The economic role and opportunities of Hungaricums (national values) as endogenous resources in local development

Krisztián Ritter¹, Ágnes Virág²
Szent István University Gödöllő¹,²
Institute of Regional Economics and Rural Development
Páter K. u. 1.
H-2100 Gödöllő, Hungary
e-mail¹: ritter.krisztian@gtk.szie.hu

Abstract
On the one hand Hungaricums like specific national values play an important role in the Hungarian national identity; on the other hand they are considerable economic factors too. The majority of Hungarian specialties like local resources are linked to rural areas. In the rural policy of the European Union and Hungary it is a special priority to support the development based on endogenous, local resources. In our opinion, adequate economic utilization of the Hungaricums products and values can provide many opportunities for development of rural areas. After grouping the Hungarian national values our study is linked to two Hungarian products, Gönc “pálinka” (apricot brandy) and Tokaj wine. We explore how the various economic participants value the impacts of national and rural economic importance of Gönc „pálinka” and Tokaj wine like hungaricum products. Our research extends that the stakeholders what kind of opportunities can pair to special products which symbolized Hungarians.

Keywords: agriculture, tourism, local development, rural development, rural economy, national values

JEL: O13, J43, Q19

Introduction
The falling role of agriculture which used to employ quite a large proportion of people living in rural areas, have caused problems particularly in the former agricultural areas that cannot integrate into the global economy (Agarwal et al. 2009). It seems that the decline of the former role of agriculture in employment ruined the adaptability of several areas, resulting in - among others - significant and long-term unemployment. This is supposed to have contributed to the growth of territorial disparities (see Ritter 2010). Considerable changes have occurred in Central East Europe. During the last decades out-migration has accelerated in many rural areas. Several rural micro-regions have indicated negative demographic tendencies, a quite unfavorable age structure and a decrease of economically active persons and low qualification of human resource (SERA 2010). Small villages can hardly provide local job opportunities apart from agriculture. Due to scarce local employment opportunities only a small proportion of employees in villages can find local job, so most of the locals are daily commuters. In addition, a great proportion of the rural population have unfavorable or have no access to basic services. Rural areas also lack recreational and cultural services which is one of the main reasons for out-migration of young people. Moreover, many road networks, service and storage facilities, public utilities, energy supply are insufficient and in poor condition (Ritter et al., 2012). It was recognized that these problems cannot be remedied by interventions aimed at developing agriculture alone. Rural areas have already required a new approach and area-specific developments beyond agriculture (e.g. OECD 2006, Ritter 2014).

The global economic tendencies, the globalization and the spatial restructuring of the European economy have led to the increasing importance of the spatial policy recently. One of the basic consequences of the globalization is the change in the role of territories and
localities as well as their increasing value, resulting that the creation of the conditions for
development is not merely the governments’ responsibility, but also it has become the duty of
the settlements and territories due to the emphasis on the endogenous theories and building on
the own resources. The endowments and potentials of the territories have come to the
frontline (especially the human capital), which are available for the developments as internal
resources and can be activated under appropriate circumstances (Káposzta 2007). The main
goal of that development is competitiveness.

According to Bristow (2005) since the 1990s, in response to the work of authors such as
Porter (1990), the concept of regional competitiveness has become a main discourse within
public policy in developed countries. Indeed, regional competitiveness has been
enthusiastically adopted as a policy goal by the European Commission and by national
governments across Europe (see EC 2000). The competitiveness hegemony is such that
according to certain analysts, the critical issue for regional economic development
practitioners to grasp is that the creation of competitive advantage is the most important
activity they can pursue (Barclays, 2002).

Instead of the term lacks a clear, unequivocal and agreed meaning within the academic
literature, according to a definition utilised by the European Commission regional
competitiveness describes the ability of regions to generate high income and employment
levels while remaining exposed to domestic and international competition (EC 1999).

As a result of globalization, local developments - relying on local resources - came to the
foreground. Endogeneity has been the response to the critique related to the vulnerability and
over-dependency of extra-local forces in rural development (Ray, 2000). Terluin and Post
(2001) emphasized the importance of local resources, activities, actors and the integrated
approach in endogenous development. Based on our researches empowerment of local actors
in the design and implementation of development are really essential to endogeneity (Kassai,
2014; Kassai - Farkas, 2012; Ritter et al., 2013). The development of micro-regions in
Hungary are carried out along the priorities represented by associations of local governments,
organizations set up by local players of several settlements to achieve common development
and the economic action groups of rural development.

The essence of all the efforts is that the aims to be achieved and the related strategy are
defined by the local population. The territories require various development strategies due to
their special conditions. It is also important which programs can be implemented with the
contribution of the local population (G. Fekete 2000). The significance and actuality of local
economic development (LED) cannot be questioned regarding the development of the Central-
Eastern European regions (see e.g. Nagy - Káposzta, 2006; Káposzta - Nagy, 2013). The role
of LED has significantly increased for the last decades, since the local economies need to face
more and more difficulties, such as globalization, economic crisis, national and regional
challenges and their negative impacts (see e.g. Káposzta, 2014).

