The Economic and Spatial Characteristics of the Northern Greek Border Zone: A challenge for a new strategy

Lefteris Topaloglou
University of Thessaly
Department of Planning and Regional Development
ltopaloglou@lga.gr

George Petrakos
University of Thessaly
Department of Planning and Regional Development
Petrakos@uth.gr

Abstract

We base our analysis on a survey in the Northern Greek border zone that was conducted within the framework of the European research project EXLINEA[1] . The border zone between Greece on the one hand and Albania, FYROM and Bulgaria on the other is one of the most fragmented economic, social and political spaces in Europe. The experience of the Balkans shows that the geographical coordinates of a country (or a region) can play an important role in the process of development and integration. This paper analyzes the regional structure of the Balkans and the regional profile of the area of our focus. Moreover it is examined the role of truncated markets, lack of agglomeration economies and low cross border interaction in the regional economic performance.

Keywords: border, geography, development, Balkans, strategy

JEL Classification: F,O.

Introduction

We base our analysis on a survey in the Northern Greek border zone that was conducted within the framework of the European research project EXLINEA . The region of our focus is one of the most fragmented economic, social and political spaces in Europe. It hosts small states having a low level of trade interaction (Petrakos 2001) and until recently a mosaic of trade policies and restrictions to interaction towards each other. In addition, all countries have ethnic minorities usually living in border regions that have triggered friction or conflict in the past and continue in some cases to be a source of suspicion and tension. Even their relations with the EU are different. Greece is an EU-15 member since 1981, Bulgaria is joined the EU in 2007, while the other two countries do not have yet a clear road map or a date that will become members of the EU.

[1] EXLINEA (Lines of Exclusion as Arenas of Cooperation: Reconfiguring the External Boundaries of Europe – Policies, Practices, Perceptions) is funded by the European Commission under the 5th Framework Programme. This survey is a part of a wider effort to study the evolution, problems, policies, practices and perceptions prevailing in the old and new external borders of the European Union.

The border zone between Greece on the one hand and Albania, FYROM and Bulgaria on the other (in short: AFBG border region), has shaped its regional profile in terms of economic performance and development levels under the influence of the legacies o the pre-1989 period, were it was considered to be a low opportunity area (Dimitrov et al 2003). The borderline was a dividing line cutting the region in two camps with virtually no interaction with each other.
The post-1989 period has been associated with dramatic changes that had an asymmetric in space and time character and have affected significantly, development levels, population balances and future prospects.

The AFBG border region is part of the Balkan region. As a result, its structure, performance and prospects are affected by the conditions and dynamics prevailing in the wider area. The experience of 15 years shows that the Balkans have been a clear under performer in the process of transition. The historical facts, the cultural and linguistic differences, and also the political differences between local and regional authorities are often viewed as problematic "initial conditions" (Topaloglou and Petrakos, 2005). Unfavourable initial conditions with respect to level of development, economic structure, experience with market institutions, ethnic tensions, and the quality of technical and social infrastructure have affected significantly their adjustment to the new conditions.

In terms of bibliography, it is generally accepted that distance is associated in a negative way with trade intensity (Rauch, 1991; Kinoshita and Campos, 2003) and with the level of regional labour wages (Hanson, 1998). Under this scope, the borders and the obstacles involved can be considered as factors that increase distance. Unfavorable geographic conditions, such as distance from the more developed part of Europe and fragmentation of economic space into many small national markets have also played a role. Although the relation of geography to economic performance and development may be more complicated, it seems that more central and accessible Transition countries have had a better growth performance and a higher level of development, suggesting that countries that are better placed in the new European economic space are ceteris paribus more likely to be faster growing and with a higher development level than perimetric ones.

Overall, the transition countries in the Balkans experienced in the post-1989 period a sharp decline of their GDP and especially industrial GDP that lasted for a decade. Their GDP per capita is at very low levels (10% of the EU-15 average in 2003) and their economic structure is characterized by a relatively high dependence on agriculture (17% of GDP) and labor intensive industrial sectors. Services are still underdeveloped in most countries; wile capital-intensive large-scale industry has to a large extent collapsed. These developments have resulted to weak export performance and relatively high trade deficits compared to Central European countries. In addition, most countries have experienced significant brain drain through high and in some times massive migration (Petrakos, 2001). However, the last 4-5 years the region as a whole shows strong signs of recovery. Growth rates are above the EU-15 average and are expected to stay high, the policies of privatization, openness and institutional change start showing positive results, migration has ceased or reduced and FDI start making their presence more obvious in the region.

