

ECONOMIC-GEOGRAPHIC POSITION AND REGIONAL PROBLEMS OF BOSNIA AND HERZEGOVINA

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Abstract

Bosnia and Herzegovina is facing fundamental economic-geographic changes in its socio-economic development. With regard to data availability, most attention in this paper has been paid to problems of development of economic activities. In addition, some characteristics of demographic changes in Bosnia and Herzegovina after 1995 have been emphasized herein. Unequal geographic-economic position with the bordering countries is a general regularity of economic development, which is especially expressed in polarisation of economic activities of population and income in particular developmental stages.

Key words: socio-economic transformation, economy, Bosnia and Herzegovina, rural area, population, spatial distribution, demographic changes, urban area

INTRODUCTION

The main goal of this paper is to show fundamental changes of geographic-economic position of Bosnia and Herzegovina in economic development, against bordering countries. Poor traffic connections and unfavourable socio-economic population structure may be primarily distinguished as some of developmental issues in economy of Bosnia and Herzegovina. With regard to data availability, most attention has been paid to problems of geographic-economic position. In addition, some characteristics of development of new activities in rural areas of Bosnia and Herzegovina and demographic changes in the period after 1995 have been emphasized here. Research of the mentioned issues should result in solutions for future creating better conditions in socio-economic development of the entire area of Bosnia and Herzegovina within the European

Union. The emphasis of the paper is in showing the importance of quality economic theory and its adjustment to national characteristics that lead to real prerequisites for equal economic growth (Nurković 2010).

On the basis of aspirations and goals, it is necessary to determine the most precise criteria by which the existing geographic-economic position would be more easily overcome, and some investments into economic activities of Bosnia and Herzegovina justified. On the basis of contemporary trends, spatial distribution of economic activities in Bosnia and Herzegovina is extremely uneven. For such spatial distribution of economic activities and their influence on economic development and socio-geographic transformation, spatial differences in polarisation of work function are a direct indicator of differences in regional development of Bosnia and Herzegovina.

SOCIO-ECONOMIC TRANSFORMATION OF ECONOMY IN BOSNIA AND HERZEGOVINA

Transition, respectively the processes of restructuring the economy and society in Bosnia and Herzegovina, in general, are ongoing very intensively, but in rather deteriorated and special conditions. The standard package of transition applied, more or less, in most post-communist countries was completed by the World Bank and the International Monetary Fund in accordance with principles of neoclassical economic ideology. In transition from the post-communist to market economy, Bosnia and Herzegovina uses its considerable natural-geographic and traffic, as well as demographic advantages. However, these processes are significantly slowed down and deteriorated by the Balkans war crisis in the period 1991-1995. In this context and after this period, the first private accumulation of capital was developing the fastest in field of commerce, tourism and catering, finances, intellectual services and alike; with considerably slower restructuring the industrial production, where a strong dominance of state ownership and influence is still present in a transition stage. In such economic circumstances, processes of deagrarianisation, urbanization, deruralization and restructuring the population toward tertiary activities have been still significantly slow in recent years. From the aspect of processes of regional cooperation and integration, Bosnia and Herzegovina is a specific area. Bosnia and Herzegovina represents one of these areas in the European Union in which these processes do not have a long tradition and deep roots (Lorber 2006).

Today it is a largely unconnected and geographically-economically disintegrated area. It is more known as an area of conflicts and divisions that occurred as a result of interior political, religious, ideological and other differences, but also for interference of the great powers in order to achieve their interests in this area. Therefore, existence of the term 'balkanization' by which divisions, conflicts and absence of inter-state and international cooperation are expressed – is not accidental. A low level of economic and other cooperation among the neighbouring countries and people have, as a

consequence, political instability and economic underdevelopment. In contemporary conditions, economic underdevelopment is manifested in a slow overcoming the economic problems and generally in a slow economic development. For the most part, economic underdevelopment is a cause of an insufficient integration and connections of this area with the European institutions and organizations. Real size and economic development of the Balkans countries may be illustrated with the following data. It is a typical example of beginning of regional cooperation of some countries into a regional integration toward the European Union.

