

# **ZEMPLÉN EUROREGION**

## **PROGRAMME PLAN**

### **Made by:**



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## 1. Presentation of need

The cooperation of cross border regions – especially between Middle- and Eastern-European countries - is an organic part of the European endeavour that has been drafted in the framework of the European International Regional Agreement. In case of Eastern-Slovakia and North-Hungary the cooperation has a special political significance besides the bilateral commercial relations and the development of cooperation namely in terms of the geopolitical security and stability of the region.

Cross border cooperation is the only method for the efficient solution of common problems, because the foreign capital keeps away from the region and reserves have to be mobilized in the given situation to ease the existing social tensions. **People living in the region have to solve the problems, revive and utilize the existing production capacity and join the region into the international commercial circulation without respect to the borders and nationality.** This can be realized faster and more efficiently with common, cross border collaboration. Knowledge of present state and opportunities in details is needed. **The establishment of regular exchange of information between the cross border micro regions and the meeting of experts dealing with development with the purpose of exchange of experience** is especially important. Present cross border initiatives show that this cooperation is not only useful and possible, but also necessary for the success of the legal interests of the people living here and those viewpoints that has an important role in the development of the region – especially of the micro regions – in the triple border triangle of Slovakia-Ukraine-Hungary.

**Several special questions have to be dealt with** in the cross border regions when planning, after they are usually away from the economic centre of their own countries, whereas the border is a sharp boundary to the other direction, along which there is **a wide scale of historical, cultural, social and physical differences.**

The followings can be taken as the general heritage of the border regions:

- people living in the states are usually isolated and left out from many decisions;
- their commercial centres are shut from the hinterland;
- they are situated at the end of infrastructure network;
- they are usually lack in natural resources, especially in the internal border regions;
- the different communicational, cultural and social state at the borders hinders the commercial relations.

Not only **the physical demolition of borders** affects the border regions, but at the same time the **continuous liberalization of trade**, the gradual free of the **flow of services**, the free and somewhere restricted **flow of productive factors**.

The rules of trade and flow of goods cannot be influenced in regional and micro regional level, because these rules are determined in the framework of interstate contracts. The joining contract with the European Union aimed the continuous liberalization of trade that includes the demolition of customs, the repeal of quotas, contingents. If the free flow of the goods is assured, the competitive and comparative advantage of the goods appeared in another country is the motive power of export trade. The total demolition customs, the establishment of the economic union creates new challenges and opportunities by the “moderation of distances” for the small- and medium-sized entrepreneurs along the border that **can lead to the stimulation of exchange of goods**.

**Strong trade characterizes the border traffic from both sides** that has advantages when shopping is connected with the employment of other services, with excursions, visiting relatives or other cultural-free time programmes. This question is also regulated by interstate agreements.

The financial, transporting, carrying habits affect the cross border regions. **Competitive advantage can be seen on the Hungarian side in the respect of services.** The significance of shopping tourism is that it creates plus demand in the cross border regions that results in the establishment of commercial centres,

markets, shopping centres.

The first examined element of the flow of productive factors is **the mobility of workforce**. The productive potential of a region depends on the **productivity that is influenced by the qualification and structural composition of workers**. The flow of workforce affects a region in two ways:

- on the one hand the flow of workforce within the area that goes with the establishment of local employment centres;
- on the other hand the flow of workforce among the regions.

In the first case we can talk about commuting, in the second case it is migration, because the spatial removal of the residence is connected to that.

**Cross border migration** is restricted by not only the affection for the residence but also the social, cultural difference between the nations, agreements between the nations and the mutual acknowledgement of professions.

The costs of living and the difference of the wages cause several tensions in the given border region.

Laws make the **free flow of capital** possible. The flow of physical capital (factories, equipments, supplies) means the removal of factories, production units from one region to another, whereas we consider production enlarging as the flow of money capital (shares, bonds, money).

**Regions have mode and opportunity to influence and stimulate these flows**, we can point out the most important standpoints influencing foreign investments as an example:

- macroeconomic rules,
- quality of infrastructure,
- general industrial features,
- conditions of coming to market,
- efficiency of licensing administration.

The economic, social development of a region influences the composition of the productive industries. Innovative industries with high research-development potential settle in developed regions, whereas the settlement of industries demanding less capital need and more workforces characterizes the less developed areas. According to that we can carefully draw a parallel between the innovative degree of the given regions and the industries settle there and between the life cycle of the products made by them. **Utilizing all the advantages of the border we have to aim during investment-stimulation actions that the settling industries should serve the technical improvement and the spread of innovations in the region.**

## 2. Development political frames

**On 21<sup>st</sup> May 1980** an agreement was signed on the **ministerial conference of the Council of Europe in Madrid about the decentralization of cross border cooperation**. According to this agreement the local and regional governments of the countries accepting the convention are entitled to build and form international relations, and this has to be handled as the natural extension of the external regional policy of the given communities.