In short, the transition process in the Balkan countries has taken a different route from that of the CEE countries. Their adjustment to the international environment after 1989 has been anything but satisfactory. Inferior growth performance, weak economic structure, cumulative deficits, labor intensive export structures, and weaker export performance, constitute factors which imply a defensive type of adaptation, a limited and declining competitiveness and economic systems which may be diverging as much from those of the EU as from those of the CE.

Petrakos (1996), states that areas with common borders with western European countries and border regions near to the European economic centre are expected to attract activities of a higher functional order. Niebuhr and Stiller (2002), add from their part, the importance of spatial proximity of border regions to foreign markets as the basic geographical advantage that gives an explicit precedence to the central border regions.

The experience of the Balkans shows that the geographical coordinates of a country (or a region) can play an important role in the process of development and integration. For some countries geography may be an asset facilitating the right type of interaction with large markets and advanced economies, while for some others it may turn out to be a barrier. International economic theory needs to provide a better understanding of the relation between growth, integration and geography, if we are going to hope for more reasonable policy recommendations in the future.

The Regional Structure of the Balkans

There are a number of developments and spatial characteristics of the region that affect the prospects and the relative standing of the border zone. The first one is related to the process of regional inequalities. A number of studies indicate now that the processes of integration in the EU-15 and transition in Central and Eastern Europe are associated with increasing regional disparities. To one degree or another, all countries provide clear signs that the reforms and the policies of integration and transition initiated in the early 1990s have a clear impact on their spatial balances. Metropolitan regions, more advanced regions and western border regions (for transition countries bordering to the EU core countries) have been in a more favourable position with respect to growth performance in most countries. In the transition countries under examination regional inequalities have increased over time. This is true also for Greece, an EU country experiencing greater competition in the integrated post-EMU markets with varying rates of success at the regional level.

Second, the spatial structure of the Balkans is characterized by the formation of development poles or axes. An interesting impact of the legacies of the past is that in the early 1990s these national development axes did not meet each other and in most cases excluded the border regions. In Greece, Athens and Attica stand out as the most advanced parts of a South-North development axis covering most of the eastern part of the country. In Albania, the variations in regional GDP per capita reveal a North-South development axis in the Western coastal part of the country. In the case of FYROM, Skopje was a nodal point in the North-South axis of development in formed Yugoslavia.

In the case of Bulgaria, the development pattern maintains more or less a horizontal West-East axis connecting Sofia with the coastal cities of Varna and Burgas on the Black Sea.

The Regional Profile of the **AFBG Border Zone**

A typical characteristic of border regions is that in several cases they are characterized by lower than average levels of development. This is certainly the case for a part of the border zone of Greece (especially its western part), the Western borders of Albania with FYROM, the Eastern borders of FYROM with Albania and the Western borders of FYROM with Bulgaria, the Eastern borders of Bulgaria with FYROM, and the Southern borders of Bulgaria with Greece.

The conditions prevailing in border zones with respect to their development levels are further discussed with the help of Table 1, Diagrams 1 and 2 and Maps 1 and 2.

Table 1. Development levels and growth rates of the border regions of Albania, Bulgaria, FYROM and Greece, 1990-2001.

