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BUSINESS POLICY

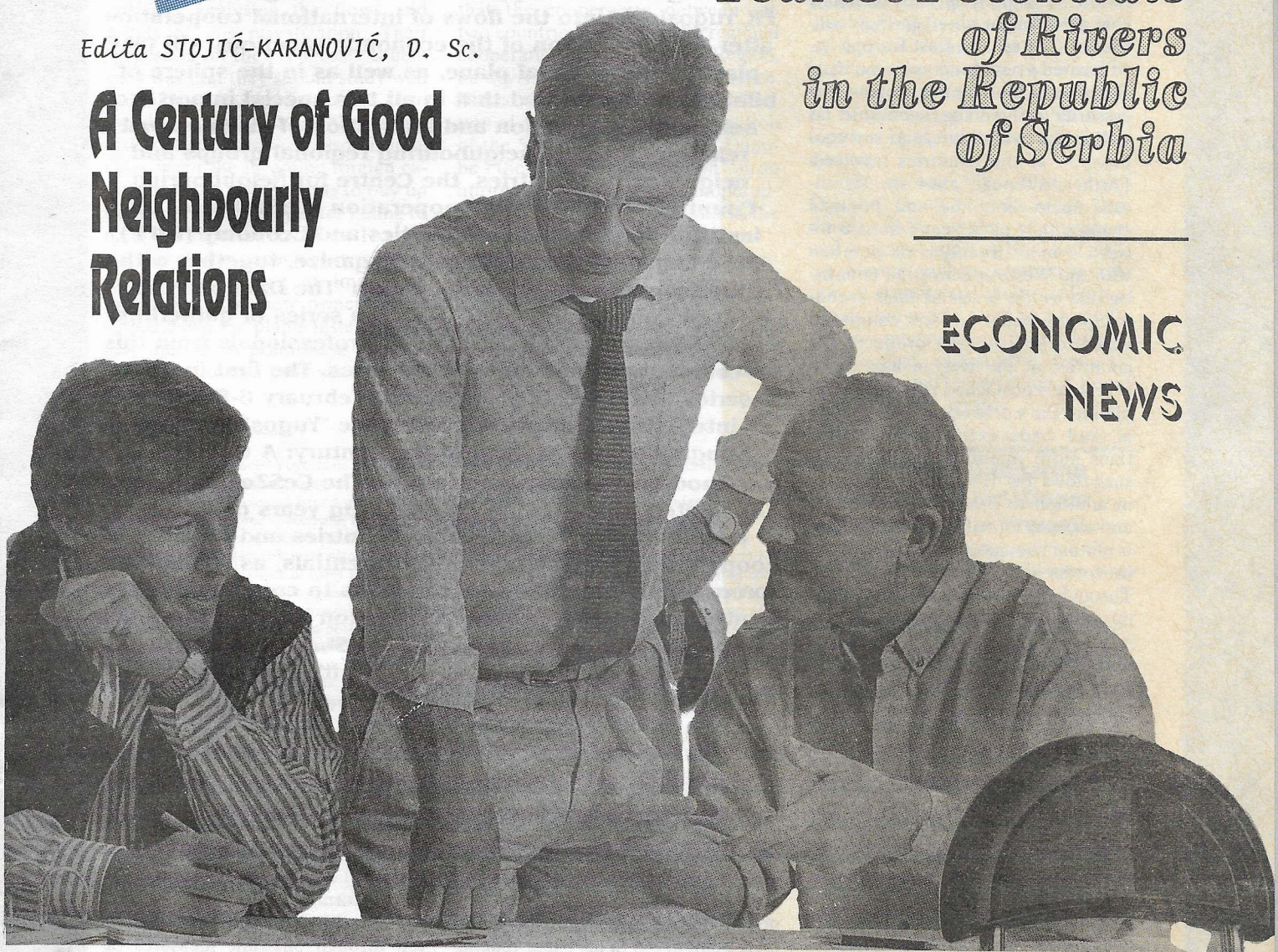
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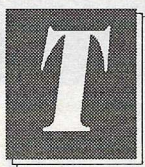
*Tourist Potentials
of Rivers
in the Republic
of Serbia*

Edita STOJIC-KARANOVIĆ, D. Sc.

