DOCTORAL (PHD) THESIS

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THE DEVELOPMENT OF THE HUNGARIAN AGRICULTURAL TRADE WITH THE EUROPEAN UNION AND THE POSSIBILITIES OF IMPROVEMENT

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1. BACKGROUND AND OBJECTIVE OF THE RESEARCH

Strategy is the art of making use of time and space.
I am less concerned about the later than the former.
Space we can recover, lost time never.
- Napoleon Bonaparte -

The research of the Hungarian trade with the EU is really vital due to the enlargement of the EU in 2004. The member states of the European Union had already determined the international relations of the Hungarian agricultural trade several hundred years before the birth of the EU. The integration still has many opportunities to exploit nowadays. **The 50 years of the EU demonstrates the vitality of the integration that is proved by the economic indicators as well.** The efforts that focused on the relations between Hungary and the EU for about 20 years were successful, and in consequence of that Hungary has already became the part of a leading actor of the world economy as well as the European Union. From our accession, **from the 1 of May 2004 our relation turns to another dimension** and gets a more characteristic form. Hungary has already finished its preparatory work to the accession, from now the **new task is to become more capable to use the opportunities** provided by the EU, and **to compensate the side effects of the integration** at the same time. It is especially important nowadays to analyse carefully the state of the Hungarian agro-economy and its very significant part; the agricultural trade.

The share of Hungarian agriculture in the national economy decreased significantly in the past 15 years from the change of regime in 1989 till the accession to the EU in 2004. The share of agriculture decreased in the GDP from 13 to 4%, in the labour from 17 to 6% and in the total export from 26 to 7%. **The EU-15 plays a very important role in the Hungarian agricultural trade balance:** its part in the export, import and balance accounts for about 50%. That share developed more than 60% by the accession of the new member states. It is likely that **part will still improve more in the future, so it is worth examining the change of the Hungarian agricultural trade with the EU**. Although the share of the Hungarian agriculture in the total trade and in the trade with the EU decreased significantly (the share of the EU in the total agricultural trade that was 23% at the beginning of the decade has slumped to 5%), the agricultural trade balance remained positive. Thus, it contributed in a decreasing but steady positive manner to the national trade balance and the trade balance with the EU.

Consequently **the importance of the agriculture in the Hungarian economy, and in the trade is self evident**. The Hungarian agricultural trade balance, the rate of the export-import worsened in the past years. The trade balance shows a deteriorating tendency (although it improved modestly from 2000) in consequence of the modest improvement of the total export, and the export to the EU and the unbroken trend of the increase of the import. In the sale of agricultural products the agricultural external trade has got a dominant role that contributes to the higher degree of the inner production, to the better technical efficiency and to the higher degree of employment in the agriculture.

In order to develop the most efficient strategy and the market development to follow it is reasonable to **analyse the process leading to the present state of agricultural trade**, the characteristic ups and downs of the last almost 15 years. These provide examples for the experts engaged in this field to follow or to avoid.

In the thesis my general aim was to draw the attention to the achievements of the agricultural trade, to the importance of the preservation of these successes, and for this purpose to the significance of the actuality of the decision making. With the thesis my aim was to enlarge the scientific background of the researches of agricultural trade by introducing new instruments, indices. Therefore, I hope I could modestly contribute by the help of my thesis to the founding of the development of the Hungarian agricultural strategy and the relating decision making of marketing and trade. My intention is to help the decision makers of the agri-business, who are responsible for the agricultural trade in their decision making procedure (e.g. Ministry of Agriculture, Foreign Ministry) on purpose to identify the areas where it is necessary to enhance our positions in order to improve the agricultural trade. I hope that the results of my thesis will be utilized by the actors of the agri-business (producers, processors and traders as well) when they make their decision.

1. My aim is to **survey how the Hungarian agricultural trade develops in consequence of the accession of the EU**. My aim is to **identify the main points, with which it is possible to make a plan of action in order to exploit the potentials of the agricultural trade as far as possible**.[1]
2. It is crucial to **determine the main sectors and main regions**, where the realization of competitive trade is possible. Besides that I analysed **concrete products and countries**, since the analysis of several factors

[1] The tool of that is the **examination of trade** (**by main markets**, and products) and the **comparison of the tendencies with the selected factors** that determine the trade the most and the **setting of the prognosis**.

that determine the trade is possible only on that lower level (e.g. export subsidies and tariffs and the examination of the trade between the CEFTA countries and the EU) in order to be able to characterize the position of the examined sector better.

3. It is fundamental to identify the **main factors that determine** the environment of agricultural trade, and to analyse the decisions and the regularization. I would like to answer the questions: which are the **main factors that hinder** the utilization of the possibilities of the export, and where the **strengths** are, that result the positive trade balance, and where the **weaknesses** are, that cause our backwardness in comparison with the former national and international standards. Regarding the above mentioned I sketch the prospective **threats** and **opportunities**, summarising that in a SWOT analysis. I would like to make a **suggestion on the necessary changes.**
4. I would like to introduce **new index**, **new method** relating the instruments of the research of the subject, with which it is possible to analyse the trade in a more accurate way. By the help of that it may be easier to respond the question: how the trade works indeed, and how it contributes to the realization of the healthy economic environment.

In the thesis I draw **general conclusions from the trends of agricultural trade** of the period following the political-economic transition. I would like to answer the question, whether **there is a steady** (predictable) **trend** (that gives the possibility to foresee the events of the future, thus to be even able to determine those in the present), or the effects of casual/ad hoc events are stronger, that may wreck the results of the efforts having made before in order to improve the performance of the trade. I think that the decisions in agribusiness and the relating researches still try to help the agriculture by focusing mainly on the improvement of the production. The exaggerated concentration on the examination of production, **the lack of marketing-approach** contributes also to **that our revealed competitiveness, the performance of the trade do not reflect at all the advantages originating from our natural conditions**. I intend to **temper the contradiction between conditions and revealed competitiveness**, and **to unveil partly the reasons for that conflict**. It is useful to **examine the micro and macro factors in a combined prospect** in order to avoid the thesis and the results to be too abstract or detailed. The reason for **the synthesis of the micro- and macro factors** is the intention to make the research more successful and to get more sophisticated results. Therefore the thesis is built on these two pillars, that duality appears even on the logical structure of the thesis.

2. MATERIALS AND METHODS

By setting up the method I intended to use the easiest and fastest way to get the best result.

Owing to the **macro-economic** character of the subject studied in the thesis, I worked with the most recent literature on the subject. The background of the **secondary data processing** or desk research was factual knowledge of literature, of statistical data bases, of material of the internet and of the scientific conferences. Regarding the nature of the topic the thesis is based on publications by Juhász, Kartali, Kürti, Orbánné, Stauder, Szabó, Wagner. I collected the literature at the Research Institute for Agricultural Economics, the Centre for Agricultural Marketing, the Ministry of Agriculture and Rural Development, the Ministry of Foreign Affairs and the Ministry of Economic. The main bases of the analysis were the agricultural foreign trade statistical data bases of the AKI, the Comext Eurostat, and the CESTAT database. Therewith I utilised the studies of the AKI, of the results of the studies of Economic Institute of the University of Kaposvár, of the studies and statistical databases of the Hungarian Statistical Office, the AKI, the EU, the FAO, the Central Bank and the USDA.

I found important to work with **micro-economic indicators**, thus I did **primary research** that has two forms. The quantitative one is suitable for study consumers' data of representative sample made by close question that would like to answer the question „what". The qualitative one is suitable for study data of smaller sample made by open question that would like to answer the question „why". Applying the qualitative analysis of the primary research – according to the specific point of view of the thesis – I made a so called professional profound **interview** with foreign trade specialists, who are working in practice, and other outstanding persons of the area examined[2]. Nevertheless I emphasize that the thesis is based primarily on **secondary data processing**. The results of primary research of interviews serve the interest of the thesis as a complementation, thus I built that results in a general manner into the structure of the thesis.

