

Brief Summary of the Articles

European integration: Europe quo vadis?

BÉLÁNÉ HAVASI

There are qualitative changes taking shape in the European Union. A major step in transforming the member states' national economy into one unified economy was giving up the national financial sovereignty on January 1st 1999. At the same time serious tensions have evolved between the common economic and financial affairs and the unsynchronised political and democratic structures. These tensions might as well lead to an internal tension in the EU, there are already signs proving that. According to leading European politicians only the political integration can ensure the liquidation of the tensions and also the chance of developing further. The historical necessity for the Eastern enlargement also hurries changes. The forming of the eurozone speeded up the integration and projected that the further deepening of the process, that is the political integration will be of different pace for each country. An other factor that supports this theory is that not all current EU members are conducive to further enlargement and political unification. It is to be feared that these countries and the future members can only be inferior members of the ever changing EU. A such perspective can significantly decrease the value of the early joining of Eastern European states. We cannot however preclude the possibility that more countries will join the EU than we expect today, but at a later time. If each country joins the EU at a different time, we have to count with the hotbed of disintegration.

Foreign trade between Hungary and Russia before and after the crisis in August 1998

SÁNDOR RÉTHI

After the change of regime and the breaking up of the Soviet Union the importance of the trade relation between the two countries has decreased to a great extent for Hungary when compared to the previous decades. The priorities of the Hungarian foreign trade have changed, members of the European Union are playing an ever increasing role in our international relations, Russia's emphasis is continuously decreasing in the trade.

The welfare effect of wheat export subsidy in Hungary

SZILÁRD PODRUZSIK

There are several reasons for export subsidisation, the allocation of the subsidy, however, has various economic effect on output, prices as well as on social welfare. The effect can also be observed if we examine the subsidisation of the export of agricultural produce, more precisely that of wheat. In the agricultural sector the net foreign trade balance in the 90s, in contrast with the total net foreign trade balance, shows a surplus in Hungary. Grains represent a high proportion in the agricultural foreign trade. Within the grains sector wheat plays a significant role in international trade. In the volume of the Hungarian wheat export strong alterations can be observed, the export was around 131 thousand tons and 2,352 thousand tons between 1990 and 1998. The

world wheat production and the demand for it determine both the world and the domestic price. However, prices are influenced by the governmental subsidies as well. Our country subsidised the wheat export between 1994 and 1998, although the domestic prices were far below the world wheat prices. For instance, in 1995 the world wheat prices were 128 USD higher than the domestic prices, and yet the government paid support on the wheat export per ton. In the following chapters we will examine whether the subsidies were rational or not, and who the real beneficiaries and losers of the subsidy policy were in the 90s. In the light of the above mentioned we will calculate and numerically define the cost of the society had to cover as the result of the export subsidies paid out by the Hungarian government.

The baltic region and the european integration

GYÖRGY SIMON JR.

The author examines the chances of the Eastern enlargement of the European Union considering the Baltic States: Estonia, Latvia and Lithuania. Keeping in mind the membership criteria, he analyses the integration efforts and economic performance of these states. In his opinion, for the time being Estonia has the best accession chances in the region. However, this does not exclude the possibility that in the foreseeable future Latvia and Lithuania, which also reached good results in the field of market reforms and democratic transformation in general, can become members of the EU.

The main characteristics of the convergence of Greece and its impacts on government debt markets

ATTILA CSEH – ZSUZSA MOSOLYGÓ

From the convergence process that Greece went through, we may learn several lessons that will serve Hungary during its preparation to enter the EU. The example of Greece shows us that from the Maastricht fiscal criteria, the criterion concerning the fiscal deficit is much stricter than that of the government debt ratio, as this was judged more strictly by the tendency than by its level. In the case of Greece the decrease in inflation was helped not only by external factors, but by the co-operation of fiscal, monetary and income policy as well. For this reason the inflation rate increased only temporarily after the depreciation of drachma in 1998. The yield convergence was characterized by the quick convergence of the long term side and the relatively slow adjustment at the short term side of the yield curve. That's why the long term real interest rate rapidly diminished close to the „normal” EMU level, while real interest rate of the short side remained high until the eve of accession to EMU. As far as the government debt management is concerned, all drachma denominated government bonds are to be converted into euros, thereby creating large and liquid bond series. The new debt management agency launched its first euro-denominated bond issue in February 2000, the first parallel bond to become fungible with the drachma benchmark bond, with identical terms and conditions. The convergence speculation was arising partly from external capital inflows, but the FX exposure of the domestic actors increased as well as foreign currency debt in private sector jumped up. After the March 1998 devaluation Greece was viewed as the last opportunity of convergence play and the central bank had to sterilize as much as 5 % of GDP, in part due to the sharp appreciation of the drachma. The fluctuation of the real exchange rate during this convergence period was not a real threat for the external balance.