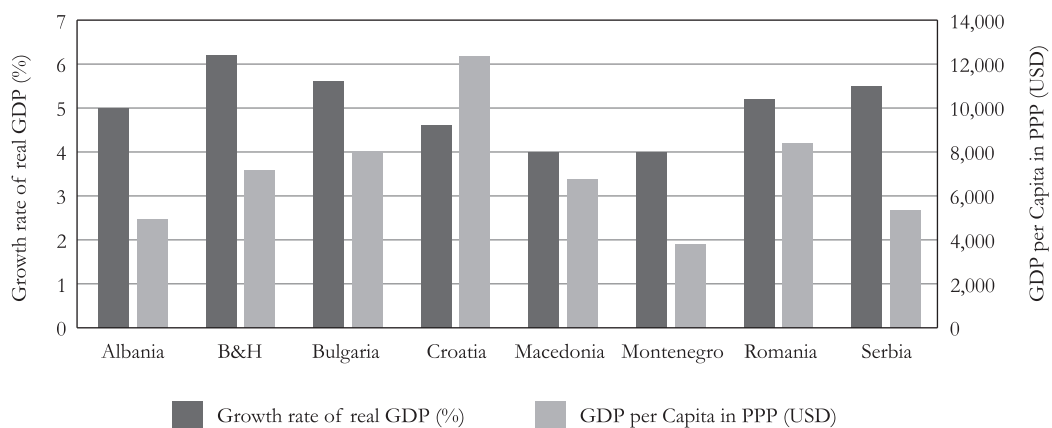
Following the end of war in 1995, volume of B&H economy reduced to around 35% of total annual production. After the Dayton Peace Agreement had been signed, a focus of activities was present at all levels. It has been particularly oriented toward a renewal of economy and society with an extensive international financial and technical assistance (5.1 billion USD). The allocation of government and donor funds was directed to reconstruction of infrastructure and housing developments, and on establishment and strengthening the key bodies and institutions of governments of the states and entities, so that they bear responsibility for implementation of fundamental economic, political and social reforms.

At the beginning of the 21st century Bosnia and Herzegovina made a considerable progress on the macro-economic plan. In 2001, economic growth in Bosnia and Herzegovina was 7% in BH entity, the Federation of Bosnia and Herzegovina, and 1.9% in Republic of Srpska. According to different statistical indicators, that growth ranged within the values under 5 to 6% in 2006. The anticipated GDP growth was 2.3% in 2002 (according to IMF analysts), but actually it increased to nearly 4%. However, due to socio-economic structure that is dominated by industry and mining, and the underdeveloped primary sector, these rates were not sustainable in a long term. Since 2000, the transition process in Bosnia and Herzegovina has been accelerated, for the most part, due to monetary stabilization (a low inflation, a stable currency, a low external public debt), liberalization of prices and reforms of financial system. Economic

Table 1 GDP growth rate in Bosnia and Herzegovina and selected countries of the Region, 2008.

Source: (GDP) IMF, World Economic Outlook 2006, 2008.

	Population (mil.)	Area (km ²)	Growth rate of real GDP (%)	GDP per Capita in PPP (USD)
Albania	3.3	28,750	5.0	4,929
Bosnia and Herzegovina	3.7	51,202	6.2	7,168
Bulgaria	8.2	110,212	5.6	8,026
Croatia	4.5	56,538	4.6	12,336
Macedonia	2.0	25,713	4.0	6,763
Montenegro	0.6	13,812	4.0	3,800
Romania	22.7	238,391	5.2	8,413
Serbia	9.3	88,361	5.5	5,348

**Figure 1** Regional comparison of GDP growth rate in selected countries, 2008.

Source: (GDP) IMF, World Economic Outlook 2006, 2008.

development in Bosnia and Herzegovina in 2009, in real conditions, increased by 6.2%, which is the biggest GDP growth in past five years, while its average growth rate in this period was 5.2%. For the sake of comparison it was 5.6% in Bulgaria, 5.5% in Serbia, 5.2% in Romania, 5.0% in Albania, 4.6% in Croatia, 4.0% in Macedonia and 4.0% in Montenegro (Table 1 and Figure 1).

Despite an absolutely and a relatively slow increase in the number of employed people, a more complex economic development has generated a strong socio-economic transformation. It is reflected in intensive process of deagrarization, and also in

adequate increase in number and employment share in activities of secondary and tertiary sector. The fundamental “push factor” of the social restructuring of agricultural workers was a stagnation of agriculture. This may be seen from the lowest annual growth rate of primary sector (1.6%), twice lower than the average of total economy of Bosnia and Herzegovina (3.7%) in the period 1991-2008. On the other hand, superfluous agricultural population attracted noticeably a more dynamical growth of propulsive non-agrarian activities. This is also supported by data on the average annual growth rates of national income of secondary (4.0%) and tertiary sector (4.4%) in the period 1991-2008.

