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**40<sup>th</sup> Congress of the European Regional Science Association**  
**Barcelona, 30<sup>th</sup> August – 2<sup>nd</sup> September 2000**

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**SOME ASPECTS OF STRATEGY OF THE ECONOMIC DEVELOPMENT  
OF EURO-REGION «DANUBE-DRAVA-SAVA»**

**Abstract**

The Euro-regional cooperation «Danube-Drava-Sava», established in the year of 1998, includes three regions as a part of Stability Pact in South-eastern Europe, that is: the region of Baranja in Hungary, Osijek-Baranja Canton in Croatia and Tuzla Canton in Bosnia and Herzegovina. Today «DSS» Euro-region, as other regions in transition on European territory, is passing through the phase of complex social and economical transition with the characteristic problems, especially in the transformation process of an economical structure. The particular problem also is to define a long-term priorities of development of this region, that is, to answer to the question with what economy, that is, with which products and services enter to European economic flows, and how with well known postulate of sustainable development, accomplish the competition in global economy.

The new ways of development in the world in the context of globalization and localization obligates the representatives of economic policy of this region that as soon as possible define the long-term goals of development, that is the way to achieve these goals, having in mind the new events and new problems. The result of this need to be detailed choices of a business orientation. Beside that, realistically set down goals of development could be used as a base for negotiation to finance the projects of development of the private sector and to support the entrepreneurship through the PHARE program of EU.

The aim of this paper is first to research actual and future complementary of basic segments of the economical structure and most important potential of development, and then to define possible economic identity of «DSS» region in the first decades of 21<sup>st</sup> century. The strategic priorities of development of this region are certainly, and mainly seen in European context, that is through the strategy of its integration in European Union.

**Key words: strategy of development, Euro-region, transition.**

**Introduction**

The modern approach to economic development must take into consideration, above all, stronger and stronger influence of integrative law as one of the most important laws of our time. Except that, for expansive development certain criteria and mechanisms of coordination and direction of path of development are necessary in certain economic

frame. Also, for achieving all this, the certain activities of politic, economic and social structures in one or more country areas which will use the tradition and historical experiences, have enough ambitions for changing of characteristics and content of previous development processes. The activities have already started in Danube-Drava-Sava Euro-region (Figure 1.) and it is expected that they will, supported by politics of adaptation, contribute to change of value system in the international area of more than 11000 km<sup>2</sup>. The aim of this work is to recognize only one strategical development aspect of this subject matter without any quantification and wider economic analysis.

