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CROSS-BORDER COOPERATIONS TO ENHANCE ECONOMIC DEVELOPMENT IN THE VISEGRAD COUNTRIES

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IN this study we have reviewed one of the most significant cooperations in Central-Eastern-Europe, namely the Visegrad cooperation. It has been a very important economic, social and political collaboration of the four countries (Poland, Slovakia, Czech Republic and Hungary) for long. The basic principle in their cooperation has always been to strengthen the links among the abovementioned countries and, due to the EU Funds available, it has received greater importance in the beginning of the 21st century.

The objective of this research is to find out how this cooperation has deepened in the past and what new possible ways are available to extend this relationship in order to mutually benefit the economies and societies of the member countries. The Szent Istvan University has also joined a Visegrad cooperation in the field of education and research recently and aims at the development of those fields in accordance with the economic growth.

Keywords: Visegrad Countries, Economic Growth, Cooperation, Transnational Developments.

Introduction

The *Czech Republic, Hungary, Poland and Slovakia*, also known as the Visegrad Group countries, have long shared common ground in history, culture, religion, and economics. Over the centuries this shared past has been marked by a striving for unity as well as frequent frictions, peaceful times and military conflicts.

The name of the cooperation refers to the historical meeting of 1335 in the royal palace of Visegrad, where Hungarian, Czech and Polish kings took strategic decisions for political and commercial purposes in order to strengthen the role of the region. On 15 February 1991, the renewed Visegrad Cooperation was set up with the aim of supporting the three post-socialist Central-Eastern-European countries' (Hungary, Czechoslovakia and Poland) Euro-Atlantic integration. (The V4 configuration was formed in 1993 following the dissolution of Czechoslovakia and the establishment of the independent Czech and Slovak Republics) – Visegrad Declaration.

The Visegrad Group represents a consistent geographical region on the eastern border of the European Union. This makes the region strategically important and also creates opportunities for the group's member states to utilise their partnership at the regional level as well as within the European Union, though they often regard each other as competitors rather than friends, even after 20 years of systemic changes (György, 2009).

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The last decade of the 20th century provided venue for a new kind of cooperation, allowing these nations to catch up with economically more developed European countries. This decade also offered the unprecedented opportunity for cooperation at every level.

The partnership that has developed among these nations is the backbone of the region's economic competitiveness in the long term. It is within the framework of such partnership that we may face problems yet to be resolved, like environmental pollution, diminishing energy supplies, the development of educational and research institutions, the effects of climate change on our region, and our transformation into a migration hub – to name only a few of the challenges we have yet to meet.

In an effort to seize this formidable opportunity, the Visegrad Group, CEFTA and the International Visegrad Fund were formed to facilitate the political, economic and civil cooperation of the four countries. Their membership in NATO and the EU, the general increase in the exchange of goods and business relations, as well as more than 2,000 projects that have been carried out by these countries' Civil organizations are only a few of the many achievements of the Visegrad region.

Major Aims and Achievements of the Cooperation

It can be stated that the initial goals of the Visegrad Group have been achieved, namely NATO and afterwards EU accessions. The fact that circumstances changed, poses qualitatively new and advanced expectations to the Four, at the same time reinterpreting their cooperation. It has been justified that the Visegrad Cooperation still has real function within the EU as well.

Common goals are laid down in the New Visegrad Declaration signed by the Prime Ministers of the four countries on 12 May 2004 in Kromerí•, Czech Republic. Under the declaration it was undertaken that in the future the V4 endeavour to take advantage of the opportunities opened up by joint actions in a pragmatic way, focusing on the common interests, free of illusions (György, 2009).

The document outlines the coordinating mechanisms as political, sectoral and expert meetings, as well as high-level summits. The cooperation is coordinated by the one-year rotating presidency. The Czech Republic held the presidency between the second part of 2007 and the first part of 2008, and between July 2008 and June 2009, Poland was presiding the cooperation. It was on 2005-2006, when Hungary held last time the presidency. Hungary took over the new presidential tasks that began in the second part of 2009.

The Visegrad Cooperation has now evolved and has been trivialised in a good sense. The focus is much more on practical details instead of monumental events. Basically, the intergovernmental cooperation works on expert level and in an operative way.

In practice, it means that colleagues of the ministries and other institutions keep daily contact for defining practical tasks of the cooperation and evaluating the given opportunities. Therefore, intensive consultations are taking place in order to undertake new challenges arising from the new situation given after the Schengen accession of the four countries.

The matter of revising jointly the practice of issuing visas deserves special attention regarding EU aspirant and future aspirant countries in the long run. Bearing in mind the need to comply with the EU law, it is prioritised by the Four that the new Schengen borders do not isolate citizens of states being out of the area. In the field of environmental protection and energy security as well, the Four shares common interests in many aspects.