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[2] E.g. I made interview with the representatives of the Mynistry of Agriculture, the AKI, the Danone Kft., the Friesland Rt., the Caravanes Kft and the Jásztej Kft and I took into account the interview with the representatives from the sectors out of the milk sector made by other professionals by similar questions.
Besides of that I interviewed e.g. Franz Fischler ex-commissioner of the DG6, László Vajda head of the EU-integration Office in the Ministry of Agriculture and André Erdős hungarian ambassador in Paris.

The integration of the results of the macro- and micro-level of the primary and secondary research give a synthesis, that makes the results of the research more faithful and reasonable. The structure of the dissertation is also determined by the analysis of micro- and macro-economic factors, therefore the first big logical part is the analysis of the agricultural trade and the second part is the analysis of the other selected factors. The role of connecting bridge is played by the examination of the trade agreements.

Most of the data of the **examined period (1991-2003)** was already at my disposal in the first part of 2005 to do my research on the required level, so I could characterise the examined period with suitable data. My work was hindered by the fact that at the **end of my research (August 2005**) I did not disposed yet the authentic data of the foreign trade characterised the period after the EU accession, in consequence of the delay of the data-processing of the Statistical Office due to the change of the statistical system after the accession.

In the thesis I make an effort **to focus on the main partner countries, on the export and on the demand**. (Therefore I concentrated less on the products, on the import and on the supply). The reason for the selection of that direction of research is supported by the higher stability of the trade to main markets (with that it is easier to prognosticate), by the more efficient characteristics of the tools of the support of export and by the more intensive effect of the demand on the change of trade in comparison with the supply.

Among the **factors** that determine mostly the trade I analysed the followings: the tendency of trade, the trade agreements, the triangular/middleman trade, the demand (consumption), the supply (production) and the export subsidies and tariffs. The considerations of the selection of the factors are detailed in the dissertation. The analysed **regions** are the followings: EU-15, the 4 joined ex-CEFTA country, the 3 ex-CEFTA candidate country and the third countries. The considerations of the selection of the factors are detailed in the dissertation. I examined the following **sectors**: pig, poultry, milk, cereals, oil seeds and vegetable oil, vine, fruits and vegetables. The viewpoints of the selection of the analysed sectors could be read in the dissertation. I **analysed the trade in USD,** since USD was the main currency of commercial transactions in the period.

The examination of the Hungarian trade is especially important nowadays. From now on the examination of the trade for long term will only be possible in an approximately or roughly way (after the complicated harmonisation of the trade data to the period before the accession), in consequence of the introduction of the **INTRASTAT** (because of the **intra-trade**) and the **coming of the euro to the front** after 2004.

3. RESULTS

The introduction of the openness of agriculture and the entering of the index of dependence brings novelty to the research method of the subject.

The **openness of a country** is measured by the share of the export or (and) import in the GDP (excluding the foreign trade from the GDP). The **openness of agriculture** refers to the importance of the agriculture in the economy, and to the degree of its integration into international trade. The openness of Hungarian agriculture (agricultural export + agricultural import / agricultural GDP) legs behind the openness of the whole economy. The openness of the country was 111% in 2002 while that of the agriculture was 86%. That means **the degree of the trade of agricultural products with foreign markets is relatively moderate**. Therefore – in spite of the high positive degree of the agricultural trade balance – **we have to do much in order to develop the international relations of the Hungarian agricultural trade, to increase the openness of the agriculture** and to enhance the appearance of the advantages of the competitiveness of the agriculture on international level.

The **strategic development of the agriculture** can be carried out by indicating and supporting strategic sectors and markets (regions), or by promoting in a general way the competitiveness, the operation of different actors of the market (and the selection will happen automatically), or by using the combination of both. The following indices support the selection of strategic sectors and markets, and help generally the analyses of the trade.

Kartali was engaged in evaluating the possibilities of the trade in the publication of the AKI of „A magyar agrárexport a fő piacok felvevőképességének tükrében" in 2003. According to that the **greatest possible absorbing capacity of the markets** and the **maximum export potential of the products** are indicated by the **highest degree of the export** in the examined period. Consequently, in accordance with that it is ascertainable Russia was our **most important export market** between 1991 and 1996, and thereafter Russia was surpassed by Germany. The most **important export products**: meat and edible meat offal, cereals, preparations of vegetables and fruit. The quotient of maximum and minimum of export attained at partner markets shows the **stability of markets** (Kartali, 2003). According to that the most stable market of Hungary is France and Germany. The more sophisticated examination shows **that the biggest markets** (that buys the most products) **are the steadiest markets** at the same time. With these markets the index of relative importance and the index of dependence are the worst in consequence of that the highest commitment of Hungary with these countries. The defencelessness or bondage is significant because of that these countries are the most secure markets. That shows we should handle these indices with particular attention, since if we are not careful enough we could judge e.g. that our extreme dependence indicates obviously that is an adverse relation.

According to Kartali (2003) the **index of relative importance** shows how important is the trade of a country for another country. For example while the share of Germany in the Hungarian agricultural export is 17%, the share of Hungary in the German agricultural import is 1,2%, so the index is 14. The relation with Slovakia is more advantageous for Hungary as the index shows 0,35. Therefore the index shows also the competitive position.

$$\frac{\text{Hungarian export to the partner country / Hungarian total export x 100}}{\text{Hungarian imp. to the partner country. / total imp. of the partner country x 100}}$$

Therefore e.g. the index shows 14 (17/1,2) as for Germany, and 0,35 at Slovakia. If we take the trade's role in improvement the national balance, than the first case is more advantageous, since Hungary got a better position in a way that is not disadvantageous for the partner country either.

By developing the former index I got the **index of dependence**. It shows *the ratio of (the denominator) the share* of the export of the partner country to Hungary from the total export of the partner country *from (the counter) the share* of the Hungarian export to the partner country from the Hungarian total export. It shows the dependency of a country on another one, since it reveals which trading partner depends more on the other, who is in a more defencelessness position: that country is in such a position that gives the bigger part of its total sale to the buyer country. Hungary mostly depends on Germany from this aspect, since while the share of Germany in the Hungarian agricultural export is 17%, the share of Hungary in the German agricultural export is only 1,1%.

$$\frac{\text{Hungarian export to the partner country / Hungarian total export x 100}}{\text{Exp. of the partner country to Hungary / Total exp. of the partner country x 100}}$$

Therefore e.g. the index shows 15,5 (17/1,1) as for Germany. Hungary is more dependent, since Germany buys bigger part of the total sale of Hungary, than Hungary does in the opposite case.

This index indicates our follower position as well; therefore it can be useful during the setting up of a strategy, when we map our positions and trade relations. That index gives a clearer view on our position when we identify our main markets: where the index is bigger than 1, there is certainly an important and perspective partner, where we may dare to be engaged better due to the expectation of bigger gains. It is probable, that a country with a high index is a solvent partner, where it is advisable to decrease the degree of the triangular trade.

About 90% of the Hungarian agricultural export goes to European markets. **Until 2004 the share of the EU was 51%**, of the East-Europe 39% (from that the CEFTA countries 50%), of the **CEFTA 20%** and of the **other markets was about 30%.** We can count on that the share of the EU grows in our trade. Our accession caused the pseudo-reorientation of our export: the share of 50% of the **EU** in our export increased to **60%** by the entering of the new countries, therefore the **share of the non-EU countries decreased to 40%**. The customs union (making easier the trade between the member states) contributes in a natural way to the development of the role of the EU in the trade of the member states.

