

Hungarian-Croatian Bilateral Co-operations since 1990s

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INTRODUCTION

For all the countries it is essential to have good and diversified connections with their neighbours. In case of Hungary to build up good relationship with its neighbours, to establish stable economic and political circumstances have especially important role, as we have significant minorities living in the neighbouring countries. After the change of the system in 1989 Hungary introduced its new foreign strategy, turning towards the European Union and the NATO, as well as having good neighbourhood policy. One of the most important priorities of the latter is to build diversified and friendly bilateral relations with the newly developed or restructuring neighbouring states. The Southern region needed special foreign activity and sensibility as there had been several and enormous changes. There used to be just one neighbouring country, Yugoslavia broken into seven parts up till now, and Hungary has common borders with three of them, i.e. Slovenia, Croatia and Serbia. According to this new geopolitical situation, Southern Hungary shares the longest common border — 355 km — with Croatia. On the bases of this situation one of the priorities of Hungarian foreign policy is to renew and strengthen the bilateral relations with the country having announced its independence in 1991.

In this new geo-strategic situation, deepening and widening the relations with Croatia plays a crucial role. One of the historic momentums having led to the special relations of the two countries is the Hungarian-Croatian personal union between 1102 and 1918, which established the common historical roots. Though, during the centuries-long cohabitation the system of the state itself had gone through severe changes, the relations had been peaceful as long as till 1848. Those economic, social and cultural relations and customs having developed during this period all accumulated to the further development of our ties after 1991.

POLITICAL RELATIONS

The Hungarian-Croatian relations have been continuously developing since the change of the system, excluding some minor stops during the 1990s in the Tuđman era. Although both countries tried to deepen their relationship ever since 1991, it is

inevitable that the most important issue of Croatian foreign policy remained obtaining its territorial integrity up till 1998, when the last missing territory, the Baranya triangle was annexed to the country. Establishing the independent statehood one of the priorities of Croatian foreign policy became good neighbourhood policy and inter-regional relationship, strengthened by both countries constant ambitions to join the European Union and the NATO.

In the year of the establishment of the first Hungarian government after the change of system the Socialist Federal Republic of Yugoslavia still existed, but struggling with her inner structural problems, its total disintegration had not been expected. Even the international community persisted on Yugoslavia's territorial integrity and did not support any secessions in the first half of 1991. However, after the unilateral declaration of Croatia's and Slovenia's independence followed by bloody events, some balanced and slow but promising development towards disintegration. It is reflected in the EC declaration of Yugoslavia of 27 August 1991 standing up for Croatian borders' integrity and rejecting any border changes in a violent way. Yet, in case of the Croatian international borders of the new state corresponded with internal federal borders as it existed at the time of independence.¹

Almost at the same time when the international community changed its opinion concerning the Yugoslavia issue, on 21 June 1990 Géza Jeszenszky, Hungarian foreign minister during his official visit to Yugoslavia visited Zagreb as well. He not only opened the Hungarian Consulate General in the Croatian capital, but he also held talks with influential members of the Croatian political elite about widening bilateral relationships. The Hungarian prime minister, József Antall together with his foreign minister took part at the meeting of Quadragonale² in Venice on between 31 July and 1 August 1990. It expressed the new wave of Hungarian foreign policy based on European co-operation in order to achieve economic development as well as to solve ethnic problems inherited from the past.³

In return Ante Marković, the Croatian prime minister visited Hungary on 6 December the same year when the two heads of state discussed the possibilities of economic cooperation and the common energy system.⁴ At that time Yugoslavia still existed. When the Yugoslav wars started Hungary was not in an easy diplomatic situation, as the Hungarian government should have insisted on Croatia's rights to self-determination, in addition we had to take into account the interests of Hungarian minorities living in Serbia. Tuđjman Franjo's official visit to Hungary symbolised the end of the deadlock. On the one hand the Croatian president guaranteed the rights of

1 S. TRIFUNOVSKA (Ed.), *Yugoslavia Through Documents: From its Creation to its Dissolution: Declaration on Yugoslavia, 27 August 1991*, Dordrecht 1994, pp. 333–334.

2 Quadragonale was established in Budapest on 11 November 1989. Its founding fathers were Italy, Austria, Hungary and the Socialist Federal Republic of Yugoslavia (SFRY).

3 MAGYAR KÖZTÁRSASÁG KÜLÜGYMINISZTERIUMA, *Magyar Külpolitikai Évkönyv 1990*, Budapest 1990, p. 221; G. JESZENSZKY, *A magyar külpolitika fő irányai a század utolsó évtizedében*, in: P. PRITZ (Ed.), *Magyarország helye a 20. századi Európában*, Budapest 2002, pp. 69–184, 175.

4 *Magyar Külpolitikai Évkönyv 1990*, Budapest 1990, p. 340.