Besides intergovernmental cooperation, cultural and civic dimensions represent increasing significance. Since the time the Visegrad Group was formed, cultural relations have gradually grown more active. It is becoming more and more obvious that even organisations set up by citizens of the four countries, namely the representatives of the civil society, are looking for mutual cooperation as well.

We trust that research projects already in progress will provide a platform for further scholarly cooperation. Today, clearly, within the framework of the EU, Visegrad cooperation is not designed to be against any other country. On the contrary, the improvement of relations with neighbouring countries and regions is a top priority. In this spirit, the Visegrad countries support a number of projects and offer scholarship programs for countries of the Eastern Dimension of the European Neighbourhood Policy as well as for the western Balkans.

While the territorial proximity of the V4 countries can be beneficial when pursuing cross-border cooperation, not many issues can be seen as being common to all V4 members.

Experience since EU accession clearly proves that the number of issues bearing a central European identity have been limited or non-existent. The countries from the region still regard each other as competitors rather than friends and that, after 20 years of systemic changes, is not very promising. In spite of this, the four countries could certainly find issues of strategic and regional importance, such as *environmental problems*.

The benefits of V4 membership within the EU can be viewed in the context of cohesion with regard to the EU budget mostly via *Structural Funds* interventions and via the *Common Agricultural Policy*.

That is why it is very important to form a cohesion-friendly coalition among V4 states in the next budgetary negotiations. These negotiations in their early stages may begin during the Polish presidency of the Council (in the second half of 2011), together with the closure of the budget mid-term review which will occur under the Hungarian Presidency, preceding the Polish one. These circumstances show how important our common policy stands may be in the coming years.

Cooperation is not limited to V4 member states only given that psychological proximity among traditional partners promotes contacts of various kinds. According to us, territorial proximity is a good basis for cross-border cooperation which can be beneficial for all V4 members and their many especially smaller firms.

The same holds for local governments, as known from European cross-border projects in which they actively participate to obtain funding for projects aimed at improving social and economic conditions as well as cultural relations with neighbouring cross-border regions.

The V4 regularly cooperates with other countries in central Europe with Austria and Slovenia within the so-called Regional Partnership and with the V4's eastern neighbours as part of the so-called V4+ concept. Moreover, the V4 closely cooperates also with various regional groups of countries in the EU specifically the Benelux countries, the countries of the Nordic Council of Ministers and countries of the western Balkans.

Five years in the EU has shown that the importance of the single, border-free market for goods, services and capital is huge. The V4 region represents a natural entity from the viewpoint of history and cultural mentality, and the values of the population. Large investment projects in the region would be possible only to a very limited extent if the V4 countries were not part of the single EU market and the market in the region was segmented into small national states. The single market is of high importance also for border regions because it enables access to the markets of neighbouring countries. Bratislava-Gyor-Vienna region is considered to be the one with the biggest development potential in Europe. But construction of transport infrastructure is crucial for the further development of cross-border cooperation (Liptáková, 2009).

At the beginning of 2009, Slovakia became the first V4 country to adopt the European single currency. Further extension of the eurozone across the other V4 members is unlikely in the near feature.

While at an official level adoption of the Euro in Slovakia has hardly had an impact on the operation of the V4, some psychological effects can be identified. Between the central European countries there has been obvious competition for the title of "leading position" in the region. Each of the countries played the role of 'pre-eminent' for a while from the economic point of view. The euro has meant that recently Slovakia occupied the leading position. However the advantage of having the euro now seems to be rather a disadvantage as Slovakia's competitiveness because of exchange rate movements may worsen significantly, hurting economic performance more here than in other V4 countries.

The adoption of the euro has certainly increased the attractiveness of Slovak firms for foreign partners. But the adoption of the euro in itself cannot serve to attract foreign investors or partners as a substitute for well-performing firms with high-quality and innovative products. The European currency can only ease business by reducing transaction costs and making intra-EU price competition more transparent (Novák, 2009).

Some negative aspects to the adoption of the euro in Slovakia can also be seen, for example the consumer spending drain to cheaper neighbouring countries like Poland and Hungary, but these effects are only marginal.

Twenty years after the fall of the Iron Curtain and the collapse of economic cooperation within the Council for Mutual Economic Assistance, also known as Comecon, there remains the question of whether former members of the council and now clustered in the V4 can utilise some advantages when doing business with former Soviet Republics.

While 15 years ago one would have immediately responded that such advantages were knowledge of language or traditional long-term business relations, the situation has substantially changed. Nowadays the situation is more structured. Some firms have been active in continually developing existing relations with those countries since 1989, while other firms have gradually reoriented their operations towards Western markets. In any case, there is a huge opportunity to benefit from doing business with many post-Soviet Republics, or, if the Soviet bloc is more broadly conceived, with other post-communist countries of Central and Eastern Europe.

International economic relations between countries in Central Europe underwent radical change between 2004 and 2007 on account of the two waves of European Union enlargement, which created new conditions for economic development and convergence.

