade has often also resulted in the downsizing or closure of industries in such consumer sectors as textiles, clothing, and footwear as a result of import penetration from a combination of cheaper goods from newly industrializing and developing economies and higher-quality and more fashionable products from the European Union and other countries. In many cases, also, the engineering and machinery industries have suffered both from declining Central and Eastern European and former Soviet markets, and from import penetration from the European Union and other advanced economies on account of their obsolescence or uncompetitiveness – this links up also with the question of gaps or deficits discussed below. To some extent, however, continued protection of state ownership and low costs of production have enabled cities dependent on such industries as steel to adjust, at least in the shorter or medium term, by exporting to the European Union (despite quotas and controls) or by diverting exports to oil-rich or newly industrializing economies in the Middle East, Latin America, or Asia. Nevertheless, the existence of surpluses has meant that the cities where such capacity is located have had to bear the brunt of the “destructive” de-industrialization forces resulting from systematic change and international trade integration, and this has often affected the capital city regions of Central and Eastern Europe.

On the other hand, “constructive” forces of change have helped the process of filling the large gaps or deficits in the Central and Eastern European economies. The gaps between those economies and the rest of the world have been, and often still are, very wide. They usually represent individual or collective market potentials and express a big structural lag in the Central and Eastern European states behind not only the advanced market economies but also, often, the world’s newly industrializing economies in Latin America and Asia as well as the peripheral EU economies.

The first of these “deficits” relates to economic efficiency. At its root is the need for cities in Central and Eastern Europe to adjust to international

competitiveness by achieving economies of scale in the operation of enterprises on their territories. As noted earlier, the Stalin period left a very broad industrial base of sub-optimal plants, which was only partially corrected by later CMEA integration policies. The rigidities of bilateral trade, lack of competition, and the absence of economic indicators, as well as sustained planned growth of heavy industrial output, provided a framework within the CMEA for the continued operation of such plants, although new facilities built from the early 1960s through the 1970s may have had more optimal scales. Even so, the liberalization of trade necessitates an increase in scale to achieve cost reductions, but this process has to be selective between facilities in over-developed sectors. Hence, one would expect investments by national or foreign firms to target enterprises with the “best potential”, leading to stronger inter-city specialization and to concentration in key nodal city regions with the best transport accessibility to wider European and international markets. Yet, these areas can also attract new activities that operate at large efficient scales, especially in “deficit” warehousing and logistics.

The second “deficit” is technological obsolescence; to be competitive in the globalizing market, cities need to ensure the technological modernization of their enterprises. This might well be aimed at automation to achieve economies of scale but, equally, the modern market also requires the development of more flexible, or minimum-efficient scale, production systems as well as more “knowledge-intensive” functions embodying human capital resources, research and development. It is more likely that such technological modernization will occur in or near key capital or provincial cities with good pools of labour skills, training, and research facilities, including cities with a strong history of relatively skilled engineering. New investment in such activities will, to varying degrees, compensate for de-industrialization in such cities.

The third “deficit” relates to the legacy of the socialist underdevelopment of the service sector; this has caused all cities to experience a “tertiarization” process involving, at least, the growth of a wide range of consumer services, while the capital cities in particular, and some key regional cities, are also experiencing the development, expansion, and diversification of producer services. It is this trend that is beginning to enable cities in Central and Eastern Europe to converge with EU cities with respect to their economic structures.

The fourth “deficit” is both entrepreneurial and organizational. It concerns the need to fill the gaps created by the inherited lack of small and medium-sized enterprises (SMEs) and the “supply” of such enterprises to engage in reorganizing a wide range of production through subcontracting arrangements. Privatization and economic growth in cities has been driven largely by the emergence of small enterprises, especially in services, and to a lesser extent by the development of “embedded”, clustered networks of manufacturers and service providers, especially in or around capital cities and key provincial cities

which offer the best “seedbed” or “incubator” conditions for such firms through the creation of agglomeration economies.

Although local, indigenous entrepreneurs are playing a key role in this latter development, filling the other “gaps” depends to a very significant extent on foreign sources and hence on the global integration of Central and Eastern European countries through FDI by multinational enterprises, the European Bank for Reconstruction and Development, or other agencies. Hence, the growth of FDI (discussed at length in Chapter 5) is of crucial importance in city transformation. FDI has contributed to the shift in international trade relations of Central and Eastern European cities, though in differing ways and directions, partly according to the integration of new investments into the European or global networks of the firms involved. As research into international trade at the city level is fraught with difficulties, the best that can be done at this juncture is to use national trade patterns as a “proxy”. In broad terms, over the period 1988–1997, Central and Eastern European countries have reorientated their trade more strongly to the European Union following the collapse of the Soviet market, even though the latter accounted for only 25–47 per cent of manufactured exports in 1988. What is striking in trade patterns (Smith, 2000) is that while exports to the European Union have risen by about three times, imports from the European Union have increased by five times in this period. In broad terms, therefore, Central and European cities have experienced a greater impact from EU imports of consumer goods relative to capital goods (despite higher aggregate and per capita inward flows of FDI). While cities in South-east Europe (Bulgaria, Romania) and the Baltic States have gained more from exports of labour-intensive consumer goods to the European Union, they have been relatively more deeply affected by imports of capital goods. On the other hand, FDI seems to have contributed to stronger export gains in capital goods, especially intermediate products, from cities in Central Europe (Poland, Czech Republic, Slovakia, Hungary, Slovenia).

