

CENTER FOR ECONOMIC AND REGIONAL STUDIES HAS
INSTITUTE OF WORLD ECONOMICS

1112 Budapest, Budaörsi út 45.
Postal address: 1535 Budapest, Pf.: 936
Phone: (06-1-)309-2643; Fax:(06-1-)309-2624,
E-mail: vki@krtk.mta.hu; Webpage: www.vki.hu

I. Main tasks of the Institute in 2013

The Institute worked according to the mission statement as public research institution producing research outputs for both theoretical importance and practical use. Special emphasis was given to the strategic questions determining the future development of the world economy, the European Union and Hungary as a member state and development features of Asia and the Commonwealth of Independent States. Especially much work was devoted to the research of the changing competitive environment of the Hungarian economy: the medium-term trends of the world economy with special regard to the changing production financial and consumption structure, the shift of power relations among the traditional key players and new emerging economic powers (mainly China, India, Russia, Brazil and other emerging market economies) and the resulting new opportunities and risks for Hungary. Research had been carried on concerning the theoretical and practical experiences of global crisis management, the new challenges of the European Union, problems and the economic and political conditions of the successful Hungarian membership. The Institute paid attention to the internal cohesion of the EU, especially the Euro crisis and the resulting growing need for harmonization of fiscal policies as well as the changes in the internal decision making system with the growing importance of the German-French cooperation at the expense of declining role of some collective governance institutions.

The research activity, as well as the main own publications of the Institute dealt with the above-mentioned aspects. The Institute celebrated the jubilee of its 40-year-old existence. The 40 years jubilee conference and the attached volume drew the attention to the fact that during the four decades the management of reemerging external shocks suffered similar problems and cannot be regarded as optimal. Researchers of the Institute called the attention of the general public and policy makers to the changes, challenges and problems, as well as to the international best practice of coping with them both in the field of economic policy and business practice.

II. Main research results in 2013

a) Significant research and other results

In 2013, the Institute of World Economics, Centre for Economic and Regional Studies of the Hungarian Academy of Sciences shrunk considerably due to external factors. Its research team decreased from 36 to 23 employees. This drop brought on the redesign of our research strategy, since this smaller team was not able to cover such a wide spectrum of world economic processes as before. Therefore three research groups were formed, concentrating on three priority research areas: Research Group on European Integration, Research Group on Development Economics and Research Group on Economics of Globalization.

Our researchers took the initiative of formulating the Research Group on International Comparative Studies within the Centre for Economic and Regional Studies of the Hungarian Academy of Sciences. Researchers from the Institute of Economics and the Regional Research Institute have also joined. The Research Group launched a strategic partnership with the Faculty of Economics and Business Administration of the University of Szeged. The cooperation aims at carrying out joint research projects, applying together for research grants and funds. Current research projects include comparative analyses on varieties of capitalism and export-oriented economic development in Eastern Europe.

From the 2013 output of the Institute of World Economics, stands out the book entitled "Crisis and renaissance- Past, present and future in world economy" published by Academic Publishers Ltd (Akadémiai Kiadó Zrt). Studies in this book compare world economic problems in eight different areas, relating them to research results of 30-40 years. All studies start by a synopsis on problems, questions raised 30-40 years ago by researchers working at the Institute at that time, and continue by a contemporary analysis reflecting on the same subject. Comparing ancient and current research results lead to exciting analogies, and emphasize the long term research work the Institute has been carrying out. We presented the book at a jubilee conference organized in the framework of the Hungarian Science Feast. Current and previous researchers of the Institute (among them four academics and three Doctors (Dsc) discussed current world economic problems and changes of foreign markets for Hungarian products during interactive workshops, involving numerous members of the interested public.

As for the changes in Hungarian commercial dynamics, researchers of the Institute examined the realities of an "Eastern opening", widening commercial relations with CIS countries and China. By carrying out the so far most sweeping analysis of the commerce between Visegrad countries and the above mentioned region showed that the EU dominated in the commercial activities of Visegrad countries, but Visegrad exports grew more dynamically towards Asian than towards EU countries. Our major partners are West and Northeastern Asia and China. According to concentration and comparison statistical indicators external trade is highly concentrated, and developed long before the crisis. Global value chains, multinational companies play a determining role in commerce with Asia. The share of electronic and automotive products and components is significant.