Hungarian minorities living in Croatia.⁵ On the other hand Hungary recognized the Croatian minority and guaranteed the right to collective participation in public life, having the right to nurture their own culture, use their own language, study in their own language and give their names in their own language. Considering that Serbia did not deny the Croats' rights to self-determination, and the fighting had taken place in order to unify all the Serbs, Hungary — in parallel with the European Community — recognized the independent Croatian state on 15 January 1992.⁶

Three days later, on 18 January the Consulate General in Zagreb received the status of the Embassy of the Republic of Hungary. On 16 December 1992 the basic document of Hungarian and Croatian bilateral relations was introduced, i.e. the Agreement on friendly relations and cooperation between the Republic of Croatia and the Republic of Hungary.⁷ Taking into account the most dominant bilateral contracts between the two countries the followings could be mentioned: Agreement on cultural, educational and scientific cooperation between the Government of the Republic of Croatia and the Government of the Republic of Hungary in 1994, Agreement between the Republic of Croatia and the Republic of Hungary on the protection of the Croatian minority in the Republic of Hungary and of the Hungarian minority in the Republic of Croatia signed on 4 April 1995, and Protocol on state succession by the Republic of Croatia in respect of bilateral international treaties concluded between the SFRY and the Republic of Hungary came into effect on 22 April 1996.⁸

The number of high-level visits has been increasing year by year, including the presidential, prime ministerial and foreign ministerial level exchange of views and joint government sessions. All the post-communist Hungarian governments favoured to maintain the contacts at the highest level, indeed the opposition also supported the ruling parties to increase the intensity of the Hungarian-Croatian relations. It is proved by traditional Hungarian-Croatian joint government sessions, and agreements defining the main fields of cooperation.

On the occasion of the first joint government session of the Republic of Croatia and the Republic of Hungary on 26 January, 2006 in Budapest the parties have agreed to sign nine agreements. It was concluded that the annual joint government session is of high political and economic importance, and contributes to the affirmation of the regional, as well as the European policy. Both sides confirmed the exceptionally good relations between the two countries and pointed out Croatia's significant progress in acceding to the Euro-Atlantic integration, in which Hungary has been offering comprehensive political and expert assistance ever since. Then Hungarian Prime Minister, Ferenc Gyurcsány and his partner Ivo Sanader agreed on opening a Seasonal Consular Agency in Split, and on coordination for holding together the 2012 FIFA World Championships as well as on signing the joint declaration on cooperation in energetic

5 Ibidem, p. 21.

6 G. JESZENSZKY, *Antall József, a külpolitikus*, in: *Valóság*, Vol. XLVI, No. 12, 2003, pp. 57–74.

7 *Szerződés a Magyar Köztársaság és a Horvát Köztársaság között a baráti kapcsolatokról és együttműködésről*, <http://adattar.adatbank.transindex.ro/Horvatorszag/d921216ahu.htm>, [2014-07-23].

8 MAGYAR KÖZTÁRSASÁG HORVÁTORSZÁGI NAGYKÖVETSÉGE: *Kétoldalú kapcsolatok*, http://www.mfa.gov.hu/kulkepviselet/CR/hu/Bilateralis/pol_kapcs.htm, [2014-07-23].

interconnection of Croatia and Hungary. The two sides made a decision on cooperation in the development of alternative energy resources, as well as the construction of the liquefied natural gas terminal by the Croatian coast. The importance of the continuity of cooperation in economy, tourism, environmental, science, cultural and infrastructure projects has also been emphasised. Hungary and Croatia mutually support young minorities in each other countries in the field of training and recreation in their motherland. According to their agreement the Hungarian police have been assisting the work of their Croatian colleagues during the summer time in coastal regions preferred by Hungarian tourists since 2006. The parties signed memorandum of understanding on cooperation in the field of information society and e-business and on further strengthening the bilateral relations in line with economy. The experts of the two countries decided to produce the Hungarian-Croatian and Croatian-Hungarian dictionary. On the bases of the first joint government session in Zagreb, the Croatian-Hungarian Chamber of Commerce have been established in May 2006, focusing on cooperation of the Hungarian and Croatian small and medium-sized enterprises in order to exploit new networking and investment opportunities.⁹

The second joint government session was held on 17 May, 2007 in Zagreb. The session decided upon the intensification of infrastructure development, namely building the border crossing bridge on river Mura on the Letenya-Goričani highway on the pan-European corridor V/b. The parties stressed the importance of building the new electric transmission line between the two countries, the establishment of twenty “Hungarian e-point” in the territory of Croatia, and supporting the small and medium-sized enterprises. The another important field of cooperation is environmental protection and nature conservation focusing on the Danube-Drava National Park established along the Danube and Drava rivers, covering an area of some 50.000 hectares and the Kopácsi meadow National Park, where through INTERREG programme two of Danube branches, and three of Drava branches were rehabilitated. Both sides emphasized the importance of continuing the cooperation in cultural and educational field, as well as the establishment of the Hungarian Department at Strossmayer University, following the common work on dictionaries and Croatia’s joining the “Pécs, European Capital of Culture 2010” project. Due to the excellent previous experiences of cooperation, the reopening of the Seasonal Consular Agency in Split between 15 June and 15 September was agreed upon, as well as on the cooperation of the police services mentioned before. Both sides confirmed Croatia’s significant progress in acceding to the Euro-Atlantic integration. Related to this Hungary offered comprehensive political and expert-level assistance: Hungarian consultant helped the Croatian EU-negotiator, and the programme called “the EU comes home” was introduced on the bases of which Hungarian experts held training sessions.¹⁰

The third joint government session was held on 17 September 2009 in Barcs, Hungary, where twelve documents were signed, three of which were interstate agree-

9 E. B. LŐRINCZNÉ, *Az európai uniós bővítések elmélete és gyakorlata a horvát csatlakozás tükrében*, Budapest 2013; MAGYAR KÖZTÁRSASÁG KÜLÜGYMINISZTERIUMA, *Külpolitikai évkönyv 2006*, Budapest 2006, Joint Government Session, pp. 189-190.