This suggests at least two trends in manufacturing restructuring in Central and Eastern European cities. First, cities in Central Europe have gained more from integration into the European production chains of multinational enterprises, although only cities in Hungary, and to a lesser extent the Czech Republic and Slovenia, exhibit restructuring into human capital resources-related manufacturing and are converging with EU cities in this type of production. Cities in Poland, however, are mainly restructuring through FDI into products aimed mostly at the larger national and wider Central European markets. And second, the comparative advantages for the production of less skilled labour-intensive and material-intensive products have shifted relatively from Central European to South-east and East European cities, with a loss of advantages in the latter for more skill-intensive activities (Hamilton, 1995, 1999; Smith, 2000).

Competition and Changing Spatial Form

That said, the proximity of the capital cities of Central Europe – Prague, Bratislava, and Budapest – both to each other and to Vienna and Berlin, suggests that these cities are also experiencing more intensified competition between each other, certainly for inward investment. They also are more open to competition from second-order cities which form a relatively dense network in the western regions of Central Europe near the EU border, such as Poznan, Wroclaw, Szczecin (Poland), and an arc of northern Bohemian towns, as well as Brno and Olomouc (Czech Republic), Gyor (Hungary), Leipzig, and Dresden (Germany); this suggests that greater specialization is likely to result in their functions in the longer term. On the other hand, Warsaw is more “shielded” by time and distance and can command high accessibility to a larger national market and perhaps, therefore, may remain more diversified and will experience stronger growth. Warsaw also has the potential advantage of greater proximity to the Baltic cities, Belarus, and western Ukrainian cities. Other capitals in South-east Europe (Bucharest, Sofia) are more remote and less favoured by slow growth or stagnating economies.

Nevertheless, it is in the capital cities and their regions, with their greater diversity of inherited functions and their greater growth potentials, where the sharpest functional changes occur through de-industrialization, some re-industrialization and a marked shift to consumer and producer services. This is contributing to more rapid polarization of growth and change at least at this stage of the transformation. It is, therefore, in the capital cities and to a lesser extent the second-order cities that key contemporary changes, mirroring global trends, are occurring – the transformation of city centres with services and the creation or re-emergence of “central business districts”, gentrified “islands”, tourist developments and cultural amenities, highlighted by Kunzman (1998) – although the emergence of other phenomena such as modern research and development spaces is as yet very embryonic, as is the development of any “edge cities” and related suburban phenomena. So far the appearance of modern “just-in-time” production complexes is rather restricted to second-order cities in manufacturing, although the development of service complexes occurs in the capital city regions.

Some Indicators of International Integration and City Transformation

This final section focuses on the evidence of patterns, processes, and changes in the international integration of Central and Eastern European cities. Two indicators have been selected for further discussion and elaboration in this

chapter. The first, *trade patterns*, helps us to identify the effects of changing political and economic organization in shaping international integration through freight flows. The second, *air traffic patterns*, provides important insights into the connectivity of these cities in their European and wider global contexts. The following chapter examines FDI, which has become a key force in shaping the evolution of trade flows and expresses “globalization” trends through the decisions and activities of multinational firms with a wide range of functions, including control, finance, and other producer and consumer services, as well as manufacturing. *Real-estate markets*, which provide a strong link between external and internal forces, as an example of the “global–local nexus”, linking globalization processes with changing patterns of urban land use and urban landscape features, are also to some extent analysed in Chapters 3, 5, and 6. To a substantial degree, all four indicators are interlinked, and thus potentially can be mutually supportive of this analysis.

Trade Patterns

Cities and their hinterlands in Central and Eastern Europe have participated in very significant international trade during the transition of the 1990s. Their engagement in trade, of course, is effected through the competitive behaviour and production, purchasing or sales activities of the “populations” of the enterprises that make up their urban and regional productive systems. During the 1990s, cities in the region have been subject to or have implemented geographic, quantitative, and qualitative trade shifts. As already mentioned, the main problem is to obtain data which disaggregate national trade statistics by cities or regions; subsequent chapters of this book provide some insights for capital-city regions, but the lack of accurate collected data at that level precludes any comparative or in-depth analysis. One must therefore begin with a broad picture of national trade shifts. Table 4.5 outlines the geographic shifts of international trade to and from the Central and Eastern European states.