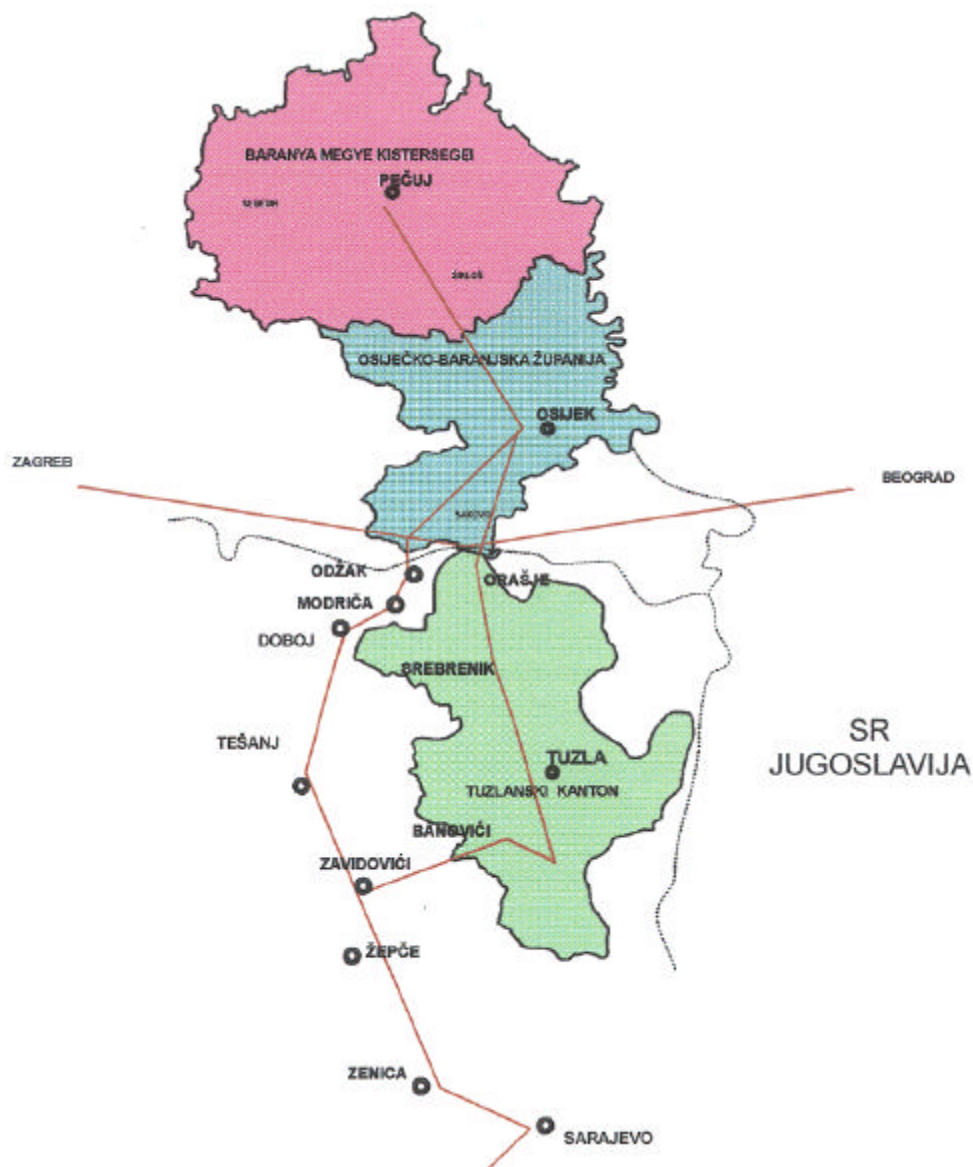


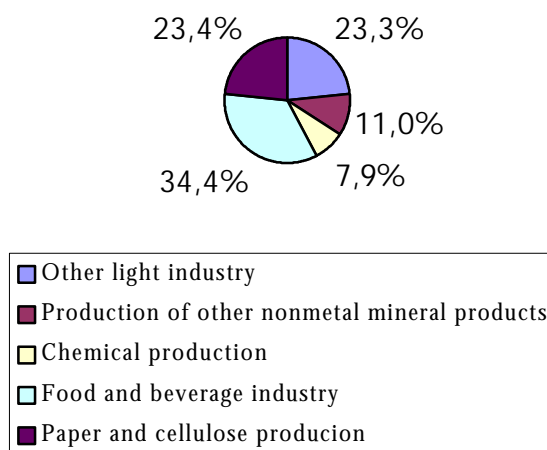
Figure 1. "Danube-Drava-Sava" Euro-region

## **1. The basic characteristics of today's economic structure of members of «Danube-Drava-Sava» Euro-region**

So far, economic development flows within some parts of newly organized «D-D-S» Euro-region as a result of different natural characteristics as well as social influences, also made very heterogeneous economic structure in this area that was not changed for some time. Baranja is one of 19 Hungarian regions with a surface of cca 4.500 km<sup>2</sup> (4,8% of territory of Hungary) and population of 0,4 million people (4% of population of Hungary). In this economic, transport, cultural and religion center of South Transdanube, agrarian production and its complementary industries (meat and cereals packing, beer and wine production, tobacco industry) had priority in economic structure of the region for a long time. Leather industry, production of porcelain and less extracted basic capacities were just supplementing such regional structure. Starting from 90-ties until today, economy of the region was partly reconstructed and integrated as a complementary part of world's well-known producers (British-American Tobacco, Nokia etc). Foreign direct investments, which were favored with a new institutional frame in Hungary (tax system, protection of owner's rights, etc) as well as with a support of regional and local authorities (reduction of local industrial taxes, administrative procedures were reduced, etc), had a decisive influence on establishing of new industrial structure in Baranja and on creating of modern technology based on tradition. Beside this, high-grade changes in economic life of Baranja were caused by industrial park with an innovative center under construction from Pechuh (prelevant activities are electronics and plastic). The end of construction of a contractor zone in Mohach (priority profile is processing of agricultural products, construction industry and production of building materials) and many other projects will influence on creating new industrial culture in the future.

