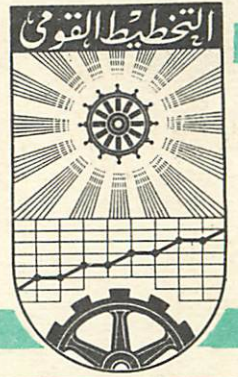


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REGIONALIZATION AS A TOOL OF
ECONOMIC POLICY

PART ONE

BY

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S. Voigtsberger

Preface

The topic of the study permits various approaches. The one, actually chosen in this paper, is to analyse the social and economic factors and forces, which influence the spatial organization of the society and its economy and which therefore have to be taken into account in economic regionalization.

That is the reason why so much emphasis is put on the theoretical analysis of the territorial - economic structure and its development tendencies. In fact Part One of the study is mainly concerned with these problems.

Part Two, which will be issued later this year, is founded on this basis and deals with problems, raised in the process of planning and management, in particular with the relationship between the timehorizon of planning and regionalization and with the interdependency between the administrative territorial structure and regionalization.

Having accomplished this, some conclusions will be drawn with regard to the application of the theoretical results in practical planning.

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Chapter One

Introduction: Main Aims and Tasks of Territorial Planning.

Regionalization - i.e. division of the national territory into several subspaces according to certain criteria - is a widely discussed matter in the literature and a great variety of approaches are applied, especially with regard to the criteria and their combination. This of course, has to be expected in the case of such a complex problem as regionalization is. Also it has to be expected because there is no "region as such", but the meaning of this concept depends, to a large extent on the purpose regionalization is used for as an instrument. Consequently, concepts and criteria of regionalization cannot be evaluated properly in general terms, because, applicability and practicability of certain concepts and criteria are always depending from the prevailing stage of social development and from the particular aim of the regionalization. Even when we reduce the width of the scale, since we are only concerned with those types of regionalization connected in some way or another with economic aims, we have to consider a whole set of different economic factors, and we should always bear in mind that underlying the economic factors are general socio-political aims determining or at least influencing the decisions. Therefore, when choosing concepts and criteria of regionalization, this overall relationship between policy and economy has to be observed. Beside this, other factors, as for instance natural conditions have to be considered.

This proves, that regionalization can't be treated as an isolated problem but only as part and parcel of territorial analysis and planning as a whole i.e. as part and parcel of the country's economic and social policy. It is therefore deemed useful to make some introductory remarks concerning the main objectives and tasks of territorial planning.

The first thing to be said is, that we consider planning as a function of a socialist society, because, under capitalism the private ownership

of the means of production on which basis deep going class-contradictions, exploitation and struggle for maximum profits develop, prevents a truly planned economic and social development.¹⁾

Proceeding from this, it is quite obvious that the objectives of territorial planning, we are concerned with, are aims of a socialist character, subject to the general aims of the socialist society, to the interests of the entire working people. The goal of socialist economy is to satisfy the ever developing material and cultural needs of the people to the highest possible extent by means of a constant improvement of the socialist production. This is the basic economic law of socialism, providing the guideline for all economic activities. The objective of territorial planning in general, which can be derived from the basic economic law, is: creation, maintenance and constant improvement of a rational organized human environment, in a quality which is in accordance with the dignity of all human beings and promotes their full wellbeing and free all-round development in all parts of the country. That means:

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- 1) Although there is much talk about, "indicative" or collaborative" national planning in the western countries, practice proves in general as well as in our special field the failure of the capitalist system to achieve planned proportional economic development. This has to be admitted even by western non-Marxist economists as soon as they try to analyze the development seriously. Examples of this kind are Chenery's analysis of the development policy for southern Italy and its results (Chenery, Development policies for Southern Italy, Quarterly Journal of Economics, Volume 76(1962)pp. 514-547) or Kapp's investigation of social costs (K.W. Kapp, Social Costs of Business Enterprise, Asia Publishing House, Bombay 1963) and what regional plans under capitalist conditions are really worth, states Kapp with the following words: "Thus urgent demands for several types of capital-intensive investment appear and must be given highest priority whether or not they correspond to the government's sense of distributive justice and to its pattern of regional political preference. The public investment in overhead capital in turn makes possible further growth of industry and trade in the favoured areas and this growth requires further large allocations of public investment to them. Determined as it is by the volume of private investment and the general rise in income in the developing areas, public investment plays here an induced role..."(A.O. Hirschman, The Strategy of Economic Development New Haven 1958).

a) to diminish and in the long run to overcome unjustified differences, in the working and living conditions of the people, between backward and advanced regions, and especially between rural and urban areas. This regards housing and service facilities, (social and technical infrastructure) as well as working conditions, and a sound distribution of working places. This includes, of course, as a fundamental requirement (at least for long-range planning) that all able bodied people can find jobs, thus guaranteeing their participation in creative work within the region they are living in.¹⁾ Success or failure of territorial planning is to a high degree reflected by the degree to which this goal is achieved.