**Business Cooperation Network** (BC-NET) established by the European Commission started its operation in July **1988**. The organization that is based on computerized connection, made up of advisors and has networks in the community provides extensive information service for the development of cross border cooperation relations of small enterprises. ITD Hungary runs the Hungarian connection point of BC-NET.

**European Union** signed the **Treaty of Accession** with **Czechoslovakia, Poland, Hungary** on **16<sup>th</sup> December 1991**, then on **1<sup>st</sup> February 1993** with **Romania**. It concluded a **commercial and cooperation agreement** in **1994** with Ukraine from the region in which it expressed its willingness to start discussions in 1998 about the signing of free commercial agreement.

After signing the EU treaties of accessions the **countries of Group of Visegrád** concluded a partial free commercial agreement with each other in Krakow on **21<sup>st</sup> December 1992** (CEFTA). The gaining of area of free commercial has started between the three concerned countries of Carpathian Euroregion with that

agreement.

The agreement concluded on the **Cooperation of Carpathian Chambers** (its members: the Commercial and Industrial Chambers of Rzeszov, Uzhgorod, Rijeka, Lemberg, Arad, Miskolc, Mihelani and Kosice) in **1993** strengthened this on regional level, then the Hungarian-Slovak Commercial and Payment Agreement also strengthened it.

**Carpathian Bordercross Economic Development Association** (CBED) was established in **1994** within the Carpathian Euroregion, with a centre in Sátoraljaújhely and it operates with the support of PHARE. It was established to promote the foreign trade cooperation along the Slovakian-Ukrainian-Hungarian triple border on the level of enterprises.

**In 1995** the research final communiqué about the development of triple border economic cooperation and about the establishment of enterprise zone was prepared on behalf of the **Zemplén Local Enterprise Development Foundation**.

52 governments of the statistical districts of Sárospatak and Sátoraljaújhely in Zemplén region – on the initiative of Zemplén Local Enterprise Development Foundation – accepted an economic development zone programme and made an indicating suggestion in February 1997, its title is: **“The economic development programme of Zemplén Enterprise Zone”**.

On the basis of the indicating suggestion and programme – with the support of B-A-Z. County Region Development Council – the Hungarian Government declared the region as **Enterprise Zone** on the basis of **order 53/1998. (III.27.)**. This is a significant step in terms of economic developments and border economic relations because the category of Enterprise Zone expects the potential investors, entrepreneurs with the most favourable supporting conditions in Hungary.

As the realization of economic development programme the preparation of analyses, strategic and operative programmes occurred according to **Appendix 2. of 18/1998. (VI.25.) KTM order** with initiating region actors, then on the basis of the decision of B-A-Z. County Region Development Council the **region development programme of Zemplén Enterprise Zone** was prepared in 2000 as a result of the work of

Zemplén Local Enterprise Development Foundation, which also builds on the utilization of advantages of triple border.

The mentioned region development programme of Zemplén Enterprise Zone strictly fits into the Region Development Conception of B-A-Z. County that indicated in 1999 the development of border relations as the main direction of development.

The common market idea emphasizes the development of cross border relations because the collective consumption of the resources of region - showing historical, cultural or economic related features and having internationally mixed population – is the favourable area of common policy. The EU itself initiated the development of regionalism within certain frames with INTERREG and RECITE (Europe of regions and towns) programmes.

#### **Strategic principles regarding regionalism:**

- **Principle of subsidiarity:** decisions have to be taken on the level of emerging of problems, central government only gives support to the decision-making.
- **Principle of partners:** decisions have to be taken on the basis of the most widest harmonizing of interests, public representation is only a participant in the progress.
- **Principle of programming:** instead of individual investment projects development projects have to be financed that – on the basis of realizing examinations – determine the objectives, strategies, organizations and sources.
- **Principle of addition:** financing usually does not happen from governmental means, the government only supplements the sources of realization.
- **Principle of concentration:** the concentration of means to the areas and activities offering the most attainable results.

