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Carpathian Euroregion and Cross-Border Governance

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Abstract: The Carpathian Euroregion (CE), which was established in 1993, is a cross-border regional cooperation that comprises eighteen regions within five non-EU member states in Eastern Europe. The CE was expected to become a forerunner as an East-East Euroregion. After a decade development, the CE's positive impact on regional security and the development of various kinds of communication can be observed; however, its negative aspects are also reflected, such as the insufficient cross-border governance that results from its formal structural characteristics, its large size, its scarce financial resources, the ambiguity of authority, its historical inheritances, as well as its hypoplastic identity. The CE's economy remains fragmented and considerably backward. As yet, there is no consensus regarding the future image of the CE.

Keywords: EU, Carpathian Euroregion cross-border governance, regional cooperation

JEL Classification Numbers: F59, H75, N94, P52, R58

1. Introduction

The Carpathian Euroregion (herein referred to as the CE)¹ was founded in 1993 as a cross-border regional cooperation between Poland, Slovakia, the Ukraine, Hungary and Romania. It was expected to be a forerunner as an East-East Euroregion in Eastern Europe. The CE differs from the Western Euroregion in that it includes several types of countries: non-EU member countries, quickly acceding candidate countries such as Poland and Hungary, slowly acceding countries such as Slovakia and Romania, and one non-candidate country, the Ukraine, which at the beginning of the 1990s, was deemed unlikely to join the European Union (EU) in the foreseeable future.

Studies of the CE, which seem to be a confluence of three main streams of research—EU and international relations studies, East European area studies and transition studies—should be multidisciplinary and include various analytical aspects. This paper, however, is limited by two analytical conditions. One is an examination of the CE from the viewpoint of cross-border governance. This limitation arises because this study is part of our joint research project.² The other limitation is that our analysis focuses on the period ending approximately in the year 2000, just before three EU candidate countries acceded to the EU.³ The paper is structured in the

following manner: Section 2 reviews the analytical factors used to study the cross-border governance of the Euroregion. Section 3 confirms the achievements of the CE by investigating its actual formation and development in the context of history and integration. Section 4 reveals the current issues of the CE's development and explains its structure thereby exposing its institutional shortcomings. Section 5 focuses on the formation of common daily-life space from the viewpoints of economics, identity and scale. Section 6 concludes the paper by providing a proposal to resolve the future problems of the CE.

2. Cross-border governance of the Euroregion

2.1. History of cross-border cooperation in Europe

This section examines the cross-border governance of the Euroregion. The Council of Europe was the first to significantly focus on the roles and functions of regional policy in European cross-border areas. It was in the 1970s that the European Communities (EC) adopted the stance of attaching importance to these policies; consequently, the European Regional Development Fund (ERDF) was established in 1975. Many concepts that competed with the idea of a 'Europe of the Nation States', such as regions formed from the bottom up and a 'Europe of Regions', had been taking root in Europe through the 1970s and 1980s. The Single European Act established the so-called 'Cohesion Fund', and the Maastricht Treaty established 'cohesion' as a purpose of the EU along with the decision to establish the Committee of Regions (consultation) in 198-a articles (European Union, 2004). The Council of Europe established the trans-frontier cooperation agreement in 1980, and the European Commission recommended improved methods for cross-border coordination in the regional development plan (a primary scheme in 1981) within the ERDF. The Commission proposed to change ERDF's statute in 1984. From that point, cooperation between the EC and the Association of European Border Regions (AEBR) was initiated and has successfully promoted cross-border regional development in Europe. Although such processes have fostered various forms of cross-border cooperation, the Euroregion was ultimately found to be one of the most effective forms (Tsuji, 2002).

2.2. What is the Euroregion?

According to the AEBR, the institutional framework of the regional cooperation among cross-border areas in Europe is classified in the following manner (Martinot and Alberto, 2003):

- (1) Cross-border cooperation
- (2) Transnational cooperation, which comprises a wider area than (1)
- (3) Inter-territorial cooperation between non-contiguous areas
- (4) Inter-local government cooperation within multiple European associations

Although INTERREG programs target (1), (2) and (3) of the above classification, (2) and (3)

fall beyond the scope of our research in this paper. We focus only on (1), which is further classified into the following two forms based on whether or not the cooperation has an original identity and a decision-making body: (a) the Euroregion and (b) working communities.

Since the Euroregion has various purposes and multi-structures, the Council of Europe has not necessarily defined it clearly. The Euroregion can be classified into the following three main types (<http://www.coe.int/>):

- a. Euroregion without legal personality (professional and interest-based communities)
- b. Euroregion based on private law
- c. Euroregion based on public law

Although the AEBR classification does not categorize this first type under the Euroregion, it does fall under the frame of the Euroregions according to the Council of Europe, which describes the Euroregion as a cooperation proposed and established spontaneously between cross-border areas or between cross-border, local self-governments. The general purpose of the Euroregions is to promote common interests through cross-border cooperation in fields such as economic and social development, culture, health, education, training, protection of the environment and climate, tourism and sightseeing, the prevention of natural disasters and transportation. There are a host of differences in the degree and scope of activities performed by each Euroregion, ranging from a simple exchange of information and consultation to joint management and implementation of projects.

Furthermore, it is important to classify the Euroregion into two tiers: macro (sub-national or regional) and micro (local). The macro tier corresponds to the sub-national areas of a region such as provinces (Nomenclature of Territorial Units for Statistics (NUTS) 2) and counties (NUTS 3). The micro tier integrates a lower level (NUTS 4) and urban areas or settlements (NUTS 5) (Ludvig, 2003, pp. 3–4; Perkmann, 2003, p. 16).

The Euroregions that were recently established in Eastern Europe are without legal personality (professional and interest-based communities). In other words, they are mere forums or networks to exchange formal/informal information and consult across borders. This is the case with the CE.