Economic Situation of the V4 Countries since their EU Accession

EU accession lent new momentum to the economic growth and therefore convergence of all the new member states, including the V4 countries with the exception of Hungary, where the initially higher rate of growth had slowed substantially by 2007 and living standards, measured in terms of per capita GDP, have merely stagnated since joining the EU in contrast to the dynamic growth recorded in the other new member states. Hungary's per capita GDP figure stagnated between 2004 and 2008 at a time when the other members of the V4 converged by more than 8 percent, on average, towards the living standards of the more developed EU countries.

Table 1: GDP per Capita in PPS in the Visegrad Countries, 2004-2008

	Per GDP Capita, %, in PPS (EU27=100%)				
	2004	**2005**	**2006**	**2007**	**2008**
Czech Republic	75.1	75.9	77.5	80.3	80.1
Hungary	63.4	63.2	63.4	62.6	62.8
Slovakia	57.0	60.2	63.4	67.1	71.8
Poland	50.6	51.4	52.3	53.8	57.6
EU 27	100	100	100	100	100

Source: Eurostat, European Commission.

In Table 1 it can be seen that Hungary was the only V4 country which could not take advantage of the EU accession. It was one of the most-developed countries among the new member states in 2004 and it has become one of the least-developed ones by 2008.

We can see in the table that Hungary was the only country with decreasing Per Capita GDP compared to the EU average in the given period. It is worth mentioning that it was not surprising that Slovakia could adopt the euro in 2009, since it has reached the highest Per Capita GDP Growth since the accession. Due to their economic policies, Slovakia and the Czech Republic could enhance their economies by creating favourable conditions for businesses and citizens as well.

Table 2: GDP Growth in the Visegrad Countries, 2004-2008

	GDP real growth rate %, on previous year				
	2004	**2005**	**2006**	**2007**	**2008**
Czech Republic	75.1	75.9	77.5	80.3	80.1
Czech Republic	4.5	6.3	6.8	6.1	2.5
Hungary	4.9	3.5	4.0	1.0	0.6
Slovakia	5.0	6.7	8.5	10.6	6.2
Poland	5.3	3.6	6.2	6.8	5.0
EU 27	2.5	2.0	3.2	2.9	0.8

Source: Eurostat, European Commission.

In the Table 2 the abovementioned statement is justified that Hungary has lost importance in Central-Eastern-Europe since joining the EU, compared to the neighbouring countries. The GDP growth compared to the previous year showed that it is only Hungary which could hardly achieve growth in the past few years. Slovakia has again remarkable figure, e.g. in 2007 it could increase the economy by more than 10%.

On the whole, the region developed at a pace rarely seen before in its economic history and accelerated the rate of convergence, though it will be practically impossible to repeat this in the near future. The economies in the Central European region are supposed to formulate radically different economic strategies under the new domestic and international conditions.

Table 3: Employment Rate in the Visegrad Countries, 2004-2008

	Employment Rate, %				
	2004	**2005**	**2006**	**2007**	**2008**
Czech Republic	64.2	64.8	65.3	66.1	66.6
Hungary	56.8	56.9	57.3	57.3	56.7
Slovakia	57.0	57.7	59.4	60.7	62.3
Poland	51.7	52.8	54.5	57.0	59.2
EU 27	63.0	63.5	64.5	65.4	65.9

Source: Eurostat, European Commission.

If one looks at the *labour market conditions* of these countries, it can be seen that the rate of employment is far behind the expected. According to the Lisbon goals, all the regions of the EU have to reach 70% of employment by 2010. Table 3 clearly shows that all the Visegrad countries are far away from that rate and they do not have much time left to meet this goal. The highest increase in that regard was achieved by Slovakia and Poland by 2008, while Hungary could not create jobs in great amount in the given period. There are still many people working in the black economy due to the unfavourable taxation on labour costs.

As for the *unemployment rate*, even biggest differences can be observed among the countries. All of them could sharply decrease this rate, except Hungary. Three countries could almost halve their unemployment rate by 2008, while Hungary increased it.

Analysing the figures and comparing them to the EU27 average, we can see that three countries out of the four have been trying to catch up with the economies of the older EU member states, but Hungary could not manage to define a good strategy for the economic development of the country. The longer it takes to find the right path, the more difficult will be to catch up with even the neighbouring countries. It will mean a serious problem when we get to talk about the euro adoption. It will be very difficult to manage the tradings in Central Europe when there will be euro in all the countries except Hungary. It will make all the accounts really difficult and it will not help the economic development either.

Development Potentials of Each Country

Surprisingly for many, new euro area members – Slovakia and Slovenia – are heading towards an increasingly severe downturn in growth in comparison to what was previously expected.

Slovakia's opportunities for growth are very much limited in the current situation by the country's vulnerability linked to its one-sided economic structure. The automobile industry is very sensitive to cyclical trends, and the crisis has hit this sector extremely hard, even inspite of the measures taken by government to stimulate demand in the sector.