10 MAGYAR KÖZTÁRSASÁG KÜLÜGYMINISZTERIUMA, *Külpolitikai évkönyv 2007*, Budapest 2007, p. 75.

ments. The foregoing discussions of the meeting could be grouped around the same themes as the previous two ones, such as cooperation in the field of energy security, transportation and environmental protection, cross-border relations. Both sides devoted special attention to co-operation in the field of energy: the intergovernmental agreement was signed on co-operation on the use, maintenance, reconstruction and removal of operating disturbances on the Adriatic pipeline, on co-operation concerning the pipeline for the transport of hydrocarbon, which will be built between the two states, and on the construction, use and removal of operating disturbances on power lines that pass above the common state border. A declaration was adopted on more efficient utilization of renewable energy and the reduction of energy dependence, in which cooperation between the Hungarian and Croatian oil companies Mol and INA plays a determining role. The EU NETS project connecting the two countries pipelines, allowing the transmission of the liquefied natural gas from the Adriatic Sea. The session confirmed the importance of cooperation in the field of transportation. On the bases of this a meeting point for highways has been set up between Branjin Vrh and Ivandarda (demarcation of a border crossing point). A joint letter of the Croatian and the Hungarian Prime Ministers to the President of the European Commission was also signed regarding their support to the Bosnian section of the Pan-European Corridor V/c. The cooperation has intensified with regard to the protection of the natural wealth of cross-border areas and environmentally significant areas of the Mura, Drava and Danube rivers, with the aim of setting up a cross-border biosphere reserve compliant with the UNESCO Man and Biosphere Programme. Related to this, at the 3rd joint government session of the two countries', the Joint Statement on the Establishment of a Croatian-Hungarian Mura-Drava-Danube Cross-border Biosphere Reserve was signed. The Agreement entered into force on the establishment of the Trans-border Regional Forum for Coordination consisting of an umbrella body to bring together representatives of all the participants of cross-border cooperation, both from the national and the local level, in order to promote and enhance cooperation.¹¹

The meeting further promoted cooperation in the field of consular affairs, local self-government, justice system, healthcare, tourism, water management, defence, protection and rescue, e-Government and agriculture. Both prime ministers confirmed that Hungary and Croatia are examples of how good neighbours should live side-by-side, cooperate and build a future together. The then Hungarian Prime Minister, Gordon Bajnai greeted Croatia and its government as a new NATO ally and as the candidate country closest to the European Union accession. All these issues are supported by Hungary in international politics.

After this there has been a lack of joint government meetings for four years, however high-level meetings, the sessions of the Intergovernmental Committee, and the Croatian-Hungarian Intergovernmental Joint Commission meeting has been on the political agenda.

11 MAGYAR KÖZTÁRSASÁG KÜLÜGYMINISZTERIUMA, *Külpolitikai évkönyv 2009*, Budapest 2009, pp. 199–200; MAGYAR KÖZTÁRSASÁG HORVÁTORSZÁGI NAGYKÖVETSÉGE, Kétoldalú kapcsolatok http://www.mfa.gov.hu/kulkepviselet/CR/hu/Bilateralis/pol_kapcs.htm, [2014–07–23].

Supporting Croatia's EU accession have always been one of the priorities of Hungarian foreign policy, the issue have even been promoted by the opposition. This was also confirmed by the Hungarian Prime Minister, Viktor Orbán in his meeting with the President of the European Council Herman Van Rompuy in Brussels (17 November 2010), presenting the agenda of the Hungarian Presidency of the Council of the European Union in the first half of 2011. The Hungarian administration has vowed to further boost bilateral relations with Croatia on all levels to help both countries exploit each other's potentials to the maximum extent. The Hungarian Government has also promised to give maximum support to Croatia in its bid to join the European Union and to complete accession negotiations with Croatia during her Presidency.¹²

Péter Györkös Hungarian Ambassador to the EU (former Ambassador to Zagreb) also underlined that "*Ending Croatia's European Union negotiations by the summer of 2011 is one of the priorities of the Hungarian presidency in the first half of next year. Croatia can serve as an example that will show EU citizens that expansion is an asset to Europe. Its membership would also show other states in the area that accession is possible if conditions are fulfilled*".¹³

On the bases of supporting Croatia's Euro-Atlantic integration of Croatia the Hungarian Parliament was the first to ratify Croatia's NATO accession. In addition the Hungarian EU Presidency and Croatia shared the success of closing Croatia's accession negotiations with the EU on 30 June 2011 and the Hungarian Parliament ratified the European Union Accession Treaty with Croatia among the first ones on 13 January 2012.

Summarizing the most important issues between two countries based on the above mentioned arguments, five topics worth to be underlined: cross-border relations, environmental protection, improvement of transportation system, common energy programmes, and energy diversity as well as cultural relationships.

Firstly we have to stress the importance of cross-border relations as the country shares a common border of 355 km with Croatia, in addition, thousands of ethnic Hungarians live along the Croatian border. Unfortunately, this rural region is peripheral with high unemployment rates, low investment capacity and increasing regional disparities. As a result of this, the development issues in the Hungarian-Croatian cross-border relations are priorities on both side, and appear on many different dimensions as the European, international, macro- and micro-regional, county and inter-settlement level. Strategic border cooperation implements the widening of economic-, cultural-, environmental- and cross-border issues.¹⁴

The second major issue is cooperation in the field of environmental protection. The border region's main characteristic feature is that it runs along the River Drava, flowing into the Danube. The region has extremely valuable environmental treasure which should be protected within the common programmes. The most important sign of this was in 2009, when Croatia and Hungary established a Trans-boundary

12 *Central European Weekly*, Is. 39 (94), 24 November 2010.