2.3. Regional governance in Europe

Next, let us examine the characteristics of region and governance in Europe. With regard to European regions, Miyajima focuses on the four-layered structure of identity in Europe (namely, the ethnic, regional, national, and European layers) to illuminate the importance of ethnic and regional areas in the relativisation of the national state (Miyajima, 2001, pp. 83–109). He claims that in Eastern Europe, in comparison with Western Europe, neither the ‘civic ethnic regional identity’ nor the ‘regional autonomy’, which could nurture commonly affiliating emotion and co-decision-making based on symbiosis consciousness even without the exchange of ethnic cul-

ture, had been raised or fostered until the early 1990s. Co-decision-making refers to the formation of various levels of co-determination in areas where citizens of different ethnicities reside together. In this respect, Eastern Europe is sharply contrasted with Western Europe. Miyajima understands this type of regional nationalism, which experts and specialists in the region should not consider a purely cultural and ethnic phenomenon. Instead, they should accept it as a kind of local movement towards a 'rational' economy, social planning, the improvement of local conditions related to infrastructure and housing, increased employment and the prevention of ecological destruction. 'West European types of local autonomous systems' were also formally introduced into East European countries in the 1990s. However, it was the former local nomenclatures that actually assumed local autonomy in the region. The new middle class, which should have shouldered local autonomy, has not yet grown sufficiently as a result of the transformation.

With regard to European governance, including regional governance, this issue has been explored in the 'White Paper on European Governance' (Commission of the European Communities, 2001) and the 'Report from the Commission on European Governance' (Commission of the European Communities, 2002). These reports chiefly insist that European governance lies in the principles of multi-dimensional political systems, disclosure, participation, accountability, validity and coherence. They further emphasize that regional and local agencies and non-governmental organizations (NGOs) should participate in the policy-making process (Nakamura, 2003). This can be understood as an extension of the principle of partnership asserted in the EU's regional policy (Kitamura, 1995).

2.4. Cross-border governance

The above leads us to understand both that cross-border regional governance denotes the structures and forms for regional and local agencies and that actors on both sides of a border area participate in the regional development policies and processes of the borderland.

Kramsch and Hooper actually examine cross-border governance in Europe (Kramsch and Hooper, 2004); according to them, the first wave of research on cross-border regionalism leads to the conclusion that cross-border areas in Europe are faced with the following four 'dilemmas of multi-governance': (a) Euroregions are used as a convenient administrative policy for local elites to tactfully tap into funding sources from Brussels. (b) Ties among economic actors have not developed 'automatically' in the borderlands; rather, by contrast, extensive economic relays at the national and global levels have surpassed those of the cross-border areas. (c) Public awareness of cross-border initiatives is decreasing among inhabitants of the Euroregion. (d) It remains difficult to establish an effective system of trans-boundary institutions that is capable of democratically absorbing voices from the below (*ibid.*, 2004, p. 3). Kramsch and Hooper deny the role of new 'anchorage points of accumulation' in the global economy; instead, in making a

connection with the logic of a strategy driven by the logic of 'wider Europe', they estimate the key feature of cross-border regions as a border regime. In conjunction with national governments, the EU is remobilizing old functions that are traditionally attributed to macro-regional borderlands as a defence against newly perceived, external geopolitical and economic threats (*ibid.*, 2004, pp. 4–7).

Japanese scholarship has amassed a substantial wealth of studies on European regionalism from the viewpoint of establishing East-Asian Communities. Kojimoto clarifies the evolutionary process of cross-border governance in keeping with the advancing stages of INTERREG and the development of the EU regional policy in two directions—from intergovernmentalism to multi-level-governance (MLG) and from MLG to geo-governance (Kojimoto, 2005a; 2005b). MLG refers to an immature cross-border regime in which regional actors can act across borders on the same level. On the other hand, geo-governance denotes an advanced form of MLG in which regional actors cross both borders (horizontally) and the levels and layers (vertically); the latter movement allows them to operate under their original behaviour or operate in a newborn space or playing field between the layers. In turn, these trans-border and trans-level actions can alter the identity of the regional actors and precipitate the formalization and Europeanization of the cross-border regions themselves.

Takahashi takes a critical attitude towards that the definite viewpoint of governance is prone to leaving cross-bordering actors and their motives to form cross-border regions out of the object of research (Takahashi, 1999; 2006). Takahashi also emphasizes that although the boundary of the Euroregion is determined by the EU, the motivations and solutions of Euroregion participants vary depending on issues, resulting in the amorphous form of governance. Actors and institutions evolve as a result of one-to-one interactions in the public space within the arena of daily life, whereas the average person has unrestricted cross-border mobility. However, in disregarding the bottom-up initiatives of the region, the institutionalization of the Euroregion with the help of INTERREG causes a problem. A public space that includes multiple layers and multiple issues has not been properly developed along the eastern border region of the new EU.

These studies require us to observe the CE in the contexts of historical institutions of the public space. Firstly, the CE must be examined by analyzing the region's characteristics not only as a border regime or a builder of bridges among countries but also as an evolutionary form of governance. Secondly, the perspective of public space encourages us both to consider the degree to which the everyday economic space and the public space have been formed and to examine the institutions that can produce bottom-up initiatives in the border region as well as relationships with the EU and its policies.