More specific, local economic development (LED) offers local government, the private and
not-for-profit sectors, and local communities the opportunity to work together to improve the
local economy. It focuses on enhancing competitiveness, increasing sustainable growth and
ensuring that growth is inclusive. “The aim of LED is to create the economic capacity of an
area so that it could provide the future of the economy and the appropriate standard of living
for the population. This is a process in which the state, the local government, the private and
the business sector work together to create more favorable conditions for the economic
growth and the labour market” (Swinburn et al., 2004: 11. p.). LED refers to the above
mentioned endogenous development approach as well, because according to Picchi (1994:
endogenous development is to be understood as local development, produced mainly by local impulses and grounded largely on local resources”.

Within rural policies the emphasis has long been shifted towards rural diversification, support for indigenous business, encouragement of local initiatives and local enterprises, provision of suitable training and bottom-up approach (Lowe et al., 1995). Based on LEADER program, which has become an important element of rural development policy since 1991 with a high level of acceptance all over Europe (see Kassai - Farkas, 2007), the EU put a big emphasis on community-led local development (CLLD) in the 2014-2020 programming period. CLLD is a tool at local level in developing responses to the social, environmental and economic challenges including the civil society and local economic actors in designing and implementing local integrated strategies that help their areas make a transition to a more sustainable future. Community-led local development shall be:

- focused on specific sub-regional areas,
- led by local action groups composed of representatives of public and private local socio-economic interests,
- carried out through integrated and multi-sectoral area-based local development strategies,
- designed taking into consideration local needs and potential, and shall include innovative features in the local context, networking and, cooperation (EC 2014).

In this programming period (2014-2020) economic and employment growth is the long term objective of the European Union. The rural development policy retains the long-term strategic objectives of contributing to the competitiveness of agriculture, the sustainable management of natural resources and climate action, and the balanced territorial development of rural areas in line with the Europe 2020 strategy (see EC 2010). Based on the economic, social, environmental and spatial challenges of rural areas, these broad objectives are given more detailed expression through the following six EU-wide priorities (see EC 2011):

1. Fostering knowledge transfer and innovation in agriculture, forestry and rural areas;
2. Enhancing competitiveness of all types of agriculture and enhancing farm viability;
3. Promoting food chain organization and risk management in agriculture;
4. Restoring, preserving and enhancing ecosystems dependent on agriculture;
5. Promoting resource efficiency and supporting the shift towards a low-carbon and climate-resilient economy in the agriculture, food and forestry sectors;
6. Promoting social inclusion, poverty reduction and economic development in rural areas.

The Government of Hungary passed the comprehensive and long-term strategy of the rural development, namely the National Rural Strategy (NRS) 2014-2020. It defines tasks to be carried out in four major fields: agribusiness, rural development, food industry and environment protection. In addition to the major objective (improving the capacities of rural areas to attract and keep population) the Strategy sets five strategic objectives (NRS 2012):

1. The preservation of natural values and resources,
2. Various and viable agricultural production,
3. Food and nutrition safety,
4. Providing the basis for rural economy, increasing the rural employment,
5. Strengthening of rural communities, improvement of rural standard of living.

The horizontal aspects that need to be taken into account during the elaboration are: sustainability, spatial and social cohesion and the recovery of urban-rural relations. These are important from wider, regional point of view as well (see Péli, 2013).

In the last decades significant changes and increasing territorial differentiation could be observed in the rural areas of developed countries, mainly in Western Europe, but - parallel with the political and economical transformations in Eastern-European Countries - all over the EU. These changes have been accelerated by the unequal expansion of economical and social effects of the globalization that affect rural areas and settlements, their development and local economy differentially (see Byrden and Hart 2004). One of the most important elements of the changes is the strengthening and changing of the expression rural, since it has meant a totally different and new dimension for the society and the economy in the developed countries for a while. It has been shown by the suburbanization, re-evaluation of natural resources, economic development of a certain part of the countryside (see the term “new rural economy” by Clout 1993) etc.

For a long time, rurality was defined by the predominance of agriculture in the economic activity, in the social and environmental context and in the ethic values of an area. Now, the transformation made in the European economy and the wide distribution of industry and services in the territory have profoundly modified the rural dimension, resulting in growing integration between city and countryside and valorization of the multifunctions of rural areas. According to multifunctionality which is one of the main basic elements of EU’s rural policy the income of rural communities is not exclusively gained from the primary function - food and raw-material production - but more and more from the other functions as well. In this “European model” rural areas have also intensifying ecological/environmental, social, economical, social, cultural functions. These could be involve the creation of the right recreational and touristical conditions, the support of SMEs, the care of rural communities, maintenance and sustaining of landscape, cultural heritage and traditions, environmental protection etc. (Kopasz 2005). Besides these multifunctions the competitive agricultural sector adapting to global market economy still plays important role ensuring right and stable level of income and quality of life for farmers in the EU.