13 *Ending Croatia's EU negotiations one of priorities for Hungary's presidency*, in: *Croatian Times*, 29 November 2010.

14 Z. HAJDÚ — N. PAP, *Potential Possibilities of Cross-border Cooperation Across the Hungarian-Croatian Border after Hungary's Accession to the European Union*, in: *Region and Regionalism*, Vol. 1, No. 7, 2005, pp. 117-124.

UNESCO Biosphere Reserve in order to protect their shared biodiversity hotspot along the Mura, Drava and Danube Rivers — one of the world's biologically richest and most threatened ecosystems.

Not to mention the joint work on infrastructure projects, notably the completion of the Budapest-Zagreb-Rijeka highway as part of the Trans-European Corridor Vb. The Gorican border point for pedestrian crossing, the new Mura Bridge on the Hungarian side of the border has been opened. The construction of motorway sections of Corridor Vc, a major transport route connecting the Hungarian capital and Croatia's Southern port of Ploce, passing across Eastern Croatia and neighbouring Bosnia and Herzegovina establishing great opportunities.

Energy issues have always been on top priority as such Hungary and Croatia are keep on seeking new links. The cooperation in some energy projects, such as the delivery of liquefied natural gas from a terminal in the Adriatic to Hungary and the interconnection of the two countries' power supply systems, as well as in issues making everyday life easier for citizens. The cooperation between Hungarian and Croatian oil companies Mol and INA plays a determining role for both countries.

Last but not least, bilateral cultural relationship is also to be mentioned. The existence and the culture of the Croatian minority living in the Republic of Hungary and the Hungarian minority living in Croatia mutually enrich the cultural values of the two countries. As a result of the realisation of this, both governments support and encourage the satisfaction of the cultural demands of these national communities, through the ensuring of their minority rights stipulated in legal regulations, and the mutual protection of their cultural and historic heritage, and their creative activities. Hungarian cultural associations operating in Croatia are active participants in the representation of Hungarian culture in Croatia and of Hungarian-Croatian cultural co-operation. Hungarian Faculty can be found in Zagreb University as well as in J. J. Strossmayer University of Osijek (Eszék), and education related to Croatian studies works in University of Pécs. In addition in the framework of the IPA programme, since 2010, Law Faculties of the University of Pécs and J.J. Strossmayer University of Osijek have developed a successful multi-layered cooperation in the field of law. These co-operations are based on common research activities between Croatian and Hungarian academic researchers, organized conferences where research results could be presented and published books in English, Croatian and Hungarian¹⁵

On 3 January 2014 Hungarian Deputy Prime Minister Tibor Navracsics and Croatian Minister of Justice Orsat Miljenic opened the Hungarian Institute (Mađarski Institut) in Zagreb, the first cultural centre to be established during Croatia's independence. The institute in Zagreb will be headed by Dinko Sokcevic (Sokcsevits Dénes), a Croatian historian and Croatian studies expert from Hungary.¹⁶

15 E. B. LŐRINCZNÉ, *Croatia's EU Accession "in Sight"*, in: *European Spirit: EU Presidency of Hungary: Priorities and Opportunities: Journal of Euro-Atlantic Club*, Vol. 1, 2010, pp. 73–84.

16 EMBASSY OF HUNGARY IN ZAGREB, *Opening of the Hungarian Cultural Institute in Zagreb*, http://www.mfa.gov.hu/kulkepvisolet/CR/en/en_Hirek/Opening+of+the+Hungarian+Cultural+Institute+in+Zagreb.htm, [2014–07–23].

ECONOMIC RELATIONS

Comparing with other Western Balkans countries the economically more advanced Croatia's accession to the European Union certainly does not entail any disadvantage for the Community. In spite of this, the Hungarian-Croatian economic and trade relations might be difficult to unfold, and it is strongly restrained by the fact, that the structure of the products is very similar, namely food and construction service products, paper, iron, steel and petrochemicals, and to less extent printing and wood products.

The intensity of trade relations has been increasing only for a few years. Hungary's accession to the EU was a turning point in this respect, as the free trade agreement between Croatia and Hungary contracted in 2001 has been replaced by one between Croatia and the EU. Croatia abolished customs duties and quantitative restrictions on EU products on 1 January 2007 that gave a new boost to increase Hungarian export. The two countries' bilateral relations have developed dynamically in recent years. Bilateral trade has increased more than five-fold since the turn of the century and is characterized by Hungarian surplus. From Hungary more than 1,100 companies are exporting goods to Croatia in recent years and 400 import from our Southern neighbour. Hungary is the 9th foreign trade partner of Croatia, it shares the 3% of the total trade.