3. History of the Carpathian Euroregion (CE)

3.1. Historical background of the CE

Before investigating the institutional features of the CE, let us verify its origin and birth. There were three directions of movement in the establishment of the CE in the early 1990s. At the bilateral level, regional cooperation and local level, cross-border exchanges had already begun informally, particularly between Poland and Slovakia and between Hungary and the Ukraine immediately after the transformation commenced. This could be considered to be a bottom-up development of the CE or an endogenous development from below. The second movement originated from the upper levels of government. This region had suddenly and radically begun to change from 1991 onward as a result of several international conditions and circumstances: (1) the collapse of the Soviet Union and birth of a new state, (2) the rise of the Ukraine as a nuclear power, (3) the division of Czechoslovakia into the Czech Republic and Slovakia, (4) civil wars in the former Yugoslavia, (5) conflicts both between Slovakia and Hungary and between Hungary and Romania and (6) historical confrontations between the Ukraine and Poland. The ministries of foreign affairs for Poland and Hungary were the main advocates of the original conception of the CE as a precautionary measure against regional disputes in the border areas (Rebisz, 2002). This movement had initially become the driving force behind the development of the CE. Thirdly, in addition to the Council of Europe, the Institute for East-West Studies (IEWS) was the other leading external agency that participated in establishing the CE's national parties. The IEWS sponsored the conference held in Nyiregyhaza, Hungary, at which proposals from both countries were combined. The IEWS can be characterized as a lateral driving force. Regional and local representatives from Poland, Hungary, Slovakia and the Ukraine signed the CE agreement in February 1993. Romania lagged behind in participation until 1997.

What was the historical background of the formation of the CE? The Carpathian region was invaded by the Tartar, ruled by the Turkish Empire and subsequently by the Habsburg Empire (1774–1918). Under the Austro-Hungarian Empire, this region developed a moderately civic society and constructed a network of railroads, which resulted in a unified market in this area according to the demands of the entire Empire. However, the two world wars demolished this unified area. Socialist systems produced a small amount of cross-border exchanges only at the level of the party and administration. In summary, during the twentieth century, this area was governed by six different states (the Austro-Hungarian Empire, Czechoslovakia, Poland, Hungary, the Soviet Union and the Ukraine) with complicated and occasionally shifting borderlines. In the five member states, seven different nationalities live together amidst ethnic minority problems. Approximately one sixth of the total population of 16 million people who live in this borderland belong to ethnic minority groups when Ruthenium (about 1,200,000 people) and Roma (more than 2,000,000 people) are considered ethnic minorities. This heterogeneous area is also

characterized by a mixture of more than six main religions (Orthodoxy, Greek Orthodoxy, Roman Catholicism, Calvinism, Protestantism, Judaism and Roma). These characterize this area as 'a mosaic zone of ethnicities, cultures and religions' and 'a microcosm of new Europe'; as a result, the Carpathian area was an area rife with potential ethnic conflicts when the transition began, with the exception of the former Yugoslavia in Eastern Europe (Research Center of the Slovak Foreign Policy Association..., 2001a, pp. 6–11).

According to Haba (Haba, 1998, pp. 128–136), countless endeavours to solve ethnic issues in Central-Eastern Europe led to attempts to decrease the fragmenting effect of national borders, thereby activating border regions and developing cross-border cooperation. These endeavours have established many Euroregions, including the CE, as a framework to secure human rights, the preservation of cultures and the education of ethnic minorities. As would be seen later, however, although the establishment of the CE was intended to prevent ethnic problems from emerging, the formal activity (i.e. working committee) of the CE has not directly addressed the problems of ethnic minorities. The existence of a large population of ethnic minorities in the border areas has weakened the advantages of developing cross-border cooperation. In this borderland area, political confrontations and disagreements at the national level have also impeded the enhancement of local cooperation.

3.2. Relationships with the upper levels of integration

The western Euroregions have inevitably been formed and developed as part of the long-term process of European integration; these regions themselves reflected a part of the deepening European integration. Euroregions in Eastern Europe were modelled on those of Western Europe. However, these areas differ significantly in terms of features, functions and legal status. In contrast with those of Western Europe, Eastern Euroregions have a very weak 'umbrella' of integration that is capable of including and supporting a lower level of regional cooperation. Neither Central European Initiatives (CEI) nor the Visegrad Cooperation is as powerful as the EU. Even though the introduction of Schengen Acquis Communautaire might be able to physically fragment the CE, the Visegrad Cooperation would not be able to prevent it from fragmenting during negotiations and preparations for accession into the EU.

In its relationships with external agents, the EU has concurrently faced the contradictory challenges of exclusivity and reconciliation. On the one hand, the EU had to control its borders and visa-regime more strictly in order to prevent external illegal immigration and the smuggling of drugs and arms. On the other hand, the EU should make the Schengen Agreement somewhat more flexible in order to establish and improve mid- and long-term confidential relations with newly neighbouring countries (Hasumi, 2005). Preparation for accession into the EU had pressured the three candidates, Poland, Slovakia and Hungary, to strictly implement the Schengen Acquis, which accordingly introduced harsher visa policies towards the citizens of former social-

ist countries. In fact, the Schengen Acquis brought a new division inside the CE borderlands, reducing the volume of cross-border trade, human exchange and sightseeing to less than half (Research Center of the Slovak Foreign Policy Association..., 2001c). On behalf of the EU, the CE assumes responsibility for encouraging cross-border economic exchanges and alleviating the negative effects of ethnic minority problems.

Although the EU has supported cross-border cooperation in East European border areas through various means, financial support from the EU was smaller than anticipated and ineffective in the separate and uncoordinated frameworks of Programme of Community Aid to the Countries of Central and Eastern Europe (PHARE) and Technical Assistance for CIS (TACIS). Despite these shortcomings, Euroregions such as the CE are recognized as being both essential and forerunners in solving the problems that accompany the EU's eastern expansion.

3.3. Performance of the CE

Next, let us discuss the initial performance of the CE. Firstly, it is largely considered as having been successful in preventing regional ethnic conflicts from further occurrences and preparing for peacetime EU eastern enlargement (Yoshida, 2003). According to the surveys conducted by Ludvig and Süli-Zakar (Ludvig and Süli-Zakar, 2002, p. 109), the CE's most successful achievements can be observed in the decrease of mistrust between nations and ethnic groups as well as in the lack of serious problems related to language obstacles and individual conflicts within organizations.

