

Hungarian-Serbian Economic Cooperation (Public Affairs)¹

Tamás Bakó²

1. Introduction

There are no open political issues between Hungary and Serbia. In the last 18 years, the contractual relationship (trade, investment, financial relations, food industry, transport) has been established in all relevant areas of economic life.

It is a strategic interest of Hungary to strengthen our economic relations with the neighbouring South-Eastern European countries, including Serbia, which promotes the diversification of Hungarian foreign trade relations. The goal is to have Hungarian economic relations on more than one pillar, as more than 70 percent of our goods are traded with the European Union. The interests of Serbia and Hungary coincide in this respect.

The impact of political reconciliation and confidence has substantially improved bilateral economic relations and the most important results are:

- Numerous top-level meetings between 2014 and 2018 - 4 times the Hungarian-Serbian government summit;
- Signature of numerous agreements for the development of bilateral economic relations (economic and technical, treasury bills, agricultural processing, consumer protection, etc.);
- Implementation of the Economic Development Program of Vojvodina;
- Bilateral trade turnover of 1.4 billion rose to EUR 2.5 billion between 2013 to 2017;
- The process of implementing the Budapest-Belgrade railway line;
- Hungarian investments with Serbian support in Vojvodina (automotive, chemical industry);
- Development of road border crossings;

¹ Proceedings of the conference on “Ten years after Stabilization and Association Agreement: The impacts of SAA on the political and economic relations between Serbia and Hungary”. Belgrade, 20 November 2018. Institute for Foreign Affairs and Trade, Hungary, Budapest.

² Head of Economic Section and Deputy Head of Mission for Economic Affairs, Embassy of Hungary; PhD-student, Széchenyi István University, Hungary TBako@mfa.gov.hu

- Cooperation between energy companies (MVM, MET in Serbia);
- Water industry cooperation (between Budapest and Belgrade Waterworks);
- Opening of EXIMBANK in Belgrade;
- Tourism co-operation to focus on third markets.

2. Hungarian-Serbian economic relations

Serbia was Hungary's 18th trading partner in 2017, with a share of 1.3% of total Hungarian foreign trade. We exported 1.6% of our exports, while with import of 1% it occupied 20th place.

In 2017 Hungary's 3 major export products are electricity (19% of our total exports), petroleum and petroleum products and the like (12% of our total exports), vehicles (11% of our total exports). In 2017 Hungary's 3 major imports are electricity (31% of our total imports), electrical machines, appliances and instruments (11% of our total imports) and iron and steel (6% of our total imports).

Bilateral trade in goods increased by 29% to EUR 2.48 billion in 2017. Exports rose by 24% to EUR 1.6 billion, mainly due to the 65% (EUR 123 million) of electricity exports; 52% (EUR 64 million) of exports of petroleum and petroleum products and similar materials and 45% (EUR 36 million) in exports of electrical machinery, appliances and instruments. The increase in import of 41% amounted to EUR 881 million, of which imports of electricity amounted to 46% (EUR 85 million); the import of electrical machines, appliances and instruments was 67% (EUR 38 million); import of iron and steel was 105% (EUR 27 million); the increase of 196% (EUR 20 million) in imports of energy-generating machinery and equipment, as well as the increase of 128% (16 million EUR) of rubber imports. After an 8% increase in our trade balance, our surplus amounted to EUR 719 million in 2017.

Hungary - Serbia trade relations (EUR million)

Period	Import	Export	Goods turnover	Foreign trade balance
2016	626,1	1 289,0	1 915,1	662,9
2017	880,6	1 599,4	2 480,0	718,7
Change 2017/2016	41%	24%	29%	8%

Source: Statistical Office of the Republic of Serbia.

3. Institutional background

Hungarian export development institutions, forms of cooperation

EXIMBANK opened its representation in Belgrade in 2016, it has 420.66 million euros (497.34 million dollars) of country limitation for Serbia.

Hungarian National Trading House

MNKH Hálózat Plc. opened its office in Novi Sad on 28 October 2015 and in Subotica on November 27 the same year.

Hungarian-Serbian Joint Economic Committee

The last (9th) meeting of the Joint Economic Committee (GVB) was in Subotica, 16-17 October 2017.

4. Cooperation in the field of infrastructure

State-supervised infrastructure developments: Along the 164 km Hungarian-Serbian border there are currently 8 (3 permanent and 5 limited working hours) crossings with an average distance of 21 km.

Reduction of border control time over road freight and passenger traffic: The problematic affair of the Hungarian-Serbian bilateral relations on a regular basis is an increased waiting period for several hours at the Hungarian-Serbian border.

The aim is to ensure the operation of more border crossing points and thus to reduce traffic.

Road border crossing between Bácsszentgyörgy - Rastina (Haraszti): One concrete result of the successful cooperation of the past period is that the border crossing point has begun its operation on April 3rd 2018.