SOME DEVELOPMENTAL PROBLEMS OF BOSNIA AND HERZEGOVINA

Regional developmental differences are the problem all over the world. In Bosnia and Herzegovina there is no administrative or statistical determination of urban regions. Due to demographic studies and achieved results in various researches, we may determine the cities in Bosnia and Herzegovina according to number of inhabitants and activities functioning in them, as well as their size and other characteristics correspond to urban regions. In the centre of such urban region is the largest city with other smaller settlements that make a unique functional wholeness. Migration of employment and participation of the agricultural households in an urban region for each single settlement serve as a measure of functional connections. Urban geographers think that an urban area is defined as a very narrow area, and that it includes only some suburban settlements that were spatially changed with neighbouring cities and – therefore, do not reflect real functional connections of the settlements inside the urban region. In addition to urban regions, we can speak about broader urban areas that have all characteristics of urban regions. A broader urban area includes the areas of more local communities included in urban municipality. These areas are characteristic of a very strong connection with a central city in which numerous jobs are present, and this is why working and other migrations are present here (Černe 2003).

Functional regions that have certain characteristics of an urban region are designated as geographically, functionally and economically completed areas with a clearly recognizable network of settlements, structure of centres and their influential areas. Urbanisation process in Bosnia and Herzegovina is very fast and from year to year results in urbanisation that has largely demographic features, respectively quantitative characteristics. Certain sociological researches show that in rapid quantitative changes of the city size there is considerable unadjustment of settled population in urban conditions, intolerance, aggressiveness and alike. These consequences are also characterised as a conflict between the rural and urban. It has

also been shown that at high urbanity in Bosnia and Herzegovina there is no correlation between economic efficiency and a level of urbanity itself, as is the case in the most developed countries of Europe. Previous trends of the observed occurrences and their expected development indicate that there is simultaneously a tendency of concentration in area of Bosnia and Herzegovina and certain forms of dispersion as well. On the one hand, this dispersion is a consequence of the form of settlement in more than 5,000 scattered rural developments which are constantly emptied, but also withhold a significant number of inhabitants. On the other hand, a relatively dense network of the centres that represent points in space at which social efforts for more even development are crystallized, have been developed (Figure 2).

The network of urban centres in Bosnia and Herzegovina consists of Sarajevo as the capital, and regional centres among which, according to level of development of functions of cities, tradition, urbanity and size of gravitation-functional area, distinguish themselves: Mostar, Banja Luka, Tuzla, Zenica, Doboje and Bihać. In addition to these centres, there are around 15 subregional centres that are within functional-gravitation wholeness, bearers of development of particular functions of higher order against the municipals centres. Small and medium-size towns that are located in areas of large cities, use their advantages but also disadvantages of large cities. Thus in Bosnia and Herzegovina urban regions or regional towns have been formed in which, on the grounds of comparative advantages of single towns, a polycentric system or organically connected units has been developed, adjusted to natural conditions. In the world and Europe, the spatial distribution, respectively regionalization and local communities are based on geographic, functional, economic, historical and other criteria (Hallsworth 1994).

In accordance with socio-economic and other factors of development, the forms and dynamics of urbanisation in Bosnia and Herzegovina are different. In less developed industrial settlements the urbanisation was expressed in a rapid growth of urban population, which is several times bigger



Figure 2 Network of regional and subregional centres in Bosnia and Herzegovina, 2008. Author: R. Nurković.

than dynamics of growth of total population and in explosive development of large cities. By strengthening the economy, which has recently been primarily a result of development of secondary and tertiary activities in Bosnia and Herzegovina, central settlements gradually change their urban image. Urbanisation level shown in shares of population living in urban settlements, speaks about one more significance of population. Large differences between the urbanised city settlements of Sarajevo, Tuzla, Banjaluka, Mostar and Zenica are noticeable. In order to avoid any premature conclusion on the achieved level of urbanisation, we have decided to search the urbanisation level in Bosnia and Herzegovina for the period 1981-1991 and to make estimation for 2001.

SEPARATION OF URBAN SETTLEMENTS

The separation of urban settlements in Bosnia and Herzegovina is a problem that is present all the time. Urban settlements have developed various activities, primarily industry and mining, and a production of different industry products and services, not only within their borders, but also in a broader gravitation area. In practice of differentiation of the settlements in Bosnia and Herzegovina a small number of indicators have been applied. The most common are the settlement size, population lifestyle, which has been mainly expressed in ratio of agricultural and non-agricultural population, and other relevant indicators. Today, there is diversity in separation of urban settlements in Bosnia and Herzegovina (Pacione 2001).

Table 2 Number of inhabitants in main regional centres of Bosnia and Herzegovina, 1981-1991.

Source: The Bureau of Statistics of Bosnia and Herzegovina, Sarajevo 1981-1991.