Kornai (1992) demonstrates the “abrupt turnaround” in trade that occurred after the Second World War. The Eastern European socialist countries traded principally with developed capitalist countries in 1938 (75 per cent of exports, 72 per cent of imports), while in 1958 only 20 per cent of their export and import trade was with these countries and over 70 per cent was with the socialist countries (see also Mayhew, 1998). The data for 1988 in Table 4.5 indicate that the former Eastern European socialist countries surveyed already conducted substantial trade (i.e. more than 50 per cent of exports) with the non-socialist world, except for Bulgaria, which sent 61 per cent of its exports to the USSR and Central and Eastern Europe and bought 57 per cent of its imports from socialist countries. To a substantial degree this shift reflected efforts by Eastern European countries in the 1970s and 1980s to import Western technology and consumer goods, to pay for these goods by counter-trade, and to reduce their

Table 4.5 Geographic changes in the directions of trade of Central and Eastern European countries (1988–1997)

Selection of Central and Eastern European countries	1988						1997											
	US\$ (bn)			% source destination regions			US\$ (bn)			% source destination regions								
	E	I	Rest of the world	USSR	CEE	Rest of the world	E	I	Rest of the world	CIS	CEE	EU-15	Rest of the world					
Bulgaria	6.4	6.9	47	39	14	11	39	49	3.8	3.4	18	31	3	5	45	42	31	21
Czechoslovakia	10.5	10.3	29	27	22	22	49	51	19.8	23.8	4	7	22	22	60	52	11	26
Czech Republic									7.8	10.5	7	17	36	30	47	46	7	7
Slovakia									16.8	18.7	7	11	9	8	71	62	8	18
Hungary	8.5	8.0	26	25	19	19	55	56	22.7	37.3	15	8	8	7	64	64	10	20
Poland	12.3	11.0	25	25	18	18	57	57	7.4	8.9	6	15	6	7	57	52	30	25
Romania	8.0	4.5	14	23	11	19	75	58	9.4	10.5	4	3	25	15	63	68	8	14
Slovenia**	3.3	2.9	12	8	11	11	77	81										

Notes:

*All % rounded; E = exports; I = imports; USSR = Soviet Union; CEE = Central and Eastern Europe; CIS = Commonwealth of Independent States; EU = European Union.

**Half of all Slovenia's trade with CEE in the 1990s was with neighbouring Croatia.

Source: UNCTAD (own calculations).

dependency on imports of energy and raw materials from the Soviet Union, or on Soviet export markets. Nevertheless, as Anthony Smith points out:

Even as late as 1989, the structure of trade relations of the socialist states was influenced by the Stalinist concept of “two world” economic systems. This required the socialist states inside and outside the Soviet Union to conduct trade between themselves at the expense of the pursuit of trade flows with non-socialist countries that might have been regarded as more rational from a micro-economic, geographical, or even historical perspective. As a result, the CMEA states were responsible for less than 3 per cent of all international trade flows that were conducted outside the CMEA itself in 1989. (Smith, 2000: 6)

One key feature shown in Table 4.5 is the importance of continued trade flows between states that have become independent of each other since the demise of socialism at the end of 1980s. This demonstrates inertia, the legacies of former trading systems and networks of traders, so that, for instance, Slovak trade with the Czech Republic – which accounted for 26 per cent of all Slovakia’s exports and 24 per cent of all Slovakian imports – was 10 times the volume of Slovak trade with neighbouring Hungary. The most important changes during the transition, however, were (i) the marked reduction of trade with the territories of the former Soviet Union, and (ii) the re-emergence of Germany as a trade partner for manufacturing exports and imports. Another feature is that whereas the bilateral trade framework led to a broad, even close, balance between imports and exports under socialism, the opening up of borders to freer trade combined with movement towards a market system, adjustment to market-driven forces, and opportunities for foreign investors to engage in trade and production.

This has led to the appearance of trade deficits in most Central and Eastern European economies, especially with the European Union. The gaps between import costs and export revenues are particularly large in the cases of Poland, Slovakia, the Czech Republic and, to a lesser degree, Hungary. This reflects the substantially faster growth of EU exports to Central and Eastern European countries than vice versa. As Smith (2000) observes, the share of Bulgaria, the former Czechoslovakia, Hungary, Poland, and Romania listed in Table 4.5 in total imports from the EU-15 rose from 3.4 in 1989 to 6.8 per cent in 1995 and has continued to rise, a trend which supports predictions based on “gravity” models which anticipated that a rapid redirection of Central and Eastern European imports and exports would take place when barriers to trade between the two regions were progressively removed. It is significant, however, that trade deficits are especially large in those Central and Eastern European states which are due to join the European Union first, especially Poland and the Czech Republic, while those which will be excluded from EU membership in the first wave either have trade in balance or a surplus. The difference, in part at least, is accounted for in the accelerated inflows of FDI into those states about to join the

European Union as companies prepare to consolidate their productive activities and competitive strategies in readiness for EU membership of the first-tier states. In particular, such FDI results in expanded imports of technologically intensive machinery or equipment and high-quality materials that have high value added.