**Basic principles of the cooperation zone:**

- **Principle of equality:** namely, the perfect equalization and equivalence has to be striven for in the cooperation of the neighbouring border regions of the three countries, neither party can force its will to the other.
- **Principle of mutual benefits:** we aim the realization of such development, cooperation programmes that favourably influence the development of all the three regions.
- **Principle of coordination:** we elaborate and realize the development programmes to harmonize with each other.
- **The emphasizing of economic development interests:** we consume the boundlessly available resources for the actual creation and improvement of the conditions of economic development.
- **Principle of production-business integration:** the cooperation of the business, economic development participants of the three countries has to be a daily practice, these kinds of initiatives have to get priority.
- **Principle of living peacefully with each other:** neighbouring nations can prove their generosity, nations should be useful members of the state-founding nation.

**3. Presentation of the objectives:**

The strategic objectives of the development of border economic cooperation are the following:

- strengthening the economical bases of cooperation, increase the quantity of marketable goods (development of entrepreneurial infrastructure),
- coordinated improvement of the physical condition system of economical cooperation,
- improvement of the capital attraction ability of cooperating border regions,
- informational and marketing development of border cooperation

By means of the above mentioned objectives, the strengthening of the economic-social cohesion of the region, the improvement of the quality of life and the support of

the process of embourgeoisement.

We have to emphasize that during the development of border economic cooperation realizing these objectives only those projects, investments should get priority and support from the supporters of the cooperation programme which are conform with the requirements of the European Union in terms of quality control and environmental protection. It has to be emphasized that the productions should be marketable not only in the border cooperation, but also in the markets of the European Union. This is important because the object of the development programme is not only the surviving, but also the living and development.

**The development of small- and medium-sized enterprises** is part of the concrete development priorities fitting into the strategic objectives without which the increase of the quantity of marketable goods is unimaginable. The set object in terms of the increase of the **marketability of border SMS's** is **the increase of the innovation ability of the enterprises and the support of goods and services to get to market.**

Almost everybody indicates uniformly that the most important task at the initial stage of the development of economic and other cooperation is **to provide border crossing conditions and crossing infrastructure**. This appears as basic object because it is a term of the development of logistic (transporting) activity.

In international trade - beside the developed logistic activity - the realization of exchange of goods taking care of the foreign exchange between the countries is important which requires the strengthening of business-financial cooperation.

The most important economic object of the cooperation of the Slovakian-Hungarian Zemplén border region is the improvement of capital attraction ability of the regions, and its most important mean is **the establishment of enterprise zones**. The industrial parks operating within these zones or the logistic centres, incubator houses established in the border regions for industrial and commercial purposes could increase the export ability of the region, contribute to the realization of foreign and national capital- and technology transfer, and also contribute to the revitalization of depressed, disadvantaged micro-regions with the reduce of the unemployment within

the region and with the improvement of the quality of life.

**The establishment of a regional entrepreneurial informational database** is essential for the development; its aim is an update register of the enterprises of the region and the possibility of efficient processing of the information about the enterprises. The development of the system of informational data exchange of the cooperation and regional marketing is essential for the realization in the frames of the cooperation.

On the basis of the analysis of the business environment of the triple border regions, it can be stated that those features can be seen in the trade with the neighbours in the export trade of all the three countries that are originated from complementary characteristic, current economic state, industrial-agro structure of the region. The regional, statistical data of the cooperating regions show a more intensive cooperation than the relations on macro-economical level so there is a basis of the development and strengthening of the cooperation.

#### **4. Proposed arrangements**

For the achievement of the special objects drafted in the frames of developmental priority the following arrangements have been formulated:

##### **4/1. Development of cross border economic relations**

###### **4/1.1 Strengthening of the structural centres of border cooperation**

The purpose of the arrangement is the development, strengthening of the structural frames of the cooperation (Carpathian Border Economic Development Association, Zemplén Euroregion) and the revision, actualisation of the programme level objects of the cooperation (Triple Border Economic Development Programme).

###### **4/1.2 Improvement of border enterprise development cooperation**

The object is the realization of interregional economic development and educational centres, industrial parks, incubator house developments in Zemplén (Sátoraljaújhely Zemplén Local Enterprise Development Foundation,

Királyhelmec Regional Development Agency, Ungvár VK), the development and widening of existing secondary and higher educational cooperation programmes (in university, secondary school, adult, entrepreneur and primary education).

#### **4/1.3 Starting the marketing activity of border regions**

The harmonized region marketing activity of border regions is realized in the frames of the arrangement (investment stimulation, tourism), increasing the chances of the struggle for the investors.

### **4.2. Realization of common infrastructure and environmental developments**

#### **4/2.1 Improvement of border crossing**

The aim is the development of crossing points, the development of the physical condition system of crossing (roads, railway, water- and air transport) until the closing of European Union borders.