Osijek-Baranja Canton, according to statistical data, is 4.149 km<sup>2</sup> big (7,3% of territory of Republic of Croatia) with population of 0,4 million of people (around 8% of population of Republic of Croatia) and primarily it is agrarian (cereals, sugar beet) and then industrial region (chemical, food and beverages industry, paper and cellulose industry, etc) in which traditional industrial sectors are mainly represented (Figure 2.).

*Figure 2. The structure of light industry in Osijek-Baranja Canton in 1998*

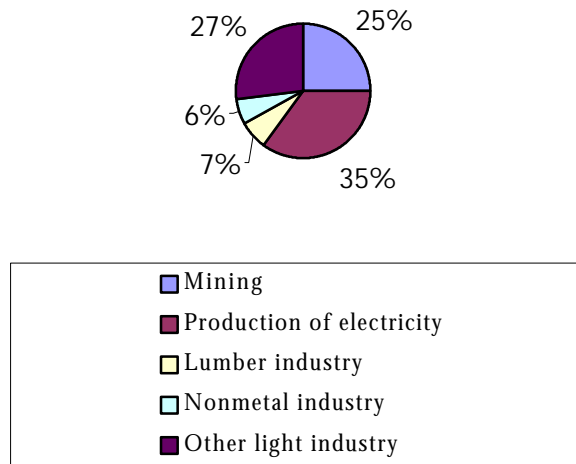


Comparing to Baranja region, it is less developed region in which an income of foreign capital in the last decade was minimal. Due to this reason, the process of transformation of economic structure was slowed down and it could be expected to be intensified in the first decade of 21<sup>st</sup> century.

Tuzla Canton is the smallest region within D-D-S Euro-region (it is 2.650 km<sup>2</sup> big i.e. 5% of territory of Bosnia and Herzegovina and it has approximately 0,6 million of people). The process of reconstruction in this area has not started yet because of the lack of capital and very slow rhythm of reconstruction after the end of war.<sup>1</sup> When we compare the economic structure of this region with the economic structure of other members in Euro-region, we can notice big difference (Figure 3.).

<sup>1</sup> Federal office for statistic, «Statistical data about agrarian and other activities in Cantons of Federation of Bosnia and Herzegovina, Sarajevo, 2000, page 66.

Figure 3. Industrial structure of Tuzla Canton in 1998



## 2. The basic strategical aims of Euro-regional cooperation

Theoretically, that means maximum in using various available economical potentials that are present in each region and their incorporation in Euro-regional economic structure. Here the main goal is to increase Euro-regional (and regional) competitive advantages and, in the same time, it is the main goal of integrative politics within European Community. Firstly, that means, to define optimal Euro-regional cooperation from cost aspects and structural characteristics. That would have as a result the growth of social standard in certain countries members of Euro-region.

Euro-regional optimum has one aim and it is to achieve optimum in the level of certain economic structure (local and regional) according to given standards in the country. The main aim of Euro-region is the advancement of business cooperation between companies on its territory and usage of available possibilities in sphere of common production and entrepreneurship i.e. to justify economic subjects on local and wider regional optimum of community and adequate long-term business organization. That includes:

- coordination of technological, economical, juridical, ecological and other standards in Euro-region with the same standards in the EU;
- internal Euro-regional joint venture contracts especially in the field of infrastructure and capacities of border facilities;
- reanimation of economic contact through certain system of coordination on vertical and horizontal level
- exchange of experiences and common entrance on markets of Third World countries, etc;

Having in mind presented economic structure of members in Euro-region more intensified economic cooperation between them could start, in the first period, connecting similar and complementary production. It is necessary, before all, to strategically connect, for example, basic industry (coal, salt, chemistry, etc) from Tuzla Canton with possible direct consummation or finalization in Osijek-Baranja Canton and Baranja as well as agrarian production of South regions with consumer's centers and complementary capacities in Tuzla Canton (oil, sugar, cereals, etc). Parallel, it would be necessary to strategically set direction of desirable development and methods of their realization and as soon as possible to accomplish coordination in process of realization of common agreed industrial strategy to avoid all forms on unfair competition between members. Assumptions for realization such economic and development strategy are open economy and liberalized market. They have to justify economic subjects from Euro-region on certain development effort, efficiency in operating and competing. Defined aims will not be accomplished by themselves in desirable directions and with desirable intensity if we do not have organized action in Euro-region. Beside that, they have to be immanent to concrete structure in Euro-region and its level of development.