Smith (2000) also indicates that in general, Central and Eastern European exports to the European Union do not and cannot command high values because most export growth is accounted for by the labour-intensive factor in content (39 per cent from Bulgaria and 75 per cent from Romania) or the resource-intensive factor (15–38 per cent). The sole exception is Hungary where human capital intensity accounts for 48 per cent of export growth since 1988, followed by the Czech Republic (36 per cent), while Bulgaria (23 per cent) and Poland (24 per cent) lag and Romania trails far behind (10 per cent). To a significant degree the low-value, labour-intensive nature of exports is explained by the growth of “outward processing trade” from the European Union of yarns, fabrics, and leather goods. Central and Eastern Europe absorbs around 25 per cent of total EU exports of these goods compared to 10 per cent of manufacturers as a whole, while at the same time accounting for almost 20 per cent of EU imports of clothing, furniture, and footwear, or 10 per cent of all manufacturers. What this means is that cities in Central and Eastern Europe, and especially Romania, have become locations for “putting out” subcontracting from the European Union, especially in textiles, clothing, leather goods, and furniture, to supply the European Union on the basis of local comparative advantages in terms of lower labour costs.⁴

Trade impacts at the city level are difficult to measure, mainly because of data collection deficiencies, so we must rely on enterprise surveys or chambers of commerce information in a supporting role. Conceptually, however, trade shapes the directions of city transformation through the ability of local firms or their component production facilities to exploit export opportunities made available by more open international markets or the effects of barriers to trade, and through import penetration which threatens or undermines the ability of enterprises to supply national markets. On the other hand, while import penetration can lead to the downsizing or closure of indigenous (state-owned or privatized) manufacturing firms, it fosters trading and service establishments, so contributing to structural shifts in the urban economy. In other words, international trade effects contribute towards shaping the changing quantitative and qualitative attributes of the urban and regional (functional urban region) “population” of enterprise and organizations and their performance.

From evidence available from individual city case studies in this book (see, for example, Chapter 11 on Ljubljana), there appears to be a tendency for Central and Eastern European capital cities during the transition to become major foci of import penetration and of FDI, leading to their more radical economic transformation from manufacturing to service centres, conduits for retailing and wholesale distribution and logistics for imported consumer goods

destined for the national market. Through economic restructuring, technological modernization, and improved competitiveness, often through FDI, provincial or second-order cities, and small or medium-sized cities in non-metropolitan regions or in the wider functional urban regions of capital cities, have become major sources of manufactured exports. At the same time, however, import penetration or lack of international competitiveness has often had serious or devastating consequences for “one-company, one-industry” cities developed in the socialist period, especially in cases where enterprises were very inefficient or their products and processes were technologically outdated.

Air Traffic Patterns

Two sources of information can indicate the emerging patterns in the connectivity and network relationships between cities in Central and Eastern Europe and cities in the wider European and global space. These sources are (i) scheduled passenger flight information contained in airline timetables, and, (ii) data from the International Civil Aviation Organization (ICAO) regarding the numbers of passengers and volumes of cargo handled by city airports, and the numbers of passengers traveling on “flight stages” between cities.

The key point is that these data are “indicative”. Several empirical studies in recent years have applied air traffic data to rank cities internationally (using both passenger and freight volumes) or to highlight networks of cities (using airline passenger “flow” or “flight-stage” data) (Kunzmann, 1998; Beaverstock, Smith, and Taylor, 2000). These studies, however, focus on “world cities” or the “top 25” ranked cities. They do not encompass any Central or Eastern European cities. Table 4.6 suggests a reason why: both the passenger and cargo volumes flowing through these cities’ airports are but a fraction of traffic flows through airports serving Frankfurt, London, and Paris, cities which are classified as 3 of the 10 “Alpha world cities” (see Beaverstock, Smith, and Taylor, 2000).

Berlin and Vienna are far more significant cities in terms of passenger traffic than other Central and Eastern European cities (most of which are capital cities), except for Moscow, which is a close rival. However, Moscow’s airports handle significantly more cargo than Vienna, while Warsaw is placed third in cargo handling – ahead of Berlin. While both Moscow and Warsaw attract greater air cargo movements because of their land transport centrality within their respective national spaces, passenger flows through Moscow are particularly small given the city’s size, and this underscores the city’s remoteness (as discussed in Chapter 14 on Moscow).

Table 4.6 might suggest that Berlin and Vienna act as important air traffic “hubs” for Central and Eastern European cities. The fact is that, for its size, Berlin has rather limited air traffic, a function of its unattractive “hollow” character (see Chapter 7 on Berlin).

Table 4.6 Ranking Central and Eastern European cities by airport traffic (1997)

Passengers (mil.)			Cargo (000 tonnes)		
1	Berlin	10.48	1	Moscow	122.1
2	Vienna	9.59	2	Vienna	107.0
3	Moscow	4.82	3	Warsaw	47.1
4	Prague	4.08	4	Berlin	33.7
5	Budapest	3.62	5	Budapest	24.0
6	Warsaw	3.55	6	Prague	21.4
7	St Petersburg	1.67	7	St Petersburg	11.6
8	Kiev	1.38	8	Kiev	11.2
9	Bucharest	1.30	9	Ljubljana	10.2
10	Zagreb	1.07	10	Kaunas	5.4
11	Ljubljana	0.71	11	Zagreb	5.2
12	Riga	0.53	12	Vilnius	5.1
13	Split	0.47	13	Skopje	4.5
14	Skopje	0.42	14	Riga	3.7
15	Vilnius	0.41	15	Brno	2.8
16	Tallinn	0.38	16	Odessa	2.5
17	Bratislava	0.28	17	Tallinn	2.2
18	Odessa	0.26	18	Bratislava	1.6
19	Brno	0.13	19	Split	1.4
20	Ostrava	0.13	20	Bucharest	1.5

Leading West European cities by airport traffic (for comparison)

1	London	93.9	1	Frankfurt	1367.9
2	Frankfurt	39.9	2	Amsterdam	1161.0
3	Paris	35.1	3	London	1160.0

Note: *ICAO sources contain no information for Bulgaria or Serbia.