The high ranking given to this special objective marks the class-bounded differences between the socialist and the capitalist approach to regional development. The capitalist point of view is probably stated in its plainest form by B. Chinitz, when he writes:

"The persistence of high unemployment in development areas should not be taken as evidence that regional policies are not effective. The acid test is relative growth in per capita output, which may or may not be accompanied by a reduction in unemployment."²⁾

b) Choice of allocation policy for the productive forces which allows:
- to exploit the advantages of inter-and intraregional labour

1) Although this can be regarded as a general rule this doesn't mean anything against a well-planned migration policy to open up new regions which are too sparsely populated in order to use the resources located there properly as for instance in the eastern part of the Soviet Union.

2) B. Chinitz. Appropriate Goals for Regional Economic Policy, Urban Studies, III No. I, Feb. 1966 p. 7.

division and of economies of scale,

- to use most economically the different conditions (natural resources, soil conditions, climate, quality of population, historically grown economic structure, ample capacity in infrastructure etc.) prevailing in the different regions.
 - to arrange production sites in a way that they form local complexes with housing and service facilities in order to ensure short commuting distances (times); if this is not convenient for technical or other reasons, cheap and efficient passenger transport has to be provided.
- c) Protection of environment against negative effects of human activities (air and water pollution, soil erosion etc). This includes the improvement of ^{the} conditions, where such effects are already existing, and the development of the natural surroundings into a state more suitable for human life than in its original shape.
- d) Choice of a territorial structure which keeps the country well prepared against any aggression from outside.

To achieve these aims, the most important activity of territorial planning is the spatial distribution of the productive forces, because, by means of this planned spatial distribution of productive forces the territorial structure¹⁾ of society can be shaped according to the above mentioned aims.

1) Territorial structure is understood in this context as the spatial organization of society i.e. it comprises the location of the different elements of society and its economy, as well as the interrelationships, and the proportions between them.

The two components of the productive forces namely the labour force and the means of production-are reflected in the main complexes, of planning their spatial distribution.

Since population is the source of the labour force and is organized in communities (cities, towns; villages)- planning the spatial distribution of the human factor involves planning the distribution of population and the settlement system.

The territorial distribution of the means of production constitutes the second part of this planning process. But, in this context not all groups of the means of production are of equal importance. There are mainly two reasons: The first one is the role which this particular group of the means of production plays in the economic development. Emphasis has to be laid on these groups, or complexes, of the means of production, which are decisive for the progress of the economy as a whole, for the implementation of the scientific technological revolution, and for the place the country takes in the international labour division.

Whereas this reason is of a general nature, the second one is more territorial in character. The different groups of the means of production are not uniform in their spatial mobility, but on the contrary they vary widely in this respect-from immobility to practically unlimited mobility. Those immobile elements and also those elements that are mobile on a very limited scale only, deserve the greatest interest when planning the spatial distribution of productive forces and territorial labour division. The two complexes of the productive forces are, of course, not planned in isolation from each other, since due to the fact that they become efficient only in their interaction, the planning of the distribution of productive forces has to ensure their optimum territorial combination. Consequently, the plan for the location of the productive forces has to provide the targets and the path of development, in the following closely interrelated fields;

- Spatial distribution of the sectors and branches,
- Complex development and specialization of the different regions.
- Development of the settlement network and of the territorial distribution of population.

Our brief discussion of this subject-matter of territorial planning reveals again its complexity. It is a logical consequence to conclude - under an operational point of view - that the planning of the spatial distribution of productive forces can render suitable results only, if it is regarded as an indispensable integrated part of overall economic planning.⁽¹⁾ Therefore it can be regarded not only as an activity of special institutions, but of the planning and management system as a whole, on all its levels including the various forms of mass participation.

This principle is recognized in all European socialist countries and consequently planning is organized in accordance with it.

In the GDR for instance, according to the law regulating the rights and duties of the Council of Ministers,⁽²⁾ the fundamental problems of productive force's location are belonging to the main tasks of the government. On its behalf, the State Planning Commission, in particular

(1) If economic growth is pursued in the context of a planned economy, the role of regions is fairly clear, you can't very well decide what you are going to do without also deciding where you are going to do it. And in deciding where to do things you will making estimates of the impact of growth of alternative locations. What's more, even the what will be effected by the where. You can't decide how much your are going to spend for transport without reference to the regional distribution of population and production which you also control. It's not surprising therefore that in the Eastern European countries regional economics and regional planning enjoy much greater relative prestige than they do in the West".

