Brief Summary of the Articles

Reforms of EU and the Enlargement – Part II.

ANDRÁS INOTAI

This study divided into two parts analyses the traditional and new areas of community policies of the European Union in the context of the coming enlargement. The first part deals with four policy areas, in which substantial progress towards strengthening the community level has been made in the last years or even decades. Despite the latest setback, this package includes the issues of institutional system and decision-making process, definitely the common agricultural policy and the common budget, as well as the new quality of integration achieved by the introduction of the common currency. The second part focuses on those areas of community policy that started to be developed in the recent past or are expected to take concrete forms. In this process, Hungary, as a new member of the EU, will be able to participate fully. In this basket can be mentioned the fulfilment of the Lisbon agenda which includes research and development and competitiveness issues, the future of the Western European model of social market economy, the pressing requirement of creating a common, European level migration policy, and, finally, the chance to establish a common foreign and partly also defence policy for the continent.

Factors determining the inflow of FDI and its promotion in the light of Hungary's accession to the EU

MIKLÓS LOSONCZ

This study analysis the major factors determining the inflow of foreign direct investments in Hungary in a microeconomic approach based on the adjusted net present value formula. This approach is in line with the investment decision making process of foreign companies. Its main conclusion is that in order to bolster the inflow of FDI, particularly into real assets of greenfield investments, the government should focus on incentives related to accelerated depreciation and measures with similar results as those of quick depreciation rather than reducing the corporate profit tax rate. The later may encourage companies to optimize theior tax obligations without investing in real assets. With Hungary's accession to the EU, the room of maneuvering of the government has narrowed, the former incentives focusing on tax allowances had to be converted into the schemes applied in the EU based on investment intensity ratios defined differently for the individual regions with various GDP per head. In the future, the main factors attracting the inflow of FDI will most probably include a great number of small steps aimed at systematically and continuously improving the general business climate rather than specific investment incentives based on various allowances.

FDI-attractiveness and MNCs subsidiaries in the catch-up process of Hungary

JUDIT HAMAR

International comparison and empirical analyses of the role of FDI-inflows and multinational subsidiaries (FIEs) in the catch up process of Hungary and some accession countries reveal some common trends and features, but also significant differences by countries and by time. FDI-inflow in each country speeded up restructuring, technological and productivity improvement, but the magnitude and significance of changes depended much on timing the legal, economic, and political conditions of FDI-attractiveness, influenced also by timing the privatisation process. Empirical analyses of the position of local subsidiaries in the network of the global firm stressed the positive effects of FDI in technology and productivity catch up but also the large heterogeneity of firms. Regression analyses proved the complexity of different determinants of competitiveness. The magnitude of productivity improvement (as sample average) was the highest in Hungary, and after Slovenia, the Hungarian managers of the FIEs were the most independent from the parent firm almost in all business functions, but future prospects of expansion (on scope) were expected much less than in the other countries where FDI-penetration is still much less.

Agri-food trade performance of Central-European countries in the EU in the ninties

IMRE FERTŐ

The paper investigates the agri-food trade of Central-European countries in the EU after Association Agreements using Constant Market Share analysis between 1993 and 2000. The all of the Central European countries have increased their agri-food exports to the EU, except Slovenia. Our results suggest that main source of growth in Hungarian agri-food exports has been the rise of agri-food imports in th EU. Hungarian agri-food focused on those markets where demand of the EU has increased below average. But, in other Central European countries the increase of the EU markets has played less important role in the growth of agri-food exports. In these countries the main source of rise in agri-food exports has been the improvement of competitiveness. Detailed analysis shed light on the further insights. Hungary has been able to increase its exports in the case of dairy products, cereals, animal foods, beverages, oil seeds, cork and wood, textiles fibres. However, in these product groups other Central European countries also have increased their exports. The source of growth of exports in these product groups has been the improvements of competitiveness rather than the rise of EU demand for all Central European countries.