Source: International Civil Aviation Organization (ICAO), *Digest of Statistics* 462 (1997). Data for Ljubljana are provided by Airport Ljubljana.

Moreover, other ICAO data, on international flight stages and domestic flights, show clearly that most of Berlin's inter-city interaction is with other cities in Germany itself, especially in the west and south, or with other EU capital cities. At present Berlin plays a very limited role as a "central place" or "gateway" to cities in the transitional economies, even of Central Europe, let alone South-east or East Europe. In fact, according to the ICAO, Vienna proves to be a far more significant origin and destination, or European "hub", for passengers moving to and from the main Central European capitals of Budapest, Prague, and Warsaw. As Table 4.6 indicates, all these three cities rank among the top six (along with Moscow) within Central and Eastern Europe in terms of both passenger and freight volumes handled.

Many factors, of course, help to determine traffic volumes. Some are "internal forces", such as the size of the national population and economy served by a

capital city airport, or national economic performance during the transition period; others are the interactions of “internal” and “external” forces in determining the openness and attractiveness to the wider world of the city and its “catchment area” for foreign trade, investment, and tourism. What is important here is to try to assess the extent to which air transport statistics provide evidence of globalization or European integration, and how the transition has shaped the patterns of such integration.

Globalization or international integration is not synonymous only with “world cities” and “world city formation” processes, even though these cities are the prime initiators, purveyors and recipients. Globalization, albeit in highly varying degrees, is shaping or diffusing into whole national and international space economies and their city systems, creating varying degrees of “globalizing cities” (Marcuse and van Kempen, 2000). So, therefore, tourism has become big international, if not global, business; the rapid growth of international migration, and hence increasing multiculturalism at the city level, generates international, inter-continental, inter-city personal (as well as business-related) travel. Thus, from our perspective, air passenger statistics are a comparatively satisfactory indicator of inter-city relationships.

Table 4.6 also suggests that while the volumes of cargo handled by airports in Warsaw, Budapest, and Prague are relatively more commensurate with the size of their respective national economies, airline passenger flows show a quite different pattern. Despite the fact that Prague is the smallest of the three Central and Eastern European capitals, and capital of the second largest of the three economies, its airport handles significantly more passengers than do either Budapest or Warsaw, which in volume terms are similar to each other. Prague handles far higher volumes of tourist-related passenger movement than either of the other two capitals, and is better connected internationally with direct flights than Budapest or Warsaw. But whereas Budapest has no rival airports in Hungary, Warsaw does have to compete for some international traffic with other expanding airports located in Gdansk, Katowice, Crakow, Poznan, and Wroclaw. Even so, Budapest is clearly relatively more important because of its greater centrality in Central Europe than Warsaw, and the more rapid growth of international trade and FDI in Hungary in the first half of 1990s than in Poland at that time.

Other cities are ranked by air traffic volumes that are broadly commensurate with their relative sizes, or with the economies of which they are an integral part. Nevertheless, there is need to comment on some that are not. For its size, St Petersburg has very low traffic volumes and is clearly very much in the economic “shadow” of Moscow. Bucharest (Romania) and Kiev (Ukraine), capitals of populous states, clearly exhibit very weak international integration, and this reflects their remoteness from Western Europe, the poor performance and limited restructuring of their economies and their limited attractiveness for foreign business. Bratislava, the capital of Slovakia, also has extraordinarily low

volumes of passengers and freight passing through its airport, despite the “medium” size of Slovakia in population and economy. The main factor here is that Bratislava is so close to Vienna and so easily accessible from Prague and Budapest that it cannot compete with those nodes.

In Lithuania, Kaunas has a tiny amount of passenger traffic compared to the capital, Vilnius, but complements the capital as a major cargo airport and ranks higher in freight handling than many much larger cities in the region such as Zagreb (Croatia), Riga, Bratislava, and Bucharest. One geopolitical reason for the high volumes of cargo passing through the airports of Vilnius and Kaunas is the sensitive situation that exists between Lithuania and the adjacent East European countries of Belarus and Russia concerning the use of railway transport. On the other hand, Zagreb, the capital city of Croatia, and Ljubljana (Slovenia) rank higher than expected, partly because they act as “gateways” between the former Yugoslav republics of Bosnia and Herzegovina (Sarajevo) and the Former Yugoslav Republic of Macedonia (Skopje) and handle transit tourist traffic en route to and from the Adriatic coast (Split, Dubrovnik). Tourist traffic elevates the status of Split in the Adriatic region, as that city has its own direct flights (e.g. from London); this puts Split on a par with the Baltic state capitals of Riga, Vilnius, and Tallinn.

