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REGIONAL DEVELOPMENT IN THE REPUBLIC OF CROATIA AND HUNGARY: CURRENT SITUATION AND FUTURE PERSPECTIVES

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STRUCTURE & PURPOSE OF THE PAPER

Structure of the paper:

- 1.Regional development and policies in Croatia and Hungary
- 2.Discussing the regional policy data
- 3.Conclusion of the paper - followed by improvement of the current policy approach.

The purpose of the paper: to analyze regional development and policies in the Republic of Croatia and Hungary in the context of the EU effort to promote economic and social cohesion with the ultimate goal of reducing regional disparities across 271 various regions.

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INTRODUCTION

Regional disparities/inequalities are recognized as a kind of threat on the levels of national economies (imply a situation where per capita income, a country's standard of living, consumption, industrial, agricultural and infrastructure development are not uniform). Because of the negative impacts they have, they attract a lot of attention (Krimi, Yusop & Hook, 2010).

Regional economic development as a product...

attention is focused on measured jobs, wealth, investment, standard of living and working conditions of people living/working/investing in a specified region, and the improvement of these indicators is typically associated with economic development...**or as a process...**

it refers to a situation when economic development is observed by economists or people involved in functional planning of individual regions in the industrial sense, analysis of labor markets and market development (Stimson, Stough & Roberts, 2006).

REGIONAL DISPARITIES IN THE REPUBLIC OF CROATIA AND HUNGARY 1

Traditional measurement tools (e.g. GDP) proved as inefficient for measuring the real position of a region, so alternative regional development indicators are developed (e.g. ARC, i.g. Aggregated Regional Competitiveness) but again really important factors such as the level of bio- and social diversity are missing.

A Hungarian and a Croatian regions will be analyzed briefly in the sequel...

Hungarian regions...

Hungary is a peripheral country, and the South Transdanubian Region is the periphery of the periphery. **The gap between central and other regions is increasing with respect to practically all important indicators** : income inequalities - low Gini coefficient, weakly industrialized country, low foreign investment (Horvath, 2012)

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The per capita industrial production of Baranya county in 2011 is the weakest one (736,000 HUF), and the reduction of the number of small and medium-sized companies is the highest one.

The unemployment rate is nearly the highest one (14.7%) and is on increase. The reproductive rate is - 5.4, and migration of the young generation is continuous.

(Hungarian Central Statistical Office, 2012)

Baranya and the South Transdanubian Region were provided by the most per capita support between 2004 and 2006 (Besze-Horváth, 2010) but it did not result in an appropriate development level and economic-social structure of the peripheral regions.

Croatian regions...

Croatia is considered an acceding country and this period is characterized by a number of changes to the plan and the implementation of the existing economic policy aiming at providing the best possible coordination with chapters and policies that operate within the EU's economic policies.

Regional policy → changes in the statistical regionalization of Croatia at NUTS 2 level - classification that is most commonly used when comparing performance across regions as well as the manner of implementing the policy of structural funds.

In achieving long-term consistent regional development policy there are three criteria: ***a Eurostat population criterion, the maximum financial impact of access to structural funds in the long term and the criterion of homogeneity of individual regions***, which will allow the successful management of long-term consistent regional development policy (Lovrinčević, Marić, Rajh, 2005)

2009-2011 a significant changes and harmonization were carried out in the plan and the implementation of the EU regional policy.

REGIONAL DISPARITIES IN THE REPUBLIC OF CROATIA AND HUNGARY

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Table 1. Gross domestic product (GDP) at current market prices by NUTS 2 regions

| Country/region | 2010 | 2009 | 2008 |
|----------------------------------|--------------|--------------|--------------|
| EU-27 | 24,500 | 23,500 | 25,000 |
| HU-Hungary | 8,400 | 7,600 | 9,500 |
| HU1-Közép-Magyarország | 9,700 | 8,500 | 10,200 |
| HU10- Közép-Magyarország | 6,600 | 6,300 | 7,200 |
| HU2-Dunántúl | 6,100 | 5,900 | 6,800 |
| HU21- Közép- Dunántúl | 5,900 | 5,600 | 6,600 |
| HU22-Nyugat- Dunántúl | 6,100 | 5,900 | 6,600 |
| HU23-Dél-Dunántúl | 6,300 | 6,100 | 7,100 |
| HU3 Alföld és Észak | 35,000 | 36,100 | 40,300 |
| HU31 Észak-Magyarország | 35,000 | 36,100 | 40,300 |
| HU32 Észak-Alföld | 23,000 | 24,600 | 27,900 |
| HU33 Dél-Alföld | 39,400 | 40,300 | 44,800 |
| HR- Croatia | 9,700 | 9,100 | 10,500 |
| HR0 Croatia | 15,900 | 15,300 | 17,300 |
| HR-03 Adriatic Croatia | 15,900 | 15,300 | 17,300 |
| HR-04 Continental Croatia | 8,300 | 7,500 | 9,000 |