Secondly, many advances were made in the field of economics, such as countless networking opportunities for businesspersons, the expansion of cross-border trade, regular international trade fairs and exhibitions, an increase in intra-regional investment (particularly to the Ukraine), an increase in the number of border checkpoints, the maintenance and development of road systems and truck business, the promotion of tourism, particularly eco-tourism (the Carpathian Biosphere Reserve, improvement of water environments in Uzhgorod and three types of tourist maps), the development of educational and cultural exchange (cf. Silver Quadrangle) and the foundation of cooperation networks among universities (Association of the Carpathian Region Universities (ACRU) and Center for Support of Public Administration Reform at the University of Uzhgorod) (Helinski, 1998; Süli-Zakar, 2004, pp. 21–25).

Despite this performance, the CE has experienced an increase in dissatisfaction and problems since the end of the initial period. A Hungarian researcher points out the following factors (Ludvig, 2003): (1) differences in the context of the CE, (2) the size of the participating areas, (3) the CE's structural institutional problems, (4) financial matters, (5) ambiguity of the division of labour between the district/local government and the central government, (6) historical inheritances and (7) problems related to the introduction of Schengen Acquis Communautaire. Similarly, the Polish agency of the CE (secretariat) recognizes that the CE faces three types of crises. The first

is a crisis of self-recognition, which refers to a lack of knowledge, information and consciousness. The second is a crisis of representation, in which neither the low-level local self-governing bodies nor non-profit organizations (NPOs) nor private enterprises are able to send their representatives to both the Council of the CE and the national organization of the CE. This second crisis resulted in the third crisis, which relates to participation. The CE is alienated from daily life in these border areas, and local residents are completely uninterested in the CE's issues (Stworzyszenie na rzecz Euroregionu Karpackiego Euro-karpaty, 2002, pp. 11–17).

Understanding these issues seems to help our study of cross-border governance issues in the CE, which is accounted for in the below.

4. Structure of the CE and its problems

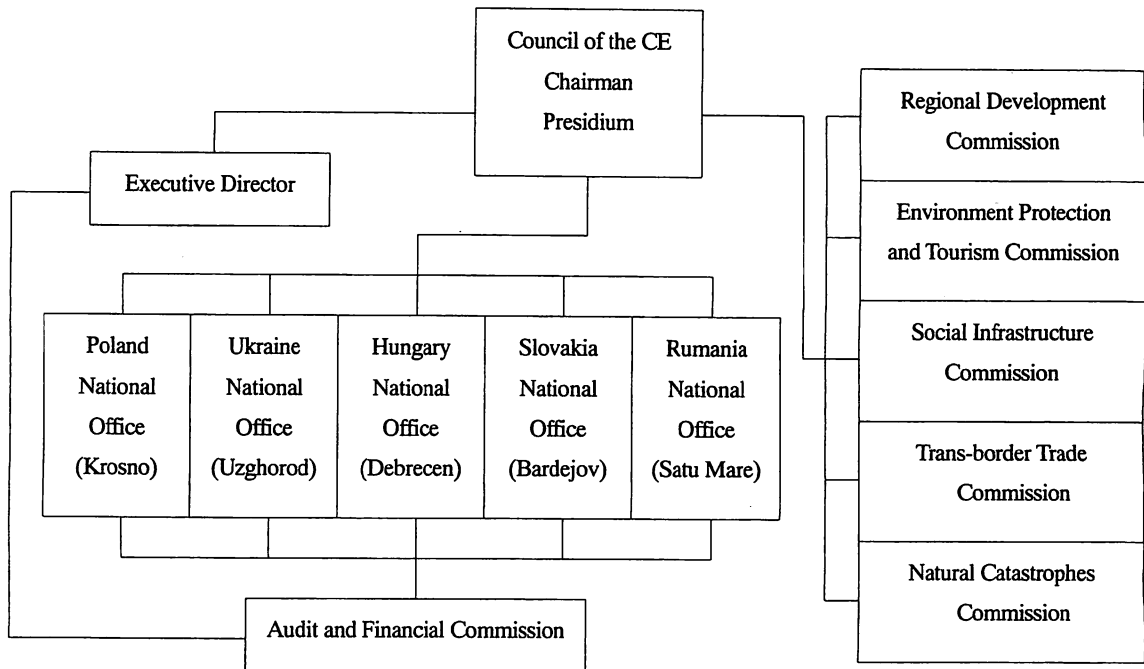
4.1. Organizational structure of the CE

As previously mentioned, the CE is a cross-border regional cooperation among 18 border autonomous units at the similar level (region, province, county) belonging to the five East European countries. Figure 1 shows the organizational structure of the CE (Makowski, 1993; Rebisz, 2003 pp. 35–43). According to the agreement, it is emphasized that Interregional Association Carpathian Euroregion does not represent a supra-state nor a supra-national entity, but rather a framework for facilitating of inter-regional cooperation (a joint-advisory and coordinating body). Its goals are to organize and coordinate the activities that promote cooperation in the fields of economy, ecology, culture, science and education with assistances in elaborating concrete projects, and to promote various contacts at different levels and good neighbourly relations.

The CE is composed of the four parts: the Council with Presidium and Chairman, Secretary General, National Offices (Agencies) and Working Commissions. The supreme body of the CE is the Council, which is consisted of three representatives from each member country. The Council shall meet every six months. It discusses and unanimously accepts common projects and makes decisions on important topics relevant to the cooperation (appointment, budget and organizational changes). The Chairman is elected every two years to manage the session, representing the Council to the outside. The Secretary General (Executive Director) as well is elected every two years, has an authority to present bill drafts to the Council, and conducts daily cooperation activities.