Table 1

Distribution of the Hungarian agricultural export by main markets between 1991 and 2003, %

year*	**EU** -12/-**15**/-24	**EFTA** 7/**4**	**Eastern Europe** CEFTA, CIS also/ East-Europe without new members	*CEFTA -6/-7/-3 not joined /4 joined*	*CIS*	**others**
1991	44,4/**52,9**/62,2	11,5/**2,8**	**33,0**/23,0	*10,7/12,9/4,2/8,8*	*16,5*	**11,3**
1992	42,0/50,0/59,0	11,3/3,0	40,3/31,3	*12,4/15,3/6,8/8,5*	*15,1*	6,7
1993	44,4/53,5/62,5	12,5/3,4	33,7/34,7	*11,5/14,3/5,8/8,5*	*19,5*	8,3
1994	43,4/51,8/62,3	11,3/2,7	37,9/26,4	*12,3/15,2/5,7/9,5*	*22,0*	7,6
1995	43,3/55,3	2,2	41,4/29,4	*14,8/18,2/7,5/10,7*	*25,0*	13,1
1996	47,4/62,6	2,0	44,0/28,8	*14,6/18,3/5,4/12,9*	*20,0*	6,6
1997	40,6/56,5	2,0	49,1/33,1	*17,6/21,5/7,2/14,2*	*23,1*	8,3
1998	43,7/58,2	2,1	44,7/30,2	*19,5/22,7/10,0/12,7*	*16,1*	9,5
1999	49,6/66,8	2,0	40,1/22,9	*20,5/23,6/8,5/15,1*	*8,9*	8,3
2000	46,5/62,6	2,0	42,5/26,4	*21,0/24,1/9,8/14,3*	*10,4*	9,0
2001	48,0/61,6	2,6	40,3/26,7	*21,3/23,7/11,7/12,0*	*8,3*	9,1
2002	50,0/63,7	2,6	39,2/25,5	*18,0/21,8/9,5/12,3*	*8,3*	8,2
2003	51,0/63,9	2,9	39,3/26,4	*19,6/22,9/11,3/11,5*	*8,6*	6,8

Source: Own calculation on the databases of the Central Statistical Office(KSH), AKI 2005
*Remark: In 1995 the EU was enlarged by Austria, Finland and Sweden.
The bald and underlined data gives the total, 100%.

The **EU (Germany) and the countries of the Eastern Europe – chiefly CEFTA and Romania – are the main export markets of Hungary. The new wave of accession after 2007 will grow the part of the EU in our export to 70%,** so the rate of the third markets will decrease to 30%. The new enlargement of the EU will force further the natural effect of the tariff union, and the monetary union: the development of the intra-EU trade will surpass the development of the extra trade. **After the second enlargement the part of the third countries in our agricultural export may decrease to 20% by 2010. Hence the ratio of the EU reaches the 80%** of the total agricultural export that is typical nowadays in the total export.

There were several factors that caused the present situation. One reason for that is that our production legs behind significantly its potential. The **export was affected by** the degradation of the production (that was caused by the privatization and restitution), and by the decrease of the consumption (that's degree surpassed the decrease of the production) in consequence of the deterioration of the state of income of the population. Although the deteriorating trend of the efficiency and production background weakened the exportable commodity fund, **the set-back of the consumption** (that was worst than the production decrease) **has still ensured the volume of export**. The deterioration of profitability, the weakening effectiveness, the enlargement of the EU by three new member, the saturation of the markets, the deterioration of our competitiveness, the lack of integration and the disorganised structures of production, processing and trade system contributed to that the performance falls behind remarkably the potential of the production, especially taking into account the possibilities of the Hungarian natural conditions. The **import was affected by** the extinction of the monopoly of specialised foreign trade companies that resulted that the big number of the new organisations erased the well centralised system of information and capital. Moreover the week protection of the inner market, the great import needs of international firms and the price and quality advantage of import results the import increase.

The analyses of the trade agreements showed the **agreements** for the trade liberalisation **were not proved to be successful as the basic differences of competitiveness affect principally the development of the trade**. We have to face that the natural power of the markets is more pervasive, than the regulations (aimed to have equal conditions for trade partners) of the EU, or the WTO.

That is why it **is worth maintaining** and developing further our **relations to the third countries**, thus we can moderate the possible fluctuation of our trade to the EU, since the EU may be more affected by the change of international economy as it has already integrated more into the international economy.[3] Nevertheless the EU itself – in spite of its every

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[3] The increase of our competitiveness ensures our trade the possibility of option between the EU (that may affected ocassionally also by world economic crises) and the third countries possibly less affected by the slump. Or it behaves as the situation requires, according to the adequate situation e.g. just the opposite of the before mentioned. The higher degree of the share of the EU in our trade is appropriate at present, since crises affects less the EU, than the sensitive, only markets from the East. Thus the urge of option issued from the crises is tempered indeed. The pressure of option is modified also by the actual situation. Which comportement of Hungary serves better the interest of the EU during the period of a possible slump: by looking for new eastern markets discharging the EU, or by following the trade with the EU according to the interest of the common market.

possible disadvantage – brings a more **calculable situation (market) for our agriculture that had more uncertain trade conditions before 2004.**

It may be also a strategy for Hungary that besides maintaining its commitment to the EU, it tries to strengthen its relations with Russia. That may serve also as a stepping-stone to the Asian market that bears a really big potential of development. The distance of transportation and the required volumes may limit the utilization of that possibility. That is why it is hard to compete with the large volumes of the great rivals. Instead of that it is worth concentrating to a narrower segment with a product that's raw material is relatively cheap, thus it is worth transporting far. **Products of large quantity has got price advantage**, while **highly processed special products** may be competitive by their **added value** (quality, origin, degree of processing, reputation).

The Hungarian agricultural trade, which has an inelastic nature and steady and concentrated product and market structure, will hopefully converge to the safe, balanced demand of the EU and so, according to the expectations the agricultural trade will become more flexible, adaptable and competitive after the accession, that may result also the change of the heterogeneous composition of the Hungarian export. **The Hungarian agricultural export is concentrated not only on markets but products as well**. The group of **live animal, meat and edible meat offal and vegetables and fruit and its preparations** gives the some 50% of the **total export** and the **export to the EU**. The cereals are important also in total export as the oil seeds and oleaginous fruits, straw and fodder are in the export to the EU. Cereals, **meat and edible meat offal and preparations of vegetables and fruit comprise 40%** of the export to the **CEFTA.**

Studying the position of Hungary in the trade between the EU and the CEFTA countries we can state the followings. Unfortunately while the Hungarian imports coming from the EU not really significant in comparison with the CEFTA countries, the dynamics of the growth of our trade is similar to the tendency of the CEFTA. However the volume of our agricultural export to the EU is significant in comparison with other CEFTA countries, the development of our trade lags behind significantly the increase of the export of the CEFTA countries. The good competitive position of Hungary in the region is shown by the fact that only **Hungary has a considerable positive trade balance with the EU**, but the fact points to the degradation of our competitiveness that **although the Hungarian positive trade balance stagnate indeed, the negative balance of the area is continuously improving**: the deficit halved from 1996. The trade of 2004 shows remarkably the growing weakness of our competitiveness.

The **countries joined the EU in 2004, do not improve our balance**, since our balance with that countries has a decreasing tendency, mainly because Poland. **The balance with the countries joining the EU perhaps in 2007 contributes significantly to the amelioration of our balance with the third countries**. It is very important to the Hungarian agriculture to enhance that Romania become soon the member state of the EU, since our trade with Romania improves principally our trade balance.