**A Century of Good
Neighbourly
Relations**

**ECONOMIC
NEWS**





The Conference included the following three main topics: 1. General aspects of the friendly neighbourly relations; 2. Economic Cooperation between Yugoslavia and Hungary; 3. Foreign Investors' Interests in the Danube Region.

Economic Cooperation between the Neighbours in the Danube Region

In analysis of general aspects of friendly neighbourly relations in the Danube Region, the starting points were the conclusions by the Seventh international scientific conference "The Danube - the River of Cooperation": the policies and economic changes brought about in the countries of Central and East Europe have created a new geographic-political situation in the Danube Region, necessarily influencing economic, as well as the overall international cooperation of the countries involved. Further, although after the significant socio-economic and political changes they have been oriented toward a more intensive cooperation with the Western European countries, due to low levels of their economic performance and low competitiveness of their export products, the countries of the Region have been objectively obstructed in their inclusion into the world economic, financial, and trade exchange flows. For their more intensive inclusion into such flows it is necessary for them to, in addition to practice of economic and social reforms, also improve their mutual cooperation through various forms of regional cooperation. Through intensified mutual economic connections and improvement of intraregional cooperation these countries would create a more stable basis for realization of own expectations and hopes to become equal members of the unified Europe.

The discussion underlined the necessity that all problems, the shared ones as well as bilaterally mutual ones, be in future tried to be solved within various forms and manners of international cooperation. International cooperation of the Region's neighbouring countries means a primary interest of all the countries, with no exceptions. In this, expressed was the necessity to, on the basis of

YUGOSLAVIA AND HUNGARY ABOUT THE TURN OF THE CENTURY

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A Century of Good Neighbourly Relations

Starting from the supposition that reintegration of the FR Yugoslavia into the flows of international cooperation after the suspension of the economic sanctions will take place in the regional plane, as well as in the sphere of bilateral relations, and that in all this special importance belongs to restoration and innovation of international relations with the neighbouring regional groups and neighbouring countries, the Centre for Neighbouring Countries and Regional Cooperation (CeSZeRS) of the Institute for International Politics and Economy (IMPP) have launched the initiative to organize, together with the International Scientific Forum "The Danube - the River of Cooperation" (MNF "DRS"), a series of gatherings of scientific research workers and professionals from this country and the neighbouring ones. The first in the series was a recently organized (February 6-8, 1996) international scientific conference "Yugoslavia and Hungary about the Turn of the Century: A Century of Good Neighbourly Relations".¹⁾ The CeSZeRS have estimated that, bearing in mind long years of research devoted to the neighbouring countries and regional cooperation, and the personnel potentials, as well as the programme orientation for the years to come, this IMPP Centre is the most qualified institution in the country to, in coordination with the MNF "DRS", organize such bilateral round-table meetings with experts and professionals from individual neighbouring countries.²⁾

mutually shared problems and exactly aiming at overcoming the shared difficulties, special links be established between the former socialist countries facing the necessary transitions and transformation of their economic systems. Mr. Ljubivoje Prvulović pointed out in his paper that all European countries in transition have, in essence, to try to solve two

complex social tasks: the first one is to resolve the question of macroeconomic stabilization, and the second one to solve the question of crucial structural changes, i.e. a radical social transformation. "There is no doubt that the first task may be resolved through one-time measures or through gradual social interventions, while the results may be both short-

term and long-term ones. Contrary to this, radical structural changes are simply not possible to realize through one-go measures, rather requiring a well devised and thought of strategy of changes and long periods of realization - measured not in years but rather expressed in decades".³⁾ To give answers to such questions awaits both Hungary and Yugoslavia, in which both countries have to structure their own models of economic stabilization and structural transformation.

This stage of discussion was in fact for the most part devoted to the problems of transition. Hungary can boast of much greater experience in this respect, as privatization has covered a rather long way in that country in the meantime. The Hungarian experts, however, expressed lots of criticism analysing the flows and trends of this privatization. Their suggestion for their Yugoslav colleagues was that they should study well the Hungarian experiences, so as to avoid repeating their neighbours' mistakes. Such mistakes also include cases when the incoming foreign capital invested low amounts to buy up capacities in Hungary, later failing to meet the expectations of the Hungarians that the capacities would be modernized aiming at improving production. The new owners often closed down the plants instead, starting utilizing the premises as warehouses for their own products that had

this way gained an improved, extended, market.