The CE has a network of national offices, each of which has a responsibility to maintain constant contacts with the Council, dealing with all the cooperation initiatives and taking charge of one Working Commission's works. The Working Commissions have five fields of activity; regional development, environmental protection and tourism, social infrastructure development, trade exchange development and auditing (Rebisz, 2003). Every national party contributes an

Figure 1 Organizational Structure of the Carpathian Euroregion



Carpathian Foundation (Supporting Institution)

Source: Carpathian Foundation (2002, p. 34)

equivalent of 35,000 USD a year to the CE budget (Helinski, 1999).

4.2. Five structural problems

The following structural problems have been mentioned in the context of the CE.

(1) The CE relies on the diverse legal powers and political authorities of its participating regional administrations (Batt, 2003, p. 39), and the legal status and functions differ across the national agencies of the CE.

When we examine the present state of affairs of the local governments of the CE member countries,⁴ we encounter several problems, including incompatible administrative and legal structures in local governments, different multi-tier structures of local governments, different local autonomies and capacities, different financial and human resources and ambiguous relationships (boundary of responsibilities and commitments) between the central and local governments. Furthermore, decentralization in the CE countries is less advanced than it is in Western Europe

(Carpathian Foundation, 2002, pp. 40–44; 2004, p. 31). As a result of these characteristics, cross-border cooperation at the district and local levels is more difficult to construct from the bottom.

Decision-making and coordination in CE activities is also inhibited by differences in the legal statuses and functions of the national parties. With regard to legal status, Poland, Slovakia and Romania are associations while the Ukraine is a foundation. In the case of Hungary, the regional office in Nyiregyhaza is a unit of public administration. Although all national parties are fully capable of applying for national aid programs and public funds, only the national agency in Poland is completely eligible to participate in EU pre-accession funds management functions, including preparing operational programs, monitoring committees and steering committees as well as managing the EU micro-projects fund (Karpaty, 2005).

(2) Decision-making in the CE poses another structural and institutional problem. The council of the CE, which constitutes the CE's supreme decision-making body, used to consist of three representatives from each national party, one of whom was sent by the central government organization. On the other hand, the two remaining seats were filled by the one or two local governments that constitute each national agency. In Hungary, five local governments participate in the CE; in the Ukraine, four; and in Romania, seven. Therefore, every local government cannot send its representative to the council. With regard to participation in the CE, this limitation retards the efforts of all concerned parties, whether administrative or non-administrative, causing internal conflicts in each CE national agency.

It should be added that private regional actors other than administrative authorities are not in a position to be positively involved in the activities of the CE. The formal participation of NGOs, which already functions within the framework of each CE national body, has not yet been formally institutionalized in the CE. Therefore, in 2002, the CE altered certain articles, rules and regulations, thereby increasing the number of representative councillors for each national party from three to ten for local governments, companies, schools, and other private and public organizations acting in each CE national agency.

(3) A similar problem exists with regard to representation and participation in the national representative agency of the CE; inhabitants and various NGOs are often excluded from participating despite it is at the district and community levels and on a micro scale that local interests and local cooperation can be effectively realized.

Let us consider the example of Poland (Joskowiak, 2001, pp. 170–177). In 1998, the reform of local self-government decentralized administration and introduced a three-layer structure of local autonomy. This reform established local self-governing bodies (*województwo*) that correspond to NUTS 2, which introduces two lower levels of local self-government that have the competence to conclude cooperation agreements with international counterparts. In 2002, the Polish representative office of the CE was reorganized and evolved into the juridical association

known as the 'Euro-Carpathians' in Podkarpathia. The accredited members of the association comprise the local self-governments at each three-layered level, NGOs, and private organizations and companies. Self-governments are obliged to contribute an amount that corresponds to 0.001% of their annual budget to the association. This is the only case in which a national office has its own budget resource. The Euro-Carpathians became responsible for implementing small-scale projects and SPF (a so-called soft program implemented with a maximum of 50,000 euros) within PHARE-CBC programs.

(4) The fourth problem is that the CE lacks the institutionalized human capacities to support and develop its activities. Leaders of the CE frequently rotate their positions.

Since the CE council members are also leaders in their respective regional administrations, they are commonly elected every four or five years and, still worse, at different periods. The location of the secretariat changes every two years. Further, particularly with regard to the Ukraine, the CE lacks specialists and experts who are proficient in EU jargon. Each CE national office normally has between one and three employees. These lacks imply that the general secretariat office should be established as a more permanent organ or institution. However, some have argued in favour of changing the present characteristics of the CE (Ludvig, 2004).

(5) These arguments relate to the fact that the CE has a narrow financial base and no independent revenue sources. During the foundation period, national CE agencies in the Ukraine, Slovakia and Romania did not pay their initiation and affiliation fees, which were assumed by Hungary and Poland. It was the Institute for East-West Studies (IEWS) that supported the establishment of the CE. From the partial retreat of the IEWS up to the present, the Carpathian Foundation has been partially supporting the CE. Western interest in the Euroregions presently moved much further east. Additionally, a number of other Euroregions have been formed in other border areas of East European countries. In terms of receiving financial support, they have come to compete with the CE. All things considered, Süli-Zakar identifies a vicious circle between (4) and (5) (Süli-Zakar, 2004, p. 26).

Cross-border cooperation outside EU countries only began to utilize the INTERREG and PHARE-CBC funds in 1994–1995. Although the CE also had the opportunity to make use of these funds from 1996 onwards, Poland and Hungary found it difficult to use these funds to promote cross-border cooperation with non-member countries such as the Ukraine. If these nations accede the EU accession or a new way to reconcile the INTERREG and PHARE-CBC funds is realized, the CE and any national CE organizations will be able to utilize EU funding sources.

5. Common daily-life space in the CE and its problems

Next, let us examine the (re)birth of a common daily-life space in the CE. Geographically, this space has an area of 141,484 km² and a total population of about 15 million. It is located in the

Carpathian Mountains and the surrounding foothill areas and lowlands. Its primary industries are tourism, agriculture and food; it also has vast industrial potential.