The main feature of Hungary's export to Croatia is that all goods have increased rapidly over the past few years. In case of the processed products the major export goods are machinery, energy sources, food products and raw materials. Nearly the third of the export is given by machinery, namely cars, mobile phones, television sets, video players and various home appliances, office and gardening equipment, which are partly used locally and partly re-exported. The most important energy sources' are electric energy — most of which are only in transit —, petroleum and bitumen. The high proportion of oil export is due to the strategic partnership between INA and MOL. More than a quarter of energy sources' export contains processed products, such as chemical goods, plastic, metallurgical products and paper goods. In the field of chemical products most of the Hungarian export towards Croatia are highly processed pharmaceuticals and cosmetics. As about food export, highly processed products have remained dominant, such as flour, sugar, processed vegetables, fruits and mineral water. The cereals, mainly maize, barley and sunflowers have priorities among herbal products, while in case of livestock, egg and dairy products dominate.¹⁷

Tourism in Croatia is a well-developed industry. Concerning the number of tourists, Hungary achieved the 8th place in 2009, while regarding the number of guest nights has got the 9th one. Despite the fact that in 2009 the number of Hungarian tourists' arrival in Croatia slightly decreased, while the length of time spent there increased. Respecting the full terms of tourism in Croatia in 2010 and 2011, Hungary stands on the 9th, in 2012–2013 the 10th place in commercial accommodation and the

¹⁷ K. R. SCHERCZER, — P. ZÁVOCZKY, 2007. évi jelentés, *Embassy of the Republic of Hungary, Department of Economic Affairs*, Zagreb 2008, p. 23. Cégalapítás, kereskedelem Horvátországban, in: Cégvezetés, Vol. 114, 1 December 2007, <http://cegvezetes.hu/2007/12/cegalapitas-kereskedelem-horvatorszagan>, [2014–07–23].

ship itself, but in case of private accommodation the first time examined in 2010 we share the 4th place together with Austria. Examining the non-commercial accommodations and ships, nearly 360.2 thousand Hungarian guests turned out last year, and they spent there 1.964 thousand nights altogether, which data compared to last year show 8,4% increase in tourist arrivals, and 8,3% increase in the number of guest nights. In case of private accommodations, where the owners are to announce themselves and their guests — 15.3 thousand Hungarian tourists arrived and spent there 118.7 thousand overnights.¹⁸

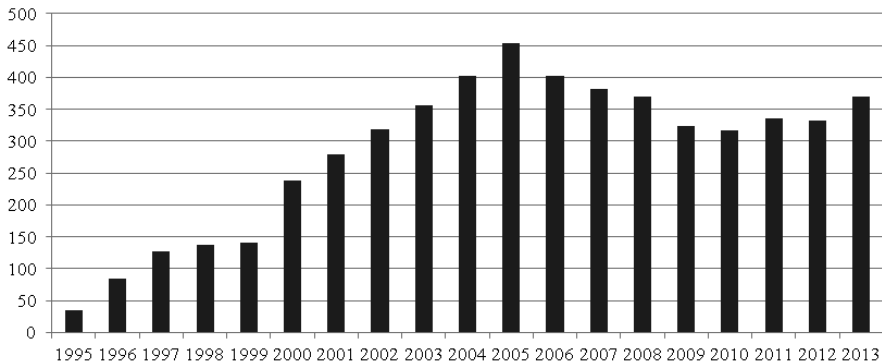


TABLE 1: Number of Hungarian Tourists in Croatia (1995–2013)

Source: Croatian National Bank

Regarding the capital investment, the Croatian FDI is hardly present on the Hungarian market, and Croatia was able to implement only a few larger transactions such as Agrokor buying the Fonyódi Mineral Water Company and the Baldauf ice cream factory in 2004, or the Magma company establishing two toy and sport shops. The Hungarian investors, however, perform well in the Croatian market, and they have been among the first ones in recent years. In the period between 1993–2009 Hungary with EUR 2.3 billion was the 4th largest investor in Croatia, and countries that preceded us were Austria (EUR 6.3 billion), the Netherlands (EUR 4.4 billion) and Germany (EUR 2.7 billion). However in 2009 — mainly due to the world economic crisis — a significant slowdown in FDI inflows to Croatia was realised. Compared to previous (2008) years, due to the economic crisis it decreased by 55.2%, altogether with EUR 1.8 billion.

According to the Croatian National Bank, most of the capital — EUR 733.9 million — came to the trade sector, while into the financial sector EUR 658 million has flowed in. The biggest investors are the Netherlands, Austria and Germany, while Hungary obtained the fourth place with its investment. Between 1993 and 2012 Hungary had 2,3 billion EUR investment in Croatia, which is 11,1% of total investments of our Southern neighbour. The majority of investments continue to be focused on

18 DRŽAVNI ZAVOD ZA STATISTIKU, *Statistički ljetopis*, 2011, www.dzs.hr, [2014–07–23]; M. SKENDEROVIĆ, *Csúcson a magyar turisták száma Horvátországban*, Budapest 2014.

service industry, commerce, tourism, banking industry and privatization. However, greenfield investment — essential for the structural change of the Croatian economy — represent a too low portion.¹⁹

Over the past several years, many Hungarian investment was realized, and not only big investors, but also hundreds of smaller companies gained ground in the Croatian market. The most successful investors are MOL, CBA, OTP, Dunapack Trigránit and Fornetti.