Another form of world economic integration is foreign direct investment. Regarding foreign direct investment, the eroding Hungarian FDI attraction capacity was direct consequence of certain economic policy steps. On the other hand, we had significant Hungarian stakes abroad, that did not lose their importance due to the crisis.

Hungarian capital export is concentrated to certain neighbour countries. Major investors are Hungarian subsidiaries of multinational companies and multinational companies based in Hungary (OTP, MOL, Richter, Trigránit).

Reducing FDI attraction capacity, and the relativization of developing and modernisation effects of FDI investments during the crisis and in Hungarian economic policy steps after the crisis lead us to examine whether there is a typical form of economic development in East-Central Europe. In 2013, formerly started research activities were given impetus and integrated into the conceptual and methodological framework of the varieties of capitalism theoretical approach. Our major question is whether our regional development model is a defenceless, multinational companies-driven model with limited independence. Research

carried out in our institute shows that a development model based on foreign investment is a viable alternative, but only results in balanced and sustainable development if the role of foreign investors does not become unilaterally definitive. To prevent that, the state can orientate and influence foreign companies with certain economic policy steps, and compensate or balance the one-sided, potentially damaging effects of these companies' operation. Another possibility is raising the entry point of subsidiaries (and in a wider sense the whole local economy) in global value chains.

Domestic (OTKA) and international (7th Framework Programme) research activity was carried out in several other areas. Research on international tendencies of employment shed light on laws of spontaneous market mechanisms and the influence of capital-reproduction cycle on employment, concentrating on its effects on (paid) employment, and the correspondence of these effects to cycles. Another research comparatively analyzed welfare state models of developed countries, and drew the consequence that welfare models converged during the nineties and after 2000 as well. This process was disturbed by the crisis, governments facing different levels of fiscal challenges. But there were great divergences regarding the number of those dependent on state generosity. Due to the crisis, developed countries' traditional welfare models are coping with more and more important institutional, societal and financial problems.

The University of Pennsylvania published its „Global Go to Think Tank Index Report” this year as well. This report ranks social science institutes worldwide in several areas. In the „Top 50 International Economic Policy Think Tanks” ranking, the Institute ranked 43rd in 2012, and in 2013 we advanced to becoming the 40th. From research institutes with a similar profile, only a Polish institute ranked higher. On this list, no other Hungarian institute is mentioned, but if we take into account the whole report, our Institute is the only social science institute from the Hungarian Academy of Sciences to be mentioned. The list contains famous institutes like Brookings, Bruegel or Chatham House.

b) Dialogue between the scientific sphere and society

The Institute considers it a professional duty to communicate with the society, disseminating its results via popularising science through media, open-door events to get to know the interested audience and the public in a wider sense. This has numerous and regular channels in the Institute.

The Institute launched its responsive short notice series in 2001. Researchers evaluated current events in a professional, scientifically well-grounded but comprehensible way. These series required thorough knowledge, a susceptibility to science popularization and effective editing principles. In 2012, adapting to changing reader demands, the Institute converted its short notice series into a blog, accessible via internet on <http://vilaggazdasagi.blog.hu/>. In 2013, several dozens of Hungarian and/or English posts were published, that aimed at responding both popular and scientific requirements. Major Hungarian news sites published these posts several times, growing the number of our professional lay readers. These materials were published under the Facebook profile of the Institute created in 2012. The Institute is aspires to use communication channels that guarantee far more readers than previous decades' traditional tools. Since the 2012-2013 launch of the blog, we registered 40747 downloads. Certain posts have hundreds of readers. Whenever portfolio.hu or index.hu takes over a blog post, the number of readers amount to 3-4.000.