Municipality	Population 1981		Population 1991		Balance of urban population 1991-1981
	Urban	Other	Urban	Other	
Sarajevo	392,935	55,584	449,050	77,945	+56,115
Banja Luka	123,937	59,681	143,079	52,613	+19,142
Bihać	29,875	35,669	45,553	25,179	+15,678
Brčko	31,437	51,331	41,406	46,221	+9,969
Doboj	23,558	75,990	27,498	75,051	+3,940
Goražde	13,022	23,902	16,273	21,300	+3,251
Mostar	63,427	46,950	75,865	50,763	+12,438
Tuzla	65,091	56,626	83,770	47,848	+18,679
Zenica	63,569	69,169	96,027	49,490	+32,458

The Bureau of Statistics of Bosnia and Herzegovina have separated three categories of settlements: urban, mixed and rural settlements. For these categories a model of settlement size and share of non-agricultural population has been applied. It may be concluded that this model met the needs of differentiation of settlements in 1981, but certain shortcomings appeared in differentiation of the settlements. Therefore, it was necessary to adjust a model of differentiation of urban settlements with a level of existing development. Spatial distribution of Bosnia and Herzegovina appeared as a result of the war from 1992-1995, when ethnical ghettoization was performed. Large cities, Sarajevo and Mostar have been physically divided and thus interactive spatial opportunities and functions of a city as a unique wholeness have been reduced. In the period 1981-1991 most of urban population lived in regional centres of Sarajevo +56,115, in Zenica +32,458, in Banja Luka +19,142, in Tuzla +18,679, in Bihać +15,678, in Mostar +12,438, in Brčko +9,969, in Doboj +3,940 and in Goražde +3,251 (Table 2).

After 1992, a rather expressed polarisation was present in urban development of Bosnia and Herzegovina. It is reflected in a very dynamical monocentrism of metropolis, respectively a domination of the Sarajevo city and regional centres of Banja

Luka, Tuzla and Mostar. The polarization is a consequence of the mass migration of refugees into the mentioned cities. In this way many settlements are very scarcely populated or quite vacant, and on the other hand city functions enable living to newly-settled population so that they return very slowly to their previous areas or do not return at all. Polarisation process is thus intensified and additional provinciality of other areas of Bosnia and Herzegovina has been performed.

CONCLUSION

The analysis indicates to a high level of interdependence and polarisation between the population and economic activities and the features of regional development of Bosnia and Herzegovina Transition, respectively the processes of restructuring economy and society, as a whole, in Bosnia and Herzegovina are ongoing very intensively, but in rather deteriorated and special conditions. The correlation between development and structure of the work function and a type of regional development and statistical regions, i.e. the spatial-developmental units of regional and macro-regional coordination, is particularly expressed. With regard to contemporary tendency of regional development two groups of spatial units are basically distinguished. The first unit is characterised by more emphasized

concentration of population, a more developed work function and a stronger socio-economic transformation, and the second one with more or less expressed spatial differentiation and adequate, negative structural characteristics.

Functional regions, which have certain characteristics of urban region, have been designated as geographically, functionally and economically defined areas with a clearly recognizable network of settlements, structure of centres and their influential areas. Urbanisation process in Bosnia and Herzegovina is very fast and from year to year causes urbanisation that has, to a large extent, demographic features, respectively the quantitative characteristics. Certain sociological researches indicate that in fast quantitative changes of city size there is a considerable unadjustment of the settled population with living in urban conditions, intolerance, aggressiveness and alike. In contrast, the most unfavourable features of contemporary regional development have marginally located municipalities with a less developed, main central settlement.

Necessity for more rational socio-economic development requires that discrepancy in regional development of Bosnia and Herzegovina is reduced as soon as possible. This implies a need for more decisive incentive of development of less developed regions, those which are largely facing the problems of economic development.

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Resumé

Ekonomicko geografická pozice a regionálních problémy Bosny a Hercegoviny

Bosna a Hercegovina prochází v rámci svého socio-ekonomického vývoje zásadními ekonomicko-geografickými změnami. O ohledem na dostupnost dat věnuje článek nejvíce pozornosti problému rozvoje ekonomických aktivit. Dále se zabýváme některými charakteristikami demografických změn v Bosně a Hercegovině po roce 1995. Nerovnoměrná ekonomicko geografická poloha vůči sousedním zemím výrazně ovlivňuje ekonomický rozvoj, který je obzvláště vyjádřen v jednotlivých rozvojových fázích polarizací ekonomických aktivit obyvatelstva jeho příjmů.