The line was opened to the MOL purchasing USD 505 million worth shares, a 25+1% stake in Croatia's national oil company INA (Industrija Nafta d. d.) in 2003. A contract on the sale of INA shares and a shareholders' agreement, under which INA's management and supervisory boards comprise seven members, five appointed by Croatia and two by MOL, are signed by Croatian Economy Minister Ljubo Jurcic and MOL CEO Zsolt Hernadi. In 2006, INA and MOL launched a joint exploration project in the Slatina-Zaláta area designed to secure new volumes of natural gas. In a further privatisation process, on 10 October 2008 MOL increased its share to the current 47.155%, becoming the largest shareholder, with the government's shares being reduced to 44.836% and institutional and private investors holding 8.009% of the shares. In 2009 the shareholders' agreement was amended, increasing the number of INA supervisory board members from seven to nine, with MOL having five, the Croatian government three and the workers one. The Croatian government and MOL has also signed a Gas Master Agreement working out the sale of INA's gas storage location in Okoli to the government as well as the divestiture of the gas business into a separate company and its subsequent sale to the government. In May 2010 at the request of opposition Social Democratic Party, the Croatian parliament set up a commission of inquiry into INA's privatisation. In June 2011 the USKOK (Office for the Suppression of Corruption and Organised Crime) confirmed the launch of an investigation into former Croatian Prime Minister Ivo Sanader on suspicion of abuse of office and taking a bribe of 10 million euros from MOL board chairman Zsolt Hernadi in return for allowing the Hungarian company to have a dominant position in INA. MOL refuted the allegations. However in December 2012 Sanader was sentenced to 10 years for war profiteering in the Hypo case and for bribe taking in the INA-MOL case. Yet in October 2013 an Interpol Red Notice and a European Arrest Warrant were issued for Hernadi. According to the MOL the Croatian authorities were breaching EU law and that it would fight this with all legal means. The problem has not solved yet, it is the possibility of selling the stock in INA. In this case the Hungarian company considers the Croatian state as a potential buyer.²⁰

Among the investment outstands Zalakerámia purchasing nker of sanitary ware factory, Duna-Drava Cement Ltd., which is operating 6 Croatian concrete mixers, and Dunapack, making EUR 23 million investment into corrugated paper manufacturing green-field plant in 2004, employing 140 people The Croatian Nova Banka — renamed OTP Banka Hrvatska in September, 2005 — was acquired by the OTP Bank Group in

19 K. R. SCHERCZER, *Magyar-horvát külgazdasági kapcsolatok helyzete és perspektívái*, 2013. Conference presentation 15 March 2013.

20 MOL Group, *Chronological History*. [Http://www.mol.hu/en/about_mol/our_company/our_history/chronological_history/9](http://www.mol.hu/en/about_mol/our_company/our_history/chronological_history/9), [2014-07-23].

March 2005. OTP Banka Hrvatska, the 8th largest bank in Croatia, has its headquarters in Zadar, and it is the market leader in the Istria peninsula. As of 31 December 2009 OBH's consolidated balance sheet total was HUF 469.3 billion, giving the Bank a share of 3.3% in the Croatian market. In the course of 2009, gross loans rose to HUF 318.5 billion, and thus the Bank's market share was 3.4% at the end of the year. Deposits from customers at year-end were HUF 337.9 billion, representing a market share of 4.2%.

The Hungarian majority owned TriGranit — the 4th largest property development company in Europe — is well positioned to participate in the expanding real estate market. TriGranit's first development in Croatia, the EUR 250 million of the 180 thousand square meter Arena Centar in Zagreb Lestina shopping district, was opened in November 2010. It is a success story of the CBA expansion in Central and Southern European countries such as Croatia, as well as the establishment and extension of Fornetti network. In recent years, increasing attention has been given to investment related to tourism and services, among which the most successful and rapidly expanding one is the Dalmatia Holiday Ltd. The company in 2002 acquired Tribunj marina concession with a capacity of 270 boat for 32 years, in 2003 the Primošten hotel complex and the Kremik port 350 accommodating 350 yachts, then Jelsa Hotel and the Hotel-Ploce on the island of Hvar. Not only the Dalmatia Holiday Ltd, but also many small and medium-sized Hungarian enterprises are building apartments and hotels along the seaside.²¹

As a result of the improving economic relations, the Hungarian-Croatian Chamber of Economy was established in 2006. This institution plays a crucial role in promoting closer economic cooperation between operators, enhancing business ties and investment. In the latter area the Bureau of Foreign Trade of the Hungarian Embassy in Zagreb provides support, while the private company, @konto was also created.

STRATEGIC BORDER COOPERATION ACROSS THE HUNGARIAN-CROATIAN BORDER

The Hungarian-Croatian border region underwent severe changes in the past. However, it has been relatively stable since the end of World War I, when the present borderline was established between Hungary and its Southern neighbour. After Croatia's independence, the borders without any changes have been opened, which means 355 km long borderline, most of which follows the River Drava. Since then strategic border cooperation has emerged along the border such as PHARE, INTERREG, IPA Cross-border Cooperation Program as well as euroregions.

The Hungarian-Croatian cross-border cooperation started in 2003 within the framework of INTERREG PHARE programmes. In parallel the Hungary-Croatia Pilot

21 SCHERCZER, *Magyar-horvát külgazdasági kapcsolatok helyzete és perspektívái*, 2013. Conference presentation 15 March 2013; T. SÜLT, *Befektetési környezet Horvátországban* (információs anyag) a Magyar Köztársaság Zágrábi Nagykövetségének Külgazdasági Irodája, november 2006; SCHERCZER — ZÁVOCZKY, p. 23; A. BAKÁCS, *Horvátország — képes egyensúly az uniós tárgyalások árnyékában*, in: Európa peremén: új tagok és szomszédok, Kelet-Európa Tanulmányok, No. 1, Budapest 2007, pp. 33–47.