The fact that several employees of the Institute have courses and give lectures more or less regularly practically all over the country at universities and colleges, plays an important role in institutional publications being used extensively in higher education. Based on feedback, compared to teachers dealing only with higher education, in most cases employees of our Institute due to their research-based theoretical and practical knowledge can present students a set of ideas in a wider context, inciting them to think about economic phenomena in depth. Parts of institutional publications are among compulsory and optional literature at Budapest Business School, King Sigismund Business School, Budapest College of Management, Corvinus University of Budapest

III. Domestic and foreign contacts of the Institute in 2013

International contacts look back to long traditions in the Institute. Its regular research work on international economic questions cannot be carried out without the frequent use of international contacts. This situation has not changed in the age of the Internet either. Personal contacts, field research, regular contacts, co-thinking and communication with foreign colleagues remained important precondition of research work that cannot be replaced with the dumping of information downloaded from the worldwide web. The Institute for World Economy makes therefore important efforts to organize and maintain its international cooperation network. The weak point of this effort in 2013 has been the financial background that should have financed the necessary foreign trips. Unfortunately, one of the basic pillars of financing has been changed to the less advantageous construction in 2013. The so-called bi-lateral scientific exchange programs among the national academies of science were reorganized and centralized. The new system is based on medium-term (2-3 year) scientific cooperation agreements between institutes that define topics and participants of the exchange. This form of cooperation exhibits a rather inflexible framework, which makes personal applications impossible. This is very much unfavorable for the Institute for World Economy, hence colleagues have differing functional areas of research and they are responsible for the in depth research of different countries. Therefore, the organization of a larger research group is difficult, and also irrelevant in most bi-lateral relations. In order to counterbalance the disadvantageous change, the Institute laid larger emphasis on including foreign contacts and trips into the regular research projects using project means to the financing of the regular external contacts.

Besides of the traditional bi-lateral contacts, development of personal linkages is also important. Our Institute is organizational member in a number of international professional associations and organizations (EADI, EACES, TEPSA, WINIR, EIBA, EAEPE, ISA). Also, individual researchers are personal members of these organizations. Colleagues of the institute regularly participate on the conferences, congresses and workshops of these organizations. Participation on the international events is important element of scientific activity of researchers and research institutions alike. Partly, because they serve the international introduction of new research results, partly because the events serve as communication platforms with foreign colleagues that can serve research cooperation, joint publications and the development of joint research projects. IWE initiated several research proposals based on such personal contacts in 2013. Their evaluation is in progress now.

Due to the changes in the financing of the bi-lateral scientific contacts IWE could organize only one bi-lateral scientific conference in 2013 together with the Economics Institute of the Romanian Academy of Science. Our researchers participated among others on the annual conference of ISA in Washington, D.C., the 39th EIBA-Conference, the 30th EU-Taiwan

conference, the 1st ENIC Workshop, the annual conference of EAEPE and several other international events organized by universities or other academic institutions.

The institute aims to develop its domestic connection network as well. The Institute's regular discussion series (IWE Workshops, Europe-Club) are attended by participants of the main Hungarian research institutions, officers of the central government and business representatives. The occasions are suitable not only for the discussion of presented research results but also for networking, the development of joint research concepts and projects. One such result was the connection between the International Comparative Studies research group and the Economics Faculty of the Szeged University. After negotiations on joint research interests in 2013 we started the development of joint research proposals for OTKA and the new H 2020 program in 2014.

IV. Brief summaries of domestic and international projects won in 2013

IWE won three international research grants in 2013. Further three applications are under survey.

A one-year research project titled *Chinese financial assistance in Visegrad countries: myth or reality?* was granted by the International Visegrad Fund. This project does research on the intensifying economic links with China after CEE countries accession to the EU with special regard to Chinese investments in the V4 countries and financial transactions including the purchase of state bonds and credit agreements. In the frames of the project an analysis is carried out on FDI and financial investment activities of the Chinese state and Chinese enterprises in Hungary, Poland, Czech Republic and Slovakia. Also, investment motivations and investors' strategies are analyzed. The international research consortium is coordinated by IWE.

IWE is partner in the second successful project that was tendered by EU-LAC in Hamburg, Germany titled „América Latina Caribe y Europa Central y Oriental”. Consortium leader is CIDOB in Barcelona, another participant is the Asociación Chilena de Estudios Europeos y Regionales, ECSA-Chile. The project aims the mapping of cooperation potentials between Latin-America and CEE. Research is carried out on the main actors of business relations between the two regions, the main characteristics of the bilateral trade and investment activity, dynamics of the business relations in the 2000s. It also deals with the impacts of the free trade agreements in countries of the two regions.