It is, of course, very instructive to examine the changes that have occurred in air traffic flows through the airports of Central and Eastern European cities since 1990. There are data that permit us to compare trends for seven cities between 1989 and 1997 (see Table 4.7). In general, as one would expect, the opening up of these economies combined with the free potential flow of people has led to a growth in both passenger and cargo traffic through capital city airports. Except in the cases of Prague, however, where passenger and cargo volumes have doubled or more than doubled, and Warsaw, where cargo volume has almost tripled, this growth has been modest and in two cases (Bratislava and St Petersburg) decline has occurred.

A wide range of explanations underlies these trends. As a general rule, modest growth reflects the effects of economic recession during the transition, increased air transport costs associated with the removal of state subsidies and rising world fuel prices, and shifts in the structure of passenger traffic and in city connectivity. In the cases of Budapest and Warsaw, the relatively modest growth of passenger traffic (and cargo through Budapest) reflects earlier relative openness and initiation of transition processes in Hungary and Poland than elsewhere in Central and Eastern Europe. By contrast, the much greater rate of increase in traffic through Prague reflects the higher level of “closure” of the former Czechoslovakia from non-Soviet bloc countries before 1990. Prague’s rapid acquisition of greatly enhanced connectivity since 1990 has helped stimulate both tourist and business traffic. Even more dramatic changes have occurred in the Russian cities of Leningrad (St Petersburg) and Moscow. Although the problems of the post-Soviet economy underpin the decline in

Table 4.7 Some comparisons of air traffic at airports of key Central and Eastern European cities, 1989 and 1997

City	Passengers (mil.)		Cargo (000 tonnes)	
	1989	1997	1989	1997
Bratislava (Slovakia)	0.37	0.28	0.6	1.6
Budapest (Hungary)	2.36	3.62	19.9	24.0
Ljubljana (Slovenia)	0.73	0.71	6.8	10.2
Moscow (Russia)*	9.54	8.82	114.3	122.1
Prague (Czech Republic)	2.01	4.08	9.8	21.4
St Petersburg (Russia)*	9.55	1.67	83.2	19.6
Warsaw (Poland)	2.78	3.55	16.7	47.0

Note: *Most passenger and flight movements relate to international movements. The exceptions, however, are Moscow and Leningrad (St Petersburg). Significantly, in 1989, only 0.35 million international passengers arrived at, or departed from, Leningrad airport, whereas this number had risen to 1.37 million in 1997, indicating the increased integration of St Petersburg into the international network and, effectively, a collapse of “domestic” passenger movements because of the demise of the USSR and the economic difficulties of the Russian federation. The Moscow figures for 1989 relate only to Sheremetyevo airport, but 4.14 million passenger movements there in that year were international, indicating the global role of Moscow during the communist period. The data for 1997 are for the combined passenger arrivals and departures at Moscow’s two main airports, Sheremetyevo and Vnukovo: by 1997 international passenger numbers had grown to 5.72 million, suggesting a strengthened international role for the city.

Sources: ICAO, *Digest of Statistics* 371 (1989), 403 (1992), 462 (1997). Data for Ljubljana are provided by Airport Ljubljana.

passenger traffic volumes, its impact is actually far more severe than the data indicate. The figures hide a major shift from domestic (intra-Soviet) passenger trips to international trips. There has actually been a rise in the international connectivity of St Petersburg, so that the volume of international traffic through the city’s airport is greater now than in 1989 (as connections with the Baltic capitals of Tallinn, Riga and Vilnius became international). The same applies to Moscow. About half of the passenger traffic through the city’s two airports in 1989 was domestic (Soviet), while the third airport, Sheremetevo, handled mostly international traffic. The volume of international traffic almost doubled to 8.8 million in 1997. Again, the “conversion” of air links with the capitals of the 14 non-Russian states (former Soviet republics) from “domestic” to “international” only partially explains this growth. There has, therefore, been a very significant rise in international air passenger flows between Moscow and cities outside the former Soviet Union.

Far more significant than the growth in the volume of airline passenger and cargo traffic since 1989 has been the reorientation of flows, leading to new patterns of connectivity between Central and Eastern European cities on the one hand, and networks of cities elsewhere on the other hand. Table 4.6 indicates

that there has been a striking increase in the number of foreign destinations served by direct passenger flights (i.e. non-stop flights) from both capital cities and selected second-order cities in the region. While all cities, except possibly Bratislava and Moscow, now have direct flights to and from a much larger network of cities abroad, the most marked growth in international connectivity has occurred in those cities that became capitals of sovereign states in the 1990s, such as Ljubljana, Riga, Tallinn, Vilnius, and Kiev. Second-order cities, too, have become much more “connected” internationally, especially the East German cities of Dresden and Leipzig. Polish cities exhibit the same trend, albeit from a somewhat higher level of international connectivity inherited from the 1980s; this is especially true of Crakow, which is seeking wider business and tourist links.

During the socialist period, nationally owned state airlines flew at subsidized rates primarily to places abroad that conformed to foreign policy interests. Theoretically, subsidization could stimulate greater demand for air travel and certainly did so between cities within the former Soviet Union (where air passenger fare subsidies were aimed at shifting passengers off the congested railroad system) and between the Central and Eastern European capitals. But political and administrative restrictions on people’s movements severely constrained international travel. The Iron Curtain was a very powerful factor of control as flights to and from capitalist cities were generally restricted to capital cities only, facilitated by reciprocal agreements with (usually) state-owned Western airlines. Flight paths to socialist (capital) cities were usually strictly confined to designated corridors to minimize the amount of land behind the Iron Curtain over which aircraft could fly (to minimize, for example, potential spying! ⁵).