Small Projects Fund has been established within the framework of the Hungarian National Phare Programme. Main goal was to support non-profit cross-border co-operation and to prepare potential candidates for future INTERREG funding opportunities.²² One of the success stories is Murania Euroregion covering some territories on the tri-border, which could join the 2003 pilot program as well as the IPA program of 2007–2013. Through the pilot program non-profit organisations implemented 17 projects and they learnt how to use future INTERREG funding opportunities. The other type of cooperation was PHARE External Border Initiative Program supporting flagship projects along the borderline. Thanks to these two projects, the construction works of the bypass road near Harkány, and renovation of Miroslav Krleža Hungarian-Croatian Educational Centre were realised.

The Slovenia-Hungary-Croatia Neighbourhood Programme 2004–2006 (NP) introduced a partnership between Slovenia, Hungary and Croatia. It has a great opportunity externally, such as CARDS/PHARE for Croatia, as well as internally, such as ERDF EU financial sources from the same program. In the first round 28 projects were implemented representing an amount of EUR 5,857,379 involving partners both from Hungary and Croatia. Two of them were trilateral projects, establishing broader partnership, i.e. Slovenian-Hungarian-Croatian partnership. In the second round of call for proposals, Hungarian applicants introduced 179 projects, 103 of which had Croatian partner. On Croatian side there were 112 submissions, 32 of which to be realised together with Hungarian partners. The amount of funding available in Hungary was EUR 6,078,840 and EUR 6,000,000 in Croatia. As a result the experience gathered by these cross-border programs newly acquired skills appeared which contributed to more adequate, precise and of higher quality projects in the period of 2007 to 2013.²³

On the bases of previous programs within the 2007–2013 the Hungary-Croatia IPA Cross-border Co-operation Programme has been implemented by the European Union financial mechanism. The eligible area lies on the South-Western border of Hungary and North-Eastern border of Croatia. The largest part of the border is embraced by the rivers Drava and Mura. The areas eligible on the Hungarian side are the NUTS III counties of Zala, Somogy and Baranya. On the Croatian side, in addition to border counties — Međimurska, Koprivničko-Križevačka, Virovitičko-Podravska and Osječko-Baranjska — four other counties — Varaždinska, Bjelovarskobilogorska, Požeško-slavonska and Vukovarsko-srijemska — participate in the on-going program. The eligible territory of the two countries involved is altogether 31,028 km².

The Programme has non-profit character and thus has been opened to non-profit organisation only, such as county and local governments and their institutions, county or regional development agencies, non-governmental non-profit organisations (NGOs), water and environmental management authorities, national parks and environmental protection areas, public road management authorities,

²² VÁTI, *Sajtóközlemény*, 2005, www.pharereg.hu, [2014–07–23].

²³ *Neighbourhood Programme, Slovenia — Hungary — Croatia 2004–2006*, <http://www.interreg-slohucro.com/modules/vsebina/priloge/173/Programme%20complement.pdf>, [2014–07–23].



MAP 1: Hungary-Croatia IPA Cross-border Co-operation Programme

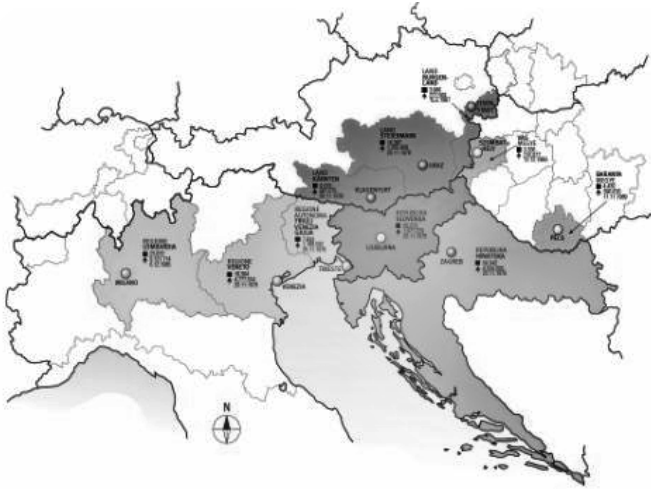
Source: Hungary — Croatia IPA Cross-border Co-operation Programme 2007–2013, <http://www.hu-hr-ipa.com>, [2014–07–23].

tourist boards, universities, colleges, educational and teaching organisations, labour centres.²⁴

The eligible area is predominately rural and natural, the underdeveloped position and the common natural heritage along the rivers Drava and the Danube provide rich basis for co-operation. According to this the vision of the program is “*successful cooperation region of joint heritage*”. Thus the long-term objective for the period 2007–2013 Cross-border Co-operation Program is the facilitation of culture and knowledge based development on the basis of successful management of natural and cultural heritage and intense socio-economic interactions between the two sides in the eligible area. In the programme two priorities with a number of potential intervention areas have been identified. The first priority is Sustainable Environment and Tourism divided into two major strategic aims such as (1) sustainable and attractive environment and (2) sustainable tourism in the Mura-Drava-Danube river area. The second priority is cooperative economy and intercommunity human resources development. The aim of this priority is the facilitate economic ties, including cross-border RDI activity, business contacts, cross-border employment opportunities, promoting the establishment of educational and cultural connections, as well as bilingualism in the Hungarian-Croatian border region.²⁵

²⁴ Hungary — Croatia IPA Cross-border Co-operation Programme 2007–2013, <http://www.hu-hr-ipa.com/uploads/editors/HU-HR%20IPA%20CBC%20Projects%20booklet%202013.pdf>, [2014–07–23].