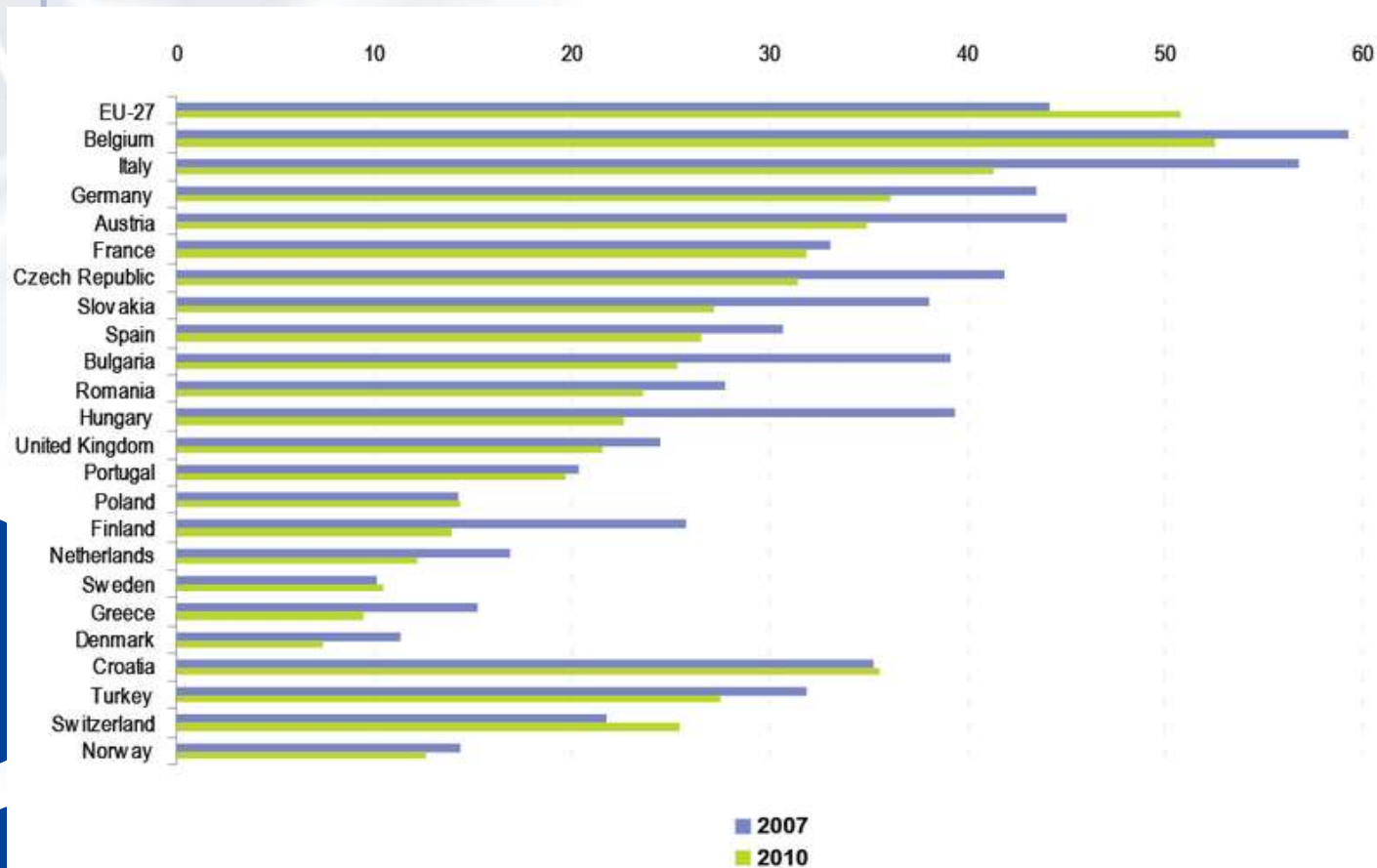
Source of data: Eurostat, Regional GDP per inhabitant,