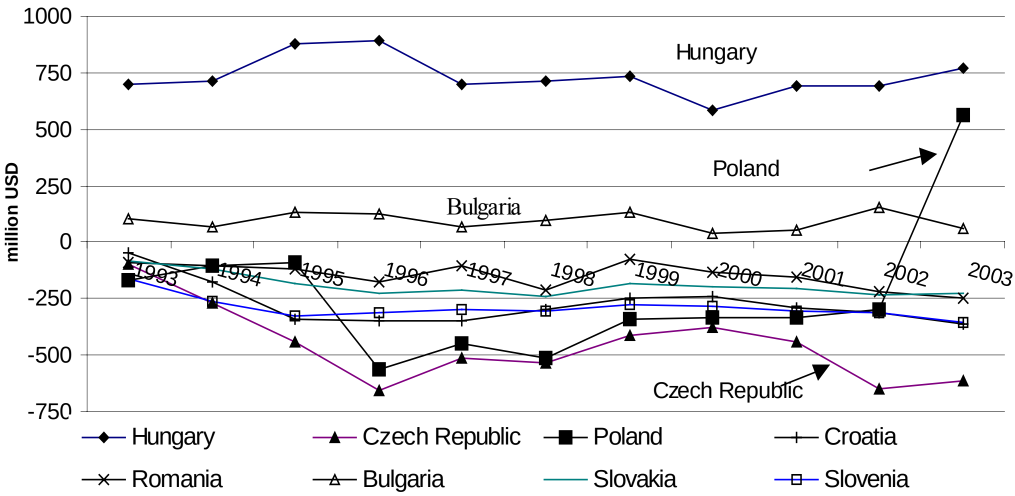

Figure 1

Trade balance of the CEFTA countries with the EU

Source: Own calculation based on the database of CESTAT, 2004

The **change of the system of export subsidies and tariffs** after the EU accession results changes in our import and export. I made the following table in order to demonstrate these changes, to demonstrate the result: that we may also lose positions in our markets.

Table 2. shows that the change of tariffs of our partners and the change of Hungarian export refunds **do not determine directly the development of our import** (in consequence of the position and characteristics of tools of regulations, as it touches mainly the export), and the effects of tariffs and refunds are neutral. By similar sequence of ideas, the Hungarian tariffs and the refunds of our partners do not affect directly the change of the Hungarian export. The mark 1 and 2 indicate that Hungarian export refunds and tariffs had been examined together with the EU ones that is why they did not get to the group of foreign refunds and tariffs, so their effect was neutral. The abolition of the Hungarian refunds to the EU and to the third countries hinders our export possibilities, for this reason its **direct change on the development of our export is negative**.

Table 2

The direct effect of the change of the system of export subsidies and tariffs on the development of the Hungarian agricultural trade

		Partner countries	HUNGARIAN EXPORT	HUNGARIAN IMPORT
Hungarian /including the EU ones from 2004 that also covers Hungary/	-EXPORT REFUNDS	*EU-15*	*negative*	0
		joining countries in 2004	*negative*	0
		third countries	**(0) changing** *(1)*	0
	-TARIFFS	*EU-15*	0	*negative*
		joining countries in 2004	0	*negative*
		third countries	0	***negative*** *(2)*
foreign	-EXPORT REFUNDS	*EU-15*	0	*positive*
		joining countries in 2004	0	*positive (?)*
		third countries	0 *(1)*	*positive, 0, ?*
	-TARIFFS	*EU-15*	*positive*	0
		joining countries in 2004	*positive*	0
		third countries	*negative*	0 *(2)*
Complement: In the export „negative" means the decrease of the export, „positive" indicates the increase of the export. In the import just the opposite: „negative" means the increase of the import, „positive" the decrease of the import.			negative: decrease positive: increase	negative: increase positive: decrease

Source: Own result, 2004

Remark: The method could applies for the examination of several factors, e.g. by interchanging, substituting refunds and tariffs by factors of the demand and supply.

The abolishment of the Hungarian tariffs applied to the EU and the accession countries reduces the protection of our import; consequently the **effect of these changes on the development of our import is negative**. The abolition of the export refunds applied by the EU and accession countries to Hungary affects the reduction of the improvement of our import; therefore its direct **effect on our import** coming from these markets **is positive**. The abolition of the tariffs applied by the EU and the accession countries to Hungarian export enlarge the possibilities of our export, thus **the effect of that change on our export is positive** as well

The abolishment of Hungarian export refunds and the introduction of the EU ones after 2004 – as the subsidized products and the structure of refunds differ from the Hungarian one's – **influence slightly the development of our export**.

Export subsidies affect only modestly in a positive way our export. The possibility of enhancing our export to the EU-15 and the 10 new member states will no longer be possible, that will remains only a slight possible way of support of the export to the third countries. Consequently, **the manoeuvring room of appliance of tools of promotion of export and of support of our competitiveness will be tighten to Hungarian main markets (to the EU-25)**. **The positive effect of the changing system of refunds on the Hungarian export to the third countries is diminished also by several factors** (own results based on interview and bibliography).

- On the one hand the degree of the subsidies will probably decrease in consequence of the very determined emergence of the strict policy of retrenchment regarding the budget of the CAP that was also backed up by the WTO-commitment of the EU in 2004 and by the events of the summer of 2005 after the rejection of the EU constitution.
- On the other hand from 2004 there are 25 countries for the subsidies of the EU in comparison with the former period when there was only 15.
- Several export products and several export markets of Hungary, which had been subsidized so far, could not receive subsidies any more from the accession, not even in that case if those touch our export to the third countries.
- Though the Hungarian nomenclature corresponds to that of the EU, certain products in detailed figures differs from the EU ones.
- The time of transition to the system of the EU also contributes to the reduced level of the required and utilized subsidies.
- The continual change of group of products of the export refunds of the EU and the perpetual variation of sum of the subsidies result incertitude that worsen the effectiveness of the business planning.

The abolition of the Hungarian tariffs after 2004 and the entering the tariffs of the EU cause the reduction of the protection of our import, so the effect of that change on the import from the third countries is negative, that causes the increase of our import. The degree of protection of import for important domestic products that was exported by the third countries to Hungary was more significant before the accession, than the EU ones, therefore our market will be more open not only to the inner market of the EU, but to the third countries as well.

One of our main partners is Romania. By examining the level of tariffs it is worth mentioning that as a member of the CEFTA, **Hungary could export one part of their products to Romania with preferential tariffs**. In the case of certain selected important product **preferences were more advantageous, than that of the present of the EU**. However the accession treaty between Romania and the EU is more disadvantageous, than the preferences of the CEFTA were, we can appreciate as an advantage that while the CEFTA agreements were not often complied, in the case of the European treaty that behaviour would accompanied with more serious consequences. By analysing the **export subsidies** we can state that the **export of cereals** to Romania gets to a **better position** after the accession, and the subsidies of fodder would increase according to the crop content. The exporters will get no longer subsidies on **meat**, and will have no longer the possibilities of exportation to Romania with preferential tariffs; in contrast of the former period of the CEFTA system, thus the accession will **reduce the hope of the expansion of export** of the meat sector. As for the most important **Romanian agricultural product in the Hungarian import**, the **accession will not bring a change**, since the imports of the most important products enjoy exemption from duties. (*Juhász, Kőnig és Orbánné, 2003*).

Summarizing we can state that **the export refund system of the EU supports the export of cereals to the third countries**, but after the accession the export of the live pig and halved pig will get in a worse position. The barrel wine will get less export refunds and for the milk and milk products the degree of refunds will be reduced also according the expectations. The accession will result no significant changes in the export of other products, as they were not supported before and will be not supported even after the accession.

The analysis of the change of tariffs and export refunds did not help significantly the examination of trade to main markets. The analysis of the change of tariffs and export refunds with the analysis of the tendency of trade gives a more realistic picture on the possible future of the trade.