#### **4/2.2 Development of cross border environmental cooperations**

Environmental tasks in the cross border regions (Hegyköz, Bodrogköz) can be carried out efficiently only in the framework of the cooperation. The arrangement aims the development of common nature reserves (Zemplén Landscape-protection Area), the common action against environmental problems, the increase of flood- and inland waters prevention (Tisza, Bodrog).

### **4/3. Development of cultural and exchange relations between the border regions**

#### **4/3.1 Increase of inter-region cooperation**

The aim is the harmonization, organization, development of the existing municipal, regional, cultural cooperations, the strengthening of the settlement associations (ZTSZ, Bodrogköz), twin town relations, common development programmes (Nagy-Milic Naturpark, etc.).

## 5. Monitoring indicators

### Output indicators:

- The size of the gained support provided for border cooperation,
- The number of developments, programmes concluded in the framework of border cooperation,
- The number of entrepreneurial cooperations operating in the border region,
- The amount of EU sources arriving in the border region,
- The number of workplaces created / kept in the border region,
- The size of capital invested in the border region,

### Result indicators:

- Change in the number of interregional programmes,
- Increase of the number of organizations participating in the cross border programmes,
- Change in the investments in the border regions,
- Number and value of developments, programmes carried out in the framework of the border cooperation,
- Knowledge of the border region (Euroregion) and its programmes,

### Effect indicators:

- Change of the GDP of border regions,
- Change of the GDP rate of the border region and the homeland,
- Change of the trade of border region (border export),
- Change of the tourism within the border region,
- Increase of the international tourism indicators of the cooperating border region,
- Change in the workforce mobility in the border region,

- Increase of income relations in the border region,

### **1.1.1 Contributing organizations**

On the basis of international and local experiences, concentrated consumption of sources and multi-participating have to characterize the realization of the development programme of border relations on behalf of success.

#### Determination of the organizations responsible for the execution of the development priority

- Government (Ministry of Foreign Affairs, Ministry of Economy and Transport, Ministry of Agriculture, Prime Minister's Office, Ministry of Employment and Labour), and the governments and competent ministries of the countries concerned in the cooperation,
- Micro-regional Region Development Council and its labour organization,

#### Specification of the sphere of contributors

- Regional and County Region Development Council and its Agency,
- Office of Hungarians Beyond the Frontier,
- ITD Hungary (Hungarian Investment and Commercial Development Company for Public Use),
- Public Foundation for Carpathian Euroregion,
- New Handshake Public Foundation,
- Local governmental associations (from all the contributing countries),
- Carpathian Border Economic Development Association,
- Zemplén Local Enterprise Development Foundation,
- Regional unions of economic chambers from all the contributing countries,
- Organizations of professionals and representation of interests of the concerned micro-regions of Carpathian Euroregion,
- Border civilian organizations (from all the contributing countries),

### The realizations

- National and foreign joint enterprises, entrepreneurial cooperations,
- Concerned border local governments,
- Zemplén Local Enterprise Development Foundation,
- Regional Development Agency of Királyhelmec (Slovakia),
- Regional Enterprise Development Association of Nagykapos (Slovakia),
- Tourinform Office of Sátoraljaújhely and Zemplén Tourist Association,
- Educational institutions,
- Border local and regional societies, associations,

### **Possible sources for the development**

#### International sources

- Pre-accession financial resources (Phare CBC, ISPA, Sapard),
- Structural Funds (ERFA, ESZA),
- Cohesion Funds,
- Community Initiatives (Interreg),
- Community programmes (Culture 2000, Youth 2000-2006),
- EU sources transmitted by the competent ministries of the contributing countries,
- Programmes of International Visegrád Fund (V4 Cooperation),
- Supporting funds of Public Foundation for Carpathian Euroregion,
- International banks,
- International foundations,

#### State sources

- Budget sources (ministry) of the participating countries,
- Programmes, foundation proposals helping the Hungarians beyond the

frontier,

- Support of the Office of Hungarians Beyond the Frontier,
- Supporting programmes of Corvinus Joint-stock Company,
- Programme of New Handshake Public Foundation,
- Proposal system of Illyés Public Foundation,
- János Apáczai Public Foundation,
- Decentralized supports of Regional Development Council of North-Hungary (NORDA),
- Decentralized supports of Borsod-Abaúj-Zemplén County Region Development Council,
- Credit interest support system,

#### Local sources

- Local governmental own contributions and credits,
- Own contributions and credits of Region Development Associations,
- Entrepreneurial own contribution and credits,
- Own contributions and proposal sources of non-profit organizations,
- Risk capital and credit alternatives,
- Chamber credits, supports.