In the long run it may even be questionable just how much an economic structure based on the car industry will be capable – if at all – of reaching previous levels of growth.

The *Czech Republic and Poland* have relatively stable fundamentals. In Poland, management of the crisis has not taken the form of bank bailout packages or international loans linked to economic conditions but in a continuation of the structural reforms that had already been launched. However, this only partly explains the endurance of the country vis-a-vis the crisis: what is even more important is that it has a very large domestic economy by Central European standards and, relatively speaking, is less open, which means changes in international demand do not affect it as much; additionally, domestic demand together with the domestic market are able to reduce the pace of the economic slowdown.

Nonetheless, the fact that the IMF provided Poland with a flexible credit facility in spring 2009 to overcome any unexpected financial difficulties just demonstrates the unpredictable and increasingly severe consequences of the crisis. It is important to note that this credit facility can be used at any time and is not tied to any conditions, i.e. it is only there as a safety net.

The Czech Republic enjoys relatively stable macroeconomic conditions, but external demand is much more important than for Poland which is why the Czech economy is set for much more challenging times over the coming period than Poland's; however, given its features, the economy it is now likened more to healthier Poland than to other economies in the region.

Hungary does not really "stand out" from the other economies in Central Europe in terms of expected growth. Yet because of the country's vulnerability and its level of debt it is more often than not grouped with the Baltic states. For this reason there are no reserves which could provide more budgetary options, as is the case in more stable countries (such as the Czech Republic and Poland), nor are there any tools available to stabilise the situation, such as the euro in Slovakia, while the domestic market is too small on its own to stabilise demand. What should not be forgotten is that thanks to the stabilisation measures taken, demand had narrowed significantly and the economy had slowed down in Hungary even before the crisis erupted.

From the perspective of growth and convergence based on both internal (investments, consumption) and external (capital flows, trade) factors, it is evident that the new member states which have coped better with the crisis so far are those which have produced high but not overheated growth since accession, coupled with an appropriate level of external and internal financial stability, a low budget deficit and a healthy public debt indicator.

Hungary is in the fourth worst position (after the Baltic states) having lost its growth momentum three years ago (when the external environment was much more benign) (Kollár and Goda, 2009).

Slovakia is in a dubious position as regards growth trends because while its equilibrium is stabilised by the euro, the economy is structurally one-sided which represents a major risk for the coming period. There are already signs that the economic downturn in Slovakia could be such that it nullifies the majority of the economic successes achieved in previous years.

The *Czech Republic and Poland* are in a relatively healthy position, but a significant and lengthy economic downturn cannot be ruled out, particularly for the Czech Republic, given that it is very open to the external economy and dependent on exports. With its larger domestic market, Poland may well be able to "ride out" the next phase of the crisis with a minor downturn.

The Visegrad countries have been quite attractive for foreign capital recently (Ministry for National Development and Economy, 2009). Due to the quality production as emerging markets, they were preferred by foreign investors. Since 20 years after the change of regime is quite a long period, most of the foreign companies have already penetrated into this market. The major task of the governments in the last 20 years was to attract *foreign investments* into the countries, but nowadays there are several other markets with much more favourable business conditions, therefore such business conditions have to be created which keep the investors in Central Europe and not encourage them to move to the east. This is both economic and political decision, so sometimes the governments do not choose the right and most appropriate way to make it.

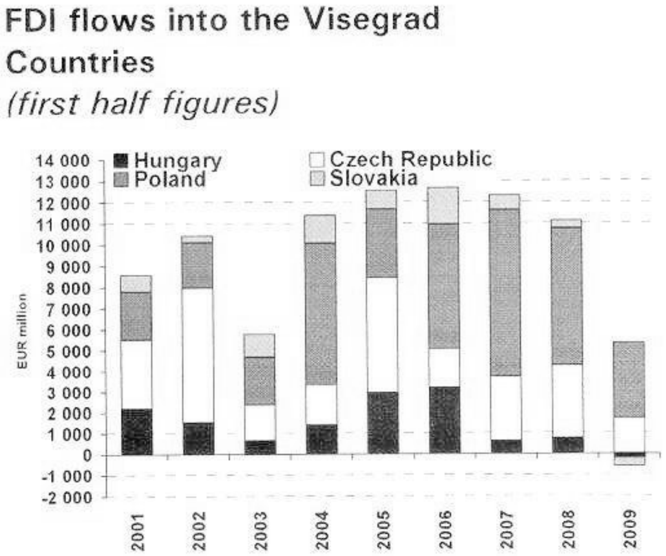

Figure 1: FDI inflow to the Visegrad countries, 2001-2009

Source: Ministry for National Development and Economy.

In Figure 1 it can be clearly seen that before the 2004 enlargement the mostly preferred countries were the Czech Republic and Poland, the latter one keeping and even increasing its good position after 2004.