5.1. The transition and overloaded costs of the CE

Each border economy in the CE is plagued by the following disadvantageous features:

(1) This area is peripheral and distant from the metropolitan areas and the centres of each member country. As a result of high transportation and transaction costs, this periphery makes it difficult for these regions to access and provide supplies to national and international markets.

(2) The narrowness of local markets complicates business expansions, discourages new businesses and causes the underdevelopment of business-to-business services.

(3) The narrowness and localization of the labour market has also resulted in a high rate of unemployment and fewer job opportunities for new graduates.

(4) The higher infrastructure cost per capita has caused the competition mechanism to function defectively and has encouraged neither the construction of various infrastructures nor the promotion of small-scale regional development.

These disadvantages indicate the existence of a common economic necessity that should be confronted jointly by the entire CE. Table 1 shows the basic features of each border area in the common economic space of the CE (Carpathian Foundation, 2002, p. 38), indicating that the Ukrainian section of the CE occupies an overwhelming share with respect to population and territory (35% and 40%, respectively). This area is characterized by less urbanization and one relatively large city—L'vov—that has approximately 800,000 inhabitants. The unemployment rate in CE borderlands is as high as the national average rate of each country. With regard to unemployment, the Slovakian section has the highest rate in the CE. Although each frontier area has only a minute share of its country's GDP, Romania's share is relatively large (over 10%). The CE areas of each country are less developed than the remaining areas. As for the GDP per capita, remarkable differences can be seen both within one member country and among member countries. The GDP per capita in the CE is considerably less than the national averages for each country. This is particularly true in the case of the Ukraine, where the GDP per capita in the Ukrainian section of the CE is only 53.6% of the GDP in the Ukraine as a whole. Hungary's GDP per capita is ten times higher than that of the Ukraine; Slovakia's is four times higher. The largest Ukrainian areas in the CE in terms of population and territory are economically the least-developed areas of all the border regions. This indicates that the CE is a cross-border cooperation among the economically least-developed border areas with an great development gap between themselves ('East-East gap'). In addition to this low GDP, the regional economies in the border areas have been further burdened by their periphery, the restructuring of the main economic sectors and the underdevelopment of village communities; these burdens exceed the general social-economic costs of transformation (Carpathian Foundation, 2002; Rebisz, 2003).

Table 1 Basic characteristics of the Carpathian Euroregion (based on the national data in 2000)

| | Hungary | Poland | Romania | Slovakia | Ukraine | Total |
|---|---------------|----------------|---------------|----------------|----------------|------------|
| Area (km ²) | 28,639 | 18,683 | 27,104 | 10,459 | 56,600 | 141,485 |
| Population (people) | 2,609,114 | 2,370,654 | 2,274,013 | 1,111,177 | 6,429,900 | 14,794,858 |
| Population density (per km ²) | 91 | 127 | 84 | 106 | 113 | 105 |
| Population growth (people/year) | 4,416 | 13,546 | -3,366 | 4,361 | -5,050 | 13,928 |
| Emigration (people/year) | -3,559 | 1,627 | -4,000 | -90 | -3,901 | -9,903 |
| Number of cities with more than 100,000 people | 3 | 2 | 4 | 1 | 4 | 14 |
| Number of cities with 50,000– 100,000 people | 2 | 2 | 1 | 1 | 6 | 12 |
| Urbanization ratio (%) | 57.4 | 40.9 | 44.5 | 57.4 | 48.2 | 48.4 |
| Unemployment rate in the CE (%) | 5.7 (2000) | 16.9 (2002) | 9.6 (2001) | 24.7 (2002) | 14.3 (2000) | – |
| National unemployment rate (%) | 8.1 | 18.1 | 10.5 | 20.0 | 11.1* | – |
| Share of the national GDP (%) | 5.7 | 4.0 | 12.7 | 4.0 | 6.5 | – |
| GDP per capita (euros) | 3,600 | 2,899 | 1,543 | 2,899 | 370 | – |
| National average of GDP per capita (%) | 64.0 | 73.4 | 86.1 | 73.4 | 53.6 | – |

* ILO-based figures

Sources: Carpathian Foundation (2004) and <http://www.carpathianfoundation.org/>

5.2. A disjoined common economic space in the CE

In June of 2001, a workshop was held on 'Carpathian Euroregion: Prospect for Economic Trans-border Cooperation' in Presov, Slovakia. The report provides the following fragmentary information on the economy of the CE. Slovakian firms were concentrated in the following sectors: footwear, construction, engineering structure, manufacturing, installation and maintenance of computer facilities, tourism and housing complexes in Uzhgorod and Mukatchevo (Research Center of the Slovak Foreign Policy Association..., 2001b, pp. 17–19). Two Romanian counties in the CE achieved a lower rate of unemployment than the national average; this was a result of cross-border, illegal and semi-illegal economic activities and the work authorization that Hungary granted to Romanian citizens (*ibid.*, pp. 29–30). Maramures county, which is located in the CE region of Romania that borders the Ukraine, succeeded in introducing over 500 joint ventures

with German, Hungarian, Italian, Austrian and Turkish firms (*ibid.*, p. 31). In Hungary, Borsod-Abaúj-Zemplén county has not capitalized on its proximity to the Slovakian CE regions in terms of trade, employment, investment and business support organizations (*ibid.*, pp. 39–44). In Poland, Podkarpackie province, which has established special economic zones and special fairs and exhibitions, formed cooperation agreements with L'vov district and Wolyn district in the Ukraine, Kosice and Presov regions in Slovakia and others (*ibid.*, pp. 70–74). The Slovakian section of the CE is concerned about local cronyism and negative business environments that create barriers for the development of border economic cooperation in CE. The CE enabled the Ukraine to revitalize its western regions and develop European values of international cooperation (*ibid.*, p. 88).