From the point of view of endogenous and local development theories the Hungarian National Values could be special resources. Hungarian National Values are unique products of Hungarian intellectual, cultural, artistic activities or special knowledge, traditions or natural values that are characteristics of the whole country or at least a certain area of Hungary and are recognized as special national character abroad as well1. The National Values involve the following main groups:

- Agriculture and food-processing - intelectual and material products of agriculture (according to the main goal of this paper especially food and vinery);
- Health and wellness;
- Architectural environment;
- Industrial and technical solutions;
- Cultural heritage: intellectual and material elements of cultural heritage, folk art, outstanding monuments, and world heritage sites;
- Sport;

1 Source: XXX./2012 law on Hungarian National Values and Hungaricums.
• Natural environment;
• Tourism

Based on the literature and our researches (e.g. Ritter et al., 2015, Virág et al., 2014) the interpretation of National Values as unique, endogenous resources - even in international level - is unquestionable. In most cases the origin or the usage of these values is strongly related to rural areas therefore they could be bases of endogenous local/rural development actions/strategies. They can contribute to the long term objectives of the EU’s and Hungary’s rural policy creating and maintaining a diversified rural economy by helping competitive and marketable agricultural production, generating better quality of food, sustaining traditional ecosystems, preserving the landscape, the natural and the cultural heritage, strengthening employment expansion and in the most integrated way through rural tourism.

The tourism product is a set of products, services, experiences, which aims to the needs and motivations of tourists are met in a complex way. The tourist attraction is the base of tourism product (Lengyel 1992, Michalkó 2004). Tózsa and Zátori (2013) determine, that it is important to integrate the Hungaricums to tourism product, individual, authentic, distinguishable destination products can be created based on these values and touristical resources or attraction-elements. However, the Hungaricum as a tourism resource in itself is not success factor. Properly need to communicate it to consumers. The information service is a key factor in finding the unique values and promoting the hungaricums in tourism. It is necessary for the domestic segment (and Hungarians beyond borders) to communicate the Hungaricums as a brand and emphasized product, in case of foreign segment it is more important that the hungaricum are involved in the product development so the domestic offer will be distinguished in the international tourism market (Tózsa - Zátori 2013).

Material and methods

Economic development based on the endogenous resources represent a breakthrough point in the long-term development for many domestic subregions. In our study we examined territorial impacts of the Gönc “pálinka” (which is registered in Hungarian Depository) and the Tokaj wine (which is a Hungaricum product).

The first phase of our research delimited production area of origin protected products via the analysis of secondary data so the investigation was limited to the affected settlements (Figure 1. and Figure 2.). Based on historical and geographical reasons we were examined in the Tokaj wine region on the basis of the boundaries of the Hungarian characterization. After the demarcation secondary and primary data collection was carried out and analyzed the obtained data. The secondary data collection was focused on statistical data of the affected areas. Among others we have studied the Central Statistical Office database and data of the Hungarian National Tourist Office.
Figure 1. The area of origin protected Gönc “pálinka”


Figure 2. The Hungarian area of Tokaj Wine Region

Source: http://www.tokajiborvidék.hu/?id=terkep

In addition, we investigated the rural development situation analysis and local rural development strategies of LEADER Action Groups, and other development concepts for
relevant areas. By the analysis of the plans we aimed to reveal, that are the hungaricums and associated measures appeared in these documents, if so, have they adequate emphasis.

In addition, we performed the primary data collection. In two examined regions we made 132 depth interviews with various economic and rural development actors (fruit growers, employees of distilleries, mayors, representatives, project-managers, leaders of civil society organizations, tourism service providers etc.). The interviews were made in February and March 2014 and the summer of 2015.

During the interviews we used the following main questions:

- What is the role of the Hungaricum products in economic development?
- How can the endogenous products contribute to the development of the rural regions?
- What kind of development opportunities can be linked to the Hungaricum products?
- What extent is built on local products in local development plans?
- How much known the two premium Hungarian products among domestic and foreign visitors?

Based on the specific features of the products (Gönc „pálinka” and Tokaj wine) and the literature we formulated some hypotheses before investigation:

- The hungaricums are special, unique, specific endogenous resources of certain territorial units, which pose the possibilities of economic development directions.
- The hungaricums as specific endogenous resources contribute to expansions of local developments, economic opportunities, job creations, the improving the quality of life of the inhabitants in the given subregions which help the development of rural economy.
- The presence of hungaricum products in local development plans, concepts are not adequate, do not enjoy significant economic development priorities.