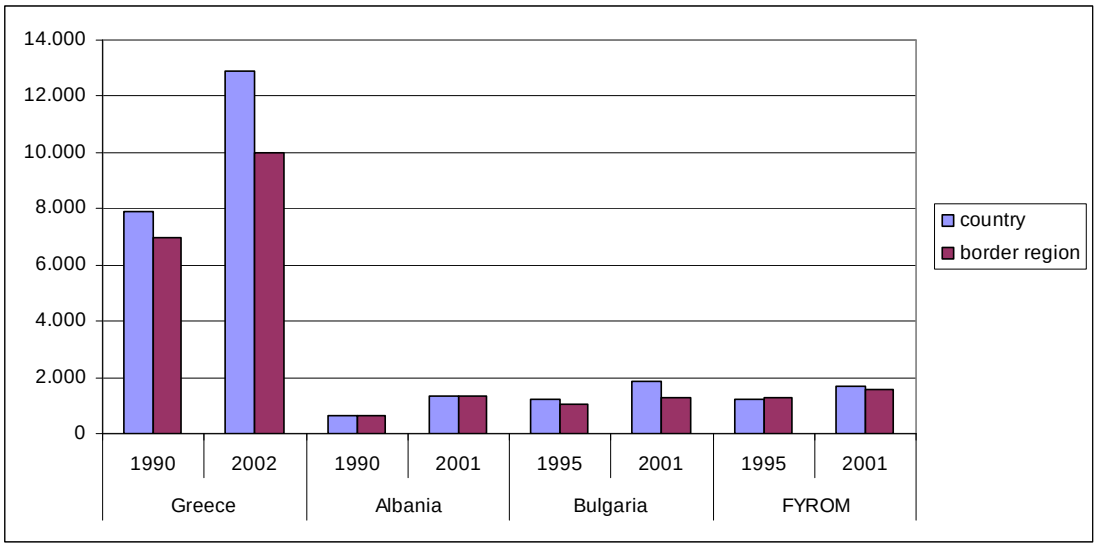
Border Region of	GDP per capita 1990		GDP per capita 2001		GDP growth 1990-2000	
	in euro	Nat. av. = 100	in euro	Nat. av. = 100	Border region	Country
	(1)	(2)	(3)	(4)	(5)	(6)
Albania	650	102	1339	100	7%	7%
FYROM	1256	104	1543	90	2%	3%
Bulgaria	1060	89	1254	68	3%	8%
Greece	6943	88	10013	78	3%	4%

Source: Table 1A in Appendix

The information reveals some interesting facts about the levels and evolution of development indicators in the border zones. First, the majority of border zones are characterized in 2001 by population densities and GDP per capita figures that are lower than the respective national averages. The only exception to this rule is Albania, were the border zone has a GDP per capita figure that is equal to the national average.

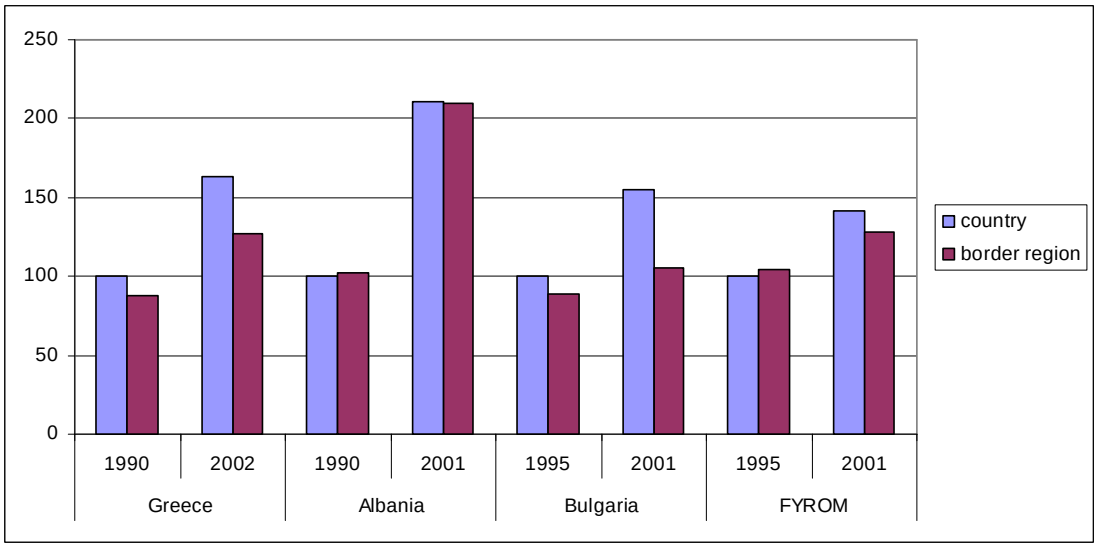
Second, the 1990s have been characterized by a variety of adjustments to the new conditions and some interesting facts. All border zones have improved their economic conditions in terms of GDP per capita and all have experienced positive GDP growth in the 1990-2001 period. However, this performance has been in general inferior to that of the national economy and as a result the relative standing of border regions has deteriorated in all countries. Compared to the national average, the border region of Albania has lost 2 percentage points from 1990 to 2001, the border region of FYROM 14 percentage points, the border region of Bulgaria 13 percentage points and the border region of Greece 10 percentage points (Table 1).