However, the *foreign direct investment per capita in 2008* was the highest in the Czech Republic (about EUR 7.500) and the second country was Hungary with almost reaching EUR 7000.

Based on the abovementioned facts, it can be stated that there are big economic differences between the Visegrad countries, which makes it really difficult to cooperate with each other and regarding each other as allies instead of competitors. However, the Visegrad countries believe that there are certain fields where they can cooperate to achieve mutual benefits. In order to facilitate such cooperations there are several funds available in the European Union, so hopefully the countries take it into more consideration while defining their strategies for the future.

The core element of the *cooperation strategy* has not changed: the aim is to strengthen the economic and social integration of the border areas. Due to Hungary's and Slovakia's EU accession, the border between these countries has become one of the internal borders of the EU. However, its "abolition" did not happen from one to another. As a result of the accession, several potentials of the area can be utilized, allowing the free movement of the people and goods.

The "disappearance" of the state borders results also in the disappearance of the obstacles in front of the economic, social and cultural cooperations between the two countries, enabling a mutually more efficient use of the capacities and infrastructures of the border areas, therefore their competitiveness may improve due to such cooperations.

Unfortunately, one of the major obstacles of the closer relationship between Slovakia and Hungary is the *limited accessibility*. Thus, transnational programs aim to support the *development of the existing transportation and communication infrastructure*. Apart from the modernization of the existing networks, there are opportunities to expand the range of infrastructural elements, especially in those areas where there is a river in between.

Development programs greatly support the integrated development of the economies of border areas to improve their competitiveness and to contribute to the job creation. Therefore, they focus on the *improvement of the conditions of business cooperations and on the encouragement of efficient and coordinated use of the existing R&D potentials.*

Tourism is one of the major income sources of the region. In order to develop this potential mutually, it is necessary to jointly develop the touristic attractions and to encourage the regions.

The key element in the improvement of the competitiveness is the development and efficient use of *human resources*. Therefore, building the relations between the educational institutions and the development of such institutions are also supported. In addition, there is a great emphasis on encouraging the cooperations in the labour market as well as in their integrated development.

The greatest value of the border areas lies in their nature. The *protection of nature* requires efforts from both countries. Since environmental pollution – including the pollution of air and rivers – does not stop at the border, the protection against environmental risks can only be efficient if it is done jointly.

The most important aspect of successful cross-border cooperation is if people accept and understand one another and are ready to cooperate. Therefore, the cooperation between communities has to be urged, thus bringing the people closer to each other.

EU Programs Available for Cross-border Cooperations

The 2000-2006 Programming Period

In the structural policy framework of the EU, four Community Initiatives existed between the years 2000 and 2006, namely *INTERREG (interregional cooperation), URBAN (sustainable development of urban areas), LEADER (development of rural areas) and EQUAL (fight against the labour market inequalities).*

INTERREG program was launched in the year 1989 by the European Commission to urge the cooperation between regions along the internal borders of the Union.

The main objective was to jointly find solutions for the problems of the areas of the same geographical character, but which are divided by the borders. In the following phases of the program special attention was paid on the cooperation between the bordering European countries of the Community and the regions of the EU with similar conditions. INTERREG has three basic forms of cooperation which differ from each other on the basis of the area of cooperation:

1. Cross border cooperation *INTERREG IIIA*

- *Participating areas:* bordering counties of two (or three) countries (NUTS III level);
- *Overall objectives:* development of economic and social cross-border relations;
- *Major areas of support:* cooperations between SMEs, local economic development, development of urban and rural areas, human resource development (R&D, culture, health care, education), environment protection, renewable energy, transportation, information and water management cooperation, legal and public administration cooperation etc. (investments, studies etc.).

2. Transnational cooperation *INTERREG IIIB*

- *Participating areas: Europe has been divided into 13 macro-regions. Hungary (with its total area) takes part in the cooperation for Central-Europe and the Balkans (CADSES program);*
- *Overall objectives: transnational cooperation to facilitate the territorial integration of Europe;*
- *Major areas of support:* joint elaboration of transnational development strategies, establishment

of an efficient and sustainable European transportation network, promotion of the accession to the information society, environmental cooperation, protection of cultural and natural resources with great emphasis on the water management etc. (especially studies, concepts, plans, softwares etc., and smaller infrastructural investments).

3. Interregional cooperation *INTERREG IIIC*

- *Participating areas:* organizations from all over the country with partners from anywhere from Europe;
- *Overall objectives:* the development of the strategy and the instruments of the regional development and cohesion in a cooperation for the whole Europe.