The report shows that cross-border economic activities, including foreign investments, are beginning to improve; however, it does not succeed in depicting a unified common economic space in the CE. The economy of a CE borderland resembles an aggregation of bilateral economic relations between border regions and between businesspersons, including entrepreneurs.

5.3. Underdevelopment of local development financial institutions in the CE

Fekete's research group investigated local economic development (LECD) in the CE⁵ from the perspective of financing the success of LECD initiatives. Tuszynski shows that community development financial institutions (CDFIs) had already been established in the rural communities of each region of the CE (Carpathian Foundation, 2002, pp. 44–91). In general, CDFIs are composed of state/regional/local budgets, European organizations and their funds, central government institutions, foreign multilateral or bilateral organizations, private sponsors and domestic civic organizations.

The Ukraine has seven types of CDFIs: (1) credit unions, (2) regional development agencies (RDAs) and local development agencies (LDAs), (3) business support organizations, (4) rural support development organizations, (5) social support organizations, (6) microfinance bank/banking credit lines and (7) investment funds. As a result of the cross-border influence of Hungary and Poland, some oblasts (counties) in the CE have become pioneers in the development of RDAs and LDAs. Support from Canada, the USA, Germany and the EU has stimulated some CDFIs.

In Slovakia, financial mechanisms for public management operation were still in the process of transforming while the private sector comprised civic associations, various foundations, non-investment funds and non-profit organizations that provide public benefit services. They are supported by seven foreign foundations with offices in Slovakia, fourteen international foundations, seven international institutions that provide grants and five other foundations. Support programs for small-medium enterprises (SMEs) is provided by RDAs, regional advisory and information centres or business innovation centres (RAICs/BICs), guarantee funds (Slovak

Guarantee and Development Bank) and the National Agency for Development of Small and Medium Enterprises (NADSME). However, some of these organizations and programs were not successful in cooperating with their regional partners in peripheral areas.

In Hungary, at least 69 local development organizations operate in the Carpathian region. Hungary's original associations were formed from the bottom up in 1989–1991 as a mixture of local governments, businesses and civic members; these associations increased as a result of the influence of the PHARE Pilot Program in 1993–1994 and the Spatial Development Act in 1996. This act converted associations that included members of the local government into pure local government organizations, which dominate local economic development organizations. The average population of a small regional development association is 34,000. Many local development associations in the CE have implemented 12–15 projects; several have completed more than 50. Most of the projects focused on indirect activities, such as planning, and development strategies in fields more practical than human developments, such as infrastructure, employment, tourism and agriculture. The successful implementation of projects depended on striking a balance between a large region with considerable local resources and a small level at which local actors can communicate on a daily basis. Most local development projects were implemented by using non-local financial resources, including EU funds and programs and the Carpathian foundation.

Financing local economic development in the Romanian section of the CE is similar to the financing in Slovakia and Hungary. There are four types of financial institutions: Private Donors and Community Habitat Finance (CHF), whose major financial partner is the Romanian-American Enterprise Fund; Programmes for CBC; the National Guarantee Fund for Small and Medium Enterprises; and the Romanian Special Development Fund (RSDF). The government established the RSDF in 1998 for the purpose of assisting the development of poor communities and disadvantaged groups. International Bank of Reconstruction and Development (IBRD) was one of the RSDF's main donors. There is a lack of concrete information about Romanian local economic development (LECD).

Although Poland has local initiatives and financing resources similar to those of Slovakia and Hungary, the central government provides different financing for the region. The government grants money to each voivodship for local development projects based on the so-called 'regional contacts'. However, these resources cannot support SMEs and NGOs. In the Polish area of the CE, the following five regional development agencies play a role in creating 'umbrella funds' and implementing agencies of the EU PHARE SRTUDER and the Carpathian Foundation. Firstly, only the Agency for Industry Development (ARP) and the Agency for Restructuring and Modernization of Agriculture (ARiMR) support SMEs in Podkarpackie voivodship. Secondly, the projects of the World Bank Rural Areas Development Program are managed by the National Steering Committee, Regional Steering Committee and Voivodship Project Implementation Units. This program includes micro-credit, labour redeployment and retention, education and institution

building. Thirdly, the CE became eligible to participate in the second EU program to support cross-border cooperation in Central and Eastern Europe (Small Project Fund of PHARE SPF Fund) in 1999. Fourthly, out of 27 non-bank local/regional Guarantee Funds, the two were successfully established in CE areas in order to give guarantee to SMEs owing to the support of the PHARE funds and the Carpathian Foundation. Fifthly, a local loans fund was established in Rzeszow as a World Bank scheme in order to promote self-employment opportunities.

The above observation regarding CDFIs shows that they have the potential to support the development of each regional economy in the CE; however, only a few CDFIs specialize in the CE regions (e.g. in Poland). Moreover, none of the activities and influences of these CDFIs go beyond their national/regional borders. Only the Small Project Funds in Poland generated exceptional cases that promoted cross-border cooperation.

5.4. Missing identities of the CE

The above-mentioned shortcomings seem to be reflected in the results of the questionnaire survey conducted by Rebisz to form an assessment of the CE (Rebisz, 2003, pp. 88–97). Results about satisfaction with the CE were gathered from 769 respondents in five countries: 2.7% estimate the CE is sufficient; 40.6%, rather insufficient; 25.6%, definitely insufficient and 22.0%, difficult to say. Surprisingly, as many as 224 persons have never encountered this Euroregion. With regard to cross-border cooperation, around 80% of respondents estimate that there is indifferent, poor, very poor, or undetermined cooperation in the fields of economy, culture, science, tourism and environmental protection. It is worthwhile to note that all the respondents from each region were political and economic elites or university students.