Diagram 1. GDP per capita of the border regions of Albania, Bulgaria, FYROM and Greece: Evolution and comparisons with national figures in 1990 and 2001.



Source: Table 1A in Appendix

Diagram 2. GDP per capita of the border regions of Albania, Bulgaria, FYROM and Greece in relative to national average terms in 1990 and 2001 (National average in 1990 = 100)



Source: Table 1A in Appendix

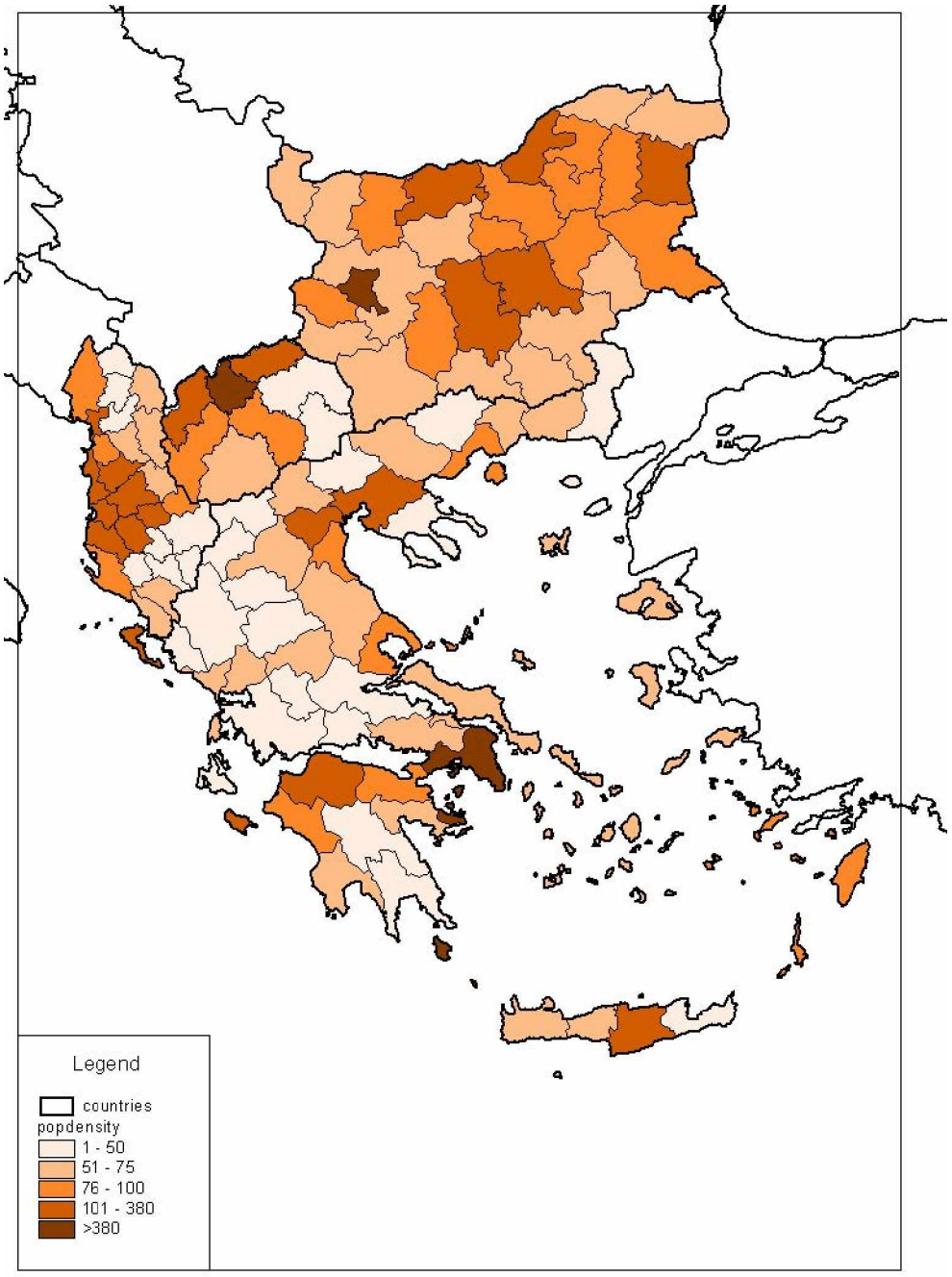
Third, significant differences among the four border regions exist, reflecting primarily national differences in development levels. The Greek border region has a GDP per capita level that is more than 7 times the level of the Albanian or Bulgarian figure and more than 6 times the level of the figure of FYROM. These differences in welfare and income levels have triggered East-West migration flows and West-East capital flows.