A conclusion was that effects of transition by now indicated that no changes were to be entered again basing on empirical impressions, through method of trial and errors; to be constituted instead is a theory of transition and a compatible theory of the necessary transition period featuring own specific traces and open questions.

Also pointed out was the existence of jointly recognized social problems in the whole Danube Region, as well as the necessity to find out possibilities for their resolving through joint efforts. The participants also agreed that there existed a mutual connection between different spheres and aspects of life, economy, culture and education, thus requiring that the cooperation between the two countries, as well as the regional cooperation in the Danube Region, be devised and created in this sense. This at the same time meant verification of exactly the same orientation of the Scientific Forum "The Danube - the River of Cooperation" as an informal mode of regional cooperation in the Danube Region and in the neighbouring regions.

Same as at all international conferences basing their concepts and organized within the MNF "DRS", at this conference, too, presented were also concrete projects from the spheres of economy, culture, and

ecology, oriented toward international cooperation. Thus presented at this conference was the project "Return to the Revers", and extension of international cooperation aiming at development of navigator service-offering economy and tourism. Mr. Željko Vajs informed the participants on the initiative by navigators sailing the county's inland and international rivers (the Danube, the Tisa, the Sava, the Morava) that aiming at popularization and intensification of life and activities by the rivers established be Society of all those who are interested in development of navigation economy and tourist trade/tourism along these rivers.⁴⁾ The participants to the conference applauded the idea that in the forthcoming period also determined be codes of behaviour and technical standards, bearing in mind, of course, also the requirements for protection of the environment in all areas of such activities on these rivers and by their sides. International cooperation in structuring of a tenable development by these rivers is simply necessary.

The project "The Birth of the Danube" created by Mr. Milan Drndarski, D.Sc., water management and geology expert of Novi Sad, calls for international cooperation in creation of educational multi-media materials that would serve as a basis for better understanding of geological, hydrological, and general economic potentials and possibilities offered by the Danube Region.

Yugoslav-Hungarian Economic Relations: the Past, the Present, the Future

Under the present scheme of relations in this part of Europe, Hungary is of an exceptional importance for the FR Yugoslavia, not only explained by the country's economic-strategic strivings to get nearer to the Western Europe (the path obviously leading via the Northern neighbour), but also because of a sequence of factors deriving exactly from that same geographic proximity and relation. It is exactly on this basis that even during the course of validity of the economic sanctions against Yugoslavia Hungary represented a natural path for communications with Europe.

On the other side, we should bear in mind the fact that immediately

¹⁾ The Conference "Yugoslavia and Hungary about the Turn of the Century: A Century of Good Neighbourly Relations" was participated by 28 scientific research workers, experts, and economic protagonists, 12 coming from foreign countries, mostly from Hungary. The attendants were addressed with a welcome speech and the best wishes for the success of the Conference conveyed by the representative of the Government of Serbia, Mr. Slobodan Stamenković, Undersecretary for Traffic. Active in the work were also business people from this country and those coming from foreign ones, representatives of firms interested in gaining broader knowledge at this gathering concerning prospects to improve economic cooperation between Yugoslavia and Hungary, and in the whole Danube Region. The business people also had their opportunities to establish for them useful contacts with representatives of the Hungarian Export-Import Bank and the Shareholding Insurance Company MEHB of Budapest that insures Hungary's export arrangements and deals. The point is that the Federal Republic of Yugoslavia recently joined the circle of the countries in cases of which the MEHB offers insurance.

The Conference's General Sponsor was Mr. Andrija Dragoljović, Director of NISA Co. headquartered in Budapest.

²⁾ Declaration adopted at the Seventh international scientific conference "The Danube - the River of Cooperation" contains also the guidelines for further activities of the MNF "DRS", within which there was also the suggestion approved of that organized in future be bilateral round-table conferences aiming at as thorough as possible study and analysis of problems existing in bilateral relations, and at joint pursue of possible solutions of such problems, i.e. at understanding the needs and possibilities to improve international cooperation - in both bilateral and multilateral relations.