Among the different fields of economic cooperation, a relatively large number of people rate only two positively—the individual trade exchange and the organization of trade fairs and exhibitions (30% and 22%, respectively).

These results indicate the hypoplastic identity of the CE; this implies that on the one hand, the CE faces merely the beginning of the endogenous and spontaneous development of interaction between regional economic actors; on the other hand, from the viewpoint of cross-border awareness, the CE has insufficient public common life space.

5.5. A large scale of the CE

Another problem deters the CE from developing substantially. The total population and territory of the CE are similar in size to those of trans-national regional cooperations. As mentioned above, the Ukraine is the largest in the area both in terms of size and population despite its being the least economically developed state. This large scale of the CE, therefore, seems to deter different regions from finding common interests and to decrease opportunities of forming direct contacts among them. This becomes an additional factor that alienates the inhabitants of the CE

from various activities of both each CE national agency and the CE itself. Hundreds of bilateral cooperation programs have already begun and are being maintained at a regional level lower than that of the CE. The Koscie-Miskolc Euroregion (KME) was established within the CE in May 2000. This is a smaller Euroregion that is more closed to the inhabitants. The KME seems to be superior in the sense that it provides a more manageable forum for implementing specific policies within its borders (Gergely, 2001, p. 9). More tasks of regional cooperation in the CE should be decentralized to result in cross-border cooperation at a lower or micro-level; the CE should play an umbrella role to facilitate and integrate this smaller scale of cooperation.

6. Conclusion

Our interest in the CE stemmed from its unique character as a forerunner of the East-East Euroregion. Aside from the name 'Euroregion' and the initial intention of its founders, the CE can still be characterized as a working community with a low intensity of cross-border cooperation. The CE surely shares the responsibility for sustaining the border regimes along the eastern border of the enlarged EU. Although the CE has formally been successful in restoring regional security, decreasing ethnic conflicts and initiating mutual communication on various topics in these borderlands, the institutionalization of cross-border regional governance in the EC is still in its embryonic stage. The CE's preparations to advance to the next stage are closely connected with the accession of three member countries into the EU. Before referring to the cross-border governance of the CE, a few facts should be mentioned in connection with local autonomy that forms a part of multi-level governance; this autonomy is not only immature at the regional level of the CE but also develops quite differently in different areas and countries of the CE. Despite escaping from the restrictions on cross-border economic transfers and mobility, especially in the bilateral relations, the *de facto* building of a common daily-life space remains poorly developed. A more serious problem lies in the hypoplastic identity of the CE and continued lack of consensus with regard to the strategic future image of the CE on the regional/local level, the nation-state level, and within the EU as a whole.

Notes

¹ The founding self-government bodies at the beginning of 1993 were as follows: from Poland, Krosno and Przemysl; from Slovakia, Bardejov, Humenne, Michalovce, Svidnik, Trebisv and Vranov; from the Ukraine, Zakarpatska oblast; the regional assemblies of Borsod-Abaúj-Zemplén, Heves, Hajdu-Bihar and Szabolcs-Szatmar-Bereg; and some towns with regional status, namely Nyiregyhaza, Debrecen, Miskolc and Eger. New regions joined the CE in 1993, 1997 and 1999. The following are the present member regions (2002): in Poland, the Subcarpathian region; in Slovakia, Presov and Kosice counties; in Hungary, Bor-

sod-Abauj-Zemplen, Hajdu-Bihar, Heves, Jasz-Nagykun-Szlnok and Szabolcs-Szatmar-Bereg counties; in Romania, Bihor, Botosani, Hargita, Maramures, Salaj, Suceava and Satu Mare counties; and in the Ukraine, Chernivetska, Ivano-Frankivska, Lvivska and Zakarpatska regions.

² The research project 'Cross Border Regional Economic Governance: Comparative Studies on the Leading Regions in the EU', JSPS Grant-in-Aid for Scientific Research, Scientific Research (A), 2002–2005, No. 14252007.

³ Ludvig refers to three stages of CE development, stating that beginning in approximately 2000, the CE adopted a policy of 'waiting patiently' for EU accession (Ludvig, 2004).

⁴ Since 1990, Hungary has had four classes of public administration: the capital (Budapest), counties, towns and villages. Hungarian local governments have complete legal autonomy in all their decisions. Among central European countries, Hungary is considered to have made the most progress with regard to decentralization and regional/local reforms. Hungary has high levels of local/regional autonomy and legal/financial incentives to cooperate between territorial communities. In Poland, local self-governments are assuming a three-tiered division with regard to the following roles: municipalities/communes, counties and provinces. These local governments are largely responsible for regional developments, but they have weak enforcement potentials at the commune level, as is the case in the other CE countries. In Slovakia in the 1990s, local governments above the commune level fell under the influence of local state administrations. Since 2001, regional self-administration has been established in the seven higher territorial units, and certain powers have been transferred from the state organs to the units and municipalities. Finally, Slovakian local self-governments complied with EU requirements in 2004. The regional level of sub-national government in Romania is very weak. Regional governments have a non-hierarchical, two-tier structure; counties form the upper tier, while the lower tier comprises three categories of local authorities (communes, orase and municipii). The national government appoints a prefect, who heads the county administration. The Ukraine is still progressing towards a democratic political system. The Ukrainian local government is unitary with four administrative tiers (Verkhovna Rada, regions, rural districts, and towns-settlements-villages). At the regional and district levels, there is a dual system of public administration—regional self-government and the state regional administration (Carpathian Foundation, 2004, pp. 22–32).

⁵ Fekete considers local economic development (LECD) to be linked to four global trends—globalization, information society, sustainable development and participative democracy. Fekete also indicates that six important factors influence LECD in the CE: changes in the mainstream economy, trends of employment, the present situation of rural areas, systems of public administration, changes in paradigms of regional development and emerging civic movements and non-profit activities (Carpathian Foundation, 2004, pp. 11–12).

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