A third participation was contracted in a research project tendered for the European Commission, DG Enterprise and Industry, titled "State Intervention in the Economy by EU Competitors". The aim of this research is to clarify what kind of direct and indirect state intervention is carried out to increase business competitiveness in the main foreign competitors of the EU. IWE prepares the study on South Korea.

IWE applied for three bilateral researcher-exchange programs in the new bilateral academic cooperation network. Three research projects were included in our application with Russian partners:

- changes in the international environment of the Russian economy's modernization process and their impacts on Russian-EU and Russian-Hungarian relations
- varieties of capitalism in the Eurasian regions
- main players of the Russian and Hungarian markets, common and diverging interests in economic cooperation

The general research topic with our Polish partners is economic development in CEE, with the Latvian partners the economic development impacts of economic integration. The final decisions on the submitted three proposals were delayed until March 2014.

V. List of important scientific publications in 2013

Books

Ludvig Zs. - Meisel S. (szerk.): Eurázsiai kérdőjelek. Budapest : MTA KRTK Világgazdasági Intézet, 2013. 165 p. (Kelet-Európa tanulmányok ; 9)

Szanyi M. (szerk.): Válság és megújulás : Múlt, jelen és jövő a világgazdaságban. Budapest : Akadémiai Kiadó, 2013. 203 p. (Nemzetközi gazdaság sorozat)

Book chapters

Inotai A.: Macroeconomic impacts of the 2008-09 crisis in Europe. In: DeBardeleben J. - Vijū, C. (eds.): *Economic crisis in Europe: What it means for the EU and Russia*. New York: Palgrave Macmillan, 2013. p. 21-46.

Szunomár Á.: China's relations with the developing world: a new type of colonialism or a fruitful cooperation. In: Agnieszka McCaleb (ed.): *China's Changing Competitiveness: Shaking up or Waking up the European Union?* Warsaw: Warsaw School of Economics Press, 2013. p. 95-119.

Journal articles

Artner A.: A fiatalok munkanélküliségének kérdéséhez Európa példáján. *Közgazdasági Szemle* 60. évf. 12. sz. 2013. p. 1370-1392.

Biedermann Zs.: The European Union in the global economy. *Acta Oeconomica* Vol. 63. No. 1. 2013. p. 99-102.

Éltető A. - Völgyi K.: "Keleti nyitás" a számok tükrében - külkereskedelem Ázsiával. *Külgazdaság* 57. évf. 7-8. sz. 2013. p. 67-104.

Farkas P.: A világgazdasági növekedés hosszú, közép- és rövid távú hatótényezői 2013-ban. *Statisztikai Szemle* 91. évf. 7. sz. 2013. p. 673-690.

Kiss J.: Válság és világkereskedelem : Kilábal-e a válságból a világkereskedelem?. *Külgazdaság* 57. évf. 3-4. sz. 2013. p. 65-88.

Kőrösi I.: Austrian-Hungarian relations since 1989, the current situation and future perspectives. *Foreign Policy Review* Vol. 9. p. 35-68. 2013.

Ludvig Zs.: Oroszország új világgazdasági szerepben? *Közgazdasági Szemle* 60. évf. 10. sz. 2013. p. 1090-1118.

Simai M.: A szuverenitás a XXI. század formálódó multilaterális rendszerében. *Magyar Tudomány* 174. évf. 4. sz. 2013. p. 459-467.

Somai M.: World's agricultural production and trade : Food security at stake? *International Journal of Biotechnology for Wellness Industries* Vol. 2. No. 4. 2013. p. 182-195.

Sass M. - Szalavetz A.: Crisis and upgrading : The case of the Hungarian automotive and electronics sectors. *Europe-Asia Studies* Vol. 65. No. 3. 2013. p. 489-507.

Szigetvári T.: Törökország gazdasági átalakulása és külgazdasági expanziója. *Külügyi Szemle*