Besides the importance of foreign markets it is significant to pay particular attention to our domestic market that is otherwise serves as a background of the entering of foreign market. Although the increase of import after the accession endangers the inner market, **we can not appreciate it as a disadvantageous phenomenon if it results the improvement of the level, of the structure and of the quality of the domestic consumption,** thus the convergence to the level of that of the developed countries. The main problem of producers and processors with **import products** beyond their very competitive price and quality is that their substituting character **diverts from the consumer's intention in purchasing domestic product**. Although we count on **increasing real GDP** after the accession, **its advantageous effect on the improvement of income and thus on the increase of consumption is doubtful** for products with price and income elasticity as well, **since consumer** purchases however cheaper the product (because of higher income, or cheaper price) he or she **does not destine the relieved disbursable amount of money to purchase more agricultural products** (figure 2.). It is possible to counter-effect of that by **continuous innovation and enlargement of product structure**. **Continuous innovation in food industry and investment**, which enables innovation otherwise, **may restrain the restrictive effect of import products**, of domestic industrial products and of services **on the development of consumption of domestic agricultural products**.

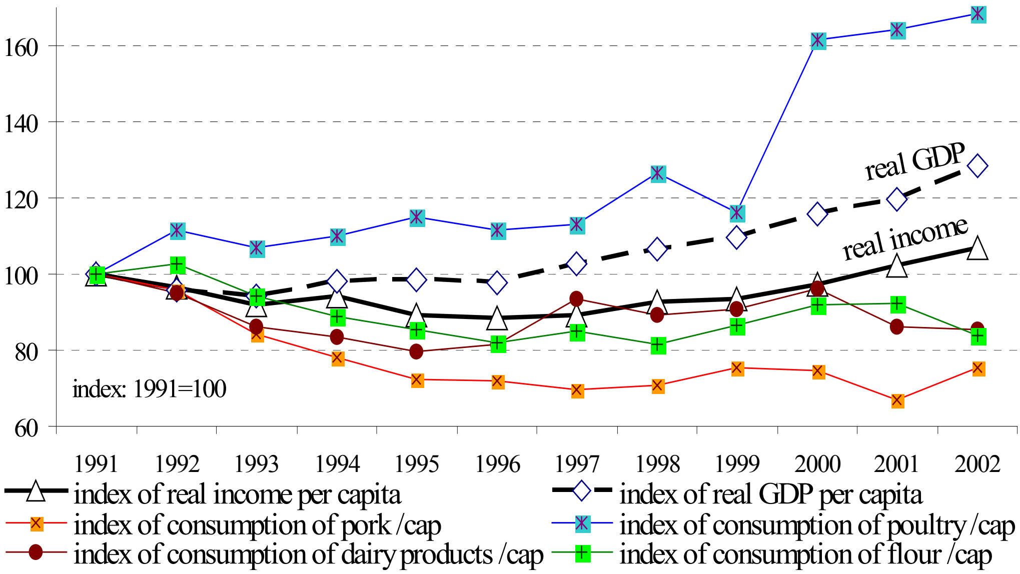

Figure 2

The development of GDP, of income and of food consumption, 1991=100

Source: Own calculation based on the database of HSCO, 2005

Comparing **trade tendencies retrospective for longer time** (and assembling with it a trend line) with the results of the **export subsidies and tariffs** detailed before, and taking into account the effect of other **factors that determines mostly the trade I determined the** prospective **development of the trade.** Setting up the prognosis I took into account the prognosis of the USDA, FAPRI and the EU. In accordance with these factors I appreciated the possibilities of each sector from 1 to 5, in the main sector-main market matrix (table 3.). I chose that relatively subjective method to determine the development of the trade, because the complexity of the examination and the result can be assured only by this kind of method.

Table 3

The estimation of the possibilities of the main sectors and markets that represent the Hungarian agriculture, for the period 2004-2007

	Export from Hungary directed to foreign markets					**Import originating from abroad to Hungary**				
	EU 15	4 joined ex-CEFTA country	3 ex-CEFTA candidate country	third count-rise	total	EU 15	4joined ex-CEFTA country	3 ex-CEFTA candidate country	third count-rise	total
pig	2	3	3	1	2,3	5	5	4	3	**4,3**
poultry	3	3	3	2	2,5	4	3(0)	3(0)	3(0)	**3,8**
milk	4	4	3	3,5	3,6	5	5	4	3	**4,3**
cereals	4	3	5	3	**4,3**	3	3	3	3	3,0
Oil seeds, veg. oil	5	4	4	5	**4,4**	4	3	3	3	3,3
Vegetable -fruit	4	5	4	4	**4,3**	4	4	3	3,5	3,5
wine	4	4	3	3,5	3,5	5	4	3	3,5	3,9
total	3,6	3,6	**3,7**	3,1	3,5	**4,4**	**3,9**	3,3	3,2	3,7

Source: Own calculation based on research of examined factors, 2005

Remark: ***1: decrease****, the position of a sector is weak in the export and strong in the import,* ***5: increase****, strong position in the export and weak in the import, 3: unchanged situation.*

(That could be ordered in other way as well: 1-5 point in the export: decrease-increase can be expected in the export, the position of the sector is bad-good. 1-5 point in the import: increase-decrease can be expected in the import, the position of the sector is bad-good. 1: the position of the sector is weak: (It is not possible to export, moreover we need to import certain products), 2: the sector is strong (besides that domestic products meet the national demand, thus it can counterforce the import, even the export expands as well).

I analysed several factors in order the results in the table would be more accurate and objective. I got the aggregation not only by the average of the examined series, but I took into account the weight of the role of the sectors in the flow of commerce in case of analysis of regions, and in case of examination of sectors I watched the weight of regions in the trade of the certain sector.

First I estimated the export to the 4 main partners, without the sectors and without the other no sector specific factor, and only after that I put – as a control – the figure to the sectors. It indicates the applicability of the method that the figure having got by this way shows also those tendencies of the main markets, that we got it before, when we analysed the non-sector factors. Consequently the two part of the method strengthen each other (the analysis of the sectors and the examination of the main trade partner-markets) and justify from two sides the goodness of the received tendencies.

We can state that Hungarian **export possibilities concentrate mostly on plant products, while import expansion affects above all animal products**. That is especially disappointing in the light of that animal products are predominant in our export. The increase of the import of animal products, and the deteriorating conditions of national production anyhow, may cause the further decrease of livestock, and so the import of fodder may diminish.

To the three ex-CEFTA candidate country **there will be possibilities for improvement, and our import will strengthen mostly from the EU-15** (that is also backed up by the tendencies of the year 2004).

I show the results detailed before on figure as well, thus it may demonstrate more effectively the foregoing tendencies of our trade and the prospects of the some years of the agricultural trade after the accession to the EU. The setting of the prognoses became by the assemblage of linear function of prognoses, and its modification by the results of other researches, and by the effects of the factors examined in the thesis. I **set up prognoses on main markets** in consequence of that the much bigger volume and the bigger variety and products heterogeneity results **more stable flow** of commerce and, thus from ex-post figures it is easier and safer to get ex ante results in this case, in contrast of the trade of **certain sectors**, where the degree of **(R^2)**[4] **was often rather law**.

The degree of R^2 was often law as well at main markets. The import shows bigger stability. In the export the export to CEFTA countries is the more stable, **especially to the** 3 ex-CEFTA candidate country, where the value of R^2 was relatively high (0,7).

The biggest increase of export can be predicted to the 3 ex-CEFTA candidate country (principally to Romania), while the increase of our export to the EU will be more moderated.

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[4] R^2: the square of the Pearson product moment correlation coefficient, (http://office.microsoft.com, 2005). That shows the stability of the trade: the trade is more stable the value of R^2 come nearer the 1.