²⁵ Hungary — Croatia IPA Cross-border Co-operation Programme 2007–2013, <http://www.hu-hr-ipa.com>, [2014–07–23].



MAP 2: The Alps-Adriatic Working Community

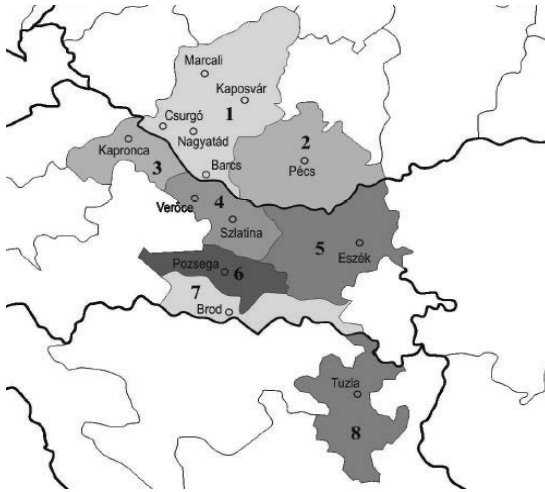
Source: Alps — Adriatic Working Community, <http://www.alpeadria.org/english/index.php>, [2014-07-23].

The other type of strategic border cooperation is the euroregion concept, which has huge history as the first one has been working for more than 30 years. 5 euroregions can be found in which Croatia and Hungary have common projects, namely the Alps-Adriatic Working Community, Euroregion Danube-Drava-Sava, Drava-Mura, Mura-Drava and Murania (latter is described earlier).

The Alps-Adriatic Working Community was founded in Venice on 20 November 1978. By today the Alps-Adriatic Working Community counts 10 members from five countries: Baranya, Burgenland, Friuli-Venezia Giulia, Carinthia, Croatia, Lombardy, Slovenia, Styria, Vas, Veneto. The Alps-Adriatic territory covers a total area of 180,603 km² and is home of about 26 million of people. There are 5 official languages of the Working Community: German, Croatian, Italian, Hungarian, Slovenian, and the annual budget for common projects is EUR 98,000 (2010). From the beginning of its foundation in 1978 the Alps-Adriatic Working Community formed a vivid meeting forum at the interface between East and West. Cultural and linguistic diversity is a clear characteristic feature of the Alps-Adriatic Working Community, being sort of a “Puzzle of regions”. The main concept of the Alps-Adriatic idea is bringing together young people by the main idea “One way — one goal”. The Alps-Adriatic territory covers a territory of 180,603 km², with a population of approximately 26 million people.²⁶

The Danube-Drava-Sava Euroregion links Hungary, Croatia and Bosnia and Herzegovina. The Danube-Drava-Sava Euroregion was established on 28 November 1998, when its statute was signed in Pecs. Since its foundation some new members joined the Euroregion, so that nowadays this trans-border regional union spreads over

²⁶ Alps — Adriatic Working Community, <http://www.alpeadria.org/english/index.php>, [2014-07-23].



MAP 3: The Danube-Drava-Sava Euroregion

Source: L. BALI, *A horvát-magyar határon átnyúló kapcsolatok jelene és jövője*, Budapest, Szepetnek 2012, p. 78.

the area of 28,284 km², encompassing 2,243 settlements, with a total population of 2,454,091 people. The region is formed by 11 NUTS₃ level regional units (counties and cantons), and 713 NUTS₄₋₅ units of local self-management. The basic goals of the trans-border association are to use and exploit natural resources together on the bases of common geographic connection between the members, to make historical connections and relations stronger between the members of this regional association, to improve the position of national minorities and to take part in international and regional projects.²⁷

In order to improve bilateral relations there were some attempts to create smaller euroregions. They were all organized by Zala County or the municipalities located there. The first such initiative, which later proved to be insufficient was Drava-Mura Euroregion founded on 14 September 2001 by the cities of the Slovenian-Croatian-Hungarian tri-border. As the cooperation did not work, in October 2004 the Mura-Drava Euroregion was founded by Međimurska, Zala and Somogy counties.²⁸

²⁷ *Duna-Dráva-Száva Eurorégió Együttműködés*, <http://www.ddseuro.org/portalhu/index.php>, [2014-07-23].

²⁸ Z. KOCSIS, *A Dráva-Mura Eurorégió rövid története*, Nagykanizsa, 2002. augusztus 16, Magyar Köztársaság Külügyminisztériuma, Regionális Együttműködési Főosztály, 2002.

ABSTRACT

Hungary was among the first countries to recognize the independence of Croatia in 1991. Establishment of diplomatic relations on ambassadorial level took place on 16 January 1992. The Hungarian-Croatian cooperation in several areas has become exemplary in the region. Key priorities of the cooperation for both countries include energy policy, defence, development of transport infrastructure, environmental protection and protection of minority rights. High-level meetings are regular, the ministerial consultations are continuous. Bilateral relations are improved by several joint commissions and there is an active and extensive cooperation between the counties and frontier towns of the two countries. Hungarian-Croatian relations are excellent in all areas and the unconditional bilateral cooperation and serve as a model of cooperation in the region, an example of good neighbourly relations without open issues.

KEYWORDS

Bilateral Relations; Neighbour Policy; Political, Economic, Cultural Co-operation; Cross-border Co-operation.

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