5. Other infrastructure developments

Joint projects with EU support: 1.) The completion of the road link between **Kübekháza-Rábé** is expected in 2019. The border crossing infrastructure is provided by the Hungarian side, the opening is planned in 2020. 2.) In the framework of the development of the road link between **Baja-Zombor**, the reconstruction of the main road on the Hungarian side between Baja-Hercegszántó leading to the border crossing point of Hercegszántó and the reconstruction of the 10 km road section from the town of Zombor towards the border has begun. 3.) Preparation

of the **Szeged-Subotica-Baja** railway line and further steps to be taken: a) The necessary plans have been prepared for the **Szeged-Röszke-Horgos-Subotica** line. In order for the Szeged-Subotica-Baja railway to materialize, it is necessary to find a financing solution and to initiate its inclusion in the European Transport Network (TEN-T) railway network.

The Hungarian participation in the implementation of the Ruma-Noví Sad expressway (part of the Fruška Gora corridor) is also evidenced by Danube Asphalt's offer for the construction of the Fruška Gora corridor expressway linking Ruma with Novi Sad.

6. Agreement on Hungarian-Serbian Economic and Technical Assistance

On the occasion of the last government summit, an **Agreement on the Hungarian-Serbian economic and technical assistance** was signed, one of the key objectives of which is for **our companies to gain a much stronger role in the renewal of Serbia's infrastructure**. The consultations started. Hungarian Deputy State Secretary István Joó, Secretary of State for Transport Imre Kern, are leading the negotiating delegations.

7. Water Export Export Program

The aim of the program is to provide non-refundable support to the foreign activities of the domestic water industry. In the first Call for Proposals 2017, four projects will be implemented in Serbia for waste water treatment, arsenic removal and water quality protection.

8. Economic Development Program of Vojvodina

According to the government's decision, Hungary, with the agreement of the Serbian government, has 30 billion forints of non-refundable subsidies and 30 billion forints concessional loans for the implementation of the economic development program of Vojvodina.

The Vojvodina program is currently the largest cross-border economic development program in Hungary, a pioneer in the implementation of similar foreign economic development programs. The Ministry of Foreign Affairs and Trade is responsible for the implementation of the program and has created the *Prosperitati Foundation* to facilitate its implementation.

9. Future Plans 2019-2022

Continuation of successful tender schemes:

- Hand in hand with integration, we want to support the current and future suppliers for large investments;
- In the coming years, a combination of innovative large investments with bank credits creating additional jobs, as well as credit support combined with further integration in the agricultural processing industry will play a significant role;
- In the new period it is vitally important to publish annually the categories of home and land purchases that are of national importance.

Basis for further development is given: the current results of bilateral economic cooperation can be said to be not only encouraging but also that their realization would have been unthinkable a few years ago.

Economic sectors that have enormous potential in the Hungarian-Serbian relationship:

1. Production type cooperation (agriculture, chemical industry);
2. Co-operation in the energy sector (further strengthening of gas transit, division of refining of oil, co-operation between electricity suppliers);
3. Coordination of transport, joint railway infrastructure development, revitalization of river transport, Budapest-Belgrade railway);
4. Strengthening Hungarian capital investment

10. Largest Hungarian company investments:

1. **OTP** has been present in Serbia since 2007: OTP Banka Srbija was formed by merging three smaller banks (OTP Bank, Kulska banka, Niška banka, Zepter banka) owned by OTP Bank. In August 2017, OTP Bank's Serbian subsidiary signed a contract for the purchase of a 100% stake in the Vojvodina Bank owned by the National Bank of Greece and a total acquisition of EUR 125 million was completed in December 2017. By purchasing a Greek-owned bank, OTP has increased its market share to 5.7% and became the seventh largest bank in Serbia.
2. The **MOL Group** has been present on the Serbian market since 2003, investing more than EUR 100 million in Serbia over the past period, with its market presence contributing more than EUR 600 million to the country's budget. **MOL Serbia** is interested in the Serbian petroleum market both in wholesale and retail trade. In recent years, MOL's subsidiary MOL Serbia has increased its sales, which grew by 10 percent each year, while the total Serbian fuel demand grew by 3 percent. In the retail market,

MOL's share is 8%. After NIS, MOL is the second largest player in Serbian fuel wholesale and retail (55 petrol stations).

References

1. Bulletin of the Serbian Geographical Society Year 2010.
2. Goati V. (2001): Izbori u SRJ od 1990 do 1998. CeSID, Beograd, pp. 24–31.
3. Hirt, S. (2009): City Profile: Belgrade, Serbia. *Cities*, 5. pp. 293–303.
4. Jokay, C. (2005): Policy Recommendations for Returning and Transferring Property to Local Government in Serbia. In: Levitas, Anthony – Péteri, Gábor (Eds.): *Providing More Services with Less Money? Intergovernmental Finance Reforms In Central Europe*. (ed.), OSI/LGI, Budapest.
5. Moderna država – racionalna država koliko, kako i zašto? (2015), Republika Srbija Ministarstvo državne uprave i lokalne samouprave.
6. Statistički godišnjak Republike Srbije, 2017
7. Strategija prostornog razvoja Republike Srbije 2009–2013–2020 (2009)
8. Vacić, Z. – Mijatović, B. – Simić, A. – Radović, Z. (2003): Regionalizacija Srbije. CLDS, Beograd.
9. Vujatović-Zakić, Z. (1993): Poljoprivreda – ekonomska periferija posleratne srpske industrilazacije. Ekonomski Fakultet Univerziteta u Beogradu, pp. 68–87.