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/GDP_and_household_accounts_at_regional_level, (2 May 2013)

Table 2 Employment rates by NUTS 2 regions (%) in Hungary and Croatia

| Country/region | 2008 | 2009 | 2010 | 2011 |
|----------------------------------|-------------|-------------|-------------|-------------|
| EU-27 | 37.5 | 35.1 | 34.0 | 33.5 |
| HU-Hungary | 19.7 | 18.1 | 18.1 | 16.4 |
| HU1-Közép-Magyarország | 18.0 | 16.0 | 16.6 | 16.4 |
| HU10- Közép-Magyarország | 16.9 | 15.7 | 16.0 | 15.3 |
| HU2-Dunántúl | 18.2 | 16.2 | 16.8 | 17.0 |
| HU21- Közép-Dunántúl | 18.7 | 15.9 | 17.0 | 16.9 |
| HU22-Nyugat-Dunántúl | 45.8 | 44.1 | 44.8 | 44.7 |
| HU23-Dél-Dunántúl | 45.8 | 44.1 | 44.8 | 44.7 |
| HU3 Alföld és Észak | 45.8 | 44.1 | 44.8 | 44.7 |
| HU31 Észak-Magyarország | 69.3 | 68.0 | 63.0 | 63.5 |
| HU32 Észak-Alföld | 66.9 | 65.9 | 62.0 | 60.6 |
| HU33 Dél-Alföld | 65.0 | 62.2 | 58.7 | 58.6 |
| HR-Croatia | 34.5 | 34.6 | 35.5 | 37.1 |
| HR0 Croatia | 33.9 | 33.8 | 37.0 | 39.6 |
| HR-03 Adriatic Croatia | 35.1 | 35.4 | 33.9 | 34.3 |
| HR-04 Continental Croatia | 32.8 | 31.7 | 33.6 | 37.1 |

Figure 1: Dispersion of regional unemployment rates, persons aged 15-74 years, by NUTS 2 regions, 2007 and 2010



(*) Estonia, Ireland, Cyprus, Latvia, Lithuania, Luxembourg, Malta and Slovenia comprise only one or two NUTS 2 regions, therefore dispersion rates are not applicable; Denmark, 2009 instead of 2010.

Source of data: Eurostat,

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Labour_markets_at_regional_level,
 (2 May 2013)



FUTURE PERSPECTIVES

The European Union and Sustainable Development

- 1.The European Spatial Development Perspective (ESDP, 1999) contains the three pillars of sustainable development: society, environment and economy.
- 2.Combating climate change, responsible natural resource management is a coherent means for the renewed strategy.



FUTURE PERSPECTIVES

Improvement of the current policy approach

- 1.Regional development and the corresponding regional policy should regard the notion of sustainability.
- 2.Sustainable development principles as targets can best be achieved by the Blue Economy principles as a proper sustainable development method, which promotes the fulfillment of EU targets.
- 3.This type of development is
 - based on regional resources,
 - includes the network of cities and their surroundings,
 - increases the wellbeing of inhabitants of the region and
 - enhances the biocapacity of the region.



FUTURE PERSPECTIVES

Sustainable development on a nontraditional way

- 1.The mainstream of sustainable development only wants to withdraw the resources from Nature (as a means) in an eternally maintainable way. Instead, harmony and co-existence with Nature should be implemented.
- 2.There is a main element that should be targeted by regional policies: zero waste business processes.
- 3.Following the traditional path endangers peripheries, they might lose their significant competitive advantage, which is – in the case of the Blue Economy – the natural environment.



FUTURE PERSPECTIVES

The Blue Economy principles

1. A Blue Economy has been gradually built up from the basics, from the local natural environment, with help of local communities and blue innovations.
2. These innovations and new business models are competitive (profitable), therefore viable in their traditional sense as well.
3. A traditional Blue Economy example is Las Gaviotas in Colombia.
4. About the Blue Economy see:
<http://www.youtube.com/watch?v=1af08PSlals> (3:26)



CONCLUSION

Both Croatia and Hungary should change their regional policies in order to achieve real sustainability.

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