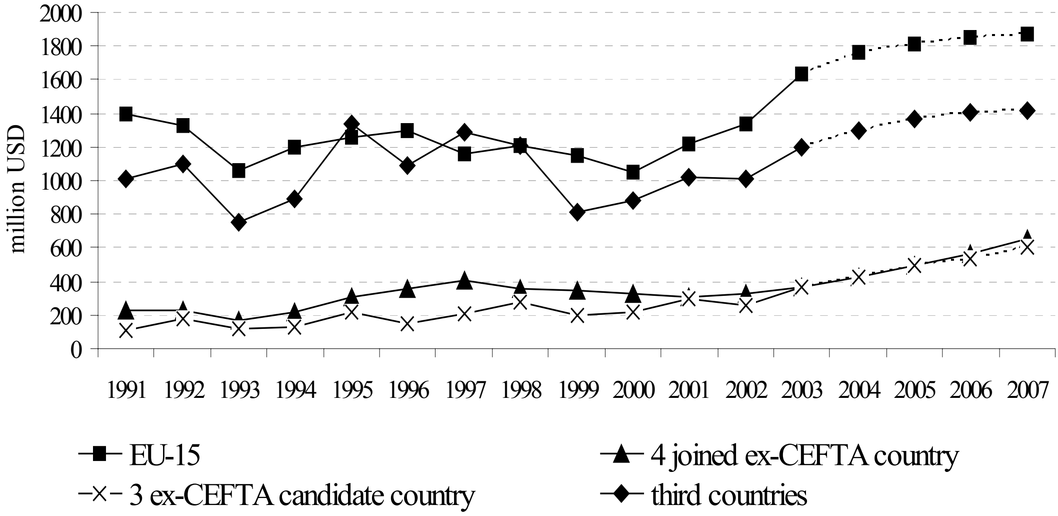

Figure 3

The development of the Hungarian agricultural export from 1991 to 2007, million USD

Source: own calculation, 2005

The import will increase mostly from the EU-15 and from the 4 joined ex-CEFTA country according to the expectations. The import from the 3 ex-CEFTA candidate country will not change significantly.

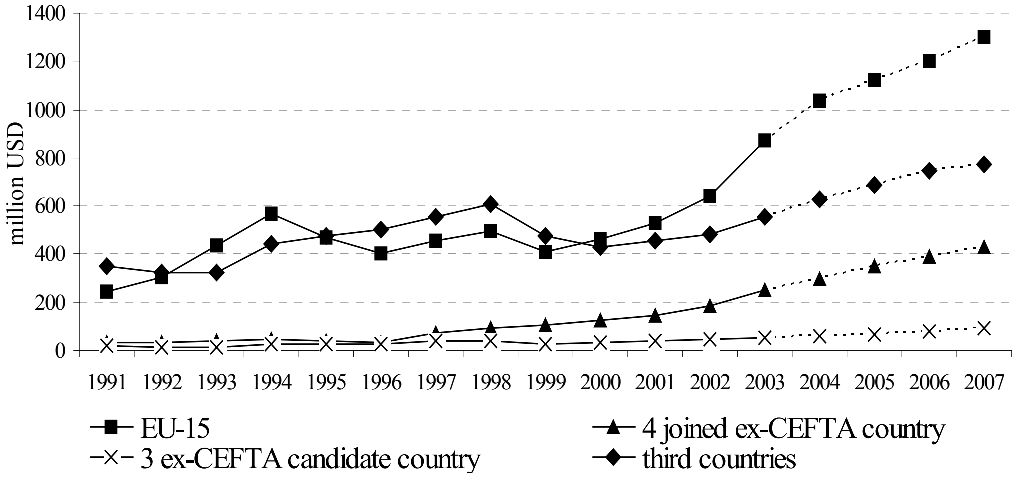

Figure 4

The development of the Hungarian agricultural import from 1991 to 2007, million USD

Source: own calculation, 2005

The prospects of the development of trade balance derive from the two figures before. According to that Hungarian trade **balance** will deteriorates with the 4 joined ex-CEFTA country and with the EU-15 that will hopefully be compensated moderately by the advantageous tendency of the balance with the third countries.

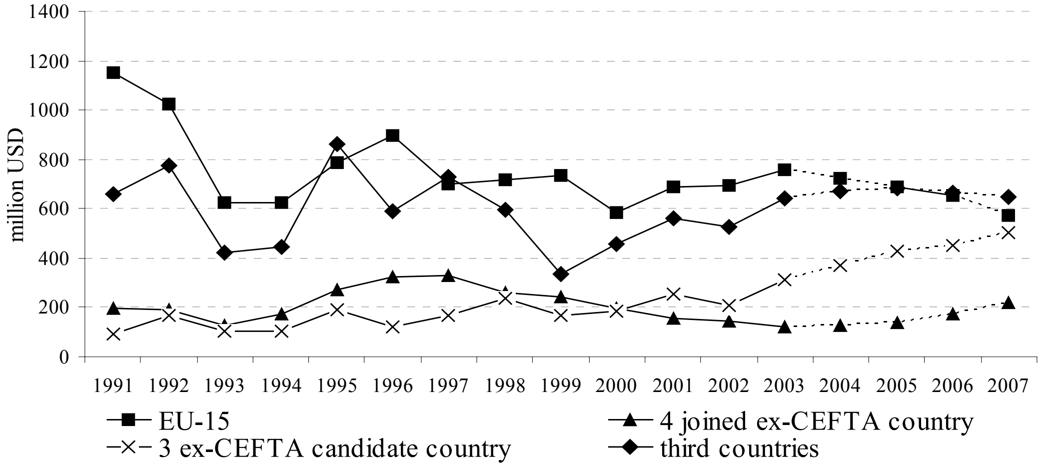

Figure 5

The development of the Hungarian agricultural trade balance from 1991 to 2007, million USD

Source: own calculation, 2005

<u>We can see possibilities of improvement of the export regarding the following:</u>

- regions: **the 3 ex-CEFTA country.**
- sectors: **oilseeds and vegetable oil, fruits and vegetables, cereals.**
- the export of certain country in the case of certain product: **to Romania** the **cereals.**
-the export of certain product in case of certain country: **fruits and vegetables to Germany.**

The most perspective (that shows relatively the biggest increase, share and sales revenue) is the **fruits and vegetables export to Germany.**

<u>Import may increase especially regarding the following:</u>

-regions: **EU-15 and the 4 joined ex-CEFTA country.**
-sectors: **pig.**
-the import from certain region in case of certain product: **from Germany the pork.**
-the import of certain product in case of certain country: pork from Germany.

The most disquieting (that shows relatively the biggest increase, share and biggest sales revenue) **is the pork import from Germany**.

4. CONCLUSIONS

In order to promote the interests of Hungary better it is important to generally moderate the attitude of the EU of appreciating the joining countries (and Hungary as well) as a single block. To determine effectively the appreciation of Hungary by foreign countries it is significant to **strengthen the potential of diplomacy**. To be successful in the European decision-making system it is necessary to find strategic relations, alliances. It demands an exact diagnosis on the position of agriculture and clear determination for those domestic researches serves strong background. That is why the **development of research institutes and universities** can not be neglected any more. The support of the effectiveness of the flow of information is needful for professionals and organisations of the agriculture, and this task remained at professional institutions and Ministries.

The examination of the triangular trade in the EU will not be possible and the **sureness of examination of the trade with the third countries will deteriorate** after the introduction of the **INTRASTAT.** That anticipates problems for consumers and traders as well. These disadvantages could be moderated by the development of **traceability** and of the registration of the middleman-trade with third countries.