Fourth, distance from the national average varies among the four border regions. The Albanian border regions (with a strong presence of

a Greek minority) has a GDP per capita in 2001 that is equal to the national average, while the figure of the border region of FYROM is equal to 90% of the national average. The largest distance from the national average is found in Bulgaria (68% of the national average in 2001), while Greece is in an intermediate position with a figure in 2001 equal to 78% of the national average.

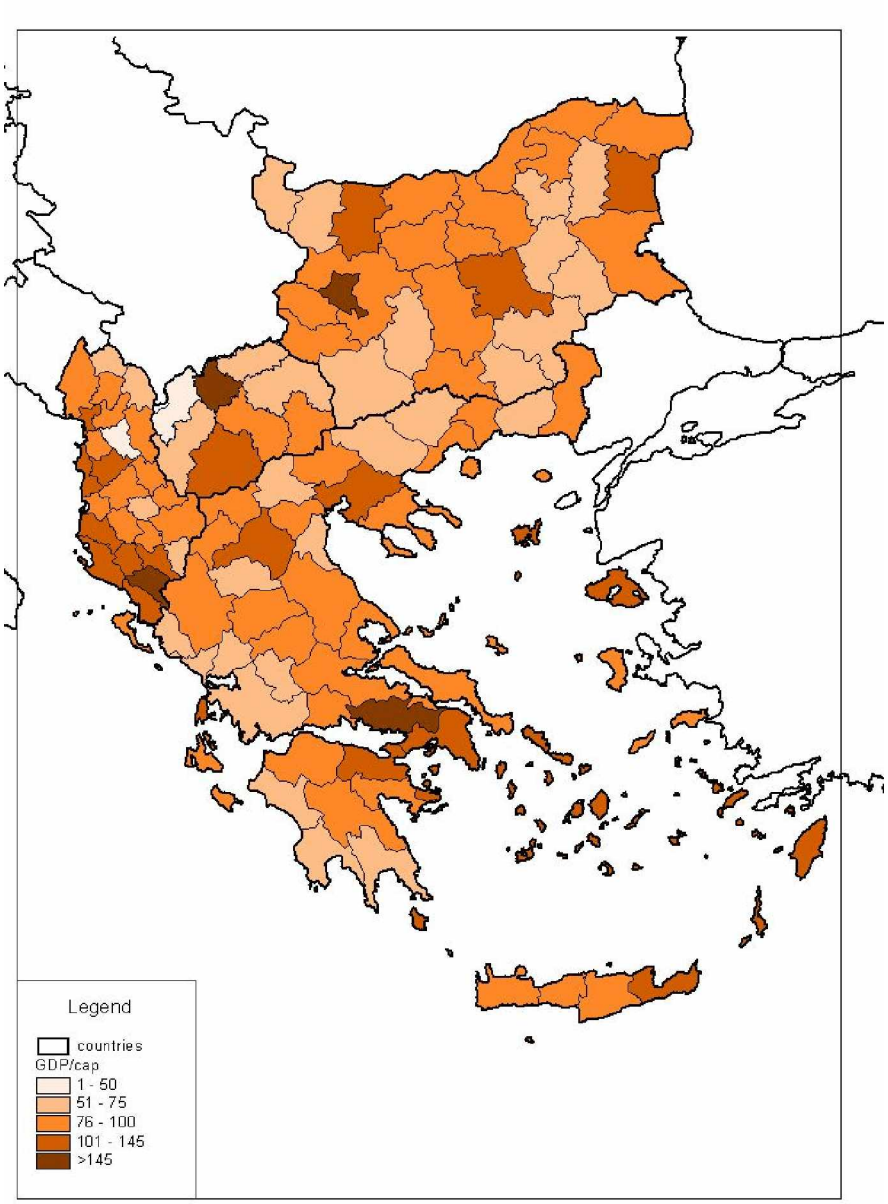
Fifth, internal variations are found in each border region when the GDP per capita data is presented in NUTS III level. As it is shown in Map 2, five Greek NUTS III regions in the border zone have GDP per capita equal or less than 75% of the national average. In the Bulgarian side, there are also four regions with GDP per capita less than 75% of the national average, while in the case of FYROM and Albania variations are less important. In addition, in Albania the border region of Gjirokastra appears in the figures to have the highest GDP per capita in the country, over passing the capital city of Tirana.