(B. Chinitz. Appropriate Goals for Regional Economic Policy. Urban Studies, III No. 1, Feb. 1966 pp 1-7. Reprinted in : McKee, Dean, Leahy, Regional Economics, The Free Press, New York, Collier-Macmillan Limited, London 1970 pp. 221-228. Cited from the reprint p. 221)

(2) Law about the Council of Ministers- Gesetzblatt der DDR Teil I Nr. 16 S.253. (in German)

the Department of Territorial Planning, is acting as the centre, guiding, and co-ordinating the respective activities on central, branch, and regional levels. It organizes the cooperation among the different departments of the State Planning Commission itself, the ministries, the unions of people's owned enterprises (comparable with the general organizations in the ARE) and combines (comparable with such economic complexes as the Iron and Steel Complex at Helwan) and of course the district councils with regard to the problems of planning the territorial distribution of productive forces.

Since 1971 a specialized sector in the Department of Territorial Planning is set-up for the coordination of scientific activities in this field, in order to ensure that science is directed towards the solution of the most important practical problems, that a close cooperation between scientific institutions (universities, research institutes, academies etc.) and the planning and managing bodies is established, and that the results of scientific work are immediately transferred to practice.

This approach, to consider the location of productive forces as an issue which has to be organized under the direct control of the central government, as collective work of the whole planning and management system and the respective scientific institutions, is taken in all socialist countries despite the fact that each country has to find an organization which fits best to the particular conditions.

For instance in the Soviet Union the "General Scheme of the productive forces location for the period 1970 to 1980 was worked out from the Council for the Study of Productive Forces, a scientific institution directly attached to Gosplan (the State Planning Committee of the USSR) Under the combined supervision of the department of Territorial Planning of Gosplan - from the practical point of view and of the Academy of Sciences of the USSR - from the scientific point of view.

The elaboration of this General Scheme in the Soviet Union provides also an example for the scale of such a task. Its completion took five years and 20,000 scientists and experts from more than 500 scientific and planning institutions were involved. The difficulty of the task is proved by the fact that despite a long experience in planning on all levels, and despite the attention territorial planning got right from the time after the revolution, still this General Scheme is the first comprehensive long-term plan for the distribution of productive forces which ^{the} Soviet Union, has ever got. This general scheme indicates the new quality of planning in the European socialist countries which was achieved by the beginning of the seventies. This new quality is characterized:-

- 1) by the emphasis put on the development of living standard, which is regarded as the main issue during the current and the coming planning periods,
- 2) by the introduction of comprehensive long term planning (including territorial planning),
- 3) by the growing importance of the international economic integration among the CMEA - countries and its reflection in planning, and
- 4) by the development of modern planning techniques and their introduction into the planning practice.

Chapter Two

Regionalization as a Tool of Economic Policy-The Interrelationship between Planning and Regionalization.

Within this framework of territorial planning, regionalization has to take its place as a tool to prepare and implement the economic policy of the country as part and parcel of this policy. Consequently, if the concept of the region is considered as a political concept, it is this policy which matters when concepts and criteria of regionalization are discussed.¹⁾

Hence the aims and tasks of territorial planning stated above provide the basis for all our further considerations. But these aims and tasks are formulated in a very general manner because they reflect those features of territorial planning which are valid for any society, as soon as it has reached the transformation period to socialism, i.e. with them, we have got the outline of a long-term strategy, not less, but also not more. Such a general strategy, whatever high importance it may have, is of course only an orientation to shape the targets for a certain period and in a certain country.

1) M.B. Teitz (Regional Theory and Regional Models - Papers and Proceedings of the Regional Science Association, IX 1962 pp. 35-50, reprinted in, Mc Kee, Dean, Leahy, Regional Economics, The Free Press New York Collier-Macmillan Limited, London pp. 9-26), stresses this point of view in a more generalized manner. He writes (p. 10 in the reprint): "But rigorous definition of the region proves to be very difficult. It is necessary to begin by assuming the abstract idea of a space....Once this is done, the problem resolves itself into that of constructing a theoretical framework in which the defining of a variable over a space may lead to a division into subspaces that are useful and meaningful in terms of theory concerning the nature of that space and variable. This latter requirement is a further condition for the employment of the regional concept, a condition that involves the theory of the phenomena with which we are concerned rather than the goodness of the definition of the regional concept that we use to analyze that phenomena".