On the other hand, for political reasons, capitals located in the republics of the former Yugoslavia only had connections with Belgrade, not other Central and Eastern European capitals, while cities like Ljubljana, Zagreb, and cities at the Adriatic coast (Rijeka, Split, Dubrovnik) already exhibited a preponderant orientation to Western Europe – in part for tourist purposes. However, Budapest, Moscow, Prague, Sofia, and Warsaw had a wide range of direct flight connections with West European cities and, because of Soviet involvement in Middle East and North African political affairs, also with capital cities in those regions of the world. Warsaw connected Poland to the large Polish diaspora in the USA and Canada through New York, Chicago, and Toronto, but the most “globally connected” city before 1989 was Moscow.

The pattern of connectivity of Central and Eastern European cities is significantly different today. First, as noted above, most cities have a substantially increased number of cities abroad with which they are connected. Established capital cities with a relatively wider range of connections in 1989 have further extended their linkages with European and world city networks. Prague, Warsaw, and, perhaps surprisingly, Sofia have apparently displaced Moscow in terms of the number of city destinations served. And Moscow alone

has actually experienced a contraction in the number of cities abroad that its airports serve with direct flights – this is a clear reflection of the “shrinkage” of global power and loss of ideological motivations underpinning Aeroflot services (for instance, to Havana, Cuba) before 1990.

Second, there is today a far wider range of services within Central and Eastern Europe, most notably new routes inter-connecting the capitals of the newly independent successor states of the USSR and Yugoslavia (Ljubljana–Sarajevo, Ljubljana–Skopje, Ljubljana–Podgorica, etc.) and between the Baltic capitals (Riga–Vilnius). And yet, because of the ethnic conflicts in the former Yugoslavia in the 1990s, none of these new capitals appear to have direct connections to other Central and Eastern European capitals. For example, to reach Ljubljana from Budapest it is necessary to fly via the hubs in Vienna or Zurich (see also Chapter 11). Also, while connectivity between Central and Eastern Europe and the Commonwealth of Independent States (CIS) cities is relatively stable, a major shift has been the establishment of new and extended connections with West European cities, including not only capital cities or major airports (e.g. Frankfurt, London, Paris, Amsterdam, Brussels) but also “second-order” cities, especially in Germany (such as Dusseldorf, Hamburg, Munich and Stuttgart), France (Lyon, Mulhouse), and England (Manchester). The growth of passenger traffic on routes to and from these cities has multiple causes, including business, tourism and family connections.

Third, new direct connections with Middle East cities have been introduced, particularly by newly independent states wishing to connect their capitals with the region. This reflects the effects of independence from the Soviet Union – cities in Central and Eastern Europe were only usually linked to this region via Moscow. Fourth, although numbers of destinations in Africa and Asia are mostly similar today to those in 1989, the political changes of the transition have frequently led to the substitution of new destinations for old (e.g. Dubai for Addis Ababa) (see Table 4.8). Fifth, Central and Eastern European cities today have more “global” connections (except with Latin America) than they did before 1990. The most significant growth has been with cities in North America (New York, Chicago, Montreal, Toronto, Edmonton).

Information deduced from the ICAO data provides some insights into whether there are any emerging patterns of stronger “regional” international linkages or “dependency relationships”. Capital cities are assessed according to passenger volumes on flight stages (non-stop) to groups or clusters of other major cities. Budapest, Prague, and Warsaw have far stronger interaction with western and north-western European cities (especially London, followed by Amsterdam, Paris, and Brussels) than they have with German cities (despite the prominence of Frankfurt). In turn, passenger flows between German cities and those three Central European capitals exceeded those with the triad of Central European cities in the European Union or European Economic Association (EEA) (i.e. Berlin, Vienna and Zurich), which are nowadays rivaled

Table 4.8 Changes in the number of foreign destinations served by direct scheduled flights from the airports of selected Central and Eastern European cities, 1989 and 1997

Central and Eastern European cities	Number of destinations (1989)	Cities served (1997)
<i>Capital cities</i>		
Budapest	41	46
Ljubljana	7	21
Kiev	13	46
Minsk	3	7
Moscow	52	50
Prague	42	63
Riga	—	19
Skopje	1	16
Sofia	34	51
Tallinn	1	11
Vilnius	—	19
Warsaw	36	53
<i>Second-order cities</i>		
Dresden (Germany)	8	20
Katowice (Poland)	2	12
Crakow (Poland)	13	15
St Petersburg (Russia)	24	47

Source: ICAO, *Digest of Statistics* 371 (1989), 403 (1992), 462 (1997).

in importance by the Nordic cluster of Copenhagen, Stockholm, and Helsinki. By contrast, the Baltic capitals and St Petersburg are strongly tied to the major cities of Scandinavia and Finland, and much less to Germany or north-west European cities, and the Central European cities of Vienna and Zurich interact strongly with the capitals of the republics of the former Yugoslavia, especially Ljubljana, Zagreb, Belgrade, and Skopje. Russian cities are strongly linked to north-west Europe and, secondarily, to Germany. On the other hand, connectivity with, and flows to, southern European capitals is very weak, including the “alpha global city” of Milan in Italy (see Beaverstock, Smith, and Taylor, 2000).