The Present Programming Period (2007-2013)

In the current financial period the abovementioned initiatives do not exist anymore in their traditional form. They have been transformed as follows:

- *INTERREG has become one part of the objective named European Territorial Cooperation;*
- *Member states can submit model URBAN projects (the initiative does not exist anymore, but there is support available within the European Regional Development Fund);*
- *LEADER continues its operation but not in the framework of the cohesion policy. It has become the part of the new European Fund for Agriculture and Rural Development;*
- *EQUAL does not exist anymore, but its principles remain among the main guidelines (support is available within the European Social Fund).*

Based on the abovementioned, INTERREG has become one of the three objectives of the Structural Funds. According to the proposal of the Commission, new legal entities, so-called *European Territorial Cooperation Groups* (including regional and local authorities) are responsible for the implementation of the cross-border programs and the handling of the funds on the border areas.

The new cooperational objective (the third objective of the three new ones) aims at facilitating a *much closer territorial integration of the Union* in all dimensions. While doing so, the cohesion policy supports *the balanced and sustainable development* of the territories of the Union at macro-regional level, and due to the cross-border cooperations and the share of best practices reduces the "effects due to the existing borders".

The priorities and funds of the European Territorial Cooperation:

Compared to the INTERREG III 2000-2006 programs, the following changes have been made to the priorities:

1. Cross-border cooperation

There are bilateral programs existing, except for the Ukrainian border.

European Regional Development Fund – EU's internal borders:

- Austria – Hungary; Slovenia – Hungary; Slovakia – Hungary; Romania – Hungary

  Instrument for Pre-accession Assistance – on external borders (candidate and potential candidate countries):
- Croatia - Hungary; Serbia and Montenegro - Hungary

  European Neighbourhood and Partnership Instrument – on external borders:
- Ukraine – Slovakia – Romania – Hungary.

2. Transnational cooperation

Since the current 18 participating countries of the CADSES area differ from each other very much concerning their economic-social situation, as well as geographical endowments, keeping them together would have decreased the efficiency of the transnational projects. It would have halted the development of the developed areas and the catching up of those lagging behind.

Therefore, the European Commission favoured the division of the macro-region into two, which was supported by Hungary as well. Thus, *the CADSES area has been separated into two parts* for the period 2007-2013, namely the Southern-Eastern Europe and Central-Europe.

3. Interregional cooperation

The aim of the interregional program continues to be the increase of efficiency of the regional policy as follows:

- innovation and knowledge-based economy, environment protection and risk-prevention;
- exchange of experience, share and spread of best practices including sustainable urban development as well;
- studies, data collection and analysis on the Community's development;
- new European Neighbourhood Policy for those who permanently remain outside the EU. The aim of this new strategic cooperation is not to allow sharp differences to appear along the new external borders of the Union. It is not a key element of the enlargement process (former Soviet states and the Mediterranean areas,- separated from Ukraine (excluding Croatia, Serbia-Montenegro – potential members).

Detailed priorities of the European Territorial Cooperation objective:

1. *Joint and sustainable development of cross-border economic-social and environmental activities, especially through*
   - the strengthening of entrepreneurship;
   - the promotion and development of common environmental management and protection;
   - the support of the relationship between urban and rural areas;
   - the reduction of isolation, better accessibility to transportation, information, communication networks and services, as well as to energy systems;
   - the development of infrastructure to enhance the cooperation and common use, especially in the field of health care. Apart from all this, the European Regional Development Fund contributes to the administrative cooperation, the cross-border labour market initiatives, the gender equality and the more efficient development of human resources and R&D potentials.
2. *Transnational cooperation* aims at the financing of the establishment of spatial development networks at the borders on the seashores, focusing on the fields listed below:
   - water management;
   - improving accessibility, including the investments over the borders of the trans-European networks, facilitating the interoperability of the local, national and cross-border networks;
   - risk prevention, including the development of marine security and the prevention of environmental risks;
   - scientific and technological network dealing with the balanced development of the transnational area.
3. The increase of the efficiency of the regional policy through *interregional cooperations*:
   - programs related to innovation and knowledge-based society, environment protection and risk prevention,
   - exchange of experience to identify, share and transfer the best practices.

In order to finance the INTERREG initiatives, the Structural Funds (especially the *European Regional Development Fund*) have been available both in the former and the present programming period. Between 2007-2013, *EUR 7,4 billion (2,4% of the structural budget)* has been allocated for this purpose (Nagy, Tóth, Káposzta, Keszthelyi and Pesti, 2007).

According to the Act *1083/2006/EC* (article 3, paragraph 2, point c) the European cooperation aims at *strengthening the cross-border cooperation through joint local and regional initiatives, and urging the transnational cooperation with the application of instruments leading to integrated territorial development in accordance with the community priorities.*

According to the Article 7 of *1083/2006/EC* resolution, the eligible areas are all the NUTS III level territories of the EU on the internal and certain external continental borders, as well as NUTS III regions on marine borders within maximum 150 kms distance, considering the harmony and the necessary adjustments during the cooperations.