The homogenous market orientation, **the concentration of export markets of Hungary will however increase after the accession** (and that is a disadvantageous phenomenon in general), but the EU will be a much more certain market in all probability. Besides our relations with the EU it is important **to develop our relations with the Eastern markets** as well, since our commercial traditions give a steady background for that. The export of Hungarian products can be successful on the European markets for long term due to the traditional trade relations already formed in the past, and to the distance of transportation. As the **relatively small quantity of the Hungarian products** can not affect sensibly the market of the EU, our **follower market** requires the utilization of special strategy. According to that (in consequence of our saturated markets, of relatively small quantity of products, of deficiency of economic and market competitiveness) we have to **differentiate between main markets and main products**.

Regarding the tendencies of the analysed period, the high degree of the liberalization of our export to the EU (close to 100% already in 2002), the inelastic nature and product and market structure which is steady and concentrated in time and in space, **we can not at all count on a significant break-through in our export towards the EU** in short and in medium term even after the accession. The development of our import will surely overcome the growth of our export since import is more flexible, it has a more competitive background and the remained restriction of 15% disappeared only after the accession. That is also backed up by the flow of **commerce in 2004**: our total agricultural export increased by 18%, the import increased by 40%. **The import from Germany, from Netherlands and from Denmark doubled in 2004.** By taking account these tendencies we can state that the Hungarian **balance**, which has a unique **positive** value in the region, **may change drastically after 2004**.

The good competitive position of Hungary in comparison with the 4 joined ex-CEFTA country is shown by the fact that only **Hungary had been a considerable positive trade balance with the EU for ages**, but it points to the degradation of our competitiveness that **although the Hungarian positive trade balance stagnates, the negative balance of the area is continuously improving**: the deficit halved from 1996. Especially Poland improved its balance with the EU from 2003. **We should be worried mainly about the increase of competitiveness in consequence of the presence of the EU in case of Poland and Czech Republic**. The trade of 2004 shows remarkably the growing weakness of our competitiveness in our export markets.

The **countries joined the EU in 2004, do not improve our balance**, since our balance with those countries has a decreasing tendency, mainly because of Poland. The reason for that is not the decrease of our export to Poland, but the **increase of our import from Poland**.

The balance with the countries joining the EU perhaps in 2007 contributes significantly to the amelioration of our balance with the third countries. That draws our attention to the need, and to the importance of the improvement of the trade of that relation. One main interest of Hungary is to promote that **Romania becomes one of the member of the EU as soon as possible**, since our trade with Romania principally improves our trade balance with CEFTA 7.

The **agreements for the trade liberalisation were not proved to be successful** as the basic differences of competitiveness affects principally the development of the trade. We have to face that the natural power of the markets is pervasive, than the regulations. It is reasonable that the **liberalisation issued from the accession will not increase our export possibilities but results increased danger from the side of import**. That is backed up by the predicted effects of the change of customs and export subsidies.

The abolishment of export subsidies results the degradation of the possibilities of promotion of export to the EU and to the accession countries, and we can not count on improvement to the third countries either. The abolishment of Hungarian export refunds and the introduction of the EU ones after 2004 – as the subsidized products and the structure of refunds differ greatly from that of the Hungarian – **influence slightly the development of our export to the third countries.**

The **abolishment of the Hungarian tariffs** applied **to the EU and the accession countries**, and **the introduction of the EU customs system reduces the protection of our import** to the third countries as well, consequently that **results import development**.

The system of export refunds differs fundamentally from the Hungarian ones. The time of transition to the system of the EU export refund system also contributes to the reduced level of the required and utilized subsidies. The time of transition affects both the export and the import. It is really **important to moderate the side effects of the transition period** followed the accession. It is especially important to avoid the situation, when we can not utilize export subsidies only because of administrative backwardness that results that some Hungarian products has not been introduced yet to the nomenclature of the EU. The payment of other type of subsidies should also be more in time. We have to strengthen the appearance of our interests also regarding the necessity of **subsidies on the export of the most important agricultural products even after the accession**. Accordingly, we have to **strengthen the diplomacy** by developing the foreign institutional system of enhancement of appearance of national business actors, and by **developing the human, financial sources**.

We can state that Hungarian **export possibilities,** however predominant animal products are, **concentrates mostly on plant products** – oilseeds and vegetable oil, fruits and vegetables and cereals –, **while import expansion concentrates, above all on animal products** – pig –.

To the three ex-CEFTA candidate countries **there will be possibilities for improvement of export** – mostly to Romania –, **and our import will strengthen mostly from the EU-15** – mostly form Germany – (that is also backed up by the tendencies of the year 2004).

The biggest **increase of export** can be predicted to the 3 ex-CEFTA candidate country (principally to Romania), while the increase of our export to the EU will be more moderated. The **import** will increase mostly from the EU-15 and from the 4 joined ex-CEFTA country according to the expectations. The import from the 3 ex-CEFTA candidate country will not change significantly. According to the import and the export Hungarian trade **balance** will deteriorates with the 4 joined ex-CEFTA country and with the EU-15 that will hopefully be compensated moderately by the advantageous tendency of the balance with the third countries.

In order to improve the position of sectors and markets endangered by the changes in the trade we have to concentrate on the following elements: flow of commerce, export subsidies, customs, export credits and guaranties (the role of the EXIMBANK, the MEHIB and the ITDH), middleman trade, demand/consumption, supply/production, subsidies of the EU, marketing, concentration of enterprises, foreign investments, competitiveness of price.

In order to develop the foreign markets we have to **strengthen the chain of organisations, agencies of foreign markets, trade missions and the posts of attaché as well**. The agreements for trade liberalisations did not resulted success for Hungary; **hence the aim is to concentrate mainly on the improvement of our competitiveness**.

By improving the production, the processing and the marketing it is possible to make Hungarian products competitive enough in order to counter-effect the imports, or to be successful on foreign markets. The **price competitiveness** is especially important in the domestic and in the CEFTA market, being one of the most determining factor of purchasing is the price.

The increase of import (that can be experienced not only from the EU but the third countries as well) owing to the accession, the liberalisation of market and the change of condition of trade shows the weaknesses of the sectors. The main problem of producers and processors with **import products** is that beyond their very competitive price and quality, their substituting character **diverts consumers from purchasing domestic product**. It is possible to counter-effect of that by **continuous innovation and enlargement of product structure**. **Continuous innovation in food industry and investment**, which enables innovation otherwise, **may restrain the restrictive effect of import products**, of domestic industrial products and of services **on the development of consumption of domestic agricultural products**. Besides of that, it is important to **strengthen the marketing, logistics and the continuation of investments to infrastructures**. Although the increase of import endangers the inner market, **we can not appreciate it as a disadvantageous phenomenon in the point of view of consumer, since it results the improvement of the level, structure and quality of the domestic consumption,** converging to the level of that of the developed countries. Nevertheless the monitoring of quality of import products deserves particular attention (scandal of paprika), by that it is also possible to limit the increase of the import. The advertisement popularising of Hungarian products of the Centre for Agricultural Marketing could have been especially effective recently. The traceability means a more direct help for consumers in choosing the product in which they trust more. In this work the increased cooperation of authorized organisations (MÉH, FVF, VPOP, FVM, GKM, ÁNTSZ, GVH) is needed.

The marketing programs popularising domestic consumption are very **important tools of the reinforcement of the inner market and the market of the EU**. Collective marketing (next to the sectors) have to accept its role also in the future in the promotion and organisation of these kinds of programs. Thus it would be possible to moderate the increase of the import of the actors of western part of Europe, who can meet the high costs of marketing besides the very competitive prices. The **enhancement of the bargaining power of producers and processors** against retailers **serves as a protection of the sector**. The producers and processors, who represent the interests of the sector (due to their special state and their stronger relation to the homeland) have often no other alternative but to contract under the conditions that deteriorates their international competitiveness as well, thus it is urgent to strengthen their ability to express their interests better. The tool of that is the support for producers-retailers organisations.