Central and Eastern European connectivity with “alpha global cities” is therefore strongly dominated by passenger flows to and from London and Frankfurt. Milan, as stated above, is playing at best a very marginal role in the international integration of Central and Eastern European cities.⁶ Only Warsaw, Moscow, and to a lesser extent Prague generate passenger flows with “alpha global cities” outside Europe, mostly with New York and Chicago, while Moscow maintains air passenger links with Tokyo.⁷ Central and Eastern European cities have no direct links with Hong Kong, Singapore, or Los Angeles, and this suggests their limited globalization.

Conclusion

“External forces” have long shaped the growth and development of Central and Eastern European cities, with continuity and discontinuity through time. The relevance of these forces operating in the region before 1989 lies in the preconditions, continuities, and legacies they have created, which have shaped the transformation of post-socialist cities ever since. Central and Eastern European countries were subject to different foreign imperial influences under the Habsburg, Russian, Prussian, and Ottoman Empires before the First World War, then as a “buffer” zone between Russia and Germany between the First and Second World Wars, and after 1945 to different forces of “Sovietization” and the diverse effects of socialist development until the end of the 1980s. There has been a dramatic rise and change in the direction and character of, and operation of international and global forces in, Central and Eastern Europe since the end of the Cold War, the collapse of the socialist ideology and the break-up of Soviet Union. Since then, Central and Eastern European cities have been affected by diverse forces of globalization, cross-border cooperation, and NATO and EU enlargement and integration. The power and characteristics of these forces differed from those operating in the region in the past, with increasingly important effects on inter-urban and intra-urban dependencies or independencies, dynamics of change, structures, functions, and spatial organization and forms.

The fundamental systemic changes that occurred in the 1990s, moving from a relatively closed, state-managed socialist economy to much more open systems based on market principles and civic society, together with interactions between global forces, international agencies, and national government policies, have begun to intensify the processes of globalization and European integration. These processes of transition and transformation are being differentiated between Central and Eastern European countries and subregions, as well as between and within cities in those countries, favouring large metropolitan centres with proximity to EU markets and capital cities in particular as nodal locations in Europe. Structural adjustment, international integration through trade flows, FDI, joint ventures, transport connections, privatization, de-industrialization and a shift from producer to consumer services are reshaping the functional structure, dynamics, and spatial forms of cities, with selective impact on land, property, and labour markets.

These processes are mirrored in the increased links and connections that exist between Central and Eastern European cities and “global” cities in Europe, such as London, Frankfurt, Paris, and Brussels (as the “EU capital”), and “hubs” in nearby Western European countries such as Munich, Vienna, Zurich and Stockholm. These “regional” or cross-border patterns are also visible in tourism and cultural links and cross-border inter-city cooperation. Uneven spatial development patterns and increased city competition are favouring Central European metropolitan capitals such as Berlin, Prague, Budapest, and Warsaw,

and to some extent the Baltic capitals and Ljubljana, the capital city of Slovenia, while urban transformation has been less visible in South-east and East European cities.

Therefore, it can be concluded that the international integration and “globalization” of Central and Eastern European cities in the 1990s has occurred largely through “Europeanization”, or most notably through the process of EU integration and enlargement (“EU-ization”), reinforcing cross-border and historic relations with West European cities and regions. The following chapter on the impact of FDIs on city restructuring confirms further these selective impacts of “external” forces on inter- and intra-city transformations in Central and Eastern Europe.

Notes

- 1 Of course, cities on the territory of the former Russian Empire and the Soviet Union became subject to socialist processes for most of the latter two periods.
- 2 In brief, this argued that the growth of city functions in creating jobs could occur efficiently with little additional social investment up to a certain “threshold” or size; but if city growth were to be continued, this would require large-scale state investment in social and technical infrastructure to overcome the “bottlenecks”, significantly raising the marginal costs of job creation in the city.
- 3 Stalin had equated the notion of “international division of labour” with the capitalist–imperialist economic process, relegating low-order functions to “colonies” while “imperial” countries specialized in higher-order functions. He dismissed the idea as irrelevant for the socialist world.
- 4 The EU supplies materials and yarns of higher quality than those produced locally, and manufacturers in Central and Eastern Europe then process, assemble or work on these materials and send the finished products back to the EU.
- 5 The Soviet Union did not allow any US airlines to run scheduled flights to or from Moscow for this reason, but from 1970 this was also to ensure that Soviet citizens could not glimpse any Boeing 747s, for which the Soviet Union had (and Russia has) no real equivalent, to avoid any local discontent over what was, patently, a technological aerospace weakness.
- 6 Paris is underestimated largely because of poor data reporting to the ICAO by Air France and other air carriers using Charles de Gaulle airport.
- 7 Given that there is so little Japanese FDI in Central and Eastern Europe this is mainly business travel, although it could be for trading.

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