Map 1. Population density in NUTSIII level (national average=100) 2001



Source: Authors' work based on Eurostat Regional Database

Map 2. GDP/cap at the NUTSIII level (national average=100), 2002



Source: Authors' work based on Eurostat Regional Database

Conclusions

Summarizing the evidence, there are a number of interesting points arising from the analysis. First, serious regional differences in development levels are found to exist between Greece on the one hand and the other countries on the other. Second, the significant regional inequalities found in earlier studies have affected in all countries, except Albania, the status and the performance of the border zone. Third, overtime the performance of the border regions has been in all cases, except Albania, inferior compared to national performance. As a result, the relative standing of border regions in their national economies has deteriorated.

The natural question is why border regions in the study area under perform in the 1990s. Earlier studies have pointed to factors related to peripherality and unfavorable geographical coordinates, lack of agglomeration economies, truncated markets, lack of cross-border interaction and distorted trade relations, relatively poor infrastructure, less developed social and business service provision that are shaping a low competitiveness profile for these regions (Niebuhr and Stiller 2002, Nijkamp 1998, Petrakos 1996, Petrakos and Economou 2004, Petrakos and Topaloglou, 2003). The fact for example, that the distance of the Greek border areas is beyond 1000 kilometres from the main European economic centres prejudges also a problematic incorporation in the single European space (Petrakos 2000).Moreover, these regions have been found in most cases unprepared for their new role and have faced serious difficulties in adapting to the new post-1989 economic and political environment (Petrakos 2001).

References

Dimitrov M., Petrakos G., Totev S. and Tsiapa M. (2003) 'Cross-border cooperation in South-eastern Europe: the enterprises's point of view', *Eastern European Economics,* **41**(6): 5-25.

Hanson, G. (1998), "Regional adjustment to trade liberalisation", *Regional Science and Urban Economics 28, pp. 419-444*

Kinoshita Y. and Campos N. (2003), "Why does FDI go where it goes? New evidence from the transition economies" *Discussion Paper 3984, July 2003, Centre for Economic Policy Research*, London

Niebuhr, A. and Stiler, S. (2002), "Integration effects in border regions. A survey of Economic Theory and Empirical Studies", *Discussion Paper, No 179, Hamburg Institute of International Economics*, Hambourg

Nijkamp, P. (1998), "Moving Frontiers: a Local-Global Perspective", Vrije Universiteit of Amsterdam, Faculty of Business Administration and Econometrics, *Research Memorandum n. 22.*

Petrakos G. (1996) "*The New Geography of the Balkans: Cross-Border Cooperation Between Albania, Bulgaria and Greece*", Volos: University of Thessaly Press.

Petrakos G. (2001) "Patterns of Regional Inequality in Transition Economies", *European Planning Studies*, **9**(3):359-383.