Results

Due to space limitations, we only describe the most important results, especially in support of the literature. The method is the descriptive statistics.

We asked rural operators to differentiate among domestic and foreign visitors to the notoerity of Gönc „pálinka” and Tokaj wine, as they are in contact both layers. We assumed that we will find a difference between them. Respondents placed the hungaricum product in the four measurement scale (not known, slightly known, relatively known, known to everyone) according to their own opinions. Based on the responses the domestic product awareness (3,79) (virtually everyone is familiar with it) is much higher than foreign (1,14) (practically no one knows). According to respondents, the Gönc „pálinka” not specifically as „apricot from Gönc”, but as a good “brandy” contributes to the country's image. This is supported by the fact that the foreigners are looking for a good brandy in these areas. We asked the respondents to place the national recognition of the Gönc „pálinka” between the hungaricum brandies. Virtually all respondents ranked the product to the top of the imaginary list, only difference was that clearly placed in the first place, or any of the first three places.

Tokaj wine is definitely to contribute to the country's image; all respondents emphasized the domestic and the international notoriety too. The products of Tokaj Wine Region as World Heritages are famous all around the world, the majority of domestic and foreign tourists
purposefully looking for Tokaj wines. It is typical that the respondents considered the Tokaj wines standout Hungarian product in the case of the wine industry and wine tourism too.

Of course more specific, national-level studies are needed for an objective judgment. In any case clearly can be drawn, according to the locals the Gönc „pálinka” and Tokaj wine is exceptional local resource which has national recognition, they are proud of products.

The wider territorial impacts of the Gönc „pálinka” and the Tokaj wine as Hungaricum were agreed by all respondents. Based on the results of the investigation these effects are not significant for the affected regions and its inhabitants (only 4% of respondents thought the opposite). However, they carry potential which substantially can contribute to the economic and social development of rural areas according to nearly three-quarters of the respondents (73.91%).

The most important regional impacts based on the respondents' opinion:

- Income of distilleries and wineries;
- Local tax revenues;
- Employment creation;
- Local raw material supply - more secure sales;
- Alternative income and diversification opportunities for local farmers;
- Stimulation and promotion of local hospitality and tourism;
- Gönc „pálinka” and Tokaj wine, as trademark contributes to the region's visibility, advertise;
- Extern effect on other local products.

Examine the appearance of the Gönc „pálinka” and brandy sector, the Tokaj wine and wine sector in the local development plans, concepts. Between the local development strategies of the affected regions there was some, which counted with the hungaricum products as endogenous resources and local products.

In some local rural development strategies these products are mentioned as a flagship feature. However, most strategies have not been treated separately / particularly the impact on local development of these concerned products, be stated that in these regions lots of development were realised in the previous programming period (2007-2013), which directly or indirectly belong to the product chain of brandy and its touristic opportunities.

The development activities contribute to the wider improvement of economic, social and natural environment in the rural areas. However, all respondents confirmed that need to strengthen the place and role of Gönc „pálinka” and Tokaj wine in local development plans.

Conclusion

The importance of the competitiveness and the local development increases in our country. The local endogenous resources can play a significant role, like the foundation stones of construction based on own resources. The determination, the exploration, the acquisition or establishment of factors have become top priority which as a starting supply elements contribute to 'independent' socio-economic development in a specific area.
The literature based on the local, endogenous development projects and theories, as well as relevant research also outlines the hungaricums as special, unique and competitive resources have/ may have role (territorial significance) in regional development.

The appearance, the production of Hungaricums (which are often linked to the agricultural sector) and their economic and social activities, and their wider territorial impacts regarded as a competitive factor in rural areas. It has significant potential for rural development in the definition of development policies and their implementation.

Our studies have mapped the spatial territorial effects of hungaricum products that have impact on the society and the economy of the affected regions.

The research fully confirmed the Gönc „pálinka” and the Tokaj wine rightfully earned the hungaricum "trademark” because they are special, special resources in international context too.

The apricot brandy from Gönc „pálinka” and Tokaj wine as endogenous resources affect to social and economic processes and development opportunities of rural areas. The proper exploitation of these potentials can be one of the driving forces (if not the sole and exclusive) of local development.

Based on the interviews all three hypotheses are regarded as confirmed/true:

- The hungaricums are special, unique, specific endogenous resources of certain territorial units, which pose the possibilities of economic development directions.
- The hungaricums as specific endogenous resources contribute to expansions of local developments, economic opportunities, job creations, the improving the quality of life of the inhabitants in the given subregions which help the development of rural economy.
- The presence of hungaricum products in local development plans, concepts are not adequate, do not enjoy significant economic development priorities.

References


* Online full-text paper availability: doi:http://dx.doi.org/10.15414/isd2016.s7.13