³⁾ Mr Ljubivoje Prvulović: TRANZICIJA U JUGOSLAVIJI I MAĐARSKOJ: IZBOR ILI PRINUDA (TRANSITION IN YUGOSLAVIA AND IN HUNGARY: FREE OR FORCED CHOICE), paper submitted at the Conference.

⁴⁾ Mr Željko Vajs, owner of the "Vajs Marina" on the Sava, for many years member and traditionally already sponsor of activities of the International Scientific Forum "The Danube - the River of Cooperation", and now one of the sponsors of this Conference. His initiative to establish a Society derived exactly from the orientation of the MNF "DRS" that science be as firmly as possible connected with practice, so as to as effectively as possible serve a tenable development of economy connected with the Danube and the tributary rivers.



upon the suspension of the sanctions Hungary restored the regime of relations preceding introduction of the sanctions. All this points, inter alia, to the fact that priority be attached to the presently conditioned importance of partnership between Yugoslavia and Hungary, for these two countries, as well as for the development of international relations in the whole region of Central and Southeastern Europe (the Danube Region and the Balkans).

As for the economic cooperation between Yugoslavia and Hungary, numerous data were presented reinforcing predictions that in the next period, following the suspension of the UN sanctions against the FR Yugoslavia, dramatic intensification and development of mutual relations will take place. The fact is that, as assessed by all the participants, the two countries are "geo-economically" addressed to each other. Situated in the way connecting West Europe and North Europe with the Southeast Europe and the Near East, Yugoslavia and Hungary shall offer transit services for the countries of Europe and the Near East. In that same way, traffic connections and communications of Hungary with Southeast Europe and the Near East may be realized through Yugoslavia, with Yugoslavia's traffic connections with West and North Europe naturally leading through Hungary.

Among other factors giving rise to expectations of serious growth of the Yugoslav-Hungarian economic relations, mentioned were the two economies' complementarity, in the first place in chemical and in mechanical engineering and machine building industries. The complementarity is especially visible within individual branches, such as automotive industry, creation of energy generation and distribution facilities, and within the food/foodstuffs industry - processing and refining of sugar, edible oil, milk, and meat.

In this same sense a significant factor is also seen in the existence of a good tradition of mutual economic relations. As the Hungarian participants pointed out, in the years preceding the outbreak of the war in the South-Slavic spaces, in the overall Hungary's foreign trade exchange Yugoslavia kept the fourth to the sixth positions, with approximately USD 700 million annually. And within this exchange, it was exactly the territory of today's Yugoslavia that represented the most important area

viewed as Hungary's partner. However, after the outbreak of the war and introduction of the UN sanctions against the FR Yugoslavia, that position in Hungarian foreign trade exchange belonged to Slovenia. Thus only in the first ten months of 1995 that former Yugoslav republic received three times more Hungarian goods than five years before, while Hungary's exports to the FR Yugoslavia fell down to the value of USD 15-25 million, i.e. one tenth of Hungarian exports to the territories of Serbia and Montenegro in the period preceding the war. In addition, those exports mainly included now medicines and medical supplies approved of by the UN.

The Hungarian experts participating in this conference are of the opinion, however, that soon after the suspension of the sanctions, i.e. as early as during the course of 1996, the FR Yugoslavia may again become Hungary's most important foreign trade partner from the South Slavic spaces. The gathering was indeed coloured with a kind of optimism in prediction of future events and outcomes.