The next decade is period long enough, without taking into consideration certain easily predicable and permanent tendencies in future cooperation in Euro-region, for happening of certain disturbances in programmed speed or rhythm of development as a result of internal or external general conditions of economic activities in surroundings. It is always necessary to have in mind that the final aim of creating D-D-S Euro-region is to join this area in economic and safe integration of Euro-Atlantic countries. Of course, reality is something different and we have to be aware of different levels

between members in approaching Euro-Atlantic integrations. Namely, Bosnia and Herzegovina is on the lowest level of integration with EU because she is not a member of European Council. The Republic of Croatia is far ahead (she is a member of EU Council and Partnership for Peace). Hungary is member of CEFT, NATO and it is expected to join European Union. We have to foreseen possible problems of borders in Southern part of Hungary.

D-D-S Euro-region, in long-term, should be a base for spreading political and economic cooperation in this part of Europe. Its economic impulses should be felt very soon, firstly, in south part of Hungary, east Croatia and north part of Bosnia and Herzegovina. Probably, the cooperation will be set with some other regions in Hungary (Somog and Tolna), Croatian Cantons (Brod-Posavina, Pozega-Slavonia and Vukovar-Srijem) and Bosnia and Herzegovina (Posavina Canton and north part of Republic of Srpska). In that way, the cooperation will get bigger importance and accelerate the integrative flows in these areas in regional associations of Euro-Atlantic countries.

### **3. Vc corridor as an important infrastructural base of «Danube-Drava-Sava» Euro-region**

Inadequate traffic system represented one of problems in social and economic development of integrative connecting of regions within today's D-D-S Euro-region. The traffic infrastructure could not follow economic development or to direct flows and strategy of regional and development flows and to maximize the development potentials in this area. So, transport of goods between centers of production and consumption, moving in function of possible production changing costs of elements, growth of factors of mobility and transfer of capital good and labor as well as growth of general social cohesion and propulsion in direction of further development, could not be valorized in this area properly. That was one of the reasons for low efficiency of manufacturing. Only after defining new transeuropean traffic system in Helsinki in 1997 in which Vc is corridor that connects Gdanjsk, Budapest, Sarajevo and Plo e harbour i.e. Northern Sea and Adriatic and goes through (or in very near) D-D-S region, real prerequisite for this interregional cooperation were created, especially regarding possibility of connecting production and consumption as well as natural and demographic resources. This project



fit into global aims of Stability Pact in South-eastern Europe and it is expected that EU will find financial means in its funds very soon for its realization. Time of finishing this corridor will depend on income of capital from EU. So far, the project is in performing phase in Hungary, while in the south part of corridor only border points and the most important road connection were defined.

Construction of Vc corridor in Euro-region as well as attracting of traffic flows on continental ways east/west and north/south should not be expensive (plain and valleys of rivers) and the costs of its usage should be lower. It goes through most important parts of Euro-region with significant economic potentials and it is sure that it will make possible easier connection between complementary productions related to natural resources of Euro-region. Except that, this corridor in agricultural of the area will influence on creating other type of households, light industry and its more rational position and on connection of agrarian industry and tourism, especially on social and economic link between different regions in transition and different religions and cultures.

### **Conclusion**

Although not officially registered in regions of Europe, D-D-S Euro-region will represent one of more important examples of connecting European regions. It has good assumptions to become rationally-based Euro-region in which different local, regional and Euro-regional activities could be fulfilled. That will accelerate the process of integration of these regions in economic and safe associations of Euro-Atlantic countries. One more thing is very important in this area. That means, Euro-regional way of thinking as well as specified spirit of Europe and way of living should be formed gradually.