Petrakos, G. (2000), "The spatial impacts of East-West integration in Europe" in Petrakos et. al., (eds), *Integration and Transition in Europe, pp. 38-68*

Petrakos G. and Economou D. (2004) Spatial Asymmetries in Southeastern Europe, *Journal of Economic Asymmetries*, **1**(1): 127-149.

Petrakos and Topaloglou (2003) 'Integration and market dynamics in cross-border regions: A synthesis of theory and evidence', *Open Minds Conference Proceedings*, Center for Social and Economic Research, University of Lodz, pp. 61-63.

Rauch, J.E. (1991), "Comparative Advantage, Geographic Advantage and the volume of trade", *The Economic Journal*, Vol. 101, pp. 1230-1244.

Topaloglou L. and Petrakos G., (2005), "The new geography of perceptions and attitudes in the external EU borders", *Durell Institute*, Corfu, Greece, 23-26 September

APPENDIX

Table 1A. GDP per capita of Albania, Bulgaria, FYROM and Greece in NUTSIII level, 1990 and 2001.

	1990		2001		
	GDP_cap	GDPcap100	GDP_cap	GDPcap100	GDP change (annual)
ALBANIA	*637*	*100*	*1340*	*100*	0,07
Berat	534	84	1329	99	0,09
Dibra	339	53	1182	88	0,12
Durres	759	119	1523	114	0,07
Elbasan	774	122	1208	90	0,04
Fleri	815	128	1350	101	0,05
Gramshi	326	51	709	53	0,07
Kruja	772	121	1016	76	0,03
Kukes	389	61	933	70	0,08
Lezha	500	78	1408	105	0,10
Librazhdi	350	55	1027	77	0,10
Lushnja	672	106	1248	93	0,06
Mati	389	61	676	50	0,05
Mirdita	931	146	1244	93	0,03
Pogradeci	457	72	1048	78	0,08
Puka	459	72	1046	78	0,08
Shkoder	629	99	1124	84	0,05
Skrapari	324	51	1214	91	0,13
Tepelena	465	73	1427	106	0,11
Tirana	818	128	1857	139	0,08
Trpoja	400	63	841	63	0,07
Vlora	602	95	1503	112	0,09
Gjirokastra	697	109	1993	149	0,10
Kolonja	520	82	873	65	0,05
Korca	688	108	1109	83	0,04
Permti	493	77	1396	104	0,10
Saranda	628	99	1487	111	0,08
Border region	*650*	*102*	*1339*	*100*	*0,07*

Sources: National Statistic Agencies, Eurostat (Regio database, internet)

	1990		2001		
	GDP_cap	GDPcap100	GDP_cap	GDPcap100	GDP change (annual)
BULGARIA	*1.192*	*100*	*1.844*	*100*	0,08
Burgas	1.607	135	1.787	97	0,02
Dobrich	1.262	106	1.429	78	0,02
Gabrovo	1.267	106	1.831	99	0,06
Kyustendil	1.070	90	1.653	90	0,08
Lovech	1.224	103	1.608	87	0,05
Montana	988	83	1.295	70	0,05
Pazardzhik	1.047	88	1.139	62	0,01
Pernik	1.185	99	1.429	78	0,03
Pleven	1.267	106	1.519	82	0,03
Plovdiv	1.169	98	1.541	84	0,05
Razgrad	1.126	94	1.496	81	0,05
Ruse	1.137	95	1.608	87	0,06
Shumen	1.243	104	1.362	74	0,02
Silistra	1.085	91	1.452	79	0,05
Sliven	1.287	108	1.295	70	0,00
Sofia	905	76	1.563	85	0,10
Sofia Stolitsa	1.306	110	3.440	186	0,18
Stara Zagora	1.234	104	2.122	115	0,09
Targovishte	1.130	95	1.295	70	0,02
Varna	1.199	101	1.988	108	0,09
Veliko Tarnovo	1.166	98	1.519	82	0,05
Vidin	1.064	89	1.385	75	0,04
Vratsa	1.119	94	2.144	116	0,11
Yambol	1.337	112	1.318	71	0,00
Blagoevgrad	994	83	1.340	73	0,05
Haskovo	1.016	85	1.385	75	0,05
Karzhali	1.080	91	1.228	67	0,02
Smolyan	1.167	98	1.541	84	0,05
Border region	*1.060*	*89*	*1.254*	*68*	*0,03*