Foreign Capital in the Danube Region - Perspectives -

Foreign capital investments became known in the world in a rather expressed volume starting from the 1970s. Such capital flows in the first place covered developed regions of the world, aiming at substituting foreign trade effects and fighting protectionism. In the current overall world foreign trade circulation of capital through investments into production equals 6 percent annually. The importance of the phenomenon, however, is much larger regarding the fact that, while commodity exchange is a one-go act, capital investments into production multiply their own initial effect. While the gross national income in the world grew by 7.9 times in the period 1970-1993, the value of foreign trade exchange increased by as many as 24 times, exports of active capital - capital flows - by almost 17 times. Commenting upon these data, presented even before - at the Seventh conference "The Danube - the River of Cooperation" - Prof. Laszlo Tot now pointed to similarities and differences existing in this respect between the Danube Region and other regions in the world.⁵⁾ The fact is that in their

first wave foreign direct investments covered only developed regions of the world economy, and it was only from the mid 1980s that foreign direct investments started going from the developed regions to the less developed ones in the world. Thus, for instance, investments of active capital, capital flows, that create and shape foreign trade (the so-called Kojima investments) started flowing from Japan to Southeast Asia, from the USA also to Southeast Asia, and to Latin America. In Europe, too, orientation of foreign direct investments became visible from developed European countries to less developed ones - to the Southern regions and to some peripheral ones. In this manner, after the transformation of social systems and structures and a sequence of East European countries, those countries have become the recipients of such capital flows. Thus practically achieved becomes expansion of the existing economically developed regions toward the peripheral ones. In this, also visible becomes the process of another new phenomenon: direct capital has started flowing even among the very recipient countries. The importance of the phenomenon of direct foreign investments that has grown in the meantime in the Danube Region is also illustrated by the materials prepared by Coopers & Lybrand International Consulting Agency,⁶⁾ according to which in 1995 in Czech Republic, Slovak Republic, and Hungary present were 14 private banks (in each of the said countries) servicing inflows of the Western capital into these countries.

Discussion on interests of foreign investors in the Danube Region was also participated by the Charge d'affaires of the German Embassy, Dr. Gerhard Schrembogens. He underlined the interest of the German capital in the whole Danube Region, especially in Yugoslavia. He pointed out, however, that despite the large

⁵⁾ Prof. Dr Laszlo Tot: SOME CHARACTERISTICS OF THE FOREIGN DIRECT CAPITAL INVESTMENT IN THE CENTRAL AND EASTERN EUROPEAN COUNTRIES - MAINLY IN HUNGARY.

⁶⁾ The Conference "Yugoslavia and Hungary about the Turn of the Century: A Century of Good Neighbourly Relations" also hosted, as an observer, the representative of the American Agency for International Consultancy Services COOPERS & LYBRAND, Mr. Victor E. J. Orth, Director of the Budapest-based subsidiary, who explained the purpose of this Agency and intentions to open their liaison office/subsidiary in this country.

interest expressed by such large firms as Krupp, Volkswagen, and some other ones, the true direct investments into large undertakings in this country will only start flowing after Yugoslavia has become member of international financial institutions such as the International Monetary Fund and the World Bank.

Interesting lectures were given also on the Japanese and South Korean capital, i.e. on their interests in investing in the countries of the Danube Region.

During the course of the gathering intensive exchange of thoughts and views took place on all aspects of the three basic topics. The participants mostly agreed that there existed strong needs and large possibilities to improve and develop the regional cooperation, both bilateral and multilateral, while opinions and positions diverged in respect of suggestions for how to achieve this objective in the most effective and the fastest manner. Some experts were of the opinion that special-purpose bilateral i.e. regional institutions should be established, such as joint economic chambers, banks, and the like, while some others insisted on preliminary thorough studies i.e. joint scientific research projects aiming at finding the best possible ways for cooperation. At the close of the gathering the participants agreed upon the future activities within the MNF "DRS" relating to economy, scientific and cultural cooperation in the Danube Region, as well as in the Yugoslav-Hungarian relations.

General conclusion and impressions of the gathering: To be stressed in the end is the fact that all the participants, this country's and foreign ones, were directed to finding as adequate and as efficacious as possible ways to improve the two countries' economic and overall cooperation to the mutual benefit and satisfaction. They agreed to continue investing such joined efforts and work, and to supplement them with joint research projects. Thanks for such constructive contributions are due to all the participants, who, same as the majority of those assisting organization of the conference, acted as volunteers. The sponsors of the gathering, Mr. Dragojlović, and Mr. Vajs, shall be thanked officially by the Diplomas MNF "DRS" to be awarded at the festive gathering on the occasion of the approaching Fair of Navigation Trade and Tourism in Belgrade.