We have to ensure the **conditions for the competitive productions, the tools that serves the easier market-access, the conditions of the high standard of the demand** so that Hungary could remain the determinant actor of the European agricultural market. We have to find, and develop the tools that correspond to the requirements of the WTO in order to ameliorate the trade balance. For the support of export and the protection of import, the development of our position of competitiveness, the bargaining power and the set back of the middleman trade are important as well.

It is very important for the Hungarian agriculture to **promote that Romania becomes one of the member of the EU** as soon as possible, since our trade with Romania principally improves our trade balance. For this purpose it is necessary for the professionals working in the EU to accelerate the procedure, and ensure that the level of trade will remain up to that time when Romania becames a member of the EU. **We have to pay particular attention to the export of vegetables and fruit and cereals, and our two main markets: Germany and Romania.**

Although we can expect import-increase, taking into account the countries that join the EU in 2004 and 2007, the development of our export up to the present, the change of the conditions of the competitiveness we can state that the increase of our export may compensate the increase of the import, so the trade balance will remain positive in the future. After the accession of 2004, the liberalisation of trade, the free trade came true, that however is based on equal conditions in theory, if we still get most of the subsidies from the EU after 2011 (equally with the old members) we can count on that in consequence of the backwardness of our competitiveness the improvement our trade lags behind that of the EU. Consequently the asymmetry in competitiveness rooted in the past between the EU and Hungary certainly determines (limits) the development of the Hungarian commercial intercourse with the EU. The lack of capital, the problems of integrations, the constant troubles in efficiency will restrain the possibility of consolidation of the Hungarian trade position in the EU for a long time.

5. NEW SCIENTIFIC RESULTS OF THE RESEARCH

1. The comprehensive **analyses of the Hungarian agricultural trade for the period of 13 years**, the **identification of the main points**: the overall analysis of the distribution of the trade by regions (in CEFTA-EU relation as well) and by product groups.
2. The **application of special approaches** selected for the research.
   a. The flow of **commerce** could be examined **not only as a reason** or cause, **but as an effect** or determinant factor.
   b. With the market-oriented attitude it can be partly explained the origin of the conflict between the good potentials issued from the natural conditions and the performance of the trade that does not reflect the good conditions of the natural environment.
   c. The **approach of integration**: by harmonizing the results of macro and micro level of the secondary and primary researches we can get a synthesis that leads to a more sophisticated analysis and results.
3. By **introducing and applying the index of dependence** we can better characterize the dependency of a country to another country. It shows the dependency of a country from another one, since it reveals which trading partner depends more on the other, or who is in a more defenceless position: the country in such a position gives the bigger part of its total sale to the buyer country.
4. The introduction of the **openness of agriculture** (agricultural export + agricultural import / agricultural GDP) brings novelty to the research method. It gives other viewpoints to researches, in comparison with the analysis of the openness of the whole economy.
5. In order to make the examination clear I created a **schematic representation table** to show the logical process of the examination **of the effects of** the change **of the export subsidies and tariffs** on our trade after the EU accession.
6. The selection, synthesis and analysis in a way of integration of the factors of micro- and macro-economy, the identification of areas sensible in a (matrix) and the setting up of a prognosis, that is **the method** itself **of the research, that could be served as a model** for the later researches. The main steps of the method of research were the followings:
   a. The **selection** and the analysis **of the factors** that determine mostly the flow of commerce. Thus the examination of flow of commerce, of trade agreements, of triangular trade, of demand and supply and

the examination of tariffs and export refunds, and description of its changes in a table.

b. On the basis of the before mentioned elements, the **introduction of** the **matrix** (table) of main markets and sectors, that helps to identify the sensible points (main sectors and markets), where it must take measures in order to reach a better position. It is possible to summarize and comprehend better the positions of sectors and markets by that table and by the help of identified strengths and weaknesses of the competitiveness.

c. **Setting up a prognosis** by the help of the matrix and the SWOT made by secondary and primary (interview) researches. That shows how our trade to main markets may change after the EU accession. Thus it is possible to set up priorities between the identified areas (sectors and countries), and to make strategy to target markets/areas by developing the factors selected to identify the area under examination it is possible to find solution for the problems.

NEW SCIENTIFIC RESULTS ACCEPTED BY THE EXAMINERS

1. The introduction of the **index of dependence** and its application for the Hungarian agricultural trade.
2. The circumscription and the analysis of the definition of the **openness of agriculture**.
3. The development of the „effect-matrix” of the export subsidies and tariffs that changed because of the EU-accession.
4. **Setting up a prognosis** by the help of the rating of the chances of the Hungarian trade by different markets and product groups.

6. SUGGESTIONS

The **continuation of this research** will be successful in the case, if it fits to the **changing environment of the economy and policy**. Thus, on the one hand, in spite of the distinction of EU-15 and new member states (applied in this thesis) it would be advisable to separate the regions of the EU e.g. geographically (**eastern, southern, western, northern part of the EU**), on the other hand in spite of the examination of trade on the basis of USD it would be advisable to do it in euro. As the Hungarian-EU relations (so called foreign trade till now) **turn to a new form of trade** (that could however characterised by as a traditional national and international trade, it is still more and less at the same time as the traditional forms of trade), so **the examination of the potentials of trade requires new approaches**.

It is possible to **enlarge the research,** thus examining the possibilities of the trade by continents, by other (not-only agricultural) products, making the research for a longer period, or it is possible to **tighten the research** by countries or products. Later researches would be useful also for the higher command of the agriculture (both from the sphere of state and business), for the representations of interests of agri-business and for the scientific and educational institutions as well.

I hope that the results of my thesis will advise the decision makers to make accurate decisions, and referring to the motto of my thesis, to urge them to do it without delay in order to enter in the path of progress of our agricultural trade as soon as possible.

7. SCIENTIFIC PUBLICATIONS RELATING THE SUBJECT OF THE THESIS

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8. CURRICULUM VITAE

Gábor Kőnig was born in Kaposvár on the 4^{th} of January in 1978. He finished his secondary education in 1996 at Táncsics Mihály high school of Kaposvár. He finished the University of Kaposvár as a Master of Business Agricultural Engineering in 2001, and he started his doctoral studies in the consecutive year. He took a diploma of Master of Business Administration (MBA) and its equivalent French diploma: Certificat d'Aptitude d'Administration des Entreprises (DESS-CAAE) in 2004 at the University of Economy of Pécs and at the University of Jean Moulin, Lyon 3. (collaborating with the University of Technology and Economics of Budapest and with the assistance of Middlesex University Business School).

After finishing his university studies at the University of Kaposvár in 2001 he found employment at the Research Institute for Agricultural Economics, and he works there at Department of Marketing Studies of the Directorate of Agricultural Policy as a research fellow. The research tasks are focused mainly on demand and supply of agricultural products in the international markets, market access possibilities, development tasks in the distribution and infrastructural systems, theoretic and practical questions of marketing. He is involved in basic and applied researches as well. He analyses principally the Hungarian commercial intercourse with the EU, the CEFTA countries and with Russia. He analyses chiefly food aid, export refunds, customs, agreements for trade liberalisation, and the regulation of market dominance by the tools of competition law among the instruments of regulations of trade. He studies the dairy, beef and beer sector as well.

He worked in the bank of Crédit Agricole in France in autumn 2005 under the auspices of Rotary Club. He often writes articles in professional and scientific journals and holds presentations and takes part in professional and scientific programmes, conferences in Hungary and abroad as well. He uses French and English as a working language.