Sources: National Statistic Agencies, Eurostat (Regio database, internet)

	1990		2001		
	GDP_cap	GDPcap100	GDP_cap	GDPcap100	GDP change (annual)
FYROM	*1.205*	*100*	*1.710**	*100*	0,03
east	1.352	112	*1.274**	75	-0.01
southwest	828	69	1.046*	61	0,02
polog	543	45	768*	45	0,03
northeast	1.296	108	884*	52	0,10
skopje	1.854	154	2.987*	175	-0.03
pelagonia	1.237	103	1.724*	101	0,03
southeast	1.232	102	1.510*	88	0,02
vardar	1.299	108	1.396*	82	0,01
Border region	*1.256*	*104*	1.543*	*90*	*0,02*

Sources: National Statistic Agencies, Eurostat (Regio database, internet)

	1990		2001		
	GDP_cap	GDPcap100	GDP_cap	GDPcap100	GDP change (annual)
GREECE	*7.903*	*100*	12.894	*100*	0,04
Achaia	7.663	97	10.784	84	0,03
Aitoloakarnania	7.070	89	9.348	73	0,02
Argolida	8.394	106	10.635	82	0,02
Arkadia	7.601	96	13.759	107	0,05
Arta	5.328	67	8.125	63	0,04
Attiki	9.120	115	13.674	106	0,03
Chalkidiki	8.771	111	13.949	108	0,04
Chania	8.231	104	12.272	95	0,03
Chios	5.295	67	11.392	88	0,07
Dodekanisos	10.265	130	15.771	122	0,04
Evrytania	6.767	86	16.370	127	0,08
Evvoia	9.215	117	13.385	104	0,03
Fokida	8.409	106	14.888	115	0,05
Fthiotida	8.558	108	13.829	107	0,04
Grevena	6.116	77	12.109	94	0,06
Ileia	6.415	81	8.148	63	0,02
Imathia	9.083	115	10.784	84	0,01
Irakleio	9.143	116	11.885	92	0,02
Karditsa	8.000	101	9.915	77	0,02
Kavala	10.048	127	11.274	87	0,01
Kefallinia	6.892	87	11.523	89	0,04
Kerkyra	8.349	106	11.148	86	0,02
Korinthia	11.764	149	19.790	153	0,04
Kozani	11.633	147	14.534	113	0,02
Kyklades	8.854	112	14.007	109	0,04
Lakonia	6.121	77	10.162	79	0,04
Larisa	7.774	98	11.259	87	0,03
Lasithi	11.159	141	14.836	115	0,02
Lefkada	6.012	76	13.296	103	0,07
Lesvos	6.242	79	15.015	116	0,08
Magnisia	9.401	119	11.157	87	0,01
Messinia	6.796	86	9.172	71	0,03
Pieria	7.243	92	9.135	71	0,02
Preveza	6.421	81	10.572	82	0,04
Rethymni	8.333	105	12.877	100	0,04
Samos	6.915	87	10.806	84	0,04
Thessaloniki	8.828	112	15.142	117	0,05
Trikala	6.267	79	9.851	76	0,04
Voiotia	14.851	188	32.893	255	0,07
Zakynthos	7.976	101	10.007	78	0,02
Drama	8.217	104	8.225	64	0,00
Evros	7.515	95	11.194	87	0,03
Florina	7.241	92	12.346	96	0,05
Ioannina	5.921	75	11.272	87	0,06
Kastoria	5.881	74	11.941	93	0,06
Kilkis	8.434	107	11.612	90	0,03
Pella	8.087	102	9.566	74	0,01
Rodopi	5.447	69	8.461	66	0,04
Serres	6.732	85	8.894	69	0,02
Thesprotia	5.640	71	9.899	77	0,05
Xanthi	6.630	84	8.949	69	0,03
Border region	*6.943*	*88*	*10.013*	*78*	*0,03*

* All figures are in PPS.

Sources: National Statistic Agencies, Eurostat (Regio database, internet)