European Territorial Cooperation Central-European Transnational Cooperation Program 2007-2013 (Central European Space – CES):

The key of the transnational cooperation programs is to look for solutions for areas of several countries facing the same problems.

Transnational projects are usually carried out with 10-15 partners from 5-7 countries. The projects are especially of scientific, planning and professional character. They do not include investment or purchase elements.

Priorities planned:

- Supporting innovation in Central-Europe
- Improving the internal and external accessibility of Central-Europe
- Responsible use of the environment
- Improving the competitiveness and attractiveness of cities and regions.

Participating countries:

EU member states: Austria, Czech Republic, Germany (not the total area), Hungary, Italy (not the total area), Poland, Slovakia, Slovenia

Non-EU states: Ukraine (not the total area)

Hungary - Slovakia Cross-border Cooperation Operational Program 2007-2013:

This program is being implemented in the 2007-2013 programming period within the European Territorial Cooperation objective and it aims at the strengthening of economic and social integration of the border regions in long terms.

Areas of support:

- cross-border business cooperations,
- R&D&I cooperations,
- joint touristic projects,
- health care,
- network/partnership programs and project management capacities,
- joint use and development of human resources,
- building relationship between people,
- cross-border environment protection,
- cooperation to protect the nature,
- small-scale development of the transportation infrastructure (roads, bicycle routes, public transport),
- better facilities for border crossing over the rivers along the borders,
- development of communication channels over the borders.

Hungarian side: Gyor–Moson–Sopron, Komárom–Esztergom counties, Budapest, Pest, Nógrád, Heves, Borsod–Abaúj–Zemplén and Szabolcs–Szatmár–Bereg counties.

Slovakian side: Pozsony, Nagyszombat, Nyitra, Besztercebánya and Kassa counties.

The total budget of the program is *EUR 207 million*, of which 176 million (85%) is the contribution of the European Regional Development Fund. The minimum required own contribution of the applicants is 5%.

INTERREG IVC Program

Authorities and stakeholders at local and regional level have a vital role to play in the achievement of the EU's strategies for growth, jobs and sustainable development. The exchange, sharing and transfer of policy experience, knowledge and good practices will contribute to the success of this objective.

The INTERREG IVC Program is part of the European Territorial Cooperation Objective of the Structural Fund policies for the period 2007-2013. It aims, by means of interregional cooperation, to improve the effectiveness of regional development policies and contribute to economic modernisation and increased competitiveness of Europe, by:

- Enabling local and regional actors across the EU to exchange their experiences and knowledge;
- Matching regions less experienced in a certain policy field with more advanced regions;
- Ensuring the transfer of good practices into Structural Funds mainstream programs.

There is another instrument for V4 cooperation in addition to the abovementioned EU funds, which is the own endeavour of the Visegrad countries, called *the International Visegrad Fund*.

The *International Visegrad Fund* was established in 2000 to encourage closer cooperation among the V4 countries through the support of common projects in the fields of culture, science and research, education, youth exchange, cross-border cooperation and promotion of tourism (www.visegradfund.org).

As a region, Central Europe - including the Visegrad countries - has always been at the crossroads between West and East and has therefore often been hotly contested.

The main aim is to develop and promote cultural cohesion of the region, mediate understanding of one another and build on the common grounds of the region within the broader European integration.

To date, the Fund has supported more than 1,700 projects and awarded nearly 400 scholarships and 40 artist residencies. The current annual budget of the International Visegrad Fund is •5 million and is created by equal contributions from the member states. As a rule, funds are distributed to the member countries proportionally. This of course does not involve third countries as recipients, however, in 2007, almost 15 percent of the budget went to neighbouring countries such as Ukraine, Belarus and so on.

Presently we are experiencing sort of a "renaissance of Visegrad" reflected in a continuous rise in applicant interest, the increasing quality of projects and also in the fact that the Fund's budget has been increased several times since the fund's inception, comparing the Fund's •1 million budget in 2000 to its •5 million budget today. The Prime Ministers decided in June 2009 on a further increase of national contribution to the IVF (EUR 1,500,000 per states up to EUR 6,000,000 totally) to be implemented from 2010 onwards.

The four countries adopted common positions on a number of issues and succeeded in harmonising their interests. European and other partners are keen on making contact with the Four, while meetings and dialogues in V4+ formats have became regular. Other groups of regional cooperation (Benelux, Baltic3 countries, Nordic Council of Ministers) look to the Visegrad Group as a potential partner. Today, the renewed Visegrad Cooperation covers three major dimensions: *cooperation on foreign and European policies, sectoral cooperation and the civic dimension.*

Conclusions

Based on our study it is obvious that the *Visegrad countries need to cooperate with each other to achieve mutually beneficial results*. It is true that it is not easy to persuade the citizens and the politicians of these countries to cooperate, but in long term it is the only way to improve competitiveness. Unfortunately, nowadays the political forces do not facilitate such cooperations, but due to EU funds we hope that developments can be separated from political issues and we can work for a common goal in the region.

