

1232 TRANSFORMATION OF ECONOMIC POSITION OF CAPITAL CITIES IN CENTRAL AND EASTERN EUROPE

ABSTRACT

The main driving force of economic growth continues to be the service sector which is concentrated in the capital cities in Central and Eastern Europe (CEE) and South Eastern Europe (SEE). The unambiguous winners of the post-socialist transition process are capital regions, exploiting their role as metropolitan growth areas. Flows will orient even more towards national capitals, and advanced producer services concentration in capital cities can be expected to encourage not only the backwash of local resources from the periphery (capital and human resources alike) but further de-industrialisation and accelerated tertiarization; the clear winners are the capital-city regions resulting in a dramatic increase in regional disparities. Convergence processes have been most beneficial for capital cities. Nowadays, many studies focusing on the ranking of cities, as well as the classification of the world's leading cities (world cities, global cities) on the basis of ABS concentration. Central and Eastern European big cities are given just a minor role in these researches. The paper focuses on the growth and spatial expansion of the advanced producer service sector (APS) in Central and Eastern European and South Eastern European capital cities based on the methodology elaborated by Taylor and the GAWC (2001) for the examination of global cities, global hierarchies. This process highlights the heavily metropolitan character of knowledge-intensive high-technology services concentration, as well as the command and control functions. The first part of the paper will determine the ranking of large cities in the Central European region primarily with respect to their foreign direct investment, the revenue of the TOP companies and the APS concentration in relation to the quality-driven services investments. Accordingly the paper classifies these capital cities according to the GAWC methodology demonstrating changing global hierarchy of CEE/SEE capitals. The study argues that the development of the APS in CEE is characterized by external dependency, which appears in the form of hierarchical command and control functions over CEE APS and financial services subsidiaries within global MNCs network. The second part of the paper examines the concentration of quality-driven services investments. Three selected service industries differ in terms of their vertical or horizontal nature: in business services FDI is predominantly vertical, in financial services predominantly horizontal, while in ICT-related services both types can be found. It was found that the export oriented vertical services due to their less embedded nature do not contribute to the same extent to the metropolitanization process than services firms founded by horizontal investments.

List of authors

#	E-Mail	First Name	Last Name	Institution
1	szracz@rkk.hu	Szilard	Racz	HAS Centre for Economic and Regional Studies
2	galz@rkk.hu	Zoltan	Gal	HAS Centre for Economic and Regional Studies