There are many possible ways for joint developments, since all the four countries are among the less-developed regions of the European Union based on the GDP per capita. There is room for development in order to catch up with the Western-European countries. The EU accession of the Central-Eastern-European region has resulted various consequences in the 12 new member states. Some of them could reach higher economic growth, while others declined. There are two countries, namely Slovania and Slovakia, who managed to get into even the euro-zone in the past few years.

The *global economic crisis* had struck these countries very hard, so the current economic situation is even worse than before. Under such circumstances it might be even more important to cooperate and to look for solutions for the structural difficulties with joint efforts. Since these regions are not among the most developed ones of the EU, there are many funds available for their economic and social development and cohesion from the EU budget.

There are many fields of the economy where developments would be necessary in these countries, because there are rural areas where even the basic infrastructural services are not provided. 20 years after the change of regime and in the transition to market economy, neither the economic nor the social situation is at the expected level.

Finally, let us list up a few potential fields of developments which require more attention from the Visegrad countries.

Energy security is the most often mentioned challenge now facing the Visegrad Group (V4), while others include the further enlargement of the EU and handling the impacts of the global economic crisis. When looking more closely at economic aspects, experts cite the need to keep the Visegrad region competitive and secure a successful transition from traditional industries to knowledge-based ones.

"The gas crisis in January 2009 showed that energy security is of key importance for the economic development of the region," Alexander Duleba, the director of the Research Centre of the Slovak Foreign Policy Association (SFPA), told The Slovak Spectator (*http://www.visegradgroup.eu*).

"There are no regional interconnections of infrastructure for transit of natural gas and crude oil within the V4. If the V4 arrangement is not used to bring about a change, this will cast doubt on the pure essence of regional cooperation within the V4." (*http://www.visegradgroup.eu*)

A successful transition from traditional industries to knowledge-based ones seems crucial for the region to remain competitive. Under some pessimistic scenarios one could also expect some worsening of the situation in regional competitiveness. Fortunately, despite some negative signs - like the increasing unemployment rate in Slovakia, and problems in Hungary- so far we have evidence of a rather good position across the region as a whole.

Unfortunately, *education, R&D and innovation* did not have determining roles in the communist-era, therefore it is very difficult to consciously allocate sources for such purposes from the budget nowadays. Based on former experiences, the qualification of the graduates and experts of these countries has been of very high quality, but most of them decided to move abroad to get the desired salary for their expertise.

The research institutes and educational institutions used to be state-owned/financed, so their management did not need to think about their competitiveness and quality level. But due to the recent changes and the Lisbon strategy of the EU, all the member states have to pay more attention to knowledge and innovation. According to the EU's resolution, every region has to increase the R&D spending to 3% of their GDP by 2010. Based on the current figures, most of the EU states do not even reach 0.5%, not to mention the desired 3%.

The other problem with the spending on research and development is that such sources do not come from the private sphere (enterprises) which could use and transfer the scientific results directly to the economy, but most of these sources still originate from the state. The state does not really pay attention what scientific results, what innovations, what new products/technologies/services would be necessary in the economy, so the scientific researches cannot be adjusted to the real demand.

The Visegrad countries had all close relationship with the EU in the past, since the most important trade partner was the Union itself. These countries have very important export goods, which are easily tradable in Western-Europe. Therefore, the major force behind the economic development of the V4 countries will remain their *export orientation and foreign direct investment*. However, in order to be able to enhance the exports, products with higher added value have to be produced in these countries, meeting the quality standards of Western-Europe and meeting the quality-management requirements.

But the V4 countries, except for Poland, lack domestic sources for sustainable and long-term growth. Due to this fact the economic development path of the countries is expected to be quite similar over the next few years. These characteristics reinforce the competing nature of their economies. Only large-scale, region-wide investment project can be important for all the affected countries, in order to unite their forces, but it requires strong political will and a cooperative approach. The latter is obviously lacking due mostly to political problems between Hungary and Slovakia.

It is very sad though, that the Hungarian economic policy does not urge the incoming of foreign direct investment due to the changes in the taxation system and the administration in the business sphere. While taking the austerity measures, the government does not have a willingness to reduce the taxes, therefore a lot of companies choose Slovakia to be the venue of their head office/operation. The favourable taxation conditions in Slovakia and in Romania increase the tension further among these countries, so the cooperation is becoming more difficult.

According to other figures and researches, the largest potential for cooperation within the V4 is in *tourism, services, manufacturing, chemical production or agriculture*. On the other hand, agriculture in particular is a sector where traditional national protectionism is fully supported by many politicians and, due to EU policy, competition is undermined, resulting in problems with competitiveness (Tóth, Goda and Urbánné, 2009).

As a final conclusion we can state that cooperation must be voluntary to achieve